

409 Top 10 Copyright Issues in the Digital Age

Kerry A. Krzynowek

Counsel

Deloitte Consulting

William F. Porter

Senior Counsel, Technology Transactions

E.piphany, Inc.

Johanna L. Werbach

Assistant General Counsel, Intellectual Property & Technology

Moody's Investors Service

Faculty Biographies

Kerry A. Krzynowek

Kerry A. Krzynowek is in-house counsel for Deloitte Consulting in New York. Her responsibilities include providing a wide-range of intellectual property advice for the company, managing the company's intellectual property portfolio, and drafting and negotiating various contracts for the company, including consulting agreements, subcontracting agreements, software licenses, independent contractor agreements, and other agreements with the company's clients and vendors.

Prior to joining Deloitte Consulting, Ms. Krzynowek spent five years as an associate in Morgan, Lewis & Bockius's intellectual property group in the firm's Washington, DC and New York offices, where she specialized in a variety of intellectual property law areas, including trademark, copyright, software, internet, unfair competition, and domain name counseling and transaction.

Ms. Krzynowek received her BA from Syracuse University her JD from Catholic University Law School.

William F. Porter

William F. Porter is senior counsel, technology transactions for E.piphany, Inc., a customer relationship management software company headquartered in San Mateo, California. He is responsible for a broad range of intellectual property and transactions issues, including E.piphany's direct and indirect/channels sales efforts. His primary responsibilities arise from E.piphany's operations domestically, in addition to its operations in the Asia/Pacific and Latin American regions.

Prior to joining E.piphany, Mr. Porter was an associate in the information technology group at the Palo Alto office of Cooley Godward LLP, a Silicon Valley based law firm. Before that, he was an associate and a member of the intellectual property group in the Washington, DC office of Morgan, Lewis and Bockius LLP. He is a member of the California Bar Association.

Mr. Porter received his AB, *cum laude*, from Duke University, and received his JD from Duke University.

Johanna L. Werbach

Johanna L. Werbach is assistant general counsel for intellectual property and technology at Moody's Investors Service in New York. She is responsible for protecting and enforcing Moody's trademark, copyright, and patent rights, as well as drafting and negotiating a wide variety of technology, data, and internet related licensing agreements.

Prior to joining Moody's, Ms. Werbach was vice president and general counsel of Flooz.com, an internet startup located in New York that provides "online gift currency."

Before that, she was a senior associate in the intellectual property and technology group at Morgan, Lewis & Bockius LLP, serving in both its Washington, DC and New York offices.

She is a member of the Pennsylvania, Washington, DC, and New York state bars, and is a member of the Computer Law Association, as well as the New York New Media Association. She recently delivered a keynote presentation at the International Trademark Association Annual Meeting, and speaks regularly on intellectual property and technology issues.

Ms. Werbach received her BA from Swarthmore College, and her JD from Harvard University Law School.

Top 10 Copyright Issues for the Digital Age*

Copyright protects original works of authorship that are fixed in any tangible medium of expression. Copyright extends only to the expression of an idea, and not to the idea itself. Copyright protection provides copyright owners with the exclusive right to control the reproduction and distribution of such works, and the creation of derivative works based on the original works, among other rights. The purpose of copyright protection is to encourage creativity and the dissemination of creative works so that the public will benefit from a larger pool of works from which to draw and to encourage the creation of new works. To this end, copyright law provides authors with a "limited" period of exclusive rights in and to their works (which for corporate works is now the earlier of 95 years from first publication or 120 years from creation). Once that limited period has expired, the work becomes part of the public domain and free for all to use.

Copyright protection has changed dramatically since its beginning under the 1909 Copyright Act. Under that Act, a number of formalities were required for copyright protection to exist, including having to register a work with the U.S. Copyright Office and affixing a copyright notice to every copy of the work. Assuming a copyright owner complied with the statutory requirements, copyright protection extended only for an initial 28 years, with the opportunity of renewing the work for only one additional 28 years of protection.

The Copyright Act has changed dramatically over the years to keep up with modern advances in technology. This article focuses on recent changes to the Copyright Act and to the application of the Copyright Act in this Digital Age.

1. Copyright Notice

Copyright notice (the circle with the "c" inside, plus a year, and the name of the copyright owner) creates considerable misunderstanding, both inside and outside the legal community because at one time it was a requirement for protection to exist and now it is not. Under the current law (the 1976 Copyright Act), copyright protection subsists in original works of authorship from the moment the work is fixed in a tangible medium. This means, as soon as an author writes something down on paper or types it into his or her computer, or a programmer authors a particular piece of source code, copyright protection has already attached if the work (assuming that the work is original). Accordingly, because copyright exists as soon as a work is fixed in tangible medium of expression, copyright protection subsists regardless of whether copyright ownership is identified using a copyright notice.

Of course, there are still good reasons to place a copyright notice on your copyrightable works. First, it puts third parties on notice that you are the owner of the work and serious about your copyright, which may makes them less likely to reproduce your materials. It will also eliminate the copyright defendant's ability to mitigate his/her damages by claiming innocent infringement.

