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Cases of Note -- Copyright in Derivative Works

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LEGAL ISSUES



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Cases of Note — Copyright in Derivative Works

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Karaoke Bandits and the Nightmare World of Sing-along

Palladium Music, Inc. v. Eatsleepmusic, Inc and Tennessee Production Center, Inc., d/b/a Chartbuster Karaoke, United States Court of Appeals for the Tenth Circuit, 398 F.3d 1193; 2005 U.S. App. LEXIS 2399 (2005).

Palladium is in the business of making “karaoke music tracks” which allow drunks in bars to sing along with rock ditties and in some pathetic way imagine they’re stars. These “tracks” are original master recordings which are similar in sound to the original and are “in the style” of the desired artist. So they’re original versions of copyrighted music. But **Palladium** for no explainable reason thought they didn’t have to pay royalties to **Britney Spears** et al.

In 1999 **Palladium** began to sell to customers through Internet digital downloads and sure enough copyrighted its own work. In 2002, through the use of cleverly embedded digital watermarks, **Palladium** caught **Eatsleepmusic (ESM)** and others flogging the **Palladium** sing-along product line. **Palladium** became morally indignant and sued. **ESM** got a summary judgment based on **Palladium** not having licensed the original music. **Palladium** appealed.

The Appeal

Palladium showed certificates of copyright registrations which is prima facie evidence of a valid copyright, shifting the burden to the defendant of overcoming the presumption. *Autoskill Inc. v. National Educational Support Systems, Inc.*, 994 F.2d 1476 (10th Cir. 1993). **ESM** showed that **Palladium**’s sound recordings were based on pre-existing music and **Palladium** had no licenses. Sound recordings and the underlying music each have distinct copyrights. See 17 U.S.C. § 102(a)(2), (7).

Palladium’s stuff is derivative of the original music — “a work based upon one or more pre-existing works[.]” 17 U.S.C. 101. And they’re only protected if there’s a lawful use of the underlying composition.

In the teeth of this, **Palladium** asserted that its work was by-gosh original and not in the least derivative. This despite the copyright giant **Nimmer** saying they’re wrong, and the Act itself uses as an example a “sound recording.” *Id.*; See also 2 M. Nimmer, *Nimmer on Copyright* 2.10[A] n.8 (“A sound recording is a derivative work in relation to the musical work recorded therein, just as a motion picture is a derivative work in relation to the novel or a

screenplay upon which it is based.”) And see 17 U.S.C. 103(a) (providing that copyright in a derivative work “does not extend to any part of the work in which such [pre-existing] material has been used unlawfully”).

But what if **Britney** is tied up with morning sickness and won’t license? Won’t this block future creativity — like karaoke?

The court said the Act provided a balance between rewarding the labor of the original author and bringing the profound societal benefit of karaoke to the world. **Britney** has the right to prepare derivative works herself, but in the case of an original music work that has been distributed to the public, **Palladium** had a right to compulsory licensing under 17 U.S.C. 115(a)(1), (b), (c). **Palladium** just gives notice to the warbling bimbo and then pays “statutory or otherwise negotiated royalties.” *Id.*

Grasping at Straws

Palladium said none of this applied to them because they were only into wholesale karaoke tracks, not retail. The court scratched its collective head over that one saying there was no basis for a wholesale-retail distinction.

Copyright: Licensing by Co-Owners

Bridgeport Music, Inc., et al. v. Dimension Films, et al., 230 F. Supp. 2d 830, 2002 U.S. Dist LEXIS 21705 (2002).

In May, 1998, **Dimension Films** released the movie *I Got the Hook Up* with the song “100 Miles and Runnin’” on the soundtrack. **Bridgeport Music**, the current owner of 25% of the song sued for infringement.

No, Hook Up is not hyphenated in the case. Not knowing if it’s current jargon for casual sex I turned to the miracle of Google. And lo and behold it’s a double-entendre! The movie is described as “a truckload of cell phones turns into a boatload of cash.” Phone hook up? Get it? And a buxom fox is there for the other. Are those folks in Hollywood clever or what?

The lyrics to “100 Miles” are likewise on **Google** but not suitable for a family publication such as this. Yes, they’re part of the sewage that passes for culture today. Do you really know what your teenager is listening to?

