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THE GREAT RACE

COPYRIGHT AND ONLINE THIRD-PARTY WORKS

In the past year, courts have seen a tug of war between copyright holders and online distributors/consumers. On one end, the entertainment industry—recording and motion picture companies—are trying to prevent online distributors from taking away their market share, but their efforts almost appear ephemeral. Why? Because, on the other end, distributors and consumers use the Internet to gain free or paid access to others' protected works.

The pressing issue—indeed, the billion-dollar question—is whether copyright law can keep pace with the emerging distribution of third-party works online.

Online distribution of third-party works involves the same legal issues as in any copyright infringement case. Under U.S. copyright law, the owner of a copyright holds the exclusive right to reproduce his original works, prepare derivative works based on the original, distribute copies of the original to the public and perform or display the original material publicly.[1] The duration of copyright protection is the life of the original author plus 70 years.[2]

The aim of copyright law is to allow original copyright holders to gain the maximum economic advantage from the protection of their works. The Internet presents a particularly difficult dilemma for courts with the task of interpreting copyright law in the context of protecting copyrighted works. Recent applications of the law in this area include Internet republication of previously published works, Internet radio broadcasts and online file-sharing in the form of MP3 digitally recorded music.

Freelance Authors: *New York Times, Inc. v. Tasini*

In *New York Times Co. v. Tasini*,[3] the U.S. Supreme Court resolved the recent problem involving use of creative content from freelance authors in electronic databases. This dispute began in the early 1980s, when companies began compiling periodical articles in electronic databases. The companies licensed already-published newspaper and magazine articles from publishers and then marketed them to the public. Over time, database owners archived enormous collections of articles, spanning many years from hundreds of different periodicals.

Although many of the articles were written by employees of a particular magazine or newspaper (with the corresponding copyright vesting in the publisher), others were written by freelance writers acting as independent contractors. In the latter case, the writer retained the copyright.[4]

Periodical publishers traditionally bargained only for the first publication rights because the value in publishing rested almost entirely in being the first to print. When the Internet arrived, publishers were able to publish more cheaply online, and content became readily available. Electronic publishing rights thereafter became a more valuable commodity. Electronic advertising accompanying the access to articles increased revenues.

With the stakes rising, the central question became whether the publishers had the right to license or sell freelance work to commercial databases without the authors' permission. Normally, § 201(c) of the Copyright Act provides publishers with a "collective work" copyright for the magazine or newspaper. The collective work copyright protects the publisher's entire content of any particular issue. For example, the January 1, 2002, issue of *The New York Times* enjoys a collective work copyright, preventing any infringer from copying the entire collection of different articles appearing in the newspaper for redistribution to others. One view of the collective work copyright is that it only protects the collection of work as a whole and not the separate freelance work contributed by independent authors.[5] That, at least, was the position of freelance authors who brought copyright claims against several publishers, including *The New York Times*.[6]

When the case reached the U.S. Supreme Court, it held that publishers of freelance articles did not automatically obtain electronic republication rights and could not license such articles to databases without author consent. The Court held that the publishers were not acting under the collective rights copyright because the works, once licensed, were offered by the databases as individual articles and not as a collective work. The Court noted that the original license from the freelance authors to the publishers did not expressly include rights to electronic publication.

Accordingly, *Tasini* now requires publishers that license freelance work to electronic databases to pay freelance authors back-pay royalties. Reaction from the publishing community has been harsh. To

avoid payment, many publishers have purged their files of all freelance work.[7] This "purge" represents a major loss of content on the Internet.

A spokesman from Time Inc. characterized the ruling as disappointing: "The publishers lose because they have to delete articles; researchers, readers and historians lose because they won't have access to complete archives; and freelancers lose because their pieces won't appear in archives." As publishers continue to "purge rather than pay," this predicted result may come to fruition.