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A proper copyright notice is very simple: it contains the copyright notice symbol, or the work "Copyright," the year in which the work was created, and the name of the owner. (e.g. © 2001 XYZ Company)

***Punchline:** The inclusion of proper copyright notice makes sense because it comes at near-zero cost, but can produce highly valuable benefits. However, failure to include such copyright notices does not jeopardize your ability to enforce copyrights.*

2. Work Made for Hire Online

Unlike works created by a company's employees, of which the organization is automatically deemed the author and the owner, works created for an entity by independent contractors, generally do not constitute "works made for hire" within the meaning of the Copyright Act. In most cases, absent a written assignment from the independent contractor to the hiring entity, the company will not own the work product it requested despite the fact that it financed its completion. As more and more companies rely on the services of independent contractors to create a variety of copyrightable works for them (e.g. software, marketing materials, etc.), it is important to ensure that companies get what they pay for. The "work made for hire" rules have not changed as a result of the Internet. However, the Internet has created a whole host of new types of work products that many organizations do not have the expertise or capacity to take on internally. Such new products include the creation of web sites and software applications to manage, operate, and host those sites. The advent of these new products will inevitably necessitate the increased need for independent contractors.

In *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), the Supreme Court held that only two types of works constitute "works made for hire" within the meaning of the Copyright Act. The first are works created by employees within the scope of their employment. The second are a limited class of nine types of "specially ordered" works created by independent contractors if the parties agree in writing that the work will qualify as a "work made for hire." The nine classes of work that fall into this second scenario are: a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a test, answer material for a test, and an atlas. Because web sites, software applications, computer databases, and other works that organizations are hiring third parties to create for them to compete in today's electronic marketplace do not likely fall within this category of "specially ordered" works, it is important for an organization to ensure that it has an appropriate document in place specifying that the hiring party will receive all rights, including copyright rights, in the works.

The copyright assignment is generally included in the overall agreement with the independent contractor which sets forth the work product requested, the price to be paid, and other terms and conditions pursuant to which the work will be performed. A sample copyright assignment provision is set forth below:

- (a) *Contractor agrees that Company will own all right, title, and interest in and to the Works. Contractor acknowledges that the Works shall be considered "works made for hire," as that term is defined in the United States Copyright Act of 1976, 17 U.S.C. § 101.*
- (b) *To the extent that any of the Works are not deemed "works made for hire," Contractor hereby assigns, grants, and conveys and agrees to assign, grant, and convey to Company all right, title, and interest in and to the Works, including all copyright rights in the Works. The foregoing rights include, but are not limited to, (i) all rights to register the copyright in the Works, and (ii) all causes of action related to such copyright rights, whether such causes of action are pre-existing or arise in the future.*
- (c) *Without any additional consideration, Contractor will execute and deliver any and all further documents that Company reasonably determines may be desirable to perfect its ownership of any intellectual property rights, including any copyright rights, in any of the Works.*

This provision is useful because it can be used for either independent contractor scenario. If the works fall within the nine categories of "specially commissioned" works, paragraph (a) would apply. If the works do not, then paragraph (b) provides for the necessary copyright assignment. The provision is designed to be the operative assignment document, but just in case paragraph (c) is as well because it requires the independent contractor to agree to sign future documents confirming the assignment of the works to the hiring party without any further consideration.

Punchline: *When hiring an independent contractor for web site services, incorporate an intellectual property ownership provision both defines his work as "work for hire" and states that if the work is found not to be a "work for hire" that all copyrights are assigned and conveyed to the web site owner.*

3. Fair Use Online

Fair Use is a defense to a claim of copyright infringement. To determine whether copying constitutes a fair use, courts apply a four-part test: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used in relation to the work as a whole, and (4) the effect of the use on the potential market for or value of the work. *See* 17 U.S.C. § 107.

Until the recent hype around Napster, perhaps the most well-known fair use case was the Supreme Court's ruling in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), that 2 Live Crew's 1989 parody son of Roy Orbison's "Oh, Pretty Woman" was a fair use. Interestingly, the recent Napster case also pertains to copying of songs. In particular, the ability of Napster users to share and copy MP3 music files through the Napster web site. Unlike the holding in *Campbell* however, in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001), the Ninth Circuit upheld the district court's ruling that use of the Napster site to share and copy copyrighted songs was not a fair use. The remainder of this section will compare the two rulings to determine

whether the different holdings resulted from the online context surrounding Napster or simply from a different set of facts.

With respect to the application of the first fair use factor, the purpose and character of the use, a court focuses on two points: (1) whether the use is of a commercial nature, and (2) whether the new work is "transformative" – in other words to what degree, if any, is the new work different from the original. In *Campbell*, the Court found that 2 Live Crew's use of the work was of a commercial nature. However, that fact appeared to have been outweighed by the Court's finding that group's parody song was a transformative work with a further purpose and different character than the original. Accordingly, in *Campbell*, the first factor weighed in favor of a finding of fair use. In Napster's case, the court found that using the Napster site to share music files constituted a commercial use. Furthermore, it also found that downloading MP3 files was not a transformative work, but merely a retransmission of the original in a different medium, thus weighing against a finding of fair use.

The second fair use factor, determining the nature of the copyrighted work, recognizes that not all copyrightable works are subject to the same level of copyright protection. Creative works are within the "core" of copyright protection and entitled to a greater degree of protection than other works, such as a compilation of facts. In both the 2 Live Crew and Napster cases, the courts found that the songs at issue were very creative and thus within the core of copyright's protective purpose, which cut against a finding of fair use.

In applying the third fair use factor, courts look to the amount of the work copied. Copying the entire work or a significant portion of the work generally strikes against a finding of fair use. Although, taking a small portion of the work can also strike against a finding of fair use if the portion that was copied was the "heart of the work." In *Campbell*, because the new work at issue was a parody, the Court found that more copying was necessary in order for 2 Live Crew to conjure up the original in the minds of the listeners. Therefore, the fact that the group had copied quite a bit of the original did not necessarily prevent a finding of fair use because it was essential to parody the original song. In Napster's case, the court found that Napster users simply engaged in wholesale copying because the entire music file was transferred and there were no mitigating factors to account for such wholesale copying.

