wiley

NEWSLETTER

Top-10 Copyright Tips for the Unwary

August 5, 2021

Many online enterprises fall into easily avoidable traps when it comes to copyright laws, and failing to comply with copyright laws can result in very significant liability: The copyright statute provides that willful infringers may be liable for up to $150,000 in statutory damages per work infringed-with no proof of actual damages required-and even where statutory damages are not available, the law provides that infringers must disgorge their profits from infringement and pay for actual damage caused to the infringer. Multiplying that number by the hundreds of copyrighted works that could be published by an online enterprise in just a single day can make even the most risk-tolerant businessperson extremely nervous.

The very best advice is not how to win cases defending copyright claims, but how to avoid an infringement claim in the first place. So, here are the top-10 copyright traps to avoid:

1. Materials found on the Internet are not free to take.

Copyright protection arises automatically when an original work is fixed in a tangible medium of expression from which it can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device for the first time. No notice, publication, registration or other action in the Copyright Office is required to secure the copyright, although the statutory damages mentioned above require timely registration.

Thus, materials such as photos, videos, music, illustrations and logos that are found on the Internet, including on social media platforms, are not necessarily in the public domain, and there is a good chance that you need to obtain an assignment or a license from the copyright owner in order to use them. In some instances, the terms under which material may be used can be found on the website itself—though

Authors

David E. Weslow
Partner
202.719.7525
dweslow@wiley.law

Practice Areas

Copyright

relying on website terms can also be risky if the content is not owed by the site (for example, with user generated content).

2. Materials that your company did not create are not yours.

The law vests ownership of copyrights in the creators of original works unless they are works "made for hire." A company generally owns the copyright in materials created by its employees within the scope of their employment. A company does not own the copyright in materials created by independent contractors or other third parties, unless very specific conditions of the work made for hire are met. First, the work must be "specially ordered or commissioned" by the company-it may not be a preexisting work. Second, it must be one of nine defined types of works-a contribution to a collective work (such as a column in a newspaper), a part of a motion picture or other audiovisual work, a translation, a supplementary work (such as a foreword to a book), a compilation (a collection and assembly of preexisting materials or data), an instructional text, a test or answer material for a test, or an atlas. Third, the parties must expressly agree in writing that the work will be considered a work made for hire. If these three conditions are not met, then you probably have to obtain a license to use or assignment of the materials from the copyright owner. This includes, for example, your website design and code as well as materials you publish on your website. A license does not have to be written. It can be oral. In some cases, a license even may be implicit in the dealings between the parties, but it is usually advisable to get it in writing.

3. There is no "20%" (or "30-second") fair use rule.

The concept of fair use, which permits the use of copyrighted works of others under certain limited conditions, is frequently misunderstood. There is no bright line rule defining how much of a work can be taken and still be fair use. The Copyright Act contains a non-exhaustive list of examples of purposes for which a particular use of a work might be considered "fair" and not an infringement-such as criticism, comment, news reporting, teaching, scholarship and research. A proper fair use analysis also must include a balancing of four factors:

- The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes;
- The nature of the copyrighted work;
- The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- The effect of the use upon the potential market for or value of the copyrighted work.

The distinction between fair use and infringement is not easily defined and is highly factually dependent.

4. Check-and recheck-your licenses.

Copyright licenses often specifically delineate where, when and how you may use a licensed work. A license that permits one type of use on a website or a television broadcast typically does not convey rights to use that material in another way, through other media-such as a different website, or at a different time (or more times) than that specified in the license. Copyright law grants authors a bundle of separate rights-including,

for example, the right to perform a work publicly, to reproduce the work, to display it publicly, to prepare derivative works, and to distribute copies of the work. A license to engage in one type of use-*e.g.*, to perform a work publicly-may not grant the right to engage in another type of use-*e.g.*, to reproduce that work. Licensees should keep careful track of their licenses and recheck them often to be sure they are not exceeding the scope of rights granted in the license. Employees should be taught not to repurpose materials without checking the scope of the license grant.

5. Webcasting recorded music may mean paying multiple license fees for multiple works and rights.

Recorded music typically embodies two separate works of authorship: the musical composition and any accompanying lyrics (commonly called the musical work) and a particular recorded rendition of that music (commonly called the "sound recording"). Both the musical works and sound recordings often are protected by separate copyrights, which are owned by different copyright owners and licensed in different ways by different organizations. In addition, webcasters often take actions that implicate multiple rights of the copyright owner-for example, they publicly perform the music, and they make server copies of that music to facilitate their performances. An organization that intends to webcast or make other digital transmissions of recorded music, should be sure it has the licenses it needs (or can rely on appropriate copyright exemptions) for all works and all of the rights that are involved.

