



ICLG

The International Comparative Legal Guide to:

Copyright 2015

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A practical cross-border insight into copyright law

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USA

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David Donahue



1 Copyright Subsistence

1.1 What are the requirements for copyright to subsist in a work?

Copyright protection in the United States subsists in original works of authorship fixed in any tangible medium of expression. As such, the two fundamental criteria of copyright protection are originality and fixation in tangible form.

To meet the originality requirement, the author must show independent creation and some modicum of creativity. To meet the fixation requirement, the author must show that the work is embodied in a copy or a recording or in any other manner that is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.

1.2 On the presumption that copyright can arise in literary, artistic and musical works, are there any other works in which copyright can subsist and are there any works which are excluded from copyright protection?

In addition to literary, artistic, and musical works, the U.S. Copyright Act expressly provides protection for dramatic works, pantomimes and choreographic works, motion pictures and other audio-visual works, sound recordings fixed on or after February 15, 1972, and architectural works fixed on or after December 1, 1990. Software is not listed under a separate category; rather, it is protected as a literary work.

The Copyright Act also has special provisions for protection of semiconductor chip products and, oddly enough, original designs relating to vessel holds and decks.

Unlike in other jurisdictions, copyright in the U.S. does not extend copyright protection for a useful article except to the extent that the design of the useful article incorporates pictorial, graphic, or sculptural features that can be identified separately from and are capable of existing independently of the utilitarian aspects of the article. This makes it difficult to obtain copyright protection in the U.S. for clothing, furniture, watches, and other useful articles, although design patent protection may be available. Moreover, in the U.S., typeface is considered a useful article that is not eligible for copyright protection.

Copyright protection does not exist in the U.S. for any idea, procedure, process, system, method of operation, concept, principle, or discovery; rather, copyright protection only extends to the manner in which ideas are expressed.

There is no copyright protection in the U.S. for unoriginal works

under a “sweat of the brow” theory. Moreover, there is no separate statutory protection for databases. However, a database may be protected under copyright as a compilation if there is original authorship in the selection, coordination or arrangement of materials in the database.

1.3 Is there a system for registration of copyright and if so what is the effect of registration?

While obtaining a copyright registration is not mandatory for purposes of obtaining copyright protection in the U.S., there are significant benefits to obtaining a registration.

- For works of U.S. origin, a copyright registration is required before the copyright owner can commence a copyright infringement litigation in U.S. court, although some courts have held that the issuance of a registration is not required and that a completed application submitted to the Copyright Office suffices. The registration-before-commencement of litigation requirement does not apply to works of foreign origin.
- For all works, including works of foreign origin, the copyright owner must obtain a copyright registration before an infringement commences to be eligible for recovery of statutory damages and attorneys’ fees in any action arising from the infringement. As an exception, if a newly published work is infringed within three months of first publication but before registration, the copyright owner will be eligible to recover statutory damages and attorneys’ fees as long as the registration is obtained within three months of first publication and no more than one month after the copyright owner learned of the infringement.

The Copyright Office filing fees for a single work are US\$35 if the registration is submitted online and US\$85 if the registration is submitted on paper.

1.4 What is the duration of copyright protection? Does this vary depending on the type of work?

The duration of copyright protection in the United States depends on the date on which copyright in the work was originally secured and on the type of author of the work at issue.

For works that were either unpublished and unregistered as of January 1, 1978 or created on or after January 1, 1978, the term of protection varies depending on the nature of authorship, as follows:

- For works created by a single author not as a work made for hire, the term of protection is the life of the author plus 70 years.
- In the case of joint authors, the term of protection is the life of the last surviving author plus 70 years.

- For anonymous works, pseudonymous works, and works made for hire, the term of protection is 95 years from the year of first publication or 120 years from the year of creation, whichever expires first.
- For works created but not published or registered with the Copyright Office before January 1, 1978, the term of protection is the same as that of works created on or after January 1, 1978, except that if the work was first published between January 1, 1978 and December 31, 2002, the term of copyright will not expire before December 31, 2047.

For works first published or registered with the U.S. Copyright Office before January 1, 1978, the Copyright Act of 1909 provided for an initial term of copyright of 28 years and a second renewal term of copyright of 28 years, the latter which has since been extended to 67 years. As such, for works first published with notice or registered before January 1, 1978, the maximum term of protection is 95 years. This means that many works first published in the late 1920s remain protected under U.S. copyright, regardless of the date of the author's death.

1.5 Is there any overlap between copyright and other intellectual property rights such as design rights and database rights?