The fourth fair use factor considers how the market will be impacted by the new use of the work (e.g. was the copyright owner deprived of license fees to which it would otherwise have been entitled?). In *Campbell*, the Court found that the group's parody would not displace the need for the original in the marketplace. In Napster's case, however, the court found that use of the Napster site harmed the market because it not only reduced audio CD sales, but it also raised the barriers to entry into the music market.

In short, it appears that the different rulings in the biggest fair use cases in the offline and online contexts did not result from the difference in the traditional vs. digital mediums in which the copying took place, but rather from a different set of facts. While 2 Live Crew's "Pretty Woman" parody song was transformative and did not have an effect on the marketplace for Roy Orbison's original song, use of the Napster web site to share MP3 music files amounted to

wholesale copying because they had no transformative value and had a detrimental effect on CD sales.

Punchline: *The traditional fair use factors are applied to Internet copyright infringement cases. The success of a fair use defense is highly fact specific.*

4. Vicarious Liability for Third Party Infringing Content

Most corporate web sites incorporate at least some third party content, whether it is licensed from a third party, or comes directly from the company's customers, in the form of material posted on a chat room or bulletin board. In certain circumstances, the company hosting a web site containing infringing material can be liable for copyright infringement, even if the material originated with a third party.

Under the doctrine of contributory infringement, a company may be found liable for the infringing conduct of others when it knows of the activity and induces, causes, or materially contributes to the infringing conduct. Under the doctrine of vicarious liability, a company may be found liable for the direct infringing conduct of others when the company has the ability to control the conduct of the infringing party and when the defendant financially benefits from the infringing conduct, even when the defendant has no actual knowledge of the infringing activity. Thus, web site owners must be cautious and ensure that employees and/or independent contractors designing or servicing the web site do not copy any textual material, designs, symbols, pictorial images, logos, or other protected material from other web sites or sources without authorization.

The Digital Millennium Copyright Act (DMCA), 17 U.S.C. § 512, which was signed into law by President Clinton in 1998, provides limited safe harbor protection for web site owners confronted with copyright infringement claims based on third party content. The Act actually provides four different "safe harbors" applicable to different activities relating to third party copyright infringement, including (a) transmitting, routing, or providing connections for transmissions; (b) systems caching (discussed below); (c) information residing on systems or networks at the direction of users; and (d) providing links to infringing materials. Most corporate web site owners will be primarily concerned with the safe harbor relating to information residing on systems or networks at the direction of users (as this will cover chat room and bulletin board postings, as well as material stored on a company's network by its employees and contractors), as well as the linking provisions which are discussed further below.

Although the law is largely untested, early cases suggest that adherence to its requirements can effectively limit a web site owner's liability for third party copyright infringement on the owners' site. The definition of "service provider" under the Act with respect to the last three safe harbors mentioned above is very broad, and arguably includes any entity that operates a web site or search engine, links to another web site, provides network connections to users, or operates an e-mail server. Thus, most companies can take advantage of the Act's provisions.

The basic requirements to obtain the benefit of the safe harbor with respect to information residing on systems or networks at the direction of users are:

- a) Register a designated agent to receive any copyright infringement claims with the Copyright Office ("Designated Agent") and make available information regarding such Designated Agent on your web site. Registering a Designated Agent at the Copyright Office involves completing a simple form called an "Interim Designation" available on the Copyright Office's web site at www.loc.gov/copyright, along with a \$20 filing fee. The only information required is the name and address of the business, the name and contact information for the Designated Agent, and the dated signature of an officer or representative of the company. The same information needs to be made known to the public, which is often accomplished by posting the Designated Agent information on a company's web site. Many companies choose to include this information in the User Agreement or Terms of Use for the Site, under the heading "Claims of Copyright Infringement."
- b) Be prepared to respond to any copyright infringement claims as the statute requires if the web site receives notification of alleged infringement. The Act requires that a web site owner "act expeditiously" to remove, or disable access to material after receiving notice conforming with the requirements of the Act (as stated below) that the web site contains material infringing the copyright of a third party. This includes removing links to other web sites with infringing information. In certain circumstances, web site owner can be held vicariously liable for the infringing material on a linked-to site. *See Universal Studios, Inc. v. Reimerdes*, 111 F.Supp.2d 294 (S.D.N.Y. 2000) (discussed more thoroughly in Section 2). Generally, there is no liability for the removal of material that is ultimately determined to infringe if the removal is in compliance with the Act (such as informing the user who posted the content that the material in question has been removed), so that it will always benefit a web site owner to respond promptly.

Note also that a user who has been notified that his or her material has been removed may provide counter-notification to the web site owner, provided this counter-notification meets certain requirements. In the event a valid counter-notification is received from a user, the initial complainant must be provided with a copy and the material must be restored to the site, unless the initial complainant has filed a court order restraining the user from engaging in infringement, in which case no restoration of content is required.

