

## The Biggest Copyright Decisions Of 2023: A Midyear Report

By Jasmin Boyce

*Law360 (July 24, 2023, 7:08 PM EDT)* -- In the first half of this year, the U.S. Supreme Court held in a widely anticipated decision that Andy Warhol's portrait of musician Prince wasn't fair use, while the U.S. Copyright Office partially canceled a copyright registration on a comic book after finding its illustrations came from an artificial intelligence platform. Here's a look at the most significant copyright decisions of 2023 so far.

### The Andy Warhol Foundation v. Goldsmith

Back in May, the U.S. Supreme Court found that Warhol's painted portrait of music icon Prince — known as "Orange Prince" — didn't fall under federal copyright law's fair use doctrine in infringement litigation lodged by photographer Lynn Goldsmith. The justices' ruling affirmed a Second Circuit decision that Warhol's work shared the same commercial purpose as the original photo taken of Prince.

The Andy Warhol Foundation had argued at the high court that Warhol's artworks were transformative of Goldsmith's photo because the artist gave new meaning to the previous work. But the majority was unconvinced, noting that "new expression may be relevant to whether a copying use has a sufficiently distinct purpose or character," but that it was not dispositive on its own.

In a fiery dissent, Justice Elena Kagan and Chief Justice John Roberts criticized the majority's "lack of appreciation" for the way Warhol's works differed from the photo taken by Goldsmith.

This decision "stops short of trying to provide a bright line test," which would have established an unambiguous standard and deter subjective interpretations, according to Gregory Sebald, a partner at Merchant & Gould PC.

The justices' ruling "provides some guidance on the first fair use factor but continues to leave a fair amount of subjectivity related to how transformative the derivative work is in relation to the original work," he said.

"The subjectivity is apparent from the contrasting views of Warhol's works between the majority and the dissent," said Sebald, noting that those who create derivative works, such as pop artists, and those who might license original works are going to feel the effects of this decision.

The case is *The Andy Warhol Foundation v. Goldsmith*, case number 21-869, in the Supreme Court of the United States.

## **"Zarya of the Dawn"**

The U.S. Copyright Office decided in February to cancel part of artist Kristina Kashtanova's registered copyright on the comic book "Zarya of the Dawn," finding that some parts of the book couldn't be protected since they were generated by the artificial intelligence program Midjourney.

Kashtanova had argued that the registration should not be canceled since the artist had authored every aspect of the work, and the comic book was merely "AI-assisted."

But the office determined the process for generating an image using AI "is not the same as that of a human artist, writer or photographer." It replaced the previous registration with a new, limited registration covering text of Kashtanova's comic book, as well as the artist's "selection and arrangement" of the images and text in the book — but not the images that were created by Midjourney.

The copyright office's finding shows the challenges it and other institutions face when distinguishing between copyrightable works created by human beings and the arguably non-copyrightable output of generative AI, according to Lee Eulgen, an IP litigator and partner at Neal Gerber & Eisenberg LLP.

The current copyright registration process at the copyright office largely relies on representations made by applicants, a process that isn't intended to involve a deep factual inquiry, Eulgen told Law360.

"When disputes arise where generative AI created at least part of the [works] in question, U.S. courts will have to shoulder the burden of ascertaining the line between protectable content and arguably non-protectable machine-generated content, and, therefore, copyright disputes involving works where AI made at least some contribution will be fact- and resource-intensive to litigate," he said.

According to the IP partner, "we are only at the beginning of the cycle of jurisprudence" when it comes to AI.

"Because we remain in an era of Congressional discord, it is my opinion that federal appeals courts will likely need to be involved in setting the true boundaries of copyright involving AI, and, thus, I suspect that we are a long time away from having black-letter clarity," Eulgen said.

## **SAS Institute v. World Programming Ltd.**

In April, a split Federal Circuit panel affirmed U.S. District Judge Rodney Gilstrap's October 2020 decision permanently dismissing SAS Institute Inc.'s suit against World Programming Ltd. after he determined that the statistical analysis software SAS accused WPL of infringing wasn't shown to be copyrightable.

SAS had argued on appeal that it satisfied its initial burden on copyrightability by presenting valid registered copyrights on its software program. But the panel majority said this preliminary showing was "not sufficient" to establish that each nonliteral element of the SAS system — parts other than the written code itself — were protectable.

This holding definitely has had an impact on computer cases in the IP area, according to Nancy Del Pizzo, co-chair of Rivkin Radler LLP's intellectual property practice group.

The Federal Circuit switched the burden of proof to the plaintiff after the defendant argued that the non-literal elements weren't protectable under the Abstraction-Filtration-Comparison test — a way of identifying similarities between works — said Del Pizzo, noting that the plaintiff here failed to show afterward that the defendants were inaccurate.

"Prior to this, I think that more plaintiffs thought, and maybe they could argue, that the non-literal elements were protectable because they were creative, but this decision said, 'No, you're not going to win on that point,'" Del Pizzo said. "If the defendant comes forward and says the applied test ... shows that none of these elements are protectable, then the plaintiff can't just say they were creative and get by with that. You have to actually show that they are protectable."

The case is *SAS Institute Inc. v. World Programming Ltd.*, case number 21-1542, at the U.S. Court of Appeals for the Federal Circuit.

