RECENT DEVELOPMENTS
IN
COPYRIGHT & TRADEMARK
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Copyright

Tens of Thousands of Copyrights Expired This Year

On January 1, 2019, an unprecedented number of works previously protected by copyright entered the public domain. The 1998 Sonny Bono Copyright Term Extension Act added an additional 20 years to existing copyrights, so although works first published in 1922 entered the public domain in 1998, it is only now that works first published in 1923 are entering the public domain.

Books that have now entered the public domain include Miguel de Cervantes’ *Don Quixote*, Kahlil Gibran’s *The Prophet*, Alexandre Dumas’s *The Three Musketeers*, Sigmund Freud’s *The Ego and the Id*, and Agatha Christie’s *The Murder on The Links*.

Numerous musical works by Irving Berlin, George Gershwin, Oscar Hammerstein, Al Jolson, Bela Bartok, Jelly Roll Morton, and Louis Armstrong have now entered the public domain as well.

Other works that may now be freely copied include Robert Frost’s *Stopping by Woods on a Snowy Evening*, Charlie Chaplin’s *The Pilgrim*, Rin Tin Tin’s third movie, *Where the North Begins*, Constantin Brâncuși’s *Bird in Space* and Henri Matisse’s *Odalisque With Raised Arms*.

US Supreme Court Ruling on Registration

The copyright statute says that, other than for certain very limited exceptions, you can’t sue until “registration of the copyright claim has been made…” or “where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused.”

Until recently, exactly what that meant depended on the jurisdiction in which the case was filed. In some parts of the country, courts held that a work is “registered” only when the Copyright Office has approved the copyright application.

In other areas, courts held that a work was “registered” as soon as the applicant filed the application, deposited a copy of the work, and paid the fee. These courts said the registration approach is illogical given that a copyright owner can sue for infringement even when the Copyright Office rejects the application.

The Supreme Court resolved this split among jurisdictions in a case called *Fourth Estate Public Benefit Corporation v. Wall-Street.com, LLC*. In a unanimous decision, the Court held that the Register of Copyrights must either approve or reject an application for the registration of a copyright before the copyright owner can bring a suit for infringement.

The Court pointed out that if “registration” meant “application,” the statute wouldn’t need to say that a lawsuit can be filed if a properly submitted application is rejected.
US Supreme Court Ruling on Costs

In another unanimous decision, the Court interpreted a portion of the copyright statute that says that a court “may allow the recovery of full costs by or against any party....”

In *Rimini Street, Inc. v. Oracle USA, Inc.*, the Supreme Court held that the term “full” doesn’t mean that a court can award a party additional types of expenses beyond those listed in the general costs statutes.

A jury had determined that Rimini Street had infringed various Oracle copyrights, and the lower court awarded Oracle fees and costs, including nearly 13 million dollars for litigation expenses such as expert witnesses, e-discovery, and jury consulting.

Although Oracle had argued that the word “full” authorizes courts to award expenses beyond the costs specified in the general cost statutes, the Supreme Court held that “full” means the “complete measure of the noun it modifies” and does not change the meaning of the word “costs.” In other words, “full costs” are all of the “costs” otherwise available under the relevant law.

Therefore, awardable “costs” are normally limited to fees of the clerk and marshal; fees for transcripts necessarily obtained for use in the case; fees and disbursements for printing and witnesses; fees for exemplification of copies and the costs of making copies of any materials where the copies are necessarily obtained for use in the case; certain docket fees; and compensation of court-appointed experts, compensation of interpreters, and certain costs associated with “special interpretation services.”

This means that a lot of potentially expensive charges, including those for expert witnesses other than court-appointed experts, e-discovery, and jury consulting, are not recoverable by a successful party.

**Independent Contractors and Work Made for Hire**

A work made for hire is defined by the copyright statutes as:

1. A work prepared by an employee within the scope of his or her employment; or

2. A work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

The US Courts of Appeal for the Seventh and Ninth Circuits have long held that a work-made-for-hire agreement is valid only if it is executed before the work at issue is created. Together, these federal courts have jurisdiction over Illinois, Indiana, Wisconsin, Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington.
The US Court of Appeal for the Second Circuit (with jurisdiction over Connecticut, New York, and Vermont) had previously ruled that the required written agreement could be executed after the work was created so long as that written agreement confirms an explicit or implicit agreement made before the work’s creation.

