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Is A Competitor Using Your Written Business Materials?

[1 - Intro] When a competitor is accused of using written business materials that belong to someone else, a common issue is whether a copyright was infringed. While these cases now are more frequent because so much information is accessible on the Internet, copyright law traces back to the U.S. Constitution and generally grants protection against the unauthorized copying of written works, subject to certain exceptions. The idea behind the law is to create protection strong enough to give authors an incentive to create, but not so strong that a competitor would be denied the opportunity to create something similar or to make fair use of a copyrighted work.

[2 - Subjects] By definition, copyright covers “original works of authorship fixed in any tangible medium of expression.” In simpler terms, there are eight categories of works that are protected by copyright law: (1) literary works, including computer programs; (2) musical works; (3) dramatic works; (4) pantomimes and choreographic works; (5) pictorial, graphic and sculptural works; (6) motion pictures and other audio visual works; (7) sound recordings; and (8) architectural works. Copyright protection also can extend to contributors in a “collective work,” which is a collection of independent writings such as a journal, encyclopedia or anthology. The same is true for authors of derivative works and compilations. Derivative works transform or adapt pre-existing works, like a newer version of a software program. Compilations are works formed by the assembly of pre-existing data arranged in such a way that the resulting work as a whole is original, such as a computer database.

[3 - Requirements] Copyright protection vests automatically the moment a work is “fixed” in a tangible medium of expression. However, an owner cannot enforce a copyright without first applying for copyright registration with the United States Copyright Office. Generally a copyright can be registered if a work is “original,” which under copyright law only means it was independently created by the author as opposed to being copied. The work also must possess at least some minimal degree of creativity. Facts and discoveries are not covered because they are neither original nor creative. For example, one court held that names and telephone numbers listed in alphabetical order were mere facts, and a long list of them side-by-side was neither original nor creative enough for copyright protection. Ideas, though often creative, also are not protectable by copyright; only the expression of an idea can be copyrighted. For instance, the idea to design a four-story house is free to everyone, but the precise way one

architect designs it may be protected. Sometimes the idea-expression dichotomy is difficult to comprehend.

[4 - Rights] The author of a copyrighted work has six exclusive rights to the work, subject to certain exceptions discussed below. First, the right of reproduction allows the author to reproduce the copyrighted work in copies or phonorecords. Second, the right of derivative works allows the author to prepare derivative works based upon a copyrighted work. Third, the distribution right allows the author to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending. Fourth, the right of performance permits the author to perform the copyrighted work publicly in the case of literary, musical, dramatic, and choreographic works, as well as pantomimes, motion pictures and other audio visual works. Fifth, the right of display allows the author to display the copyrighted work publicly. Finally, the right of performance by digital audio transmission permits the author to perform the copyrighted work publicly by means of a digital audio transmission in the case of sound recordings. The words “copying” or “infringement” simply denote the violation of one or more of these exclusive rights of the author.

[5 - Authorship] These six rights described above apply only to the author or originator of a work. This includes authorship in a joint work if it is prepared by two or more authors whose contributions are each independently copyrightable and who intended to merge their respective works to form a whole. A work “made for hire” is either a work prepared by an employee within the scope of employment or a work “specially ordered or commissioned,” which by law includes only certain categories of works such as a translation, a test, or an atlas. The employer is the author of the work made for hire. Agency law principles determine whether a work was performed by an employee within the scope of employment. If an independent contractor or freelancer produced the work as opposed to an employee, the parties must expressly agree in a signed, written agreement that the work will be considered a work made for hire.

[6 - Fair Use] There are few notable exceptions to the six exclusive rights enjoyed by copyright owners. The best known defense is that of “fair use,” which provides that fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research is not an infringement of copyright. The fair use defense is meant to promote creativity as consistent with the purpose of copyright law, and can be asserted even if a work is unpublished. The factors to be considered in determining fair use include but are not limited to: (1) the purpose and character of the use, including whether such use is of a commercial nature or for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. There is an abundance of case law examining each of these factors in depth.

