

## Implied License and De Minimis Use Defenses in IP Litigation: Raising and Contesting the Defenses

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# Implied Licenses for Copyrighted Works

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- Transfers of exclusive copyright interests require a signed writing (17 U.S.C. § 204(a))
- Transfers of *non*-exclusive copyright interests need not be in writing
- Implied licenses are outgrowth of oral or implied-in-fact contracts

# Implied Licenses for Copyrighted Works

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## Copyright Interests Are Divisible

- License may cover only certain exclusive rights (e.g., reproduction, distribution, public performance, display, derivative works)
- License may cover only certain territories, duration, or means of exploitation (e.g., theater, television, streaming)

# Implied Licenses for Copyrighted Works

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## Two Tests for Creation of Implied License

- 1) Three-Part Test (2d, 7th, 9th)
  - i. The licensee requests the work;
  - ii. The licensor creates and delivers the work to the licensee; and
  - iii. The licensor intends that the licensee exploit the work

# Implied Licenses for Copyrighted Works

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## Two Tests for Creation of Implied License

### 2) Holistic Test (1st, 4th, 5th, Fed Circuits)

Look to totality of parties' conduct, including:

- Length of relationship
- Use of written contract requiring express permission
- Licensor's conduct signals intent for licensee to use the material

# Implied Licenses for Copyrighted Works

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## Terms of Implied Licenses

- Depend on the circumstances
- Revocable absent consideration; but licensor must give reasonable notice before revocation
- May be sub-licensed

# Implied Licenses for Copyrighted Works

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## Procedural aspects of implied licenses

- License is an affirmative defense; must be pled in response to a complaint
- Burden of proof is on the defendant
- May involve questions of fact
- May involve questions of state law, e.g., adequate consideration, fraud, coercion, rescission, etc.

# Implied License Defense in Trademark Litigation

# Implied License Defense in Trademark

- An **implied license** arises out of the **objective conduct** of the parties, which a **reasonable person** would regard as indicating that an **agreement** has been reached
- **Permission to use TM + exercise of reasonable control** over defendant's use might lead to conclusion of **implied license**
- It is irrelevant whether parties at the time thought of arrangement in terms of implied license

*See Villanova Univ. v. Villanova Alumni Educ. Founds., Inc.*, 123 F. Supp. 2d 293 (E.D. Pa. 2000)

# Implied License Defense in Trademark

- Balance between **implied license** and “**naked licensing**”
- “**Naked licensing**” is an **uncontrolled** licensing of a mark whereby the licensee can place the mark on any quality or type of goods or service raising danger of public deception by such usage
- In contrast to implied licensing, **permission to use TM + failure to exercise reasonable control** over defendants use might lead to **abandonment** of mark
- Exercising **reasonable control** also referred to as duty of **policing** or **quality control**

*Doebler's Pa. Hybrids, Inc. v. Doebler*, 442 F.3d 812 (3d Cir. 2006);  
see also *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d 509  
(9th Cir. 2010); *Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2004)

# De Minimis Use Defense in Copyright Litigation

# De Minimis Use Defense in Copyright

- In copyright context, **de minimis** can mean:
  - A **technical violation** of a right so **trivial** that the law will not impose legal consequences; or
  - **Copying** has occurred to such a **trivial** extent as to fall below quantitative threshold of **substantial similarity**
    - **Similarity**: courts assess **extent** to which copyrighted work is **copied** with work's "**observability**" being paramount
    - **Observability**: length of **time** copyrighted work is **observable** as well as other **factors** such as focus, lighting, camera angles, prominence, etc.
    - From viewpoint of **average lay observer**
- Not recognized as viable defense in all jurisdictions (e.g. viable in 2d Cir. but not 7th Cir.)