For example, the musical work performance right may be licensed directly by the music publisher (who typically owns the copyright), but is most often licensed by one of three "Performance Rights Organizations," or PROs-American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music Inc., (BMI) and SESAC. PROs issue licenses to music users (such as television and radio stations, webcasters and other website operators, restaurants, hotels and theme parks) to publicly perform musical works in their repertory. Royalties for most noninteractive, digitally transmitted public performances of sound recordings, on the other hand, are set by the Copyright Royalty Board pursuant to a statutory license that is typically administered by SoundExchange (which represents record companies and performing artists). This means that if you broadcast or webcast recorded music over a digital medium such as the Internet, chances are that you have to pay two separate public performance fees-one for the musical work and one for the sound recording. There is a complex array of licenses and exemptions that applies to the source server copies from which broadcasts or webcasts are made.

Finally, if you are incorporating music into an audiovisual work, such as a TV show or movie, then you also may need to secure special types of licenses called a "synchronization" or "sync" license from the music publisher for use of the musical work and, if you are using prerecorded music, a "master use" license from the record company for use of the sound recording.

6. You should ask for musical work performance licenses before broadcasting music to avoid claims of copyright infringement.

Musical work public performance licenses from ASCAP, BMI and SESAC are easy to obtain, but you need to ask. In fact, ASCAP and BMI both operate under antitrust consent decrees that provide that a music user is licensed as soon as it requests a license. SESAC does not operate under the same rules. At times, the PRO attempts to exert leverage by claiming that, if a user started to make performances before asking for a license, it has committed copyright infringement. This can significantly increase the cost of a license or even lead to infringement liability.

ASCAP, BMI and SESAC often offer form licenses. Sometimes these are negotiated with organizations representing a user industry (such as the Radio Music License Committee and the Television Music License Committee). At other times, these are just "wish lists" from the PRO. A word of caution-if a user makes a written license request to ASCAP or BMI, it will be required to pay retroactively for any performances that it makes at a fee that is negotiated or set by a special Rate Court. Moreover, Rate Court proceedings can be very expensive.

7. You must file a notice with the Copyright Office in order to obtain a sound recording digital public performance license for webcasting or other noninteractive digital performances.

A webcaster seeking licenses for non-interactive digital public performances of sound recordings, and for making related server copies, must file a notice with the Copyright Office announcing its intent to rely on the statutory licenses before engaging in such activities. Further, there are a number of detailed conditions for these licenses that you must comply with to be eligible for them.

8. "Interactive" and "noninteractive" performances are different.

The statutory sound recording public performance license only covers non-interactive webcasting services; interactive webcasting services (where listeners can select which specific songs are heard) are not covered. Thus, an interactive webcaster must first secure the permission of the copyright holders (usually the applicable record companies) before commencing an interactive service-the copyright owner can refuse to issue a license and can discriminate on price among services and recordings. The line between interactive and noninteractive services is not entirely clear, but properly defining a service has significant consequences.

9. Have a DMCA policy for all digital services.

The Digital Millennium Copyright Act (or DMCA) provides a safe harbor for online service providers (OSPs) (including internet service providers (ISPs)) against copyright liability for transmitting, caching, storing or linking to third-party infringing material, if they meet certain guidelines and follow certain procedures. Among other conditions for eligibility, an OSP who is seeking to rely on the DMCA safe harbors must inform subscribers and account holders of a policy that provides for the termination in appropriate circumstances of subscribers and account holders who are repeat infringers. This means, in brief, that OSPs should create and post a proper DMCA policy that is accessible by users to qualify for protection from liability. OSPs also must appoint an agent for service of notifications and register that agent with the Copyright Office to qualify for certain DMCA safe harbors.

10. Actually implement the DMCA policy.

The DMCA requires that, in order to obtain the benefits of the safe harbors, OSPs must adopt and "reasonably implement" the repeat infringer termination policy. A record of actual terminations will go a long way toward demonstrating compliance. Further, in order to obtain the benefit of certain safe harbors, the OSP must promptly block access to allegedly infringing material (or remove such material from their systems) if they receive a notification claiming infringement from a copyright holder or the copyright holder's agent.

Conclusion

Misunderstanding copyright laws can have very real and expensive "game-ending" consequences. As your company expands into new platforms, services, or other offerings, be sure that you have obtained guidance to avoid or limit copyright infringement exposure.