It is possible for there to be overlapping protection under copyright law and design patent law where a novel ornamental feature of an article of manufacture can be identified separately from and is capable of existing independently of its utilitarian aspects. For example, it would be possible to obtain design patent protection and copyright protection for a novel ornamental stitching design applied to an article of clothing.

It is also possible to have overlapping protection under trademark and copyright law, particularly with respect to logos and product packaging, as well as characters and other sufficiently creative elements of entertainment properties that also serve a source-identifying purpose (e.g., illustrations of Mickey Mouse).

1.6 Are there any restrictions on the protection for copyright works which are made by an industrial process?

There are no express restrictions on copyright protection for works that are made by an industrial process. However, some of the limitations discussed above, including the limitations on copyright protection for useful articles, would preclude copyright protection for many works made by an industrial process. Moreover, for copyright to exist in a work, there must be a human author; works created by an industrial process without human guidance would not be copyrightable.

2 Ownership

2.1 Who is the first owner of copyright in each of the works protected (other than where questions 2.2 or 2.3 apply)?

The general rule is that the creator of a work is considered both the author and original copyright owner of the work.

2.2 Where a work is commissioned, how is ownership of the copyright determined between the author and the commissioner?

The ownership of a commissioned work created by an independent contractor depends on when the work was created.

For such works created before January 1, 1978, the work would be considered a work made for hire – such that the commissioning party would own the copyright and be considered its author – if the work was created at the “instance and expense” of the commissioning party.

For commissioned works created by independent contractors on or after January 1, 1978, a work can be considered a work made for hire such that the commissioning party would be the author and original copyright owner only if (i) the parties agree in writing that the work “shall be considered a work made for hire”, and (ii) the work is specially ordered or commissioned for use as one of the following:

- a contribution to a collective work;
- a part of a motion picture or other audio-visual work;
- a translation;
- a supplementary work;
- a compilation;
- an instructional text;
- a test;
- answer material for a test; or
- an atlas.

There is a debate in the U.S. as to whether sound recordings created on or after January 1, 1978 may qualify as works made for hire. In the author's view, many, if not most of such sound recordings are works made for hire given that (i) most recording agreements include work for hire language, and (ii) most sound recordings are (or at least historically were) ordered and commissioned as contributions to collective works – namely, record albums.

2.3 Where a work is created by an employee, how is ownership of the copyright determined between the employee and the employer?

In the U.S., works created by employees within the scope of their employment are considered works made for hire, the result being that the employer is the author and copyright owner of the work.

2.4 Is there a concept of joint ownership and, if so, what rules apply to dealings with a jointly owned work?

In the U.S., a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of unitary whole will be considered a work of joint authorship.

In such cases, absent an agreement to the contrary in writing, each joint author will be considered a co-owner of the copyright in the work with an equal undivided interest in the whole regardless of the relative contributions of each author to the work.

Each joint author/co-owner has the right to grant licences to others to use the work without the consent of the other joint authors, but any such licence can only be a non-exclusive licence unless all joint authors join together to grant an exclusive licence or the joint authors agree beforehand that one of them has the right to grant exclusive licences.

A joint author who grants a licence without the participation or consent of the other joint authors must account to the other joint authors for their share of the profits of the licence.

3 Exploitation

3.1 Are there any formalities which apply to the transfer/assignment of ownership?

The Copyright Act defines a “transfer of copyright ownership” to include assignments, mortgages and exclusive licences but not non-exclusive licences.

A transfer of copyright ownership is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorised agent. Any purported assignment or exclusive licence that is not reflected in writing signed by the copyright owner or the copyright owner’s agent, will not be recognised as a copyright transfer but may, under certain circumstances, be treated as a non-exclusive licence.

A transfer of copyright ownership may be recorded with the U.S. Copyright Office. While such recordation is not mandatory, it is advisable, since the failure to record a transfer can result in a loss of rights where a second purchaser obtains a transfer of copyright in the same work without notice of the prior transfer and records the assignment with the Copyright Office before the first assignment is recorded.

3.2 Are there any formalities required for a copyright licence?

As noted above, to be valid, an exclusive licence must be reflected in a writing signed by the copyright owner or the copyright owner’s duly authorised agent. Non-exclusive licences do not need to be in writing.

3.3 Are there any laws which limit the licence terms parties may agree (other than as addressed in questions 3.4 to 3.6)?

Under the Copyright Act, an author or the author’s heirs may terminate a grant of copyright by the author for a five-year period beginning at the end of 35 years from the date that the author executed the grant. Such termination may be affected “notwithstanding any agreement to the contrary”. As such, the author and grantee cannot agree that the work will not be subject to termination or that the author will waive or otherwise forego his or her termination rights.