*Ringgold v. Black Entm't Television, Inc.*, 126 F.3d 70 (2d Cir. 1997)

# De Minimis Use Defense in Copyright

- **Fair Use v. De Minimis Use**
  - **Fair use factors**
    - **Purpose and character of use**
    - **Nature of copyrighted work**
    - **Amount and substantiality of portion used**
    - **Effect upon potential market for copyrighted work**
  - **Where use is de minimis, no cause of action for copyright infringement, so fair use analysis is unnecessary**
  - **Error to consider fair use defense before de minimis use defense**

*Sandoval v. New Line Cinema Corp.*, 147 F.3d 215 (2d Cir. 1998)

# De Minimis Use of Musical Compositions

*Newton v. Diamond*, 349 F.3d 591(9th Cir. 2003)



# De Minimis Use of Musical Compositions

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*Newton v. Diamond*, 349 F.3d 591 (9th Cir. 2003)

- “The principle that trivial copying does not constitute actionable infringement has long been a part of copyright law. Indeed, as Judge Learned Hand observed over 80 years ago: ‘Even where there is some copying, that fact is not conclusive of infringement. Some copying is permitted. In addition to copying, it must be shown that this has been done to an unfair extent.’”
- Sampled portion was neither quantitatively nor qualitatively significant. Three-note sequence appeared only once in plaintiff’s composition for six seconds, or 2% of the 4.5 minute song. The sequence had been used by numerous composers before plaintiff.

# De Minimis Use of Sound Recordings

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*Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792  
(6th Cir. 2005)



# De Minimis Use of Sound Recordings

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*Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792  
(6th Cir. 2005)

“The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 [granting exclusive rights of reproduction and preparation of derivative works] do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.” 17 U.S.C. § 114(b)

# De Minimis Use of Sound Recordings

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*VMG Salsoul, LLC v. Ciccone*, 824 F.3d 871 (9th Cir. June 2, 2016)



# De Minimis Use of Sound Recordings

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*VMG Salsoul, LLC v. Ciccone*, 824 F.3d 871 (9th Cir. June 2, 2016)

- De minimis exception *does* apply to infringements of sound recordings - where average listener would not recognize sample came from earlier song
- De minimis exception to copyright has been applied for decades, and Section 114(b) imposes a *limitation* on the rights of owner of sound recording copyright, not an *expansion* of those rights
- Legislative history stated “infringement takes place whenever all or any *substantial portion* of the actual sounds” of a recording are reproduced

# De Minimis Use in Visual Works: Set Dressing



*Ringgold v. Black Entertainment Television, Inc.* 126 F. 3d 70  
(2d Cir. 1997)

**Background:**

- The plaintiff licensed non-exclusive reproduction rights to a museum to print her artwork “Church Picnic Story Quilt”—which depicted African-American churchgoers at a picnic—on posters.
- HBO used one of the posters as set design in an episode of the popular 1990s sitcom *Roc* without a license.



*Ringgold v. Black Entertainment Television, Inc.* 126 F. 3d 70  
(2d Cir. 1997)

**Ringgold Test:**

- Considers the following factors:
  - “the amount of the copyrighted work that is copied”
  - “the observability of the copied work—the length of time the copied work is observable in the allegedly infringing work,” and
  - factors such as “focus, lighting, camera angles, and prominence.”
- Its application will largely depend on the type of work that is copied and the type of work that allegedly infringes
- Note the context: Focus on the infringing work in context of "set dressing"

*Ringgold v. Black Entertainment Television, Inc.* 126 F. 3d 70  
(2d Cir. 1997)

**Holding:**

- Use was not *de minimis*:
  - Poster was shown nine times for an aggregate of 26.75 seconds (1.86 to 4.6 seconds at a time over the course of a five-minute scene)
  - Poster was often central and shown clearly enough for an average lay observer to notice it and discern its contents
  - Production staff had placed the poster in a scene which took place in an African-American church and so the artist's work had a "qualitative connection" to the scene in which it appeared.

*Sandoval v. New Line Cinema Corp.*, 973 F. Supp. 409  
(S.D.N.Y. 1997)

**Background:**

- Another "set dressing" case analyzing the infringing work
- Several of plaintiff's photographs appeared, out-of-focus and partially obstructed, for 35.6 seconds in the background of a scene in the movie *Seven*.

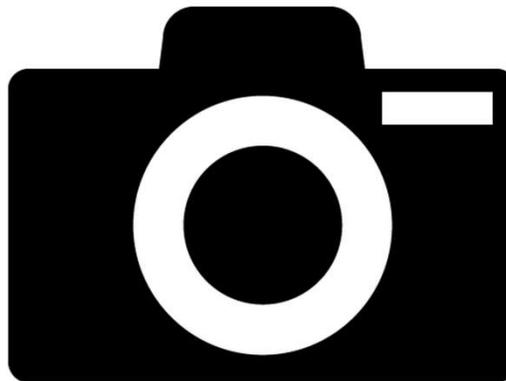


Film, *Seven*, Copyright © 1995 by New Line Cinema.