Dimension Films moved for summary judgment claiming to have an oral license to

By this point **EMS** was pretty ticked off at the wasted time and money and asked for attorney’s fees.



This of course is something clients always see themselves winning but never quite achieve — a shift to the English rule of loser pays. They always ask in the initial interview right after they’ve been quoted an hourly rate or a one-third contingency. “But we can get attorney’s fees can’t we?” And the lawyer can never quite bring himself to say “Sure, on a cold day in hell.”

There’s no real formula for this, but “frivolousness, motivation, objective unreasonableness (both in law or in fact), and the need in particular circumstances to advance considerations of compensation and deterrence” could serve to bring it on. See *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (quoting *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (1986)). Neither the district nor the appeals court found **Palladium**’s position sufficiently frivolous or objectively unreasonable.

use the music.

“100 Miles” was originally owned by **Dollarz N Sense Music (DNSM)** and three others. When they sold 25% to **Bridgeport** in December, 1998, **Bridgeport Music** granted **DNSM et al.** a license to use said 25% “in all media” and also granted same to **DNSM’s licensees and assigns**.

The court found the language of the license clear and unambiguous in granting **DNSM** licensing privileges to others.

What About the Licenses?

Bridgeport never disputed that an oral license existed from **DNSM**, which settled any little Statute of Frauds problems. But **Bridgeport** asserted that all parties had to join in the license.

However, co-owners have a legal right to grant license to a work without the permission of the other co-owner. See, e.g., *Geshwind v. Garrick*, 734 F. Supp. 644, 651 (S.D.N.Y. 1990), cert. denied, 112 S. Ct. 58 (1991); *Nimmer on*

continued on page 81



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Cases of Note
from page 80


Copyright § 6.10 at 6-30.

Don't jump to conclusions. This is one of those "unless the parties agree otherwise" deals. But the language must be clear about the otherwise and that was not the case with **Bridgeport**.

Along with the oral license from **DNSM, Dimension** had written June, 2002 "synchronization" licenses retroactive to the oral date. These granted a right to "synchronize, perform or record '100 Miles and Runnin'."

Bridgeport claimed **Dimension** could not retroactively validate infringements. But the court found that **Dimension** had an oral license. The writing was memorializing the previously agreed terms and was not a stunt to evade liability. See *Great Southern Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609, 612 (M.D. Tenn. 1992).

Bridgeport argued that since the licenses from **DNSM** et al. listed the ownership shares of the licensors, they had no intent to license **Bridgeport's** 25%. But co-owners don't have to all consent as long as each gets his respective share of the money. See Melville B. Nimmer and David Nimmer, Nimmer on Copyright § 6.10, at 6-30.

Bridgeport wanted to show industry custom as to whether the licenses applied to all or part of the song. But the court found nothing ambiguous in the writing, so evidence as to industry custom was not needed to clear anything up. 

Questions & Answers — Copyright Column

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QUESTION: *The library has a book with a particularly nice book jacket; unfortunately, this dust jacket has been damaged. May the library reproduce the book jacket to replace the damaged one?*

ANSWER: Under section 108(c) of the **Copyright Act** libraries are permitted to replace lost, damaged, deteriorating, stolen or obsolete items after the library has first made a reasonable effort to purchase an unused replacement at a fair price. Thus, the first step is to contact the publisher to see if it will supply a new book jacket to replace the damaged one. If not, then the library is entitled to reproduce the damaged cover. In order to retain the colors, etc., the library may decide to locate a copy of the book jacket on the Web and download that to use as a replacement rather than photocopying the damaged cover.



QUESTION: *High school students put on a show each year for the public that is a parody or satire. Is there any problem with this or is it excused as a fair use?*

ANSWER: Traditionally, parody is excused as a fair use because it is a type of criticism or comment, while satire is not. But not all parody qualifies as fair use. A parody is defined as a work that makes fun of a particular copyrighted work by highlighting its pretensions, poor quality or low brow popularity. Even if the parody does this, the amount of the copyrighted work that it may use for the parody is somewhat limited. Case law dictates that a parody is not a remake of an entire work (such as a musical comedy version of "Gone with the Wind"). Instead, it uses only a fair use portion of the copyrighted work and not more than is necessary to accomplish the parodic purpose.

continued on page 82