[7 - Misuse] Copyright misuse is another exception. It arises from the effort to extend the scope of a copyright monopoly beyond the reach of the copyright laws, such as to gain control over areas outside the scope of legal protection. Parties asserting this defense to infringement would likely be facing an opposing party wielding market power of the type involved in antitrust lawsuits. However, the test for finding copyright misuse is whether the copyright use violates the public policy embodied in a grant of a copyright, and not whether the use is anti-competitive.

[8 - First Sale] Similarly, the “first sale doctrine” limits control over the distribution of a copyrighted work. The doctrine essentially provides that once a copy or a phonorecord embodying the copyrighted work is sold, the purchaser may resell or lease the copy or phonorecord without permission from the author. Thus, efforts to restrict the after-market distribution of copyrighted software or a phonorecord after the first sale are invalid. For example, a manufacturer cannot enter into a valid end-user license agreement with a distributor purporting to prohibit the distributor from reselling goods.

[9 - Assignment] Copyrights can be assigned, licensed, or transferred by means of conveyance or by operation of law, such as in the case of intestate succession. A conveyance is not valid unless an instrument, note, or memorandum of the transfer is in writing and signed by the owner of the rights conveyed or by the owner’s duly authorized agent. An exclusive license is much like an assignment and will generally confer standing to sue for infringement upon the license. However, non-exclusive licenses need not be in writing. It is possible to have an entirely oral copyright license in spite of the risk of fraud or false evidence. The right to terminate an oral license depends upon state law and the factual circumstances of the case. In Florida, a court will look to the intent of the contracting parties and the surrounding circumstances.

[10 - Proof - First Element] A case for copyright infringement has two elements: ownership of a valid copyright in the work, and copying by the defendant. Intent to infringe is not an element, though a willful infringer is subject to heightened liability including payment of the prevailing party’s attorney fees. The first element of proof, ownership of a valid copyright in the work, is satisfied by proving that the work meets the requirement of originality and that the plaintiff complied with the applicable statutory formalities for registration. A certificate of registration made before or within five years after the first publication of the work constitutes a presumption of the validity of the copyright.

[11 - Proof - Second Element] The second element, copying by the defendant, is more difficult to prove. Proof of copying may be shown by direct evidence or, in its usual absence, by proving both access and substantial similarity. Access is established by proof that the defendant had the opportunity to read or view the copyrighted work even despite the usual testimony denying it. Substantial similarity exists where an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work and usually is a question for the jury. If there is no proof of access, the copyright owner as a last resort can attempt to establish a “striking similarity” between the copyrighted work and the allegedly infringing work, typically established by expert testimony, which will suffice even in the absence of evidence of proof of access. The statute of limitations is three years for most civil actions beginning from the date of the last infringing act, and temporary and final injunctions may be granted.

[12 - Contributory and Vicarious] Finally, there may be liability for contributory or vicarious copyright infringement. One who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a “contributory infringer.” This may apply, for example, where a middleman facilitates the transmission of computer files carrying copyrighted information over the Internet. Online service providers now have “safe harbor” defenses which are narrowly defined by the Digital Millennium Copyright Act of 1998 and indicate what activities are legal. Additionally, a defendant can be held vicariously liable where the copyright owner proves that the defendant has

the right and ability to supervise the infringing activity and also has a direct financial interest in the infringement.

[13 - Conclusion] In conclusion, copyright protection is broad but also complex. Businesses using written materials of significant value, such as software programs, architectural drawings, sales scripts or Web sites, should consider registering them for copyright protection. The copyright owner will enjoy six exclusive rights to the work and, subject to certain exceptions, can sue competitors for infringement. These rights also can be assigned for a fee or licensed for royalties. In any event, companies large and small should be vigilant in enforcing copyrights in written materials that are important for a successful business.