*Sandoval v. New Line Cinema Corp.*, 973 F. Supp. 409  
(S.D.N.Y. 1997)

**Holding:**

- The court of appeals affirmed a finding of *de minimis* use.
- The photos were “not displayed with sufficient detail for the average lay observer to identify even the subject matter of the photographs, much less the style used in creating them.”



*LMNOPI v. XYZ Films, LLC*, No. 18-CV-5610-LDH-VMS, 2020 WL 1914888, at \*1, \*2-5 (E.D.N.Y. Mar. 30, 2020).

**Background:**

- The plaintiff's murals appeared for 3.5 seconds in a film released by the defendants.
- Another example of "set dressing" where the court analyzes the infringing work for the quantitative analysis



*LMNOPI v. XYZ Films, LLC*, No. 18-CV-5610-LDH-VMS, 2020 WL 1914888, at \*1, \*2-5 (E.D.N.Y. Mar. 30, 2020).

**Holding:**

- The court held that the use was *de minimis* because:
  - the mural was in the background;
  - was obstructed by a pickup truck and an actress;
  - several other murals appeared in the film;
  - focus of the scene was on the actress rather than the mural;
  - mural was irrelevant to the film's plot; and
  - scene depicting the mural was brief compared to the 93-minute long film.
- Focus on infringing work for quantitative analysis

## De Minimis Use – Screen Shots and Sound Samples



# *Kanongataa v. Coed Media Group, LLC, No. 16-cv-7472 (LAK) (S.D.N.Y. 2017)*

## **Background:**

- The plaintiff filmed his wife giving birth and live-streamed in on Facebook.
- Media outlets reported the story, using short clips or screenshots from the video.
- Kanongataa sued for copyright infringement.
- Coed Media, which ran a pop culture blog, used a single-frame screenshot from the 45-minute video to illustrate a story about the video itself that ridiculed the plaintiff.
- Coed Media moved to dismiss on fair use and de minimis use grounds



*Kanongataa v. Coed Media Group, LLC*, No. 16-cv-7472 (LAK)  
(S.D.N.Y. 2017)

**Holding:**

- The court held that use of a screenshot was so small in comparison to the copyrighted birth video that it could not be considered infringing.
- Coed Media explained that a single video frame equals approximately 1/30 of a second, and out of its 45-minute total length, the screenshot constituted .001235 percent of the video.
- Court found that as a matter of law the two works could not be considered substantially similar.
- Note the focus on the copyrighted work, not the allegedly infringing work



*Rudkowski v. MIC Network, Inc.*, 2018 WL 1801307  
(S.D.N.Y. Mar. 23, 2018)

**Background:**

- *Kanongataa* take two
- Photographer sued media outlets for using a screen shot of a video depicting Antifa/free speech riots in Berkely, CA
- Defendants argued de minimis use



*Rudkowski v. MIC Network, Inc.*, 2018 WL 1801307  
(S.D.N.Y. Mar. 23, 2018)

