Derivative Works and Copyright: Scope, Termination, Infringement, Considerations for Drafting Permissions

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Copyrights and Derivative Works

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Copyright Overview

A COPYRIGHT WILL PROTECT YOU FROM PIRATES.

And make you a fortune. If you have a PLAY, SKETCH, PHOTO, ACT, SONG or BOOK that is worth anything, you should copyright it. Don’t take chances when you can secure our services at small cost. Send for our SPECIAL OFFER TO INVENTORS before applying for a patent, it will pay you. HANDBOOK on patents sent FREE. We advise if patentable or not, FREE. We incorporate STOCK COMPANIES. Small fees. Consult us.

WORMELLE & VAN MATER,
Managers,
Columbia Copyright & Patent Co. Inc.;
WASHINGTON, D. C.
“Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 102(a)
“Original works of authorship” must be:

1) independently created by the author (not copied from other works); and

2) possess at least some minimal degree of creativity.
Fixation Requirement

“A work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is ‘fixed’ for purposes of this title if a fixation of the work is being made simultaneously with its transmission.” 17 U.S.C. § 101.
Examples of Protected Works

• Literary works
• Musical works, including any accompanying words
• Dramatic works, including any accompanying music
• Pantomimes and choreographic works
• Pictorial, graphic, and sculptural works
• Motion pictures and other audiovisual works
• Sound recordings
• Architectural works
What is NOT Protected by Copyright?

• Ideas, concepts, processes or methods of operation – 17 US.C. § 102.
• Facts and data – “sweat of the brow” theory rejected
• “Scenes a faire” – common or stock elements necessary to express a particular idea.
• Material objects – copyright does not extend to the material objects in which a work is embodied. 17 U.S.C. § 202.
Exclusive Rights of Copyright Owners

Copyright owners have the exclusive right to:

1) Reproduce the copyrighted work in copies or phonorecords;
2) Prepare derivative works based upon the copyrighted work;
3) Distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
4) Publicly perform a literary, musical, dramatic, choreographic work or motion pictures or other audiovisual works;
5) Publicly display a literary, musical, dramatic, choreographic, pictorial, graphic or sculptural work;
6) Digital audio transmission of sound recordings.

17 U.S.C. § 106
Limited Duration of Copyright

For works created on or after January 1, 1978:

• Works owned by the author: life of author plus 70 years.
• Works made for hire, anonymous/pseudonymous works: 95 years from publication or 120 years from creation, whichever is shorter.

For works protected by copyright before January 1, 1978:

• Initial term of 28 years from publication with notice or registration, and renewable for second term of 67 years.
• After 95 years, works enter public domain.
A “derivative work” is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work.” 17 U.S.C. §101
“[P]rotection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.”

“The copyright in a . . . derivative work extends only to the material contributed by the author of such work, as distinguished from the pre-existing material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or substance of, any copyright protection in the preexisting material.”

17 U.S.C. § 103
Derivative Works and Copyright: Scope, Termination, Infringement, Considerations for Drafting Permissions

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Derivative Works
(“Adaptation” Right)

- Separate work independent in form from the first
- Protected in most countries

- Berne Convention – Translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.

- United States - A “derivative work” is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work”.

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Derivative Works

The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

17 U.S.C. § 103(b)
Distinguish from First Sale

- Originality requirement
- Not a derivative to simply affix a copyrighted work to a new medium
  
  \[(Lee v. A.R.T. Co.- affixed artwork to tiles. No originality to be a derivative work).\]
- \textit{De minimis} modification does not meet originality requirement
Originality Requirement:
We Shall Overcome
“Stylized versions of the original song," such as a "cocktail pianist variations of the piece that are standard fare in the music trade by any competent musician," are insufficient to satisfy the requirement of originality.

- Woods v. Bourne Co., 60 F. 3d 978 (2nd Cir. 1995)

“Minor changes in existing music, such as any musician might readily make, and which are not substantial enough to constitute original composition, do not create a new version."

The following changes do not create registrable new versions of pre-existing works:
1) The change of a few notes in the melody of `The Star Spangled Banner';
2) Mere transposition of an old song into a different key;
3) The omission of two measures from an old song.

Fair Use

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- 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;
- 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.

*These factors are non-exclusive and illustrative.*
Derivative Works Related to Fair Use

Factor 1: “The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes”

Inquiry: Does the new work merely “supersede[s] the objects” of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is “transformative.”


(The “transformativeness” factor)
United States – A “derivative work” is a work based upon one or more preexisting works ..... [and] any [ ] form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work”.

Most derivative works within the scope of the copyright owner’s derivative work right involve “transformation” by definition.

If the act of transformation weighs in favor of fair use, then most derivative works will have a stronger case for fair use!
Can a Work be Transformed without Being Transformative?

*Dr. Seuss Enterprises, L.P. v. Penguin Books*, 109 F.3d 1394 (9th Cir. 1997)
Can a Work be “Transformed” without Being “Transformative”?

