

UNDERSTANDING BASIC
COPYRIGHT LAW - 2002

COPYRIGHT LITIGATION
AND STRATEGIES

Susan Somers Neal, Esq.
Lisa A. Iverson, Esq.

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Biographical Information

Program Title: Understanding Basic Copyright Law 2002

Name: Susan Somers Neal

Position or Title: Attorney

Firm or Place of Business: NEAL & MCDEVITT®

Address: 1603 Orrington Avenue

Evanston, IL 60201

Phone: 847.424.8330

Fax: 847.424.8320

E-Mail: sneal@nealmcdevitt.com

Primary Areas of Practice: Intellectual Property

Law School: De Paul University College of Law

Work History: Shareholder, Brinks, Hofer, Gilson and Lione

Capital Partner, McDermott Will and Emery

Adjunct Professor, DePaul University College of Law –

Advanced Trademark Law

Memberships, Associations & Committees:

Member, ADR Distinguished Panel of Neutrals
International Trademark Association

Copyright Society of the USA

Saul Lefkowitz Moot Court Competition Committee,
Brand Names Education Foundation

Member, De Paul University, College of Law
Intellectual Property Advisory Board

Program Title: Understanding Basic Copyright Law 2002

Name: Lisa A. Iverson

Position or Title: Attorney

Firm or Place of Business: NEAL & MCDEVITT®

Address: 1603 Orrington Avenue

Evanston, IL 60201

Phone: 847.424.8330

Fax: 847.424.8320

E-Mail: lisa.iverson@nealmcdevitt.com

Primary Areas of Practice: Intellectual Property

Law School: University of Wisconsin – 1988

Post Graduate: The John Marshall Law School – LL.M.,

Intellectual Property 1998

Work History: Associate, Keck, Mahin and Cate

Associate, Bollinger Ruberry and Garvey

Counsel – CNA Insurance Companies

Of Counsel – Piper Marbury Rudnick and Wolfe

Memberships, Associations and Committees:

Member: International Trademark Association

Copyright Law Society of the U.S.A.

Instructor: Intellectual Property Seminar Course -

Lawyers' Assistant Program – Roosevelt

University

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COPYRIGHT LITIGATION & STRATEGIES

Introduction

Copyright litigation can be a lot of work but also a lot of fun! Copyright litigation matter always involves a complex array of both factual and legal issues.

The purpose of this article is to discuss the basics of copyright litigation, including the who, what, where, and why of the litigation process.

Copyright law is governed by the Copyright Act of 1976, 17 U.S.C. § 101, *et. seq.* (“Copyright Act.”) Many of the answers to questions that you may have are found right in the statute itself. Thus, we suggest that the first resource is the Copyright Act.

Another excellent resource is Nimmer, *Nimmer on Copyright*, LEXIS Publishing, 2002.

Because there is a wide disparity among the U.S. Circuit Courts of Appeal, it is essential that you research the law of the jurisdiction in which you intend to file. You must know the law of your Circuit, and if you don’t like the way they are likely to treat the facts of your case, you may want to file elsewhere!

The Facts

Your client, Sally Songstress, walks into your office and tells you that she thinks that a song that she has written has been stolen by the rock group Dough Head.

You look over the materials that she has given you. As her lawyer, you listen to both her song and the potentially infringing song. Yep – they sure sound similar!

You look your client in the eye and say - WE ARE GOING TO SUE!! WE WILL GET THOSE DOUGH HEADS!!

Now what?

WHAT IS THE FIRST STEP?

As Sally's lawyer and advisor, the first thing that you should do for Sally is to make sure Sally is protected. Did she register her work? If so, was the application completed properly and was it timely? Is she the sole author of the work?

Assuming that Sally is well protected, the next step is to send a "cease and desist" letter to Dough Head. Even if you think the filing of a complaint is inevitable, the best first step is to send the cease and desist letter. This is your first attempt to resolve the matter short of litigation, as well as to find out all of the facts at issue (so far, you only have your client's version of the facts). Dialog following a cease and desist letter often involves a potential defendant laying out what he or she thinks are their best defenses, thus giving you a foundation upon which to build your case.

In the cease and desist letter, Sally should be specific about exactly what is being infringed, i.e., what is her work of authorship. Explain the infringement in enough detail so that the purported infringer will know what you are talking about. Here, Sally would assert that Dough Head is copying her song. In addition, Sally should enclose the Certificate of Registration for her song. Without this registration (discussed below), Sally will not be able to file a complaint in federal court.