**Background:**

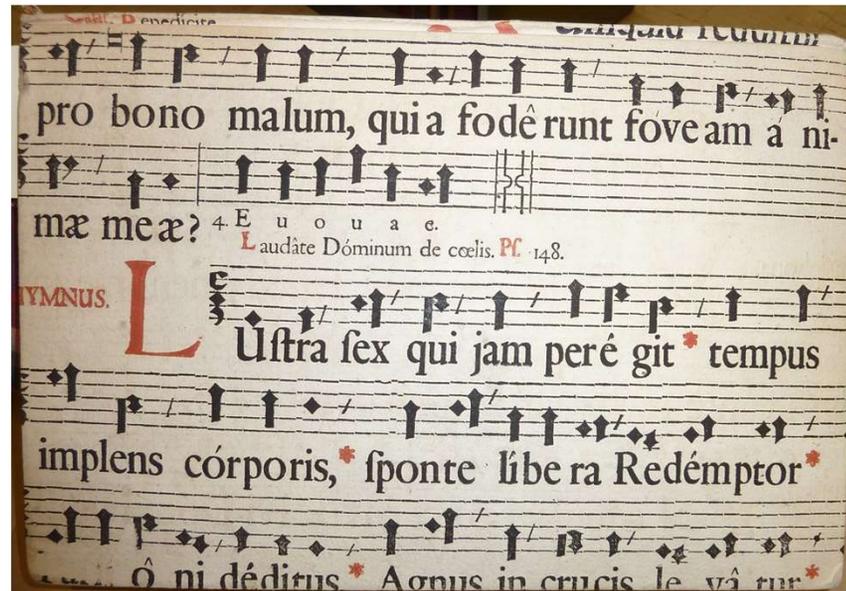
- Qualitatively, the screen shot was “an exact screenshot of Plaintiff’s video,” but quantitatively, the use was “trivial” and an “individual frame clearly represents an extremely small fragment of the whole video.”
- Court rejected plaintiff’s reliance on *Ringgold*
  - *Ringgold* is “factually inapposite” because “[u]nlike cases where defendants’ works are films that show a copyrighted work for a period of seconds on screen, Defendant’s allegedly infringing work is a still photograph, rather than a video.”



## *Fisher v. Dees*, 794 F.2d 432 (9th Cir. 1986)

### **Background:**

- Defendant copied the central theme and lyrics of the plaintiff's song
- Only included minor variations
- Copying was easily recognizable
- Appropriated six out of 38 bars of the original song



*Fisher v. Dees*, 794 F.2d 432 (9th Cir. 1986)

**Holding:**

- The court held that this quantity and quality of taking was not de minimis
- Defendant prevailed on fair use, though



# De Minimis Use Defense in Trademark Litigation

# De Minimis Use Defense in Trademark

- **De minimis** use as a **defense** to **trademark infringement**
  - *Gottlieb Dev. LLC v. Paramount Pictures Corp.*, 590 F. Supp. 2d 625 (S.D.N.Y. 2008)
    - “Silver Slugger” pinball machine visible in background during scene from “What Women Want”
    - Silver Slugger distributed by Gottlieb, and GOTTLIEB mark visible for about 3 seconds
    - Court concluded that no viewer of film would consider whether Paramount sponsored pinball machine or that Gottlieb sponsored film
    - “Courts are not concerned with mere theoretical possibilities of confusion or de minimis situations in trademark cases”

# De Minimis Use Defense in Trademark

- **De minimis** use as a **bar** to **trademark registration**
  - *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2d (BNA) 1768 (TTAB 1994)
    - “Use in commerce” means **bona fide use** of mark in ordinary course of trade, not merely to reserve right in mark
    - Applicant used mark THE ROMULANS for 10 years on game to promote his band
      - Game is in small flyer that does not look like game, and no packaging
      - Only personally distributed by applicant, mostly given away or sold at cost
      - Volume distributed was de minimis
      - Advertising was de minimis and only in context of promoting band
      - No business office or employees
    - Summary judgment denying registration to be granted if opposer could prove standing

# De Minimis Use Defense in Trademark

- **De minimis** use as a **bar** to **registration** (continued)
  - Multiple other courts have recognized de minimis use as bar to trademark registration, e.g.,
    - *Gameologist Group, LLC v. Scientific Games Int'l, Inc.*, 838 F. Supp. 2d 141 (S.D.N.Y. 2011)
    - *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188 (111<sup>th</sup> Cir. 2001)
  - *But see Christian Faith Fellowship Church v. Adidas AG*, 841 F.3d 986 (Fed. Cir. 2016)
    - Use-based federal application
    - Federal Circuit has not adopted a de minimis test for “use in commerce” requirement
    - Held that documented sale of two marked hats from Church’s bookstore to Wisconsin residents was sufficient “use in commerce”
    - Distinction between “use” and “in commerce”

# De Minimis Use Defense in Trademark

- **De minimis** use as **exception** to **duty** to **police** mark
- **Progressive encroachment**
  - 3 Gilson on Trademarks § 13.12 (2020)
    - Progressive encroachment is **defense** to **laches**
    - “[A] defendant’s progressive encroachment excuses plaintiff’s delay in filing suit until its claims become viable and even for a time afterwards...”
    - Trademark owner not required to file complaint where infringement suit not worth cost of bringing suit
    - “A trademark owner ‘need not sue in the face of de minimis infringement by the junior user.’”