Castle Rock Entertainment v. Carol Publishing Group, 150 F.3d 132 (2d Cir. 1998)
Can a Work be “Transformed” without Being “Transformative”?

Cariou v. Prince, 714 F. 3d 694 (2d Cir. 2013)
Conclusions

- Preparation of any derivative work is not necessarily transformative for fair use purposes.
  - Violation of the adaptation right is not in itself necessarily more likely to constitute fair use.

- It is not necessary that the adaptation right be violated to find a defendant’s use transformative for fair use purposes.
  - Focus on whether the purpose of the defendant’s use is transformative.
Derivative Works: Literary Works


- Copyright owners of novels _Breakfast at Tiffany’s_, _The Old Man and the Sea_, _On the Road_ and _2001: A Space Odyssey_ sued creators of children’s books, called “Kinderguides,” claiming infringement of the reproduction and derivative work right.

- A majority of the Kinderguides retold the novels’ stories, albeit in a condensed, child-friendly format. Recasting in a new medium or condensing an original infringes the derivative work right.

- Addition of a few pages of analysis, quiz material and author information did not change the overall purpose. “[F]air use is not a jacket to be work over an otherwise infringing outfit.”

- Market exists for child adaptations, even if some plaintiffs had chosen not to license that market. “Congress did not provide a use-it-or-lose-it mechanism for copyright protection.”
Derivative Works: Dramatic Works


- Plaintiff author owns copyrights in the script for “Point Break LIVE!”*, a stage play parodying the 1991 Keanu Reeves and Patrick Swayze film “Point Break.” Plaintiffs’ copyright is limited to the elements added to parody “Point Break,” not the original film.

- Following a two month run, defendant venue owner terminated the production agreement with plaintiff, but continued to present productions of the play. Defendant argued plaintiff held no copyright in her script, because it was a derivative of the film, in which she held no rights.

- Court ruled plaintiff’s parody was fair use, so she was not required to obtain license to film in order to register copyright in derivative stage play.

- Robin Thicke and Pharrell Williams were accused of copying a “constellation of elements” – including 4-note vocal hook, 4-bar bass line, and other percussive elements – from Marvin Gaye’s “Gotta Give it Up” in their hit song “Blurred Lines.”
- Defendants claimed they were merely “inspired” by the rhythm, “groove” and overall feel of Gaye’s work.
- Jury awarded Gaye’s heirs $7.4 million in actual damages and profits (later reduced to $5.4M) plus an ongoing 50% royalty.
- Currently on appeal to Ninth Circuit on issue of scope of copyright in “lead sheet.”
Derivative Software

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Software & Derivatives

• Software and Derivatives are covered by the Copyright Act

• Section 101
  – A “derivative work” is based on one or more preexisting works, e.g. a translation, musical arrangement, dramatization, fictionalization, motion picture version, etc., or any other form in which a work may be recast, transformed, or adapted.

• Section 102
  – Copyright protection does not extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery.
Software - Derivative Work

- Copying a significant portion of source code is not always sufficient to establish that a second work is a derivative.
- A second work can be a derivative even though there is no copying of the source code of the original program.
- Copyright protection does not always extend to all portions of a program’s code, while, at the same time, it can extend beyond the code to its non-literal aspects, such as its architecture, structure, sequence, organization, operational modules, and computer-user interface.
Software and Copyrights

• Computer code contains both expressive (literal) and functional (non-literal) elements

  – Literal vs Non-literal elements
    • Literal includes Source Code and Object Code
    • Non-Literal includes Structure, Sequence and Organization (e.g. modules, control flow, data flow, user interface)
Tests used by Courts


• Minority: Method of Operation (First Circuit) Lotus Development Corp. v. Borland Int’l., Inc., 49 F.3d 807 (1st Cir. 1995)

• Minority: Analytic Dissection (Ninth Circuit) Apple Computer, Inc. v. Microsoft Corp., 35 F.3d 1435 (9th Cir. 1994)
Tests

- Abstraction-Filtration-Comparison (AFC)
  - ‘Abstracts’ the constituent structural parts (reverse engineering)
  - ‘Filters’ all unprotectable portions and public domain items (frequently hotly contested)
  - ‘Compares’ all remaining creative expressions to the structure of the second program to determine if software is substantially similar, i.e. a derivative work

- Method of Operation
  - AFC test is inapplicable when the works in question relate to unprotectable elements (§ 102(b)).
  - “method of operation,” refers to the means by which users operate computers, e.g. menu command hierarchy.