Sally should also notify Dough Head of her exclusive rights to the song, identifying specifically the acts of infringement and demand that Dough Head immediately cease and desist any further infringement of her work. Finally, Sally should request an accounting of the products that contain the infringing works.

The best-case scenario is that you are able to resolve the matter without having to proceed to litigation. However, that is not always the case. In fact, often times that is not the case.

If the cease and desist letter fails to bring an end to the infringement, then it is time for Sally to file her complaint.

WHERE SHOULD SALLY SUE?

The short answer is: in federal court.

28 U.S.C. § 1338(a) gives exclusive jurisdiction of copyright matters to the federal courts:

The district courts shall have original jurisdiction of any civil action *arising under* any Act of Congress relating to . . . copyrights . . . (s)uch jurisdiction shall be exclusive. . .

How do you know if an action “arises under” the Copyright Act? An act arises under the Copyright Act if the “complaint is for a remedy expressly granted by the (Copyright) Act, e.g., a suit for infringement.” See *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (2nd Cir. 1964); *cert. denied*, 381 U.S. 915, 85 S.Ct. 1534, 14 L.Ed.2d 435 (1965).

It is vital to remember that copyright registration is a prerequisite to filing an infringement action pursuant to 17 U.S.C. § 411:

...no action for infringement of the copyright in any United States work shall be instituted until registration of the copyright has been made...

While a party does not need a copyright registration to protect his or her work, in order to sue for a violation of any infringement of the work, a registration is necessary.

WHAT SHOULD SALLY PLEAD IN HER COMPLAINT?

Just as in any other case in federal court, Rule 8 of the Federal Rules of Civil Procedure applies and the courts have held that the inclusion of the following elements constitute a well pleaded complaint in a copyright infringement action:

- 1) list the works that are the subject of the copyright infringement claim;
- 2) list the owner of the copyright at issue (make sure it's the plaintiff!);
- 3) list the copyright registration number(s) (best to attach the certificate(s) of registration as exhibit(s) to the complaint); and
4. specify what acts were taken by the defendant that infringed the copyright and during what time period.

See *Kelly v. L.L. Cool J.*, 145 F.R.D. 32, 36 (S.D.N.Y. 1992), *aff'd* 23 F.3d 398 (2nd Cir. 1994), *cert denied*, 513 U.S. 950, 115 S.Ct. 365, 130 L.Ed.2d 318 (1994).

(See also Form 17, F.R.C.P. – Complaint for Infringement of the Copyright and Unfair Competition.)

Once Sally has filed the complaint and has been assigned a judge, you must check the local rules of the district court and the procedural rules established by the assigned judge. That cannot be stressed enough! Motion practice, summary judgment time frames, and other pertinent issues relating to the litigation may differ from district-to-district and from judge-to-judge.

WHEN SHOULD SALLY SUE?

17 U.S.C. § 507(b) requires that any civil action for copyright infringement must be filed within three years from the time the cause of action accrued (meaning from the time of the infringement).

If there are separate acts of infringement or the infringement is continuing, then the three years may not start tolling until the last infringing act. *Taylor v. Meirich*, 712 F.2d 1112, 1999 (7th Cir. 1983). Likewise, fraudulent concealment of the infringing activity will toll the statute as well. *Id.* at 1118.

WHO SHOULD SALLY SUE?

Direct Infringers – 17 U.S.C. § 501 provides:

(a)nyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright . . .

In the facts presented in this paper, Dough Head is the direct infringer.

Contributory and Vicarious Infringers – Don't forget about these folks! Often in a copyright infringement action, there

are more than just direct infringers that are involved in the infringing activity. If someone participated in the infringement or encouraged the infringement, they could be liable to Sally too!

Contributory infringer – a contributory infringer is one who, *with knowledge* of an infringing activity, induces, causes, or contributes to the infringing conduct of another. *See Elektra Record Co. v. Gem Elec. Distributors, Inc.*, 360 F.Supp. 821 (E.D.N.Y. 1973) (emphasis added).

Example: A street vendor on New York sells pirated CD's knowing that they are infringing works.

Vicarious infringer – liability can also be found even when there is no knowledge of the infringing activity.

Example: If a party has the power to supervise the acts of the direct infringer (e.g., an employer-employee relationship) and the supervising party has a financial interest in the infringing acts, then the supervising party may be held vicariously liable.