# De Minimis Use Defense in Trademark

- **De minimis** use as **exception** to **duty** to **police mark** (continued)
- *Oriental Fin. Group, Inc. v. Cooperativa De Ahorro Credito Oriental*, 698 F.3d 9 (1st Cir. 2012)
  - **Progressive encroachment** requires:
    - ❑ During delay period, plaintiff could **reasonably conclude that it should not bring suit** to challenge alleged infringement
    - ❑ Defendant **materially altered** its infringing activities
      - ❖ Turns on increased **likelihood of confusion**
    - ❑ **No unreasonable delay** filing suit after alteration in infringing activity
  - In *Oriental*, progressive encroachment applied where:
    - ❑ Infringing bank doubled its branches, moved into same location as trademark owner, and expanded its advertising
    - ❑ Suit was filed within two years of altered activities
    - ❑ Prior infringement was limited in scope

# De Minimis Use Defense in Trademark

- **De minimis** use as **exception** to **duty** to **police mark** (continued)
  - *Tillamook Country Smoker, Inc. v. Tillamook County Creamery Ass'n*, 465 F.2d 1102 (9th Cir. 2006)
    - No progressive encroachment resulting from redesign of labels or direct sales to grocery stores
    - Redesign did not make packaging more similar to trademark owner's packaging
    - Commencement of sales in grocery stores “represented normal business growth, not progressive encroachment”
      - Progressive encroachment would require showing that infringer expanded its business into different regions or into different markets

# Recent Court Decisions

## Recent Decisions: Tattoos in Sports-Related Video Games

- “Copyright protection subsists...in **original** works of **authorship fixed** in **any tangible medium** of expression....” (17 U.S.C. § 102)
- Tattoos are protected by copyright
  - They are frequently **original** works
  - They are **authored** by tattoo artist
  - They are **fixed** in dermis (layer of skin)
  - The dermis is **tangible medium**
- Copyrights to tattoo design is **typically owned by artist** or someone who has purchased copyrights to design, not person inked with tattoo

## Recent Decisions: Tattoos in Sports-Related Video Games

- **Plaintiff:** Solid Oak is a company that exclusively-licensed tattoo designs inked on NBA players Eric Bledsoe, LeBron James, and Kenyon Martin
- **Defendants:** 2K Games and Take-Two Interactive developed and published *NBA 2K* series of video games, which accurately depict real NBA players, including Bledsoe, James, and Martin
- Solid Oak filed copyright infringement complaint against defendants for digital depictions of copyrighted tattoos in *NBA 2K*
- Defendants moved for summary judgment on affirmative defenses of implied license, de minimis use, and fair use

*Solid Oak Sketches, LLC v. 2K Games, Inc.*, No. 16-CV-724 (S.D.N.Y. Mar. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- The court **granted summary judgment** in favor of defendants on all grounds
- Defendants have an **implied license** to include tattoos when showing players' likenesses
  - Tattoo artists knew and understand that tattoos would be copied and distributed as part of players' likenesses during public games, on TV, and in other media
  - Artists did not attempt to limit these licenses, and they were granted before being licensed to Solid Oak
  - When players granted defendants right to include their likenesses in *NBA 2K*, this included right to depict them with their tattoos

*Solid Oak Sketches, LLC v. 2K Games, Inc.*, No. 16-CV-724 (S.D.N.Y. Mar. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- Defendants' use was **de minimis**
  - *NBA 2K* games have about 400 available players, only three of which have tattoos in question
  - Average game is unlikely to include any of those players
  - When they do appear, tattoos are only 4.4% to 10.96% of their actual size and are generally distorted due to movement, shading, camera angles, etc.