### **Nealy v. Warner Chappell Music Inc.**

Back in February, an Eleventh Circuit panel rejected Warner Chappell Music Inc. and Artist Publishing Group LLC's argument that Florida musician Sherman Nealy and his company Music Specialist Inc. could not recover damages for infringement that allegedly occurred more than three years before Nealy sued for unauthorized uses of his songs.

Nealy had argued on appeal that he was permitted damages outside of the three-year window as long as he "did not discover and reasonably could not have discovered" infringement before the three-year limitation period. The panel sided with Nealy, holding in its opinion that it was persuaded by the Ninth Circuit's *Starz Entertainment v. MGM Domestic Television Distribution* ruling, which found that a copyright plaintiff's claims are timely when they are each brought within three years of when they accrued.

"We agree with the Ninth Circuit and hold that a copyright plaintiff may recover retrospective relief for infringement occurring more than three years before the lawsuit's filing so long as the plaintiff's claim is timely under the discovery rule," U.S. Circuit Judge Andrew Brasher wrote for the panel at the time.

The Supreme Court hasn't determined the propriety of the discovery rule, making it challenging for lower courts to interpret and apply the three-year statute of limitations provision, according to William Frankel, a partner at Crowell & Moring LLP.

The Second and Ninth circuits have been divided over how to view the Supreme Court's 2014 holding in *Petrella v. Metro-Goldwyn-Mayer* that the doctrine of laches couldn't be used to bar copyright infringement claims lodged against MGM by an author's daughter even after a nearly two-decade delay.

The Second Circuit has construed *Petrella* as imposing a three-year lookback period on copyright infringement claims, while the Ninth Circuit interprets that *Petrella* is limited to injury rule cases instead of cases governed by the majority discovery rule, according to Frankel. He added that "the reason for this circuit split arises from the meaning of 'accrued,' as the term is used in Section 507(b) of the Copyright Act."

"Until the Supreme Court addresses this issue and interprets Section 507(b) in discovery rule jurisdictions, parties are encouraged to forum shop for favorable damages jurisdictions, and damages will continue to be awarded in an inconsistent manner," he said.

The case is Nealy et al. v. Warner Chappell Music Inc. et al., case number 21-13232, in the U.S. Court of Appeals for the Eleventh Circuit.

### **Hachette Book Group Inc. et al. v. Internet Archive**

A New York federal judge held in March that electronic library provider Internet Archive didn't have the right to scan physical books and lend them out without permission from some of the world's biggest publishers: Hachette Book Group Inc., HarperCollins Publishers LLC, Penguin Random House LLC and John Wiley & Sons Inc. The court rejected IA's argument that the copyright infringement is excused by the fair use doctrine.

According to the order, transformative use — adding something new, rather than superseding the original work — is not necessary to find fair use, but "transformative works lie at the heart of the fair use doctrine, and a use of copyrighted material that merely repackages or republishes the original is unlikely to be deemed a fair use."

This ruling could lead to interesting and new applications of the first-sale doctrine, especially in the controlled digital lending area where libraries are affected, according to Darren Oved, chairman of Oved & Oved LLP's litigation department. That doctrine says an individual who knowingly purchases a copy of a copyrighted work receives the right to sell or display that particular copy, but it doesn't include the right to reproduction or creation of derivative works.

"Based on the current Hachette opinion, the first-sale doctrine limits the ability of institutions like libraries to evolve with the digital age by essentially enforcing a pay-per-use model of copyrighted information dissemination online," he said.

If the dispute moves through the appeals process — which has not yet been initiated by either party — there are two likely outcomes, according to Oved. First, an appellate court could solidify the current opinion that severely limits online application of the first-sale doctrine, or second, the first-sale doctrine could be expanded within the digital landscape when applied to certain circumstances, like controlled digital lending.

"Specifically, there could be an exception to its applicability in the non-commercial setting, like a library," he explained. "Despite its efforts to claim it is not a commercial entity, this exception wasn't available to IA because of the facts in the case."

The case is Hachette Book Group Inc. et al. v. Internet Archive et al., case number 1:20-cv-04160, in the U.S. District Court for the Southern District of New York.

### **Kathryn Griffin et al. v. Ed Sheeran et al.**

After less than three hours of deliberation, a Manhattan federal jury determined in May that music artist Ed Sheeran's Grammy-winning song "Thinking Out Loud" didn't copy from Marvin Gaye's Motown classic, "Let's Get It On."

Sheeran had been fighting infringement claims from the family of deceased "Let's Get It On" co-writer Ed Townsend since 2016 — who'd argued during the trial that Sheeran lifted the chords from the 1973 hit. But jurors ultimately disagreed, finding that Sheeran and co-writer Amy Wadge independently

created the 2014 ballad-at-issue.

Another ruling may be on the way, as Townsend's estate promptly appealed the decision to the Second Circuit in June.

The jury verdict, which revolved around the purported use of similar basic chords, "may signal a trend for infringement in music cases," according to Sebald of Merchant & Gould.

"The trial was especially interesting because the sound recording of 'Let's Get It On' was not subject to copyright, and the recording was not played in court, but Ed Sheeran played his guitar on the stand and explained differences in the songs," Sebald said. "Such an approach counters recent battles with music experts arguing similarities and differences. The decision may be important to those creating music and may affect the approach taken at trial."

The case is Kathryn Griffin et al. v. Ed Sheeran et al., case number 1:17-cv-05221, in the U.S. District Court for the Southern District of New York.

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