- c) Implement policies that address copyright infringement and the termination of repeat infringers, and inform users of those policies. The safe harbor under the Act is only available if a web site owner has certain policies in place and its users are aware of these policies. A web site owner, therefore, must adopt, implement, and inform its users of a policy that provides for the termination of users who are repeat infringers. These policies should be included in its terms of use or terms of service. Implementing and maintaining such policies are very important, as Napster discovered in its case against the major recording labels. *See A&M Records, Inc. v.*

Napster, Inc., 239 F.3d 1004 (9th Cir. 2001). Napster claimed that it was a "service provider" protected by the safe harbor of Section 512, but the court found that it did not meet the statutory standards because, among other reasons, it was late in implementing a policy providing for termination of the accounts of users who repeatedly infringe copyrights. For employers providing network connections to employees, appropriate policies can be included in an employee manual.

The Section 512 Safe Harbor provisions can be used as a powerful sword as well as a shield for copyright owners. In cases where individual users are posting materials that infringe an owner's copyrighted works, the copyright owner can provide the service provider's Designated Agent with "notification" and request their removal. Notification must substantially include the following elements: (a) a signature of a person authorized to act on behalf of the copyright owner; (b) identification of the infringed copyrighted work; (c) identification of the infringing material and information on how to locate it; (d) information reasonably sufficient to contact the complaining party; (e) a statement that the complaining party has a good-faith belief that use of the material in the manner complained of is not authorized; and (f) a statement that the information in the notification is accurate and that the complainant is authorized to act on behalf of the copyright owner.

By providing this notice, a copyright owner may be able to force a service provider to remove allegedly infringing material from its systems, and shift the burden of action from unknown individuals to the web site owner. In addition, Section 512 also allows a copyright owner to request a subpoena to identify an alleged infringer, which again can be helpful in the context of chat rooms and bulletin boards, where individuals use screen names and do not identify themselves.

Punchline: *To reduce contributory and vicarious copyright infringement liability, web site owners should comply with DMCA § 512 safe harbor provisions by: registering a designated agent for service with the copyright office, responding promptly to claims of infringing material posted on the web site, and implementing an appropriate web site copyright infringement policy.*

5. Electronic Rights Licensing Issues

The Supreme Court's recent decision in *New York Times Company, Inc. v. Tasini*, 121 S.Ct. 2381 (2001), has tangible implications on the licensing of intangible rights in the digital age. The case involved a claim by freelance authors who claimed that the licensed rights they had granted to the New York Times and other publishers to publish certain articles did not permit the publishers to disseminate those articles electronically. Although the Copyright Act generally permits the publisher of a collective work (such as a newspaper) to use licensed material in revised editions of that collective work, the Court found that § 201(c) of the Act did not extend electronic versions of the collective work where such version displayed the article in a different manner than the original. The Court's holding was based on the fact that electronic versions of materials do not appear in electronic form as they did in the original. For example, the layout, format and graphics and advertisements accompanying an article would not be seen by the reader of a text-only version of the electronic copy of that article. Accordingly, the Court held that the electronic

version of the articles at issue in the *Tasini* case did not qualify as a permissible "revision" and, therefore, could not be electronically disseminated absent the author's permission.

As a result of this holding, any organization that licenses publication rights from authors for use in a collective work should ensure that those rights include an express license grant to make electronic copies. A sample license grant for this purpose is set forth below:

Contractor hereby grants to Company a non-exclusive, worldwide, perpetual license to edit, publish, republish, use, reuse, reproduce, translate, distribute and disseminate the Works in any form of media (including, digital electronic form) and in any manner (including, via the Internet), whether now known or hereafter devised.

Please note that if your organization is requesting the right to be either the first publisher or the exclusive publisher of material, then the foregoing license does not address such scenarios, although the underline language resulting from the *Tasini* case will continue to be just as relevant.

Punchline: *Web site owners should obtain consent from authors before posting any electronic version of a written piece of authorship that was not originally in electronic form, or which express permission would not apply.*

6. Copyright Issues Arising from Web Site Development Agreements

During the negotiation of a web site development agreement, tension often arises between the web site developer and the customer over the ownership of any intellectual property rights in various aspects of the web site and development tools. The client typically wants to retain ownership of the web site and all of its components to ensure that the web site is easily portable to a different host and/or transferable to a new development team should the need arise, and to retain the ability to reuse the site or any part of it in other projects or media. The developer, on the other hand, typically wants to make certain that it owns rights to the intellectual property in order to use expertise gained and related code in subsequent projects. A web site development agreement needs to address these key intellectual property ownership issues.

The web site aspects and development tools addressed in the intellectual property provisions of a web site development agreement may include web site content, customer trademarks, the overall "look and feel" of the site and the underlying technology and software. These materials may be information created and/or contributed by the customer, pre-existing materials previously created and/or used by the developer, work created by the developer under the agreement, or third party materials.

Ownership issues relating to the customer materials and the pre-existing materials are rarely controversial. Typically, the customer owns any intellectual property rights (including copyright) in content created by the customer. Likewise, the developer retains any intellectual property rights (including copyright) in its pre-existing content and tools. A customer often chooses a

particular developer based on its previous web site development experience. Such experience often is of great value to the customer. In the development process, both customer and developer can benefit by the developer saving time and money through the utilization of its pre-existing content and tools. Although the developer retains its copyright rights in these materials, the client should negotiate a perpetual license to use these materials in connection with the operation of the web site.

The most difficult question regarding copyright ownership in web site development agreements relate to the materials created by the developer specifically for the customer's web site. The client may want to own these materials to preclude use of unique aspects of the customer's web site by third parties, especially competitors. The developer will likely also want to own these materials to add them to its collection of pre-existing content and tools for future development work. One method for resolving these competing interests is for the developer to own any intellectual property rights in these materials with a grant of a broad, perpetual copyright license to the customer allowing the use, reproduction, distribution, and modification of these materials. If the customer is concerned about the developer using these materials on a competitor's web site, or creating a future site that has a similar "look and feel" to the customer's web site, the parties may work out a non-compete provision that addresses these concerns.

