



MEDIA, ENTERTAINMENT AND FIRST AMENDMENT NEWSLETTER

MAY 2021



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A Balancing of 'Incomparable Interests:' The *Pickering* Test and First Amendment Rights of Government Employees

Once used mainly to describe a discontinued television show or rained-out event, “cancelled” has now taken on a new meaning. In today’s “cancel” culture, “a careless comment can ruin reputations and crater careers that have been built over a lifetime.” *Moser v. Las Vegas Metro. Police Dep’t*, 984 F.3d 900, 911-12 (9th Cir. 2021) (Lee, J.). Of course, “for private employers, it is their prerogative to take action against an intemperate tweet or a foolish Facebook comment. But when the government is the employer, it must abide by the First Amendment.” *Id.* So what happens when government employees make divisive comments? Well, courts say, “it depends.”

One of the best ways to explain this nuanced area of the law is through a current on-point example. In June 2020, a New York City Courts sergeant posted photos on Facebook, captioned “The True American Dream,” appearing to depict former President Barack Obama and Hillary Clinton being hanged. Although the post was made on a weekend and while off-duty, its maker was quickly identified as a court employee, appearing on her Facebook page in her court uniform. In a matter of days, the post caused a major uproar at the New York City Courts, and its closeness in time to the death of George Floyd did not help matters. Among other consequences, the sergeant’s post forced the court to endure extensive media scrutiny, conduct an internal investigation, and issue a court-wide memorandum condemning the sergeant’s statements. For the general public, the post sparked intense discussions of racial bias and prejudice in the criminal justice system. Though the post was of a political nature—and thus would be entitled to First Amendment protection by constitutional standards—it resulted in the sergeant’s firing after a lengthy disciplinary hearing. This result is typical in First Amendment cases involving controversial speech by government employees.

Although government employees, like other Americans, have First Amendment rights, government employers are empowered to discipline their employees’ speech to ensure the efficient operation of their offices. An employer balancing these interests must weigh them carefully. Indeed, an employer who fails to do so may face a claim under 42 U.S.C. § 1983 for First Amendment retaliation.

Since its seminal 1968 decision in *Pickering v. Board of Education*, the United States

Supreme Court has prescribed and refined the legal framework governing section 1983 First Amendment retaliation claims. As it stands today, a government employee claiming First Amendment retaliation must establish protection of the speech, an adverse employment action, and causation between the two. The latter two are often simple; showing First Amendment protection is a bigger challenge.

To prove that the speech was protected, the employee must satisfy three requirements. First, the employee must have spoken as a *citizen* and not in official capacity or in the exercise of government job responsibilities. Second, the speech must have pertained to a matter of *public concern*, meaning a subject of general interest and value to the public—*i.e.*, it may not be a mere employee grievance. If these two requirements are satisfied, the court makes a third inquiry, balancing the interests of the employee, as a citizen, “in commenting upon matters of public concern and the interests of the State, as an employer, in promoting the efficiency of the public services it performs through its employees.” *Pickering*, 391 U.S. at 598. Only if the employee’s interest outweighs the employer’s does the employee state a viable claim.

In evaluating a public employer’s interests in promoting efficiency, courts examine several factors, including (1) whether the speech or conduct impaired discipline by superiors or harmony among co-workers, (2) whether the speech or conduct had a detrimental relationship on close working relationships for which personal loyalty and confidence are necessary, and (3) whether the speech or conduct impeded the performance of the speaker’s job duties or interfered with the regular operation of the enterprise. As illustrated by the New York City Courts case, public employers’ efficiency interests have been found to outweigh employees’ First Amendment rights when the speech creates relational tension in the workplace by, for example, requiring employees to field calls from citizens disgruntled by the speech; when the speech necessitates the employer’s response, such as through a press release; or when the speech damages public perception of the office, for instance, by causing the public to question the impartiality of the

office. The New York City Courts caused strife in all of these ways, making it an easy determination for the employer.

However, applying the balancing test is not always simple. As many courts have recognized, balancing these interests often proves challenging because it “requires [courts] to compare incomparable interests.” *Bennett v. Metro. Gov’t of Nashville & Davidson Cty.*, 977 F.3d 530, 554 (6th Cir. 2020) (Murphy, J., concurring). In one hand rests the government’s operational interest: as an employer, the government must be able to promote the efficiency of the public services it performs through its employees. In the other rests the employee’s First-Amendment interests: his constitutional right to express his views on his own time and to participate in public discourse. A few recent cases show this balancing test in action.

