
Copyright and Trademark Case Review: Cheerleading Uniforms, DMCA Users, Graphical Layouts and More

MAY 5, 2016

Supreme Court Denies Review of Google Books Fair Use Decision

***Authors Guild v. Google, Inc.*, No. 15-849 (Apr. 18, 2016)**

The Authors Guild sought review of a Second Circuit decision holding that Google's digital copying of plaintiffs' copyrighted books for its Library project and Google Books project constituted noninfringing fair use. The Supreme Court denied certiorari without comment; Justice Kagan did not participate in the consideration or decision of the petition.

Supreme Court to Address Copyright Protection for Apparel

***Star Athletica, L.L.C. v. Varsity Brands, Inc.*, No. 15-866 (May 2, 2016)**

The Court granted review of a Sixth Circuit decision holding that Varsity Brands owned a valid copyright interest in chevrons, stripes, and other design features of its cheerleading uniforms. *Varsity Brands, Inc. v. Star Athletica, LLC*, 799 F.3d 468 (6th Cir. 2015). In its decision, the Sixth Circuit adopted a new test for assessing separability of copyrightable features from the utilitarian aspects of useful articles, adding to a circuit split regarding the proper framework for separability analysis. The question before the Court is: "What is the appropriate test to determine when a feature of a useful article is protectable under § 101 of the Copyright Act?" The Court declined to review petitioner's second question, which asked whether courts should give additional judicial deference to a copyright registration, beyond the statutory deference required by 17 U.S.C. § 410(c).

Copyright Opinions

Second Circuit Seeks Guidance on Pre-1972 Sound Recordings Issue: *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 15-1164-cv (2d Cir. Apr. 13, 2016)

Calabresi, J. In a class action brought on behalf of owners of pre-1972 sound recordings, the Second Circuit reserved decision on the district court's denial of summary judgment for the defendant and certified a "significant and unresolved issue of New York law" to the New York Court of Appeals: whether New York common law recognizes a right of public performance for sound recordings, and the "nature and scope" of any such right should one exist. Plaintiff—a California

corporation owning the rights to recordings by well-known rock band The Turtles—brought parallel class actions against defendant Sirius in New York, California, and Florida federal courts, alleging that Sirius infringed its common-law copyrights by broadcasting Turtles recordings over an Internet radio service and by making internal copies of the recordings to facilitate those broadcasts. Sirius contended that there was no public performance right for sound recordings under New York common law and that its internal copying was fair use; it also argued that state recognition of a public performance right would violate the dormant Commerce Clause. Noting that New York state courts had not explicitly established a performance right, the Second Circuit found that because the parties failed to present “a clear default rule—one way or the other—with respect to the scope of property rights under New York common law” more generally, guidance from the New York courts was required. Furthermore, the Second Circuit reasoned that addressing Sirius's dormant Commerce Clause argument would require knowledge of what limitations New York law places on public performance rights, if any exist.

Separate-Accrual Statute of Limitations Rule Inapplicable to Ownership Disputes: *Consumer Health Information Corp. v. Amylin Pharmaceuticals, Inc.*, No. 14-3231 (7th Cir. Apr. 15, 2016)

Sykes, J. In a dispute over ownership of copyrights in patient-education materials developed by plaintiff for defendant's use in marketing a diabetes drug, the Seventh Circuit affirmed the district court's dismissal of the suit as untimely. Where plaintiff sued in 2013 seeking both rescission of a 2006 contract assigning the copyright to defendant and damages for infringement, the court held the rescission claim untimely under California's applicable four-year statute of limitations. The court further rejected plaintiff's argument that its copyright infringement claim was timely due to the separate-accrual rule of *Petrella v. Metro-Goldwyn Mayer, Inc.*, 134 S. Ct. 1962 (2014), under which each alleged act of infringement gives rise to a discrete claim for purposes of the Copyright Act's three-year statute of limitations. Noting that *Petrella* did not address disputes about copyright ownership, the Seventh Circuit followed the Second, Sixth, Ninth, and Tenth Circuits in holding that “when the gravamen of a copyright suit is a question of copyright ownership, the claim accrues when the ownership dispute becomes explicit—that is, when the claimant has notice that his claim of ownership is repudiated or contested.” Because plaintiff had notice of defendant's asserted ownership when it executed the assignment contract in 2006, the court held its copyright claim untimely under the three-year statute of limitations.

Employees and Independent Contractors Can Be “Users” for DMCA Safe Harbor: *BWP Media USA, Inc. v. Clarity Digital Group, LLC*, No. 15-1154 (10th Cir. Apr. 25, 2016)

Kelly, J. In a copyright infringement suit involving unauthorized posting of plaintiff's copyrighted images to defendant's website Examiner.com, the Eleventh Circuit affirmed the district court's summary judgment ruling that defendant was shielded from liability by the safe harbor provision of the Digital Millennium Copyright Act, 17 U.S.C. § 512(c). Where the content on defendant's website was generated by independent contractors called “Examiners,” the court held that the Examiners were “users” for purposes of the safe harbor provision's requirement that infringing content be stored “at the direction of a user,” § 512(c)(1). In addition to rejecting plaintiff's argument that the Examiners were employees rather than independent contractors, the court further stated that employee status does not automatically disqualify a person as a user under § 512(c)(1), holding

that the term “user” describes a person or entity who avails itself of the service provider's system or network to store material” (internal citation and quotation marks omitted). The Eleventh Circuit reasoned that the relevant question limiting safe-harbor protection “isn't who is the 'user,' but rather, who directed the storage of the infringing content?” Noting that defendant's independent contractor agreement with the Examiners expressly prohibited copyright infringement and that defendant provided the Examiners with licensed photographs, the court held that no reasonable trier of fact could find that defendant had directed the infringement.

Trademark Opinions

Willfulness Required for Disgorgement of Profits: *Romag Fasteners, Inc. v. Fossil, Inc.*, Nos. 2014-1856, 2014-1857 (Fed. Cir. Mar. 31, 2016)

Dyk, J. Applying Second Circuit law, the Federal Circuit affirmed the district court's decision to overturn a jury verdict awarding defendant's profits to the plaintiff, ruling that trademark owners in the Second Circuit must prove willful infringement in order to recover a defendant's profits. The court rejected plaintiff's argument that Second Circuit precedent requiring willful infringement for recovery of profits had been invalidated by a subsequent 1999 amendment to the Lanham Act's provision for monetary remedies. While acknowledging a circuit split on the issue raised by plaintiff, the Federal Circuit noted that the Second Circuit had restated its willfulness requirement in a 2014 decision. The court concluded that, in view of legislative history and the relevant statutory language, the 1999 amendment could not be read to allow a departure from Second Circuit precedent.

Graphical Layout of Test Reports May Not Be Functional: *Millennium Laboratories, Inc. v. Ameritox, Ltd.*, No. 13-56577 (9th Cir. Apr. 4, 2016)

Gould, J. Reversing the district court's grant of summary judgment for defendant, the Ninth Circuit held there was a triable issue as to whether plaintiff's claimed trade dress, the graphical layout of medical test result reports, was functional and therefore ineligible for protection under the Lanham Act. Emphasizing that “even if a comparison of [test] results is functional . . . the precise format used by [a] company asserting trade dress is not necessarily functional,” the court concluded that a reasonable jury could find plaintiff's report layout non-functional under the Ninth Circuit test for utilitarian functionality. Furthermore, because plaintiff had presented evidence that its layout was chosen to distinguish its reports from competitors', the layout was not as a matter of law aesthetically functional.

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