3.4 Which types of copyright work have collective licensing bodies (please name the relevant bodies)?

Collective licensing in the United States is available for a variety of works. For example:

- Performance rights in musical compositions are collectively licensed through ASCAP, BMI and SESAC.
- Mechanical rights in musical compositions are collectively licensed through Harry Fox Agency.
- Certain rights in motion pictures and other audio-visual works are collectively licensed by the Motion Picture Licensing Corporation and other agencies.
- Certain rights in text-based works are collectively licensed through the Copyright Clearance Center and other agencies.

In addition to collective licensing, there is mandatory or compulsory licensing under the Copyright Act in a variety of areas, notably including:

- licences for making and distributing recordings of non-dramatic musical compositions (i.e., “mechanical licences”);

- secondary transmissions of copyrighted works by cable providers;
- public performances of non-dramatic musical works and published pictorial, graphic, and sculptural works in the course of transmissions made by public broadcasting entities;
- satellite dish transmissions; and
- jukebox performances of non-dramatic musical compositions.

3.5 Where there are collective licensing bodies, how are they regulated?

Most collective licensing agencies are self-regulated. ASCAP and BMI, however, entered into consent decrees with the U.S. Department of Justice in the 1940s arising out of antitrust allegations. Since that time, ASCAP and BMI have been subject to oversight by a United States District Court.

In the case of compulsory licences, the compulsory licence rates are set by a panel of Copyright Royalty Judges.

3.6 On what grounds can licence terms offered by a collective licensing body be challenged?

With respect to the majority of the voluntary collective licensing bodies addressed in question 3.4 above, licence rates are subject to negotiation by the parties.

Challenges to a licence rate set by ASCAP and BMI may be brought in the United States District Court for the Southern District of New York on the basis that the rate is not reasonable in that it does not reflect the fair market value of the licensed right.

Challenges to compulsory licence rate determinations by Copyright Royalty Judges (“CRJs”) may be brought in the United States Court of Appeals for the District of Columbia Circuit on the ground that the CRJs’ determination is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.

4 Owners’ Rights

4.1 What acts involving a copyright work are capable of being restricted by the rights holder?

The copyright owner enjoys the following exclusive rights:

- to reproduce the copyrighted work in copies;
- to prepare derivative works based on the copyrighted work;
- to distribute copies of the work to the public;
- for literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audio-visual works, the right to perform the work publicly;
- for literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, to display the copyrighted work publicly;
- for sound recordings, to perform the copyrighted work publicly by means of digital audio transmission; and
- to control the importation into the U.S. of copies of the work.

4.2 Are there any ancillary rights related to copyright, such as moral rights, and if so what do they protect, and can they be waived or assigned?

The Copyright Act prohibits any person from knowingly removing or falsifying “copyright management information” from a work

with the intention of inducing, enabling, facilitating or concealing infringement. Copyright management information includes, among other things, the copyright notice, the copyright owner's name, the work's title, and any other information used to identify the work or owner of the copyrighted work.

The Visual Artists Rights Act ("VARA") provides the following additional rights in the nature of moral rights to authors of "works of visual art":

- to claim authorship of the work;
- to prevent the use of the author's name on any work that has been distorted, mutilated, or modified in a way that would be prejudicial to the author's honour or reputation;
- the right to prevent distortion, mutilation, or modification of the work that would prejudice the author's honour or reputation; and
- if the work is of "recognized stature", to prohibit the intentional or grossly negligent destruction of the work.

Under VARA, "works of visual art" include paintings, drawings, prints, sculptures, and still photograph pictures produced for exhibition only and existing in single copies or in limited editions of 200 or fewer copies signed and numbered by the artist. The protections under VARA only apply however to works created on or after December 1, 1990, or earlier-created works that remained under the original author's ownership as of December 1, 1990. Moreover, the rights only subsist for the life of the author, and do not extend to the author's heirs.

The Copyright Act does not provide for *droit de suite*. The State of California enacted a statute providing for such rights, but a recent federal court decision struck down the law as pre-empted by the Copyright Act. Since then, there have been proposals in Congress for a federal resale royalty right for authors, but thus far, such proposals have not resulted in legislation.

4.3 Are there circumstances in which a copyright owner is unable to restrain subsequent dealings in works which have been put on the market with his consent?

Under the "first sale doctrine," as codified in the Copyright Act, the owner of a "lawfully made" copy of a copyrighted work may sell or otherwise dispose of that copy without the authority of the copyright owner.

5 Copyright Enforcement

5.1 Are there any statutory enforcement agencies and, if so, are they used by rights holders as an alternative to civil actions?