Example: A store owner, which retained supervision over the conduct of its lessee and who also received a share of the lessee's profits from the lessee's sale of bootleg records was held to be vicariously liable. *See Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F. 2d 304 (2nd Cir. 1963).

WHAT SHOULD SALLY SUE FOR?

The Copyright Act provides for injunctive relief, impoundment, monetary relief and attorneys' fees.

Injunctive Relief: 17 U.S.C. § 502 provides for injunctive relief.

Should Sally sue for injunctive relief against Dough Head?

If Sally wants injunctive relief, she will have to prove that she will suffer irreparable harm as a result of Dough Head's infringing activity. If that can be established, then she may want to pursue injunctive relief. In fact, this may be exactly what Dough Head fears most, so it may give Sally a significant tactical advantage.

However, if damages will suffice for making Sally whole, then the courts are reluctant to issue injunctive relief.

Impoundment: 17 U.S.C. § 503 provides that the Court may order the impoundment of any infringing copies.

Damages: 17 U.S.C. § 504 provides monetary awards of either: 1) the plaintiff's actual damages and any additional profits of the infringer; *or* 2) statutory damages.

Actual Damages/Profits: Actual damages are those actually suffered by Sally as a result of Dough Head's infringing activities. The purpose of an award of actual damages is to compensate Sally for what she lost in sales and revenue because of Dough Head's infringing activity.

17 U.S.C. § 504(b) provides that “. . . (i)n establishing the infringer's profits, the copyright

owner is required to present proof only of the infringer's *gross revenue*." (Emphasis added.)

Thus, all Sally has to prove, if she is seeking an award of Dough Head's profits, is their gross revenue.

Dough Head may argue that any award of profits should be reduced by Dough Head's deductible expenses and by the amount of profits that are attributable to factors other than the copyrighted work and the infringement thereof. This "attribution" is known as "apportionment." See 17 U.S.C. §504(b).

Statutory Damages. In the alternative, 17 U.S.C. § 504(c) provides for an award of statutory damages. Sally might choose statutory damages over an award of actual damages because the issues of proof are much simpler. In addition, Dough Head may not have made any profits from their infringing activity which makes statutory damages more desirable.

If she elects statutory damages, Sally does not need to prove her damages. Once Sally proves liability, Sally is then eligible to receive statutory damages without having to prove the amount.

For most infringements and except as provided by 17 U.S.C. § 504(2), the courts may award no less than \$750 or more than \$30,000 as the court considers just. 17 U.S.C. § 504(c)(1).

If there is willful infringement, the Court may award up to \$150,000. 17 U.S.C. § 504(c)(2). In a case where the infringement is non-willful, the

court, in its discretion, may reduce the award of the statutory damages to a sum of not less than \$200. 17 U.S.C. § 504(c)(2).

However, statutory damages are not always available. Under 17 U.S.C. § 412, Sally will only be able to choose an award of statutory damages if she has obtained a copyright registration before Dough Head's infringing activity.

If Dough Head's infringing activity occurs prior to the date Sally obtained her copyright registration, then 17 U.S.C. § 412 provides that Sally may not seek statutory damages. That is to say that Sally will not be awarded statutory damages if Dough Head infringes her copyright in her unpublished work before the effective date of its registration (17 U.S.C. § 412 (1)) or if Dough Head's infringement of Sally's song began after the publication of her song, *unless* Sally obtains a registration within three months after the first publication of the song (17 U.S.C. § 412 (2)).

Thus, this is another reason why obtaining a copyright registration is so vital to the litigation process. Not only does it affect the copyright owner's ability to file an infringement action in the first place, it later affects the copyright owner's election of damages as well.

Election of Damages. When does Sally need to decide which type of damages she is seeking? 17 U.S.C. § 504(c)(1) provides that Sally may make elections “ . . . *at any time before final judgment is rendered...*” (emphasis added).

It is best to seek relief for both types of damages in the complaint because during the course of the case, Sally may

learn that Dough Head did not make any profits or that the issue of proof is going to be too difficult. By pleading in the alternative, Sally can leave the election to the very end, maybe even after she has a chance to assess the jury and its ability to grasp difficult accounting issues that may present themselves in seeking actual damages or profits.

Attorneys' Fees and Costs. An award of attorneys' fees and costs is discretionary with the Court. 17 U.S.C. § 505. A registration must be in place in order to recover attorneys' fees pursuant to 17 U.S.C. § 412.