*Solid Oak Sketches, LLC v. 2K Games, Inc.*, No. 16-CV-724 (S.D.N.Y. Mar. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- Defendants use of tattoo designs is protected by **fair use**
  - Tattoos were included in *NBA 2K* for sole purpose of accurately depicting players, which is **transformative** of their original purpose as self-expression through body art
  - Tattoos only rarely appear in game, and, when they do, they are so small and hard to recognize that they are at most **incidental to commercial value** of game
  - Tattoos had **only common tattoo motifs** or were copied from images that artists did not create, such as photograph of James's son
  - Defendants' use of designs was **unlikely to impact any market** for tattoos

*Solid Oak Sketches, LLC v. 2K Games, Inc.*, No. 16-CV-724 (S.D.N.Y. Mar. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- Another sports video game, this time involving tattooed professional wrestlers
- Fighting out of **plaintiff's** corner:
  - Catherine “The Tattoo Artist” Alexander
  - Alexander inked six tattoos on back and arms of professional wrestler Randy Orton
- Fighting out of **defendants'** corner:
  - World Wrestling Entertainment (WWE) – Orton’s wrestling league
  - Take-Two Interactive Software – developer and publisher of WWE game depicting Orton
  - Other associated entities

*Alexander v. Take-Two Interactive Software Inc.*, No. 18-cv-966 (S.D. Ill. Sep. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- **Alexander filed copyright infringement complaint against defendants for accurately depicting Orton's six tattoos in their WWE video game**
- **Defendants moved for summary judgment on three affirmative defenses:**
  - **Implied license**
  - **De minimis use**
  - **Fair use**

*Alexander v. Take-Two Interactive Software Inc.*, No. 18-cv-966 (S.D. Ill. Sep. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- Different court, different result
- Court denied summary judgment as to **all three defenses**
- Triable issues of material fact regarding the scope of any **implied license** because it was unclear whether Alexander and Orton discussed permissible forms of copying, distribution, and sublicensing when Alexander inked tattoos

*Alexander v. Take-Two Interactive Software Inc.*, No. 18-cv-966 (S.D. Ill. Sep. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- Court denied **de minimis** defense on two grounds
  - No authority showing de minimis use is viable defense in Seventh Circuit
  - Defendants copied tattoos in their entirety

*Alexander v. Take-Two Interactive Software Inc.*, No. 18-cv-966 (S.D. Ill. Sep. 26, 2020)

## Recent Decisions: Tattoos in Sports-Related Video Games

- Triable issues of material fact regarding **fair use**, including defendants' purpose in using tattoo designs, whether defendants' use was sufficiently transformative, and whether there was market harm to Alexander

*Alexander v. Take-Two Interactive Software Inc.*, No. 18-cv-966 (S.D. Ill. Sep. 26, 2020)

## *Basset v. Jensen*, 459 F. Supp. 3d 293 (D. Mass. 2020)

### **Background:**

- Plaintiff rented her Martha's Vineyard home to Defendant Joshua Spafford.
- Defendant used the property as a set for pornographic videos and photographs, as well as housing for cast and crewmembers.
- A year and a half after learning about the pornographic movies, which featured Bassett's artwork, registered the works under the category of "Unpublished Collection."
- Defendant moved for summary judgment on several grounds including de minimis use.



*Basset v. Jensen*, 459 F.Supp.3d 293 (D. Mass. 2020)

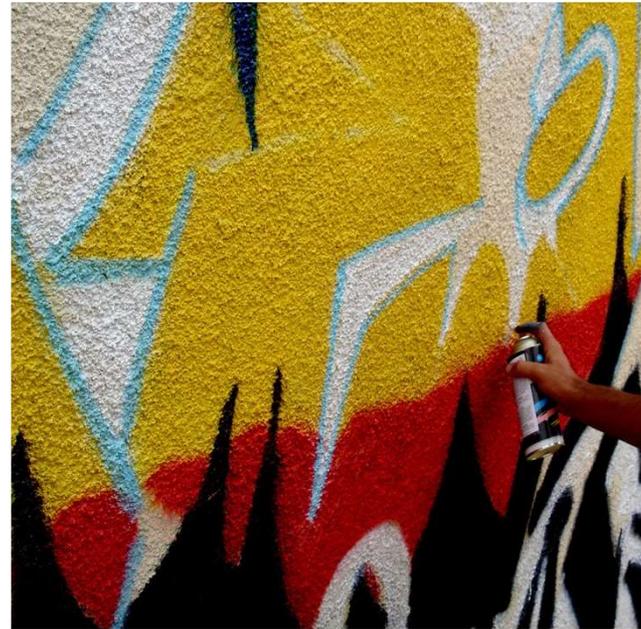
**Holding:**

- The court found that at least 10 of defendants' films featured the plaintiff's works in a greater than de minimis capacity, *i.e.*: “a substantial majority of the copyrighted work is ‘clearly visible’ for at least 30 seconds in aggregate.”
  - Focus on the infringing work for quantitative analysis
- The court granted summary judgment on copyright liability and ordered Bassett to submit an expert report for the appropriate amount of damages for works that appear in each film for greater than de minimis capacity.