Armed with this ruling, freelancers are now pursuing publishers, commercial databases and Web-based aggregators in a class action suit for payment on previous sales of their works.[8] The freelancers are also using the ruling as leverage when negotiating future online rights. As one attorney commented, the *Tasini* ruling confirms that a copyright holder "doesn't give up rights he doesn't specifically grant to a publisher [particularly in the online context]."[9]

The commercial databases and aggregators remain in limbo over whether their contracts providing for copyright compliance with the publishers will protect them from suit.[10] They argue that they should not be held liable because they could not have known the details of the contracts between the publishers and the freelance authors. Some of these databases contain millions of articles, and, as a result, the electronic databases assert that discovering the contract agreements behind every article is cost-prohibitive, if not impossible.

The Fallout From *Tasini*

Given the *Tasini* decision, the question arises whether the Supreme Court ruling applies to broadcast media. If a member of the broadcast media obtains a collective work copyright over a variety of freelance productions that contribute to an overall program, can the broadcaster sublicense portions of the work to Internet distributors or aggregators, absent express authorization from the freelance producer?

Likely not. *Tasini* appears to apply to broadcast media to the extent such media obtains collective work copyright privileges over collaborative efforts. At the very least, the growing trend supports the conclusion that licensing of original works, including entertainment programming, must expressly extend to new or uncontemplated technology in order to permit distribution beyond the broadcast of the original program.[11]

While *Tasini* clearly reached the correct result, problems created by the decision are far-reaching. Assuming *Tasini* applies to broadcast media, including Internet broadcasters, streaming independently produced works online will be cost-prohibitive. Public broadcasters will feel the pinch. Data aggregators and other useful public research sources will become less available. Internet broadcasters will be at odds with the recording industry and its artists. News providers will require new payments for Internet streaming. These issues will become particularly difficult as copyright holders and would-be licensees work out who receives what payment for which work.

The practical impact of *Tasini* has already been felt. The more publishers con-

tinue purging material from useful and available sources of information, the more the public remains unable to gain access to information. The result is to chill global access to important, if not at least entertaining, works that were independently produced for collective content publishers.

Freelance Photographers: *Greenberg v. Nat'l Geographic*

In *Greenberg v. Nat'l Geographic,* the Eleventh Circuit required National Geographic to pay a freelance photographer for use of his pictures in a CD-ROM.[12] National Geographic obtains pictures for its magazines by hiring freelance photographers on an independent-contractor basis. It hired Greenberg for a magazine shoot and later used his photograph on a CD-ROM, which allowed the photo to be removed from the collective work. The court held that such use constituted copyright infringement and that § 201(c) collective work privilege did not apply.

Copyright Contracts: *Random House v. Rosetta Books*

In *Random House v. Rosetta Books,*[13] a district court addressed for the first time the growing "e-book" controversy.

Random House brought the suit against Rosetta Books for electronically publishing books on Random House's backlist. Random House argued that its original publishing contracts with the authors included electronic publishing rights. Rosetta Books argued that it obtained the right to publish online directly from the copyright owners.

The court agreed with Rosetta Books, holding that the original publishing contract did not specifically grant the right to electronically publish books by the backlist authors.[14] The court also recognized the validity of the distributor's license with the authors of the books.

Radio Broadcasting on the Internet: *Bonneville Int'l Corp. v. Peters*

In August 2001, a federal court in Pennsylvania upheld rules by the U.S. Copyright Office requiring radio broadcasters to pay royalties when copyrighted material is broadcast over the Internet.[15]

Radio broadcasters argued that their practice of streaming AM/FM broadcasts over the Internet should be exempt from required copyright royalties, similar to the exemption enjoyed by radio broadcasters in traditional AM/FM broadcast of music. The Recording Industry Association of America (RIAA), joined by the Copyright Office, argued that webcasting did not qualify as ordinary AM/FM transmission of signals, because webcasting involved transmission of signals over closed lines to specific computer addresses.

The court agreed with the RIAA and enforced the Copyright Office rules requiring the royalty payments in this situation. This decision is now working its way through the appellate courts.

Online File-Sharing: *A & M Records v. Napster*

The ongoing *Napster* case brings to light several copyright issues that have only recently emerged with the advent of digital technology and the Internet.