Pop quiz: Should I seek a copyright registration on behalf of my client?

- 1) *No – never. They are worthless.*
- 2) *Only if you feel like you must fill out yet another form.*
- 3) *YES YES YES!!!*
- 4) *Nah – it's not worth the \$30.00.*

Of course the answer is 3!!!!!!

WHAT DOES SALLY HAVE TO PROVE?

In order to prove infringement two elements must be proven:

1) ownership of a valid copyright; and 2) copying by the defendant. *See BellSouth Advertising & Publishing Corp. v. Donnelly Info. Publishing, Inc.* 999 F.2d 1436, 1440 (11th Cir. 1993)(en banc); and *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 111 S. Ct. 1282, 1296, 113 L.Ed.2d 358 (1991).

Ownership. Typically, this is the easiest element to prove. Basically, Sally must show that she is in fact the owner of a

valid copyright. 17 U.S.C. § 410(c) provides that copyright registration constitutes *prima facie* evidence of ownership.

Copying. The element of copying, is usually the meat, so to speak, of the litigation proceeding. Direct evidence of actual copying is usually not available and hence copying is proven, for the most part, through circumstantial evidence. This circumstantial evidence is presented by establishing substantial similarity and access.

Substantial similarity: Sally must show that there is substantial similarity between her work and Dough Head's infringing work. Depending on the circuit in which you find yourself, the courts use either the "ordinary observer test" or the bifurcated "two step" approach. It is vital that you research the law in the applicable circuit in order to determine which approach is going to be used to determine substantial similarity (and this research should be done before a Complaint is filed if you have a choice of forum).

Ordinary Observer Test. This test is almost a visceral reaction test – i.e., the court focuses on whether the infringing work is so similar to Sally's work that an 'ordinary' or 'lay observer' would recognize that the copyrighted work was copied by Dough Head. See *Boisson v. Banian, Ltd.* 273 F.3d 262 (2nd Cir. 2001).

Two-Step Test. In this test, the courts first decide whether there has been copying by the defendant. Assuming that copying has been shown, the second issue is whether there has been an improper misappropriation (i.e., whether the copying of the protected material was so extensive that it rendered the offending

and copyrighted works substantially similar). *Arnstein v. Porter*, 154 F. 2d 464, 468 (2nd Cir. 1946). This bifurcated approach has also been modified by some courts and referred to as the “extrinsic/intrinsic” test. *See Sid & Marty Kroft Television Productions, Inc. v. McDonald’s Corp.* 562 F.2d 1157 (9th Cir. 1977).

Access. This part of the infringement analysis focuses on whether the defendant had a reasonable opportunity to see, view or copy the work at issue. *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.* 420 F.Supp. 177 (S.D.N.Y. 1976). A mere possibility of access will not suffice. *Selle v. Gibb*, 741 F.2d 896, 902 (7th Cir. 1984) (the Court held that the fact that the Bee Gee’s song was created in France and the plaintiff’s work was in Chicago, there was no reasonable opportunity to copy and hence there was no access).

There is a presumption of access when the two works at issue are so *strikingly similar* that there is no other explanation as to why the works are similar (i.e., there is such striking similarity between the two works that the similarities could not have happened by mere coincidence). *Selle v. Gibb*, 741 F. 2d 896, 903 (7th Cir. 1984).

What if the defendant independently created the work? Unlike patents, if the defendant can show “independent creation”, then there is no infringement. Copyright protection can be available to two separate authors for two

identical works if in fact they were independently created.

Is intent required? No. In *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.* 420 F.Supp. 177 (S.D.N.Y. 1976), the court held that “subconscious” copying constituted infringement. While “innocent” intent is not a defense to an infringement action, it can reduce the amount of damages, especially statutory damages. See the discussion above.

WHAT ARE DOUGH HEAD’S DEFENSES?

Statute of Limitations. 17 U.S.C. §507 (b) contains a statute of limitations for copyright infringement actions (three years from the time of the infringement). Thus, if Sally has waited more than three years following Dough Head’s infringing activity to file the lawsuit, Dough Head can assert that the statute of limitations bars Sally’s claim. However, if Sally can show that Dough Head concealed the infringement from her, she will be able to knock out Dough Head’s defense.

Laches. Laches is an equitable defense that will prevent Sally from prevailing on her claim if she knew or should have known of Dough Head’s infringing conduct. See *Danjaq LLC v. Sony Corp.*, 263 F.3d 942 (9th Cir. 2001).