*Gayle v. HBO*, 2018 WL 2059657 (S.D.N.Y. 2018)

**Background:**

- The plaintiff's graffiti art appeared on a dumpster, which was depicted briefly in the background of an episode of HBO's television series *Vinyl*.



*Gayle v. HBO*, 2018 WL 2059657 (S.D.N.Y. 2018)

**Holding:**

- The court held that the use was *de minimis* because:
  - the graffiti appeared for no more than two seconds;
    - Focus on infringing work for quantitative analysis
  - the focus was on the actress walking by the dumpster;
  - the graffiti played no role in the plot of the episode;
  - and the graffiti was never fully visible or in focus.

## Recent Court Treatment – Computer Software

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*Bitmanagement v. U.S.*, 2021 U.S. App. LEXIS 5641  
(Fed. Cir. 2021)

- Software developer worked with US Navy on “floating license” system - software installed on all Navy computers, with license fee based on usage.
- When told about deployment, developer replied “that is our understanding as well” and “thanks for the good news!”, and developer touted Navy’s use in proposals to other customers.
- Court held Navy had implied license to install software on its computers, *but* it breached the condition precedent for that license by failing to implement software monitoring system.

## Recent Court Treatment – Computer Software

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*ECIMOS, LLC v. Carrier Corp.*, 971 F.3d 616 (6th Cir. 2020)

- Carrier licensed HVAC testing software from plaintiff
- Written license expressly prohibited unauthorized copying or creating derivative works
- Carrier installed software on new OS, and gave it to a competing software developer
- Carrier copied 167 lines of code out of 2,000, resulting in common typo
- Jury finding of infringement affirmed on appeal, citing cases where courts upheld infringement of only 9 lines of code

## Recent Court Treatment – Music

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*Ralph v. Buchthal*, No. 15 Civ. 3347 (S.D.N.Y. 2016)

- Composer worked with documentary film producers to score film for premiere at Tribeca Film Festival, for which composer was paid \$50K
- On the eve of the premier, plaintiff objected on the grounds that no written license agreement was signed
- Producers argued implied license which became irrevocable when they paid the composer \$50K, and composer's attempt to revoke license on eve of premier was not reasonable
- Court indicated it would grant summary judgment for film producers

## Recent Court Treatment – Music

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*ABKCO Music, Inc. v. Sagan*, 2018 U.S. Dist. LEXIS 60026 (S.D.N.Y. Apr. 9, 2018)

- Defendants exploited archival concert recordings online, and claimed they had compulsory licenses for musical compositions under Section 115 of the Copyright Act
- Court held defendants did *not* qualify for compulsory licenses
- Defendants argued they had *implied* licenses based on history of payments pursuant to alleged compulsory licenses

# Recent Court Treatment – Music

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*ABKCO Music, Inc. v. Sagan*, 2018 U.S. Dist. LEXIS 60026 (S.D.N.Y. Apr. 9, 2018)

Court rejected implied license defense:

- “[P]rudential concerns ... counsel against imputing intent to compulsory licensors who accept payments made pursuant to ostensibly valid [compulsory] licenses.”
- “Where, as here, a licensee fails to meet the substantive and procedural requirements of [a compulsory license], they cannot claim that there was a meeting of the minds as to how those licenses would be used. The inherent assumption was compliance with the commands of [the compulsory license].”