- Analytic Dissection
  - First consider if there are substantial similarities in both the ideas and expressions.
  - Once similar features are identified, determine whether any of those similar features are protected by copyright. (Same as the filtration step in the AFC test)
  - Decide whether features are entitled to “broad” or “thin” protection. “Thin” protection is for non-copyrightable facts or ideas that are combined in a way that affords copyright protection, while “broad” protection is given to copyrightable expression
Cases

• Computer Associates v. Altai, Inc., 982 F.2d 693
  – Plaintiff program infringed by Defendant’s competitive program.
  – Initially about 30% of code was identical, but Defendant rewrote the competitive program to eliminate the identical code
  – 2nd Circuit applied AFC
    • Only a few of the lists and macros were protectable but Court found these to be relatively minor parts
    • The similarity of the organizational charts were not substantial enough to find infringement.
Free or Open Source Software (F/OSS) v. Open Source Initiative (OSI)

- Software ‘free’ source code for public to “use, change (make derivatives), and improve and to redistribute in modified or unmodified form”.
- OSI added the opportunity to use with proprietary software/trade secret.
- Commercial software source code is normally proprietary or ‘trade secret’.
Licensing F/OSS or OSI

• General Public License (GPL) – GPL version 2.0
  – GPLv2 applies to version 2 or any later version
  – GPLv2 §0 provides that “a ‘work based on the Program’ means either the Program or any derivative work under copyright law”
  – It is being a derivative work of F/OSS Software that triggers the necessity to comply with the terms of the F/OSS Software license under which the original work is distributed.
Derivative F/OSS

- A “derivative work” under copyright law must be licensed as a whole under GPL.
- Copyright law requires permission from the copyright holder to grant permission to modify a work.
- GPL *does* grant such permission, but requires that the modified work be licensed under the terms of the GPL.
Licensing to the Government

• Companies must include some form of an end-user license agreement (EULA) with their commercial software sold to the Government.

• Typical provision for acquisitions of software by or for the Federal Government:
  – By accepting delivery of this software, the Government agrees this software qualifies as “commercial” computer software. The terms and conditions of this license shall pertain to the Government’s use and disclosure of the software, and shall supersede any conflicting contractual terms or conditions. If this license fails to meet the Government’s needs or is inconsistent in any respect with Federal law, the Government agrees to return this software, unused, to the seller
Licensing to the Government

• ‘Click wrap,’ ‘Browse wrap’ and other such mechanisms that purport to bind the end-user will not bind the Government or any Government authorized end user.

• “Unenforceability of Unauthorized Obligations,” that renders unenforceable any clause requiring indemnification in violation of the Anti-Deficiency Act
Copyright Ownership - FAR

• Federal Acquisition Regulations (FAR)
  – FAR 52.227-14 (Rights in Data-General) establishes whether Government obtains unlimited, limited or restricted license.
  – FAR 52.227-14(c) Copyright – Allows contractor to establish copyright only for scientific or technical articles on data first produced under a contract. Anything else requires CO approval.
  – For Software must grant to Government a paid-up nonexclusive, irrevocable worldwide license in such copyrighted computer software to reproduce, prepare derivative works, and perform and display publicly.
Copyright Ownership - DFARS

- Department of Defense FARs (DFARS)
  - DFARS 227.7203-9 (Copyright)
    - DFARS 252.227-7014 (Rights in Noncommercial Software)
    - DFARS 227.7205 (Contracts for Special Works)
      - Use DFARS 252.227-7020 where Government has a specific need to control the distribution of software first produced, created, or generated in the performance of a contract by obtaining an assignment of copyright, or a specific need to obtain indemnity for liabilities that may arise out of the creation, delivery, use, modification, reproduction, release, performance, display, or disclosure of such software.

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Copyright Ownership - DFARS

• DFARS 252.227-7020 (Rights in Special Works)
  – Government shall have unlimited rights in works first produced, created, or generated and required to be delivered under a contract.
  – For work required to be delivered under a contract Contractor shall assign copyright in those works to the Government
  – shall place the following notice on such works:
    • “© (Year date of delivery) United States Government, as represented by the Secretary of (department). All rights reserved
  – Contractor shall indemnify and save and hold harmless the Government against any liability, including costs and expenses, for violation of copyrights arising out of the creation, delivery, use, modification, reproduction, release, performance, display, or disclosure of any works furnished under this contract
Drafting Considerations

- Each exclusive right enjoyed by a copyright owner can be licensed separately.

- Ensure that the license grant expressly recites the specific rights being licensed based on the nature of the licensed works and intended use.

- Ensure that the agreement expressly states whether or not the licensee may modify the works (and how).
Drafting Considerations

- If modification is allowed, expressly address:
  - any limitations on modification;
  - any licensor approval rights over modifications; and
  - who owns the modifications.
- Also consider:
  - Representations and warranties (e.g. non-infringement)
  - Indemnification
Right to terminate copyright transfers and licenses:

- Applies to both exclusive and non-exclusive transfers;
- Applies “notwithstanding any agreements to the contrary”;
- Does not apply to works made for hire;
- Termination notice must be served by author (or a majority of authors) or more than ½ of his/her/their interests (50% for widow, 50% for children);
- For transfers made before Jan. 1, 1978, termination may be exercised between 56 and 61 years from date copyright secured;
- For transfers made on or after Jan. 1, 1978, termination may be exercised between 35 and 40 years after the grant.

17 U.S.C. §203(b)(1) and §304(c)(6)(A)
Derivative works survive termination:

“... A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant."

17 U.S.C. §203(b)(1), §304(c)(6)(A)
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