In order for Dough Head’s laches defense to succeed, they must show that Sally unreasonably delayed bringing the suit and, as a result of this delay, Dough Head was *prejudiced*. Thus, if Sally knew Dough Head was infringing her song, and she waited for two years before bringing an action, Dough Head might be successful in asserting a laches defense. See *New Era Publications, International v. Henry Holt & Co.*, 873 F.2d 576 (2nd Cir. 1989).

Thus, even if Sally files her claim within the necessary time frame under the statute of limitations, if Dough Head can show that she knew of the infringing activity for a certain period of time and yet she did nothing to protect her rights, Sally may be estopped from prevailing on the basis of laches.

Invalid Copyright. This is a defense that defendants often forget to use. Recall that one of the elements that the plaintiff must prove in a copyright infringement action is ownership of a valid copyright.

Dough Head's lawyers need to look at the copyrighted material that Dough Head is being accused of infringing. Here, an argument that Dough Head may want to assert is that the work itself is not copyrightable subject matter because it lacks the requisite originality and creativity and hence the registration that issued is invalid.

A good way to approach this issue is in the response to the cease and desist letter. Dough Head should let Sally know that Dough Head considers the registration at issue to be invalid and that Dough Head intends to challenge the copyright registration. Sometimes that in and of itself will make the infringement action go away so it can be a significant tactical approach for a would-be defendant.

Independent Creation. As mentioned above, if Dough Head can show that they independently created the work, then Dough Head will be able to overcome a charge of infringement. Once a plaintiff proves access and substantial similarity, the defendant can rebut the evidence with a showing of independent creation of the work at issue. *See Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000), *cert denied*, 531 U.S. 1126, 121 S.Ct. 881, 148 L.Ed.2d 790 (2001).

Misuse/Unclean Hands. The defense of copyright misuse forbids Sally from using her monopoly on her copyrighted work to areas outside of the monopoly or exclusive rights. See *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970 (4th Cir. 1990). For example, if Sally tried to do more than control the reproduction and distribution of her copyrighted song, then she may be guilty of misuse of her copyright. Likewise, if Sally had “unclean hands”, e.g., she misrepresented material information to the copyright office, then Dough Head may assert an unclean hands defense.

Waiver. In copyright litigation, if Sally has intentionally surrendered her rights to her song, then Dough Head may argue that Sally waived or abandoned her copyright. See *A & M Records, Inc. v. Napster, Inc.* 239 F.3d 1004 (9th Cir. 2001).

First Sale Doctrine. 17 U.S.C. § 106(3) provides that the owner of a copyright has the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending.”

17 U.S.C § 109(a) limits the copyright owner’s exclusive right of distribution. 17 U.I.C. § 109(a) reads:

The owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of this copy or phonorecord.

Under this doctrine, the copyright owner cannot control the future transfer of a particular copy once the ownership has been transferred. See *Quality King Distributors v. L'anta Research Int'l*, 523 U.S. 135, 118 S. Ct. 1125, 140 L. Ed. 2d 254 (1998) and *Columbia Pictures v. Aveco, Inc.* 800 F.2d 59, 63-64 (3rd Cir. 1986).

In other words, the first sale doctrine holds that once the copyright owner places the copyrighted item in the stream of commerce by selling the item, then he has exhausted his exclusive statutory right to control the distribution.

Here, if Sally sold her song, then this limits her exclusive right to distribute the work. The purchaser, as the new owner of Sally's song, now has the right to lend the song to a friend, resell the song at a flea market, or give the song to be resold at a charity event.

Sally, however, still retains all of her other exclusive rights to her copyrighted work. Sally has only lost her right to distribute through the first sale doctrine.

Fair Use. This is the most frequently used defense in a copyright infringement action.

17 U.S.C. §107 provides that a "fair use" of a copyrighted work is not an infringement and use for "criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research" is not an infringement of copyright.

For all other works, the courts apply the "four factor" test delineated in 17 U.S.C. §107:

- (1) the purpose and character of the use, including whether such use is of a

commercial nature or is for nonprofit educational purposes;

- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

These four factors are to be balanced and no one factor is conclusive.

One of the landmark cases that deals with the fair use issue is *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 114 S. Ct. 1164, 127 L. Ed. 2d 500 (1994). Accordingly, a discussion of this and other fair use cases will help to demonstrate how the courts analyze and apply these four factors.

