

## Respecting Third-Party Intellectual Property Rights on the Internet

Just as you are wrapping up an unrelated conversation, your client contact tells you that her company has redesigned and updated its website. Perhaps it has also opened a Facebook account or has joined Twitter. Your client urges you check out the new web presence, boasting of exciting new content that is frequently updated. Do you take a look? You should. Unless the company is creating all of its own content from scratch (and even then), your client could be inadvertently exposing herself to multiple lawsuits as the company expands into new social media. As we all know, ignorance is no excuse. The new media frontier is no exception. Even if your client does not realize that she is infringing someone's copyright, the company may be liable. This article contains an overview of common pitfalls in connection with the use of a third party's intellectual property on the web.



Before the rise of the Internet and explosion of social media, accidental misuse of a third party's intellectual property, in, for example, paper flyers or billboards, was often small-scale, confined to a geographic location, and could go unnoticed by the owner of the intellectual property. Now, however, a global web presence can cut both ways. As the ability to create and update web content has become fast, easy, and cheap, less thought is being given to the ramifications of updating a web page than is given to ordering doughnuts on a Monday morning. In an era in which everything is becoming instant, mistakes are very easy to make but sometimes very difficult and costly to correct.

### Is Your Client Being Exposed to Liability for Copyright Infringement?

Copyright protects a broad range of subject matter, namely, all creative expression that is fixed in a "tangible medium of expression" that is created with a "modicum" of originality.<sup>1</sup> Therefore, on the one hand, ideas, unfixed works (such as live performances), inventions, and short phrases are not covered by copyright law, whereas, on the other hand, literary, musical, dramatic, choreographic, pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings;

and architectural works are protected by copyright. The owner of a copyrighted work has the exclusive right to reproduce that work, prepare works that are derivative of the underlying work, distribute that work, display it, and perform it (if it is, for example, a sound recording), and may sue those using it without permission.

In an Internet context, your client may be unintentionally engaging in copyright infringement by posting copied content on his or her website, allowing downloading or uploading, streaming music or video, or displaying images altered by Adobe® Photoshop. Your client may also attract unwelcome attention, but may ultimately escape liability, for acts such as linking,<sup>2</sup> passively retransmitting or routing content,<sup>3</sup> or "making available" infringing products that can be downloaded without "actual distribution."<sup>4</sup> The ramifications for being found liable for copyright infringement are severe and can include statutory damages (\$750 to \$30,000 per work if even "nonwillful," and up to \$150,000 per work if willful), actual damages (such as lost license fees), profits attributable to the infringement (which can include a portion of your client's overall revenue), and attorneys' fees.

After you realize that your client's website is streaming music or video or is reproducing copyrighted text, and you have raised the specter of infringement, your client may ask why the work is not in the public domain (and therefore is no longer the subject of copyright), or why the client's use does not constitute "fair use." These are commonly misunderstood and potentially complicated defenses that require legal analysis. For example, the date a work enters the public domain is a calculation that depends on factors such as (1) when the work was published, (2) whether the work was registered, and (3) whether publication and registration occurred in the United States or abroad.

Analysis of fair use of copyrighted material can be just as complicated and even more uncertain. In a nutshell, the use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research is generally not an infringement of copyright.<sup>5</sup> In determining whether the use made of a work in any particular case is fair use, courts will consider factors such as the following:

- the purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes (for example, whether the use is transformative and whether it is commercial versus noncommercial);

- the nature of the copyrighted work (for example, published versus unpublished);
- the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- the effect of the use of the copyrighted work on its potential market for or its value.

However, fair use analysis is conducted on a case-by-case basis, and courts have also considered factors such as good faith,<sup>6</sup> or the “social value” of parody.<sup>7</sup> A client should never assume that use of third party’s intellectual property is “fair use” of that property. Fair use is a defense that can be a successful bar to an infringement claim, as it has been in connection with a defendant’s use of thumbnail images of photos,<sup>8</sup> and archiving of websites;<sup>9</sup> the defense may not be applicable when the infringement was not in connection with clip previews of films on a defendant’s website.<sup>10</sup>

### Is Your Client Being Exposed to Liability for Trademark Infringement?

In contrast to copyright law, which focuses on the protection of creative works, trademark law focuses on consumer protection. Trademarks are anything—words, logos, pictures, and colors, for example—that is used to identify the source of products and services. Trademark rights are obtained by use of the mark in commerce, and the trademark owner has the right to exclude others from using the similar marks in association with similar products and services if doing so will cause consumers to be confused in connection with the source of those products and services. As with copyright, liability for trademark infringement can lead to substantial damages, including seizing the defendant’s profits from the use of the product or service and awarding damages that may have been sustained by the trademark owner.

When you visit your client’s new website, in addition to focusing on your client’s use of any new trademarks, look at the domain name itself. To the extent that the new product or service your client is launching also incorporates the use of a new domain name, the Anti-Cybersquatting Consumer Protection Act may come into play. This statute gives rise to civil liability for bad faith use of a domain name that is, for example, identical or confusingly similar to a distinctive mark or is dilutive of a famous mark. However, the statute specifically states that bad faith cannot be found when the registrant “believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.”<sup>11</sup>

As in the copyright context, your client may have defenses justifying its use of a third party’s trademarks. The use may be “nominative fair use,” that is, use of a mark to refer to the third party’s product, such as when a former Playmate of the Year used the mark “Playboy” on the masthead of her website.<sup>12</sup> Similarly, if your client is making a noncommercial or artistic use of the trademark, your client may be protected by the First Amendment.

### How Can Your Client Minimize Future Risk?

Having vetted your client’s current web presence, how can you help minimize the risk of accidental infringement in the future? Some preventive measures to consider include confirming that the client’s insurance potentially covers liability; making sure that the person in charge of the corporate web presence knows the origin of the content; considering licensing certain content; understanding the Digital Millennium Copyright Act; using adequate terms of service; and, when in doubt, encouraging the client to seek formal legal advice. **TFL**

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### Endnotes

<sup>1</sup>17 U.S.C. § 102; *Feist Publications Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340 (1991).

<sup>2</sup>*Perfect 10 Inc. v. Amazon.com Inc.*, 508 F.3d 1146 (9th Cir. 2007).

<sup>3</sup>*Religious Tech. Ctr. v. Netcom On Line Commc’n Servs. Inc.*, 907 F. Supp. 1361 (N.D. Cal. 1995).

<sup>4</sup>*Capitol Records Inc. v. Thomas*, 579 F. Supp. 2d 1210 (D. Minn. 2008).

<sup>5</sup>17 U.S.C. § 107.

<sup>6</sup>*Harper & Row Publishers Inc. v. Nation Enterprises*, 471 U.S. 539 (1985).

<sup>7</sup>*Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569 (1994).

<sup>8</sup>*Kelly v. Arriba Software Corp.*, 336 F.3d 811 (9th Cir. 2003).

<sup>9</sup>*Field v. Google Inc.*, 412 F. Supp. 2d 1106 (D. Nev. 2006).

<sup>10</sup>*Video Pipeline Inc. v. Buena Vista Home Entm’t. Inc.*, 342 F.3d 191 (3d Cir. 2003).

<sup>11</sup>15 U.S.C. § 1125(d).

<sup>12</sup>*Playboy Enterprises Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002).

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