The Second Circuit clarified that earlier ruling in a case holding that an agreement signed five years after the work’s creation was invalid. The Court also pointed out that enforcing an agreement signed so long after the work was created would not only “risk endorsing a fiction of ‘two separate authors’” (one before the agreement was signed and one after), but also “render uncertain several aspects of the copyright in each article, such as its duration, renewal rights, and termination rights.”

TEACH Act of 2002 Summary (note, there are no updates)

In order for the use of copyrighted materials in distance education to qualify for the TEACH Act exemptions, the following criteria must be met:

- The institution must be an accredited, non-profit educational institution.
- The use must be part of mediated instructional activities.
- The use must be limited to a specific number of students enrolled in a specific class.
- The use must either be for ‘live’ or asynchronous class sessions.
- The use must not include the transmission of textbook materials, materials “typically purchased or acquired by students,” or works developed specifically for online uses.
- The institution must have developed and publicized its copyright policies, specifically informing students that course content may be covered by copyright, and include a notice of copyright on the online materials.
- The institution must implement some technological measures to ensure compliance with these policies, beyond merely assigning a password. Ensuring compliance through technological means may include user and location authentication through Internet Protocol (IP) checking, content timeouts, print-disabling, cut and paste disabling, etc.

Summary of Copyright Restoration Act (note, there are no updates)

Ownership of a restored copyright vests initially in the author or initial rightholder, as determined by the law of the restored work’s source country or by the owner of an exclusive right in the United States.

Eligibility:

To be eligible, a work must meet all of the following requirements:

1) At the time the work was created, at least one author (or rightholder in the case of a sound recording) must have been a national or domiciliary of an eligible source country. An eligible source country is a country, other than the United States, that is a member of the WTO, a member of the Berne Convention for the Protection of Literary and Artistic Works, or subject to a presidential proclamation restoring U.S. copyright protection to works of that country on the basis of reciprocal treatment of the works of U.S. nationals or domiciliaries.
2) The work is not in the public domain in the eligible source country through expiration of the term of protection.

3) The work is in the public domain in the United States because it did not comply with formalities imposed at any time by U.S. law, lacked subject matter protection in the United States in the case of sound recordings fixed before February 15, 1972, or lacked national eligibility in the United States.

4) If published, the work must have been first published in an eligible country and not published in the United States during the 30-day period following its first publication in the eligible country.

Effective Date;

January 1, 1996, was the effective date of restoration of copyright for works from countries that were members of the WTO (World Trade Organization) or the Berne Convention on that date. Subsequently, the effective date of restoration is the date a newly eligible country accedes to the WTO or the Berne Convention or the date of a presidential proclamation restoring U.S. copyright protection to works of that country.

Term of Copyright

The copyright in any work in which copyright is restored will last for the remainder of the term of copyright that the work would have enjoyed if the work had never entered the public domain in the United States.

Generally, the U.S. copyright term for works published before January 1, 1978, lasts for 95 years from the year of first publication. Although sound recordings fixed before 1972 were not then protected by federal copyright, those sound recordings will receive the remainder of the term they would have received had they been protected by such copyright when published. For example, a sound recording published in 1925 will be protected until 2020. For works published on or after January 1, 1978, the term of copyright is the life of the author plus 70 years.

Automatic Restoration

Eligible copyrights are restored automatically and no further steps need to be taken to make a restored copyright fully enforceable against any party other than a reliance party.