The Web site Napster.com used MP3 technology, which converts music to a digitized and compressed format, allowing it to be easily transmitted over the Internet.[16] The site allowed users to upload audio recordings and then in turn allowed other users to download the same material. MP3 technology enabled users to record a song from a CD and then post it online for others to access. Thus, the Web site provided a forum for computer users to sample music without paying for it.

On March 23, 2000, the RIAA filed a complaint alleging that Napster.com infringed its copyrighted material by allowing unauthorized reproductions.[17] Napster's defense partially hinged on the argument that it did not engage in a commercial activity by facilitating the exchange of MP3s on its site. It also argued that the unauthorized recordings of copyrighted material were on a one-to-one noncommercial basis and that they were protected under the Audio Home Recording Act of 1992 (AHRA). Thus, Napster claimed that, similar to a friend making a tape recording of music to give to another friend, Napster.com simply allowed a non-commercial exchange between strangers on a global scale.

In July 2000, the district court preliminarily enjoined Napster "from engaging in, or facilitating others in copying, downloading, uploading, transmitting or distributing plaintiffs copyrighted musical compositions and sound recordings … without the express permission of the rights owner."[18] In February 2001, the Ninth Circuit affirmed the decision that Napster was liable as a contributory and vicarious infringer.[19] It modified the injunction, however, instructing Napster to remove the works upon notification by the recording industry as to which files were the subject of copyrights.

Since July 2, 2001, Napster has been unavailable to users as it attempts to debug the copyright infringement glitches. In a hearing on July 11, 2001, the court ordered Napster to remain offline until it fully complied with the previous injunction and removed all copyrighted music.[20] However, on July 28, 2001, the Ninth Circuit overturned the ruling, allowing Napster to return to the Internet.[21] Napster has yet to bring its site back online. The RIAA thereafter moved for summary judgment on damages, requesting $100,000 per infringed song, totaling more than $100 million in damages.

On February 22, 2002, district court Judge Marilyn Patel denied the RIAA's Motion for Summary Judgment. In a strange turn of events, Judge Patel went on to grant Napster further time for discovery of evidence concerning potential collusion among the record companies to monopolize the digital distribution market. Speaking of joint ventures between RIAA members to conduct their own distribution of music over the Internet, Judge Patel wrote, "These ventures look bad, smell bad and sound bad."[22] If Napster proves the illegal collusion, it could invalidate the RIAA's entire case.

In the meantime, Napster will restructure itself as a fee-based service.[23] The new version will pay artists and labels for any use of the copyrighted music.[24] Throughout the self-imposed shutdown, Napster has been rapidly losing users to other similar systems.[25] New systems, such as "Bearshare," boast a "shared file" design, instead of a single source or company such

as Napster.[26] The new systems support a variety of file-swapping formats, including music, software and movies.[27] Such promotion of user access to copyrighted material is likely to result in further legal action.

Tasini Effect on *Napster*

Tasini left courts with some leeway to resolve disputes between copyright owners and copyright infringers.[28] In *Napster*, the Ninth Circuit required Napster to remove access to the content of its site while it obtained permission from the material's copyright owner.[29] The *Tasini* decision does not require the removal of copyrighted material online, but suggests that the parties negotiate payment to the owners before removal.[30]

If the *Tasini* negotiations fail, the court could impose a compulsory licensing scheme.[31] One author recently suggested that, in light of *Tasini*, Napster should return to the court and argue that the music publishers should be forced to the negotiating table.[32] If such negotiations fail, the author suggests the court should "impose a compulsory licensing scheme with court-set royalties." It remains to be seen whether Napster will act in such a fashion.

Other Online Disputes

On June 26, 2000, the Motion Picture Association (MPA) filed a lawsuit against RecordTV.com. The site provided a "Web VCR" service that recorded movies and then streamed them online, all without permission.[33] The MPA argued that RecordTV.com was illegally streaming copyrighted material. On April 17, 2001, the lawsuit settled for $50,000, and RecordTV.com agreed to forego streaming any copyrighted works owned by MPA without permission.

Conclusion

The Internet has created many new copyright issues. But after *Tasini*, one issue is settled: Publishers are not automatically granted electronic publishing rights in traditional publishing contracts. As affirmed by *Random House*, electronic publishing rights must be specifically granted by copyright owners.[34] In light of the *Bonneville*[35] decision, it appears this principle also applies to broadcasters and other entertainment media.