Copyright owners can record their copyright registrations with the U.S. Customs and Border Protection Department to seek assistance in preventing the unlawful importation of infringing works into the U.S.

5.2 Other than the copyright owner, can anyone else bring a claim for infringement of the copyright in a work?

The owner of any exclusive right under copyright may sue for infringement. This includes exclusive licensees, including those who own some but not all of the rights conferred to authors under the Copyright Act.

In addition to the owners of exclusive rights, the Copyright Act permits "beneficial owners" of exclusive rights to sue for

infringement. A beneficial owner is one who formerly owned exclusive rights in the work and parted with such rights but still owns a continuing interest in the work. The most common example of a beneficial owner is an author who transfers his or her rights in the work to another in exchange for a continuing royalty.

5.3 Can an action be brought against 'secondary' infringers as well as primary infringers and, if so, on what basis can someone be liable for secondary infringement?

In the United States, a defendant can be secondarily liable as a contributory infringer if it (i) has knowledge of the direct infringer's infringing activity, and (ii) induces, causes or materially contributes to such infringing conduct.

In addition, a defendant can be vicariously liable for another infringer's direct infringement if it (i) profits from the infringement, and (ii) declines to exercise a right to stop or limit the infringement.

5.4 Are there any general or specific exceptions which can be relied upon as a defence to a claim of infringement?

There are many provisions of the Copyright Act that expressly exempt certain activities from infringement. These exemptions are too numerous to mention, but some notable examples include:

- rights of libraries and archives to reproduce copyrighted works;
- rights of non-profit educational institutions, religious organisations, governmental bodies and certain commercial establishments (including retail stores and food service or drinking establishments, subject to size and technical limitations) to perform or display copyrighted works;
- rights of the management of a hotel, apartment house, or similar establishment to make secondary transmissions of performances or displays of a work; and
- rights to perform copyrighted works and to reproduce for distribution copyrighted works in specialised formats exclusively for use by blind or other persons with disabilities.

In addition, the Copyright Act expressly provides for a "fair use" defence to copyright infringement for purposes such as criticism, comment, news reporting, teaching, scholarship, or research. In determining whether a given use is a fair use, courts consider and weigh the following non-exclusive list of factors:

- (1) the purpose and character of the use, including whether the use is of a commercial nature or is 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.

Courts often, but not always, find that parodies qualify as fair use under consideration of these factors.

5.5 Are interim or permanent injunctions available?

The Copyright Act permits a court to grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

To obtain a preliminary injunction, a copyright infringement plaintiff must establish that:

- (1) it is likely to succeed on the merits;
- (2) it is likely to suffer irreparable harm in the absence of preliminary relief;
- (3) the balance of equities tips in its favour; and
- (4) an injunction is in the public interest.

To obtain a permanent injunction, a copyright infringement plaintiff must demonstrate that:

- (1) it has suffered an irreparable injury;
- (2) remedies available at law are inadequate to compensate for that injury;
- (3) the balance of hardships tips in the plaintiff's favour; and
- (4) the public interest would not be disserved by a permanent injunction.

The Copyright Act also permits a court to order the impounding and disposition of infringing articles. The above standards for injunctions apply with equal measure to such impoundment proceedings.

5.6 On what basis are damages or an account of profits calculated?

A successful plaintiff who registered the copyright in the infringed work before the infringement commenced may elect to recover either (i) its actual damages and the defendant's profits, or (ii) statutory damages. The election may be made any time before a final judgment is entered.

A copyright owner who did not obtain a registration before the infringement commenced will only be entitled to recover its actual damages and the defendant's profits.

With respect to actual damages, there are two basic measures:

- (i) the copyright owner's lost profits based on diverted sales; or
- (ii) the fair market value of the infringing use.

To recover damages based on diverted sales, the plaintiff must show evidence that such sales would have been made but for the infringement, and provide evidence of what its profit margin would have been for such sales. To recover damages based on the fair market value of the use of the copyrighted work, the plaintiff must prove what a willing buyer in an arm's-length transaction would have paid to use the work.

In addition to actual damages, the plaintiff may recover the defendant's profits attributable to the infringement that have not been taken into account in computing the plaintiff's actual damages. The Copyright Act provides for a two-step process to determine the infringer's profits:

- first, the plaintiff must present proof of the infringer's gross revenue; and
- second, the infringer must prove deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

With respect to statutory damages, the amount of damages available to the plaintiff depends on a variety of factors, including, without limitation, the economic injury to the plaintiff, principles of deterrence, and the level of the defendant's culpability.