Although copyright is restored automatically in eligible works, the URAA (Uruguay Round Agreements Act) directs the owner of a restored work to notify reliance parties if the owner of the rights in a restored work plans to enforce those rights. A reliance party is typically a business or individual who, relying on the public domain status of a work, was using it before the enactment of the URAA on December 8, 1994. For works from any country that was not eligible under the URAA as of December 8, 1994, reliance parties are those using the work before the date on which the country becomes eligible by joining the WTO or the Berne Convention or as a result of a presidential proclamation.
The URAA authorizes the owner of a right in a restored work to either provide actual Notice of Intent to Enforce (NIE) a Restored Copyright by contacting a reliance party directly, or • provide constructive notice by filing an NIE with the Copyright Office.

**Orphan Works**

Orphan works are copyright works where the right holder is unknown or cannot be found. This can include historical letters and photos held by museums or archives. Because orphan works are protected by copyright, they cannot be used freely, even though it may be impossible to obtain the right holder’s permission.

There is no solution to this problem in the United States. The proposed Shawn Bentley Orphan Works Act of 2008 and the Orphan Works Act of 2008 passed both the House and Senate (in slightly different forms), but were never enacted.

The Canadian Copyright Act has had a provision to obtain a license to use orphan works in Canada since 1988. It allows the Copyright Board of Canada to provide licenses for the use of published works where the copyright holder can’t be identified or located. For the Copyright Board of Canada to issue a license to use orphan works in Canada, you must convince it that you’ve made every reasonable effort to locate the copyright holder. If the Board is satisfied by your efforts to obtain permission from the unlocatable copyright owner, it may, at its discretion, issue a nonexclusive license to use the work in Canada. The “unlocatable copyright owner” provision is available to any individual or organization.

The EU Orphan Works Directive provides allows cultural heritage institutions (CHIs) – e.g. libraries, museums, or archives – to digitize and make orphan works available online across all Member States without the permission of the right holder. CHIs must register orphan works used under the exception on a database maintained by the EU Intellectual Property Office (EUIPO).

The orphan works exception has been implemented in the UK but the government has stated that if there is a no-deal Brexit, the exception to copyright infringement for orphan works will be repealed. CHIs that wish to maintain their online collections within the UK may be able to do so via the UK’s separate orphan works licensing scheme but will need to limit access to users based in the UK.
Trademark

US Supreme Court: Vulgar Trademarks Are Registrable

Erik Brunetti is an artist and entrepreneur who in 1990 co-founded a streetwear clothing line sold under the trademark FUCT. The US Patent & Trademark Office (PTO) refused to register Brunetti’s mark based on the obvious similarities with the “F-word,” because Section 2(a) of the federal Trademark Act provides that registration can be denied to any mark that “Consists of or comprises immoral, deceptive, or scandalous matter....”

In lancu v. Brunetti, the US Supreme Court held that the Lanham Act’s prohibition on the federal registration of “immoral” or “scandalous” marks is unconstitutional under the Free Speech Clause of the First Amendment, because it discriminates on the basis of viewpoint.

“[T]he statute, on its face, distinguishes between two opposed sets of ideas: those aligned with conventional moral standards and those hostile to them; those inducing societal nods of approval and those provoking offense and condemnation. The statute favors the former, and disfavors the latter. “Love rules”? “Always be good”? Registration follows. “Hate rules”? “Always be cruel”? Not according to the Lanham Act’s “immoral or scandalous” bar.

In 2017, in Matal v. Tam, the Supreme Court invalidated the Lanham Act’s prohibition of registration of “disparaging” trademarks for the same reasons.

US Supreme Court: Trademark Licenses Survive Bankruptcy Filing

The Supreme Court resolved a division among circuit courts as to whether a trademark license agreement remains in effect when a trademark owner files a bankruptcy petition and rejects the trademark license in accordance with the Bankruptcy Code.

Section 365 of that code lets a debtor either assume or reject any “executory contract,” which is a contract that neither party has finished performing.

Some circuits held that such a rejection of a license agreement allowed the licensee to continue using the trademark. Other circuits, however, held that rejection terminated the license, so the licensee could no longer use the mark.

The case decided by the Supreme Court, Mission Product Holdings, Inc. v. Tempnology LLC, involved a license that Tempnology had granted, allowing Mission Product to use Tempnology’s trademarks in connection with clothing and accessories.