If the customer is to own the intellectual property rights in any work created by the developer, the agreement should include an assignment provision similar to that included in Section 2 ("Work Made for Hire Issues Online") above. This is important because, as discussed above, neither "web sites" nor "software" are itemized as "works made for hire" under the Copyright Act, and therefore the customer should also always obtain an assignment of all the developer's rights in the work to the customer. Further, even if the customer owns the intellectual property rights in the work, the developer will likely seek to obtain a perpetual license to use know-how or non-client specific elements of the work, in order to use the learning obtained through building the client's site for other projects.

With regard to materials owned by third parties, each party should make sure these materials are properly licensed or that the contributing party has otherwise secured the appropriate rights to such material. In addition, the development agreement should contain a representation by each party that the content created and/or contributed by each party does not infringe or violate the intellectual property rights of third parties.

In the event that the customer does not own the intellectual property rights associated with the entire site as a "work made for hire," parties to a web site development agreement may enter into a separate agreement with a source code escrow agent. The agent typically holds the web site source code in escrow, and in the event that the vendor goes bankrupt or is otherwise not fulfilling its obligations under the development agreement, the customer may obtain the source code. The customer needs access to the source code to enable itself or a third party to continue development of the web site or to host the web site without the assistance of the previous developer. The development agreement and the source code escrow agreement will describe the events upon which the agent is to release the source code to the customer. These events typically include the bankruptcy of the developer and termination due to the developer's breach.

A separate but related issue relating to copyright ownership is whether and how the developer will receive "credit" for designing the site. The developer will typically want to have a "powered by" or "designed by" credit at the bottom of the home page or other key pages of the site, along with its logo which links to the developer's site. From a customer's perspective, this may be distracting, or worse, drive traffic from its web site to the developer's site. Two possible compromises are to have a credit acknowledging the developer without a link, or to have the "credit" link to a pop-up window from which he or she must return to the original web site. In some cases, the developer may request a copyright notice stating that the developer is the copyright owner. Before agreeing to this, a company must be sure that the developer truly owns the copyright in the work as a whole (in most cases, the developer will not).

Punchline: *A well-drafted web site development agreement can minimize various potential legal disputes between the web site developer and the web site owner and should include who retains ownership of various intellectual property rights associated with the web site, and how or if the web site designer will receive public credit for his design of the site.*

7. Linking, Framing, Crawling, Caching

The Internet's basic structure, which allows users to hypertext link from one document to another easily and quickly, and search content on other sites, has led to unique copyright challenges for companies wishing to protect their content and utilize third party content. Four activities that are at the forefront of legal debate regarding copyright protection are linking, framing, crawling, and caching.

A. Linking

A hyperlink or "link" is an image or text area on a web page that links to another web page or another location within the same page. Hyperlinks simplify navigating the web because it allows web site developers to cross-reference related materials, and obviating the need for users to type in an entire URL each time a new site is reached. Although hyperlinking alone does not violate the Copyright Act because there is no duplication involved, *Ticketmaster, Inc. v. Tickets.com, Inc.*, 2000 U.S. Dist. LEXIS 4553 (C.D. Cal. 2000), there are various trademark infringement, trademark dilution, and unfair competition issues raised by the practice of "deep linking," or linking to an interior page of a site and bypassing the linked site's home page. *See Ticketmaster Corp. v. Microsoft Corp.*, No. 97-3055 DDP (C.D. Cal. filed April 28, 1997). In that case, Ticketmaster argued that Microsoft's unauthorized link to Ticketmaster's web site implied an association and affiliation between the two corporations that did not exist.

In addition, linking raises the important copyright issue of whether a link to a site containing copyright infringement can cause the linkee to be vicariously or contributorily liable for such infringement. This occurred in *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry*. 75 F.Supp.2d 1290 (D.Utah 1999). In that case, a court granted a preliminary injunction against the defendant where its web sites actively encouraged users to link to and copy from infringing sites.

Such linking liability can be reduced if you think before you link. Companies should avoid linking to sites that present a reasonable likelihood of containing infringing information, and should post prominent disclaimers concerning linked sites to let users know that it is not responsible for the content on linked sites. Linking agreements may be appropriate to allocate risk in some cases. In addition, the DMCA provides a limitation for service providers that have linked to sites containing infringing material under Section 512. In order to enjoy the safe harbor, a service provider must not have actual knowledge of the infringement on the linked site, must not be aware of facts or circumstances from which infringing activity is apparent, and cannot receive any financial benefit from the infringing activity where the service provider has control over such activity. When a site owner receives notice of infringement on the linked site as required by the Act, it must remove the link as soon as possible and adhere to the other requirements of the Act.

In a recent case, a federal district court in New York found a group of web site owners did not fall into the safe harbor provision of the DMCA and enjoined them from posting infringing material on their web site as well as electronically linking their site to others posting similar material. See *Universal City Studios, Inc. v. Reimerdes*, 111 F.Supp.2d 294 (S.D.N.Y. 2000). In this case, the defendants discovered how to crack the encryption code that protects DVDs from duplication. The defendants immediately posted this de-encryption program on their web site and encouraged other web sites to post the set of instructions as well. The defendants established a number of links to other sites that provided the de-encryption program as well as similar information. Although the defendants claimed First Amendment freedom to post this information and establish links with other web sites, the court issued a permanent injunction prohibiting the activity because the web site owners knew that the infringing material was on the linked-to site, the de-encryption technology could not be lawfully accessed, and the links were created for the purpose of spreading the infringing information.