- The general rule is that a plaintiff is entitled to statutory damages in a sum of not less than US\$750 or more than US\$30,000 per work infringed.
- If the plaintiff proves that the defendant acted wilfully, the court may increase the award of statutory damages to a sum of not more than US\$150,000 per work infringed.

- If the infringer proves that the infringer was not aware and had no reason to believe that its acts constituted an infringement, the court may reduce the award of statutory damages to a sum of not less than US\$200 per work infringed.

Copyright infringement claims in the first instance must be brought in the United States District Courts.

5.7 What are the typical costs of infringement proceedings and how long do they take?

The costs of prosecuting an infringement claim vary widely from case to case depending on the nature of the works at issue and the number of works involved. Some cases can be resolved at early stages for less than US\$100,000; while other, more complex cases, can cost more than US\$1 million (and beyond) to bring to completion.

The length of time that it can take to litigate a copyright infringement case also varies widely based on the particular district court in which the case is brought, the scheduling requirements of the judge assigned to the case, and the complexity of the case. Some cases are resolved within 9 to 12 months, while others take much longer to resolve.

5.8 Is there a right of appeal from a first instance judgment and if so what are the grounds on which an appeal may be brought?

Appeals from judgments of district courts in copyright infringement cases may be brought to the United States Court of Appeals. The Court of Appeals reviews the district court's factual determinations for clear error and the district court's legal determinations *de novo*. The Court of Appeals reviews the scope of any injunction issued by the district court as well as the amount of any actual damages, infringer's profits, or statutory damages awarded by the district court for abuse of discretion.

5.9 What is the period in which an action must be commenced?

Claims under the Copyright Act must be brought within three years after the claim accrues. Under the separate-accrual rule, each time an infringing work is reproduced or distributed, the infringer commits a new wrong, which gives rise to a new statute of limitations. Thus, when a defendant commits successive violations, the statute of limitations runs separately from each violation.

6 Criminal Offences

6.1 Are there any criminal offences relating to copyright infringement?

The Copyright Act provides for criminal liability in the following circumstances:

- wilful infringement for purposes of commercial advantage or private financial gain;
- wilful infringement by the reproduction or distribution during a six-month period of one or more copyrighted works having a total retail value of more than US\$1,000;
- wilful infringement by the distribution of a work being

prepared for commercial distribution by making it available on a computer network accessible to members of the public;

- with fraudulent intent, placing on any article a false copyright notice;
- with fraudulent intent, publicly distributing or importing for public distribution any article bearing a false copyright notice;
- with fraudulent intent, removing or altering any copyright notice appearing on a copyrighted work; and
- knowingly making a false representation of a material fact in an application for copyright registration or in any written statement filed in connection with an application.

6.2 What is the threshold for criminal liability and what are the potential sanctions?

The sanctions available depend on the nature of the offence and the value of the infringing work. Such sanctions range from fines of up to US\$2,500 to 10 years in prison. The criminal provisions of the Copyright Act and the U.S. Code also provide for the forfeiture and destruction of infringing copies as well as restitution to any victim of infringement.

7 Current Developments

7.1 Have there been, or are there anticipated, any significant legislative changes or case law developments?

In March 2013, the Register of Copyrights testified before the Subcommittee on Courts, Intellectual Property and the Internet of the United States House of Representatives Judiciary Committee that the current Copyright Act is out of date and in need of substantial revision. Soon thereafter, the Judiciary Committee announced that it would hold a comprehensive series of hearings on U.S. copyright law with the goal of determining whether the laws are still working in the digital age. These hearings are ongoing and could lead to a revision of the Copyright Act at some point in the future, although there is no timetable for such revision and there is considerable doubt whether the polarised political forces and interest groups will be able to coalesce around such a major revision.

7.2 Are there any particularly noteworthy issues around the application and enforcement of copyright in relation to digital content (for example, when a work is deemed to be made available to the public online, hyperlinking, etc.)?

As noted above, the current Copyright Act has been criticised for failing to keep pace with developments in the age of digital distribution. Thus, while the U.S. Congress has amended the Copyright Act to address a few issues relating to digital distribution of copyrighted works, it has left much of the task to the courts.

In one example of legislative action, Congress amended the Copyright Act to provide extensive safe harbours to Internet Service Providers from secondary liability for the transmission or storage of infringing copies of copyrighted works on their systems at the direction of users.

On the other hand, the Copyright Act does not yet address whether linking to copies or performances of a copyright owner's work without permission constitutes infringement. Based on the few judicial decisions that have addressed the issue, the prevailing view is that linking to copyrighted content without authorisation is not infringement unless the link intentionally circumvents a paywall or password protection or knowingly directs to infringing copies of the copyright owner's work.



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