# Recent Court Treatment – Digital Publishing

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*MidlevelU, Inc. v. ACI Info. Grp.* 2021 U.S. App. LEXIS 6167 (11th Cir. 2021)

- Plaintiff distributed blog posts through an RSS feed, which defendant copied, summarized and sold as part of news aggregation service, enabling subscribers to view the articles on defendant’s website
- Defendant relied on *Field v. Google* which found an implied license to archive websites for search engines based on industry practice
- Court found no industry practice allowing copying of RSS feeds, and rejected implied license defense, stating “[i]mplied permission to enter the front door to shop (read the content through an RSS reader for personal purposes) does not imply permission to enter and throw a party (sell computer-generated summaries paired with iFrames showing the full-text content)”

# Best Practices



# Best Practices



## DO:

- Get permission
  - Clear all works depicted in a work before publication (if possible)
  - Seek a license or authorization from the copyright owner
    - Best to get something in writing
    - If verbal, make a written record (note to file)
- Use stock images or video clips through a reputable service that provide indemnities (Getty Images, Adobe, Shutterstock, Pond5, etc.)
- Use public domain or Creative Commons works
  - But no guarantees that these are risk-free
- Use hyperlinks when possible (not embedding)
- Maintain written image use policies and train employees/interns
- Make or commission your own content
- Discuss quantitative and qualitative aspects of use with counsel when in doubt

# Best Practices



## DON'T

- “Right Click License” – take from the Internet or social media
  - Online does not = free
  - Don’t rely on Google Images
  - Content on UGC sites is not necessarily free for the taking (and offer no indemnification)
- Assume there is a magic percentage that automatically counts as fair use or de minimis use
  - Each case is fact-specific
- Discuss quantitative and qualitative aspects of use with counsel when in doubt

# Raising the Defense – Implied License

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- Plead the defense in the answer
- Identify the legal standard in the jurisdiction
- Develop discovery (written correspondence, deposition testimony, industry custom) to support motion for summary judgment
- Consider scope of implied license and argue it wasn't exceeded
- Identify consideration to make implied license irrevocable
- For trademark claims, consider whether uncontrolled use supports abandonment argument

# Raising the Defense – De Minimis Use of Copyright

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- Consider raising on a motion to dismiss
- Argue limited duration/amount/significance of copied material in relation to original and secondary work
- Consider expert testimony for complex subject matter (e.g., music, computer software) to explain lack of significance or common useage
- Consider consumer survey to show average person would not recognize the copied material

# Raising the Defense – De Minimis Use of Trademark

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- Consider raising on a motion to dismiss
- Argue use of the mark was limited in duration, size or visibility
- Commission a consumer survey to show average customer in relevant market would not be confused as to source or sponsorship of defendant's products/services
- Consider abandonment argument based on plaintiff's failure to police similar marks on similar product/services
- When challenging registration, argue claimant's evidence of use is not *bona fide* use in commerce, merely "token" use

# Arguing Against the Implied License Defense

# Arguing Against the Defense

- **Implied license – copyright litigation**
  - **Intent to allow licensee to copy and distribute work can be hard to prove, and burden is on proponent of defense**
  - **Take advantage of ambiguities and factual disputes, including any past history of artist never licensing rights subject to alleged implied license**
  - **Would reasonable person have agreed to alleged terms of implied license?**
  - **Is there an express license limiting scope of alleged implied license?**
  - **Show that if there is implied license, its scope is less than scope asserted by infringer**

# Arguing Against the Defense

- **Implied license – trademark litigation**
  - **As in copyright context, look for opportunities to dispute:**
    - **Facts and ambiguities**
    - **Reasonableness of alleged terms**
    - **Scope**
    - **Effect of express license, if any**
  - **Beware of balance between implied license and naked licensing**

# Arguing Against the De Minimis Use Defense

# Arguing Against the Defense

- **De minimis use - copyright litigation**
  - **Is de minimis use viable defense in Circuit where litigation is held?**
  - **If viable, observability is key – emphasize how much of work is observable to average lay observer, as well as length of time – e.g.,**
    - **How much of work is used?**
    - **How large?**
    - **How noticeable or recognizable?**
    - **How often and how long is work shown?**
  - **Emphasize that infringement was not trivial and has real, significant consequences**

# Arguing Against the Defense

- **De minimis use – trademark**
  - **As defense to infringement**
    - **As with copyright, emphasize visibility of mark**
    - **Requires evidence of actual confusion, not just theoretical possibility**
  - **As bar to registration – *Christian Faith Fellowship* seems to have eliminated this bar for used-based federal applications**
  - **Progressive encroachment**
    - **Show no material alteration and therefore no increased chance of confusion**
    - **Show that any alteration was normal business growth, not expansion into different regions or different markets**
    - **If possible, show that delay between alteration and filing of suit was undue**

# Thank You

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