B. Framing

Framing is an activity related to hyperlinking. As its name implies, it involves a web site owner linking to third party content and "framing" it within its own site. The seminal framing case was *Washington Post Co. v. Total News*, No. 97-1190 (S.D.N.Y. 1997), in which Total News ran a news aggregation portal that featured the content of many major news providers. The third party services were identified by their respective trademarks, and their content was displayed within a window that obscured the news services' own advertisements. Although the case was settled without any rulings, it illustrates the risk inherent in framing third party content. In another prominent linking case, *Futurdonics Inc. v. Applied Anagramics, Inc.*, No. 97-56711, 1998 U.S. App. LEXIS 17012 (9th Cir. 1998), Futurdonics sued Applied Anagramics, Inc. (AAI) for copyright infringement because AAI framed Futurdonics web site containing copyrighted material with a border that included AAI's logo and links to its web sites. Though no preliminary injunction was granted against AAI for copyright infringement due to framing because damages could not be demonstrated, the case implies that those who frame another's web site containing copyrighted information without permission could constitute infringement.

Framing content can expose a web site owner to a variety of claims, as the Total News case demonstrated, including trademark infringement, false designation of origin under the Lanham Act, unfair competition, and of course, copyright infringement. A copyright claim arises from

framing because the content within the frame is being copied without the copyright owner's permission, and if substantial, would not be a fair use. Companies should also be aware that registering the copyright in their own web site within ninety days of publication is a powerful tool in combating third parties who frame their content. Copyright registration entitles an owner to statutory damages under the Copyright Act without the need to prove actual damages, which is particularly relevant to framing, where it may be difficult to prove actual damages arising from the framing activity.

C. Crawling

Crawling is the activity of searching the World Wide Web's pages using remote agents, called web crawlers, spiders, or bots. This activity poses novel copyright issues. Spiders copy web pages for indexing and caching purposes. When providing results, some of these devices generate results that provide the entire web page or image searched directly to the user, rather than just listing the results in the form of a list of links. Others aggregate content from several sites to create a more complete content index. Several content owners have asserted that some or all of these crawling-related activities infringe their copyright in the work (among other claims).

These web crawlers, also called "scrapers" or "data aggregators" have posed unique legal complexities in the financial information and banking services industries. Web sites such as OnMoney.com, Yodlee.com, and VerticalOne.com gather member's personal information from a variety of on-line sources and provide one web site for members to view all personal information, such as bank balances, mutual fund and stock performance, and even frequent flyer mileage. Members simply give authorization and provide these data aggregators with the login name and password for each of the web sites. Of course, banks are not happy about the new data aggregators because customers are less inclined to visit the banking institution's web page if the aggregator is accessing the financial information on a separate site.

First Union National Bank implemented technical requirements for these "web crawlers" to attain on-line information in an effort to maintain customer security and privacy. *See First Union Announces Internet Requirements for Aggregator Companies in an Effort to Address Customer Security and Privacy Concerns*, First Union Press Release, Dec. 30, 1999, available at <http://personalfinance.firstunion.pf/press/item/0,2907,22800.html>. After a web crawler violated their stated requirements, First Union brought suit against the information aggregator. *See First Union Corp. v. Secure Com. Serv., Inc.*, No. 3:99CV519H (W.D.N.C. filed Dec. 30, 1999). The case was settled when the web crawler agreed to follow First Union's Internet access requirements.

In general, search engines are "Information Location Tools" under the DMCA, and can benefit from the safe harbor of Section 512 relating to linking to sites with infringing content, provided they meet the qualifications noted above, and (a) appoint a Designated Agent to receive notice of infringement; (b) adopt a policy to terminate users who continually infringe third party copyright; and (c) upon receiving proper notice, promptly remove links to infringing materials.

However, to the extent the search engines do more than simply display links, and rather fully display searched content or aggregate it on the engine's own site, it makes it more difficult to

argue that the DMCA applies. Two recent cases in which content owners challenged search mechanisms owners were *Kelly v. Arriba Soft Corp.*, 77 F.Supp.2d 1116 (S.D. Cal. 2000), and *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F.Supp.2d 1058 (N.D. Cal. 2000). In the first case, the plaintiff requested summary judgment against the defendant for copyright infringement based on the defendant's visual search engine on the Internet that retrieved plaintiff's photos and made them available to the defendant's users in the form of thumbnail images. The court found that use of such a visual search engine was a prima facie copyright violation, but was justified, based on the circumstances, under the fair use doctrine. In the second case, the popular auction site eBay sued Bidder's Edge, a site that used "bots" to crawl auction sites including eBay and then aggregate the complete listings of items found on the Bidder's Edge site. Among other things, eBay alleged this activity constituted copyright infringement. The court rejected the copyright claim but granted a preliminary injunction against Bidder's Edge based upon a trespass to chattel theory; the case eventually settled. These early cases suggest that crawling activities can expose a web site owner to copyright liability if care is not taken to limit the amount of material generated by the search.