After Tempnology filed for bankruptcy reorganization, it rejected the trademark license agreement and treated that rejection as a termination of the agreement.

Mission Product, however, argued that the rejection of the license agreement under Section 365 didn’t terminate the agreement, but only freed Tempnology from future performance.
The Supreme Court held that rejection of a trademark license is a breach of the license, not a rescission or termination of the license. This rejection allows the licensor to stop performing under the license, but the license to use the mark remains in effect.

In other words, the licensee may continue using the mark in accordance with the license, even after the bankrupt licensor has rejected the license.

**US Supreme Court to Decide Whether Willful Infringement Is Required for Award of Profits**

The Supreme Court will hear a case, *Romag Fasteners, Inc. v. Fossil, Inc.*, involving the question of whether, under section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of infringer’s profits for a violation of section 43(a), id. § 1125(a).

Romag Fasteners, Inc., sells magnetic snap fasteners for use in wallets, handbags, and other leather products. Fossil designs, markets, and distributes fashion accessories, including handbags and small leather products. In 2002, Romag and Fossil agreed that Fossil would use Romag fasteners in some of its products.

Several years later, Romag found that some Fossil handbags contained counterfeit snaps bearing the Romag mark. Romag then sued Fossil for patent and trademark infringement, claiming that Fossil knowingly adopted and used the Romag mark without Romag’s consent.

A jury found that Fossil had infringed Romag’s trademark and patents but that none of the violations were willful. The jury awarded Romag damages based on Fossil’s profits, but the district court struck the jury’s award, holding that “a finding of willfulness remains a requirement for an award of defendants’ profits” in the Second Circuit.

The appellate court agreed, and Romag petitioned the U.S. Supreme Court for a writ of certiorari. The Court granted the petition, vacated the appellate decision, and remanded the case. On remand, the Federal Circuit again declined to award Romag Fossil’s profits.

There is even split among the circuits on whether a showing of willfulness is required under the Lanham Act. Willfulness is not required for an award of trademark profits in the Third, Fourth, Fifth, Sixth, Seventh, and Eleventh Circuits. The following circuits require a willfulness finding to award profits: the First, Second, Eighth, Ninth, Tenth and D.C. Circuits.

**US Supreme Court to Determine When Defenses Are Precluded**

Lucky Brand Dungarees and Marcel Fashions Group have been involved in quite a bit of trademark litigation. The first lawsuit, which Marcel filed in 2001 for infringement of its GET LUCKY mark, resulted in a 2003 settlement agreement in which Lucky agreed not to use the GET LUCKY mark, and Marcel released a number of trademark claims.

In 2005, Lucky Brand sued Marcel for infringement of its LUCKY marks when it granted a license for the use of the GET LUCKY mark. Marcel claimed that Lucky Brand had breached the settlement agreement and was infringing its GET LUCKY mark. While Lucky Brand initially asserted the 2003 release as a defense, it did not do so at trial.
The jury found for Marcel and the court enjoined Lucky from using the GET LUCKY mark. The judgment stated that “Lucky Brand infringed Marcel Fashion’s Get Lucky trademark ... by using Get Lucky, the Lucky Brand trademarks, and any other trademarks including the word ‘Lucky.’”

In 2011, Marcel filed another lawsuit against Lucky for use of the LUCKY BRAND mark. As part of a motion to dismiss, Lucky raised the defense of the 2003 release. Marcel argued that the defense should be barred by claim preclusion, that is, the principle that a claim cannot be relitigated once it has been judged on the merits.

The district court agreed with Marcel, and Lucky appealed to the Second Circuit Court of Appeals, which also found that Lucky was barred by defense preclusion from asserting the defense of the 2003 release.

The Federal Circuit, Eleventh Circuit, and Ninth Circuit have all held that in a subsequent case between the same parties involving different claims from those litigated in the earlier case, the defendant can raise defenses that were not litigated in the earlier case – even if they could have been.

The Supreme Court will hear Lucky Brand Dungarees, Inc., et al., v. Marcel Fashions Group, Inc., this fall.