Gone are the days of general licensing agreements that remain silent as to electronic rights. Shrewd copyright holders will bargain for extra compensation for the grant of Internet distribution rights. Publishers and online distributors will likely use their leverage to press overreaching terms in licensing contracts. Suffice it to say that each side at the negotiation table will intelligently address rights to online distribution and electronic publishing regarding any work that is capable of dissemination over the Internet.

While the courts race to keep copyright law at pace with emerging use online of third-party works, creative—and sometimes unscrupulous—entrepreneurs, as well as established e-commerce players, continue to exploit opportunities to use another's work on the Internet. Court decisions on these issues, however, remain unsettled.

Most litigation involving the entertainment industries is working its way through the appellate courts. Many of the cases remain the subject of constitutional challenges and complex fair use interpretations. While freelance authors celebrate *Tasini* and record companies celebrate *Napster*, these legal triumphs may evaporate as quickly as search engines find Web pages on the Internet. Fasten your seatbelts. The great race is just heating up.

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endnotes

1. 17 U.S.C. § 106.
2. 17 U.S.C. § 302.
3. Note, *Tasini v. New York Times Co.*, 16 BERK.T. L.J. 13, 13 (2001).
4. *Id.* at 14.
5. 17 U.S.C. § 201(c) (1994).
6. *Tasini v. New York Times Inc.*, 206 F.3d 161, 165 (1999).
7. Lisa M. Bowman, *Publishers Purge Files Following Court Ruling*, at http://news.cnet.com/news/0-1005-200-6369904.html (accessed Sept. 27, 2001).
8. Carol Ebbinghouse, *Final Hours: Tasini Goes to the Supreme Court*, at www.infotoday.com/searcher/jan01/ebbinghouse.htm (accessed Sept. 27, 2001).
9. Bowman, *supra* note 7.
10. Ebbinghouse, *supra* note 8.
11. *See, e.g., General Mills Inc. v. Filmtel Int'l Corp.*, 599 N.Y.S.2d 820 (N.Y. App. Div. 1993) (broadcast licensee's rights to exhibit cartoon series on television and in theaters "without limitation" did not extend to video cassettes or videodiscs for home use, as such media comprised an entirely different device involving an entirely different concept in technology from that involved in television broadcasting).
12. *Greenberg v. Nat'l Geographic*, 244 F.3d 1267, 1275 (11th Cir., 2001).
13. 150 F. Supp. 2d 613 (S.D.N.Y. 2001).
14. *Id.* at 621.
15. *Bonneville Int'l Corp. v. Peters*, 153 F. Supp. 2d 763 (E.D. Pa. 2001).
16. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1011 (9th Cir. 2001).
17. *A&M Records, Inc. v. Napster, Inc.*, 114 F. Supp. 2d 896, 900 (N.D. Cal. 2000).
18. *Id.* at 927.
19. *A&M Records*, 239 F.3d at 1004.
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25. Napster Judge Asked For Ruling, N.Y. TIMES, Aug. 8, 2001.
26. Mei Fong, *Inventors Release Free Alternative to MP3 Music*, WALL ST. J., Aug. 13, 2001, at B1.
27. Lee Gomes, *Renegade Gnutella May Become a Web Standard*, WALL ST. J., May 29, 2001, at B6.
28. *Tasini*, 206 F.3d at 170.
29. *A&M Records*, 239 F.3d at 1004.
30. *Tasini*, 206 F.3d at 165.
31. *A&M Records*, 239 F.3d at 1027.
32. Anupam Chander, *Findlaw Forum: Song May Not Be Over for Napster*, at www.cnn.com/2001/LAW/08/columns/fl.chander.napster/index.html (accessed Sept. 27, 2001).
33. Anna Wilde Mathews, *Web Site RecordTV to Curb Movie Use, Marking Legal Victory for the Studios*, WALL ST. J., April 17, 2001, at B4.
34. *Tasini*, 206 F.3d at 172.
35. 153 F. Supp. 2d at 763.