D. Caching

Caching is the act of storing third party content on a web site's own server in order to facilitate indexing the content, or to make it more easily available to users. While literally this activity would constitute copyright infringement, most caching activity is protected by fair use principles and the DMCA. The Act limits the potential copyright infringement liability of service providers who cache material through an automatic technical process for the purpose of making the material quickly and conveniently available to users of the system or network. To take advantage of this safe harbor, the service provider must not originate the infringing material, must not change or alter the material, must keep the cache updated regularly, must pass on to the copyright owner any user information collected, and must not allow unauthorized access to material restricted to the copyright owner's subscribers (such as material which is password protected). Although some caching activities may not be covered by the DMCA, other defenses to infringement such as fair use or an implied license from the copyright owner will likely apply provided that caching only involves temporary copies.

Punchline: *Web site owners should avoid linking to sites that present a reasonable likelihood of containing infringing information and include language on their web sites that disclaims responsibility for material on linked sites. Web site owners should also exercise caution in framing. If a web site offers a search function, the search results should report findings in a non-infringing manner. Finally, web site owners should take steps to comply with the caching safe harbor under the DMCA by merely storing temporary copies of web pages without any modification or alteration.*

8. Database Protection

Historically, authorities have vigorously debated copyright law as it applies to databases because copyright law protects tangible expression and not the underlying idea). Copyright law has never been applied to "facts" alone, however, because an author could exclude others from using

certain facts in their creative works and thereby inhibit the development and dissemination of creative genius. Databases, as the argument ran, are mere lists of facts, and hence should not be subject of copyright law, despite the contrary argument that the organization of facts into coherent databases necessarily required at least a minimal amount of creativity and originality. Database creators have argued that most databases should be afforded at least some copyright protection because there is at least some creativity in the selection and arrangement of the facts.

In 1991, the United States Supreme Court settled what had become a troubling legal debate by deciding definitively that databases that contained the minimal amount of originality required by copyright law were protected (subject, of course, to the caveat that the copyright in a database would not mean that an author possessed exclusive rights to the underlying facts). *See Feist Publications, Inc. v. Rural Telephone Services Co., Inc.*, 499 U.S. 340 (1991) (holding that a telephone service provider was not entitled to copyright protection of the directory it published because it simply arranged information provided by customers in alphabetical order). Not lost in the Supreme Court's discussion was the point that the "sweat of the brow" doctrine is not the touchstone of copyrightability. Rather, protectability should be predicated solely on a work's originality rather than an evaluation of the level of effort that an author has expended in creating the work. Subsequent courts have followed *Feist* and required a minimal amount of creativity and originality for databases to receive copyright protection. *See e.g., Matthew Bender & Co., Inc. v. West Publishing Co.*, 158 F.3d 674 (2d Cir. 1998) (holding that West's modifications to court opinions such as procedural history, attorney information, and parallel citations were not original enough to obtain copyright protection); *Victor Lalli Enterprises, Inc. v. Big Red Apple, Inc.*, 936 F.2d 671 (2d Cir. 1991) (holding that horse racing charts lacked requisite creativity because the horseracing charts were purely functional and dictated by convention). Therefore, databases are more likely to receive copyright protection the more the selection and arrangement of the information is deemed creative and original.

Two illustrative cases demonstrate where courts have found creative selection and arrangement and extended copyright protection to factual databases. In the first, *Corsearch, Inc. v. Thomson & Thomson*, 792 F.Supp. 305 (S.D.N.Y. 1992), the court found that a state trademark database had established creative selection, arrangement, data enhancement, and programming to receive copyright protection. Central to the court's finding of copyright protection was that the database creators had modified the raw facts to facilitate search and retrieval of information. The second case, *Montgomery County Ass'n of Realtors, Inc. v. Realty Photo Master Corp.*, 878 F.Supp. 408 (D. Md. 1995), *aff'd*, 91 F.3d 132 (4th Cir. 1996), held that a Multiple Listing Service database, containing marketing puffery regarding properties and an elaborate organization system, also exhibited sufficient originality to obtain copyright protection.

With the protection of databases now unquestioned and the advent of increasing numbers of highly valuable databases, database proprietors are now looking for ways to further extend the protection of their databases to preclude the appropriation of some or most of the information contained within those databases. In the past five years, authorities in the United Kingdom and in the European Community have provided greater database protection than the United States. Opponents of this approach argue that institution of *sui generis* protection of databases will lead to "information monopolies," and that other branches of the law (such as trade secret) afford

database proprietors effective and efficient protection for their investments and offer to the marketplace sufficient incentive to ensure the continued creation of useful factual compilations.

In 1999, the House of Representatives considered two proposals that would serve to increase database protection while maintaining public access to facts and information in the United States. See H.R. 354, 106th Cong. (1999); H.R. 1858, 106th Cong. (1999). H.R. 354 provided expansive copyright protection to databases, as well as civil and criminal sanctions for infringers. H.R. 1858, which was more widely approved by members of Congress, proposed limited protection to real-time data (e.g. stock and financial information, sports statistics) and allowed for limited private civil remedies for violators. To be clear, H.R. 1858 does not propose that database providers own the factual information contained therein, the legislation would have created limited copyright protection against third parties who pirate or "free ride" on real-time databases' prompt collection of information. Both of these legislative proposals were debated in Congress, but ultimately did not proceed to a vote.

In a very recent case, *Southco, Inc. v. Kanebridge Corporation*, 2001 U.S. App. LEXIS 16245 (3d Cir. filed July 20, 2001), the Third Circuit found that a tool manufacturer's system of assigning numbers to and cataloguing telecommunications equipment for the purposes of identifying and distinguishing the different devices was not sufficiently creative to receive copyright protection because the numbers were assigned mechanically and mathematically. The court allowed the defendants to continue using the plaintiff's part numbers in comparison charts for consumers. However, the court was quick to point out that some large-scale numbering systems may be copyrightable, if for instance, the system used symbols in a meaningful pattern "by which one could distinguish effort or content."