In *Campbell*, the rock group 2 Live Crew did a parody of Roy Orbison's song "Pretty Woman". (Note that the rights to the song had been assigned to Acuff-Rose Music, Inc. and that is why Acuff-Rose is the plaintiff.)

The intention of the parody of the song was to satirize Roy Orbison's original work. Originally, 2 Live Crew requested permission from Acuff-Rose to use the Roy Orbison song and Acuff-Rose refused such permission.

Almost a year later (and nearly a quarter million copies later) Acuff-Rose sued 2 Live Crew for copyright infringement. Clearly, but for the fair use defense, 2 Live Crew would have been liable for such an infringement.

1. *Purpose and Character of the Use.* When analyzing the “purpose and character of the use” courts often look to whether the use is commercial. *Campbell*, 510 U.S. at 584-85, 114 S. Ct. 1164.

As seen in *Campbell*, the courts also focus on whether the new work replaces the object of the original creation or whether the new work adds a further purpose or different character.

The Supreme Court held that just because the use was commercial, it did not negate a finding of fair use. Rather, the Supreme Court looked to see if the new work was “transformative” and the commercial use aspect was only one element to be weighed and considered in assessing all four factors. See *Campbell*, 510 U.S. at 579, 114 S. Ct. 1164.

Generally, there is a presumption against a finding of fair use if the use is commercial. See *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 105 S. Ct. 2218, 85 L. Ed. 2d 588 (1985).

Thus, under this factor, the courts look to whether the use is commercial v. noncommercial, whether the alleged infringer acted in good faith, and whether infringer’s use added something new, or transformative, that added a new expression and meaning.

2. *Nature of the Copyrighted Work.* Under this second factor, the courts may look to whether the work has been published. In *Harper & Row*, 471

U.S. 359, 105 S. Ct. 2218, for example, the fact that the work was unpublished weighed against a finding of fair use.

The courts also look at whether the nature of the use is fact or fiction. Obviously, the courts will tend to lean towards a finding of fair use when the work at issue contains facts. That is because it may be necessary for a defendant to use facts in the allegedly infringing work.

Likewise, where a work is creative (as opposed to factual) in nature, courts often recognize that these types of work are precisely the type of work meant to be protected under the copyright laws. *See Campbell*, 510 U.S. at 586, 114 S. Ct. 1164.

3. *Amount and Substantiality of the Portion used in relation to the Copyrighted Work as a Whole.*

Under this factor, quantity is not everything. Even if a small portion of a work is used, if it is the “heart” of the copyright owner’s work, then it may not be considered fair use.

In assessing this third factor, the courts look to whether the defendant actually copied and whether the defendant has taken more than was necessary. If the defendant takes only a necessary portion, and not the heart of the work, then this will weigh in favor of a finding of fair use.

4. *The Effect of the Use Upon the Potential Market for or Value of the Copyrighted Work.*

Oftentimes, the courts give this factor the most weight. Under this factor, the courts

look at whether the market for the plaintiff's work is harmed by the defendant's infringing works. If for example, consumers were going out and buying the 2 Live Crew version of "Pretty Woman" *instead* of buying Roy Orbison's version, then the Supreme Court would have held that this factor weighed against a finding of fair use by 2 Live Crew because the market for the Roy Orbison version was being effected.

The Supreme Court, however, found that there was not any evidence that 2 Live Crew's version of Pretty Woman impacted the market for Roy Orbison's version of the song. In other words, the consumers that bought the 2 Live Crew song did not buy it as a "substitute" for the Roy Orbison song. This factor weighed heavily in favor of finding fair use.

Accordingly, if the defendant's work serves as a substitute for the plaintiff's work, then this factor will weigh against a finding of fair use.

Parody. Parody is a form of comment and criticism, and thus it may also constitute a fair use, as demonstrated by the Court's finding in the *Campbell* case. Courts apply the same four factors in assessing whether a parody constitutes fair use. *See Suntrust Bank v. Houghton Mifflin Co.* 268 F.3d 1257 (11th Cir. 2001).

CONCLUSION

This article has provided the basics, in a nutshell, of the proceedings and procedures involved in a copyright infringement litigation matter. This article will hopefully provide a starting point from which a practitioner, who may not be that familiar with copyright law, may begin.

And remember, have fun! The issues involved in copyright matters can be very exciting and even entertaining.