Punchline: *U.S. copyright law provides limited protection to databases under certain conditions. The more creative the arrangement of facts, the more likely the database will be protected as an original work. Greater protection of databases in this country is being considered.*

9. International Issues

To this point, the article has focused the discussion of copyright on those rights under United States laws. Obviously, in the digital age where geographic barriers become somewhat less inhibitive, an understanding of the protection of copyright outside this country is essential in analyzing two types of situations: where a U.S. copyright holder discovers misuse of his or her copyrighted materials abroad, or foreign copyright holders discover misuse in the United States.

There are two main agreements that govern treatment of copyrights across national borders: (a) the Berne Convention for the Protection of Literary and Artistic Works (established in 1886) (hereinafter "Berne"), enforcement of which is governed by the World Intellectual Property Organization ("WIPO"); and (b) the Universal Copyright Convention (established in 1952) (hereinafter "UCC"). Since 1988, the United States has been a signatory to both treaties, and for a variety of factual reasons the UCC's importance has diminished in recent years. Because of Berne's primary importance, the brief discussion below focuses on it rather than the UCC.

The Berne Convention places four main requirements upon its signatory nations:

- a) *National Treatment*. A signatory is legally required to afford other member nations' copyright holders with the same degree of protection that it affords its own copyright holders.
- b) *Preclusion of Formalities*. A signatory cannot condition the receipt of copyright protection on the inclusion of copyright notices or registration (e.g. in the United States, one needs a copyright registration before a lawsuit is filed, but one's copyright is not lost if infringement occurs before registration).
- c) *Minimum Length of Copyright*. A copyright must extend protection for at least the life of author plus 50 years. However, member nations are free to provide for longer terms, however.
- d) *Minimum Exclusive Rights*. Member nations must provide for a number of exclusive rights (reproduction, translation, etc.) The most noteworthy item on this list is the right of "paternity," known more commonly as moral rights. In essence, countries that recognize moral rights afford an author certain limited rights in a work even after "ownership" of that work has been transferred. For instance, the author of a novel might be permitted to withdraw his or her work from circulation even after assigning the right to publish that work to a company. The issue is noteworthy because the United States historically did not recognize any moral rights, but is required to do so as a signatory to the Berne Convention. However, the extent to which current U.S. law recognizes moral rights is still subject to interpretation.

Punchline: *The creation of international conventions have created some standardization and semblance of conformity within copyright around the world, but obviously copyright issues are still highly dependent on underlying factual situations and applicable local law.*

10. The "Hot-News" Doctrine

The "hot-news" doctrine originated in the case of *International News Service v. Associated Press*, 248 U.S. 215 (1918). The case was brought by Associate Press (AP) to prevent a competing wire service, INS, from selling information that it had lifted from AP news bulletins or newspapers published on the east coast to INS-affiliated newspapers on the west coast. The Court found in favor of AP and the "hot-news" doctrine was born. There are five elements of the "hot news" doctrine which are: (i) the plaintiff collects information at a cost, (ii) the value of the information is highly time-sensitive, (iii) the defendant's use of the information constitutes free-riding on the plaintiff's costly efforts to collect it, (iv) the defendant's use of the information is in direct competition with a product or service offered by the plaintiff, and (v) the ability of other parties to free-ride on the efforts of plaintiff would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened. Although the "hot-news" doctrine is a misappropriation doctrine and not a copyright doctrine (because facts are not

copyrightable), it is based on the same rationale as that underlying copyright protection – providing entities with an incentive to create works that may be beneficial to the public.

The "hot-news" doctrine was recently relied on by the National Basketball Association to attempt to prevent the transfer of live basketball game information through today's new digital means. In *NBA v. Motorola and STATS, Inc.*, 105 F.3d 841 (2d Cir. 1997), the NBA claimed that STATS's provision of real-time game data (e.g. scores and statistics) transmitted to subscribers of Motorola's pagers and offered over STATS America On-Line web site constituted misappropriation of the NBA's ownership rights in the game scores and statistics. The Second Circuit found that Motorola and STATS had not engaged in unlawful misappropriation under the hot-news doctrine. The court found that the defendants' activities did not "free-ride" on the NBA because the defendants bore their own expense in collecting and transmitting the information.

It should further be noted that the NBA also claimed that the defendants' actions infringed the NBA's copyright rights in both the basketball games and the broadcast of those games. The Second Circuit upheld the district court's decision finding that the basketball games themselves do not constitute "works of authorship" that are entitled to copyright protection, and therefore found there was no infringement in the games themselves. In addition, although the Copyright Act provides protection for the recorded broadcast of live events, the court found that the defendants' actions did not infringe those rights since they reproduced only noncopyrightable facts from the broadcasted games.

Despite the Second Circuit's finding in favor of the defendants in the *Motorola* case, it did note that if the defendants had not borne their own costs in collecting the information and instead simply took information that the NBA had spent money to compile, the hot-news test may indeed have been satisfied. Accordingly, despite the early beginnings of the "hot-news" doctrine at the early part of the 20th century, it appears that the doctrine could continue to be relied upon to prevent the use of the various online, digital, and wireless technologies that are available in today's marketplace to "free-ride" off of time-sensitive information that is not protected under copyright law.

Punchline: *Courts may stop unauthorized use of "hot news" if they believe the second user is "reaping where he has not sown," but a number of factors must be satisfied for the plaintiff to prevail.*