In *Bennett v. Metropolitan Government of Nashville and Davidson County*, a 911 operator posted comments on her public-facing Facebook profile that listed her employer about the 2016 presidential election. The comments included racial slurs. Several coworkers and a member of the public complained to her employer and to the Mayor’s office, after which she was fired. The operator sued for retaliation and prevailed at trial, but the United States Court of Appeals for the Sixth Circuit reversed. Applying the *Pickering* balancing test, the court concluded that (1) due to inclusion of the racial slur, her speech was not purely political and thus was not in the “highest rung” of protected speech, nor did the public have a strong interest in receiving the information she communicated; and (2) efficiency interests weighed heavily in the employer’s favor, as the operator’s speech disrupted the office’s harmony, undermined necessary teamwork, and was thought to detract from the mission of her employer: to protect all people.

Similarly, in *McCullars v. Maloy*, an employee of a Florida court clerk’s office was terminated after he posted comments on his Facebook account that criticized the state attorney’s decision not to pursue the death penalty in capital murder cases. The employee wrote that the attorney “should get

the death penalty” and “be tarred and feathered if not hung from a tree.” The posts went viral, and he was identified quickly as a court employee. Again, although the employee’s comments were made in his capacity as a citizen and pertained to a matter of public concern (the death penalty), his firing was upheld because his employer’s interest in appearing impartial and operating efficiently weighed more heavily.

The perceived invincibility and quick, broad publicity that social-media outlets bring make ill-advised employee posts that reflect poorly on government employers’ integrity or impartiality all too common. In Pennsylvania, a Department of Transportation technician was fired over Facebook posts saying she would “gladly smash into a school bus” because buses broke traffic laws so frequently. In Texas, an Assistant Attorney General left his employment after tweeting at work in support of QAnon, a controversial political ideology. And in Maryland, a county firefighter “liked” politically controversial posts on Facebook. He was fired to ensure effective management of the department’s internal affairs.

From these cases, a few general principles emerge to guide government employers and employees as they seek to engage in public discourse. First, posts on public-facing social media profiles are more likely to get government employees into trouble—and this is especially true if the person’s employer is listed or readily ascertainable and the statement is made on the employer’s time. Second, the more related a post’s content is to a public employee’s job responsibilities, the more problematic that post might be to the employer (e.g., the school bus comments made by an employee of the state DOT). Third, courts readily defer to government employers’ efficiency interests if they provide support for their reasonable predictions of disruption in the workplace. First Amendment retaliation claims often end in the government’s favor for this reason.

But the government employer doesn’t always win. In recent years, a growing number of judges have expressed skepticism over the *Pickering* analysis,

noting its difficult application and inconsistency with traditional First Amendment analysis. For example, in January 2021, the United States Court of Appeals for the Ninth Circuit reversed a trial court’s summary judgment in favor of the government employer in *Moser v. Las Vegas Metropolitan Police Department*. That case involved alleged First Amendment retaliation against a Las Vegas SWAT sniper who opined on Facebook that it was a “shame” a suspect who had shot a police officer did not have any “holes” in him. When the Police Department learned of the statement, it investigated the incident and demoted the officer. The officer sued Department leadership, alleging the demotion constituted First Amendment retaliation.

Although the parties agreed that the officer spoke as a citizen (i.e., in his off-time, at home, and on his Facebook page), on a matter of public concern, and that his Facebook post caused the demotion, they disputed whose interests prevailed under the *Pickering* test. The trial court granted summary judgment for the Department, but the Ninth Circuit reversed, holding factual issues on both *Pickering* prongs precluded judgment for either party. The majority seemed to give the officer the benefit of the doubt, concluding it could not weigh the statement’s value because it was unsure what the officer’s statement “meant.”

Bennett, discussed above, provides yet another example of courts’ difficulty in using the *Pickering* analysis. Indeed, all *three* opinions issued in the case—one for each panel member—took a slightly different approach, though all opinions end in the employer’s favor. Of particular interest is Judge Murphy’s opinion, which expresses uncertainty as to how courts should use *Pickering* to “compare incomparable interests.” Under the usual First Amendment jurisprudence, he explains, an individual’s speech interest *rises* as the contents of his speech become more controversial. But in the *Pickering* context, an *employer’s* interests are favored when its employee’s speech is more divisive: the more divisive the speech, the easier for the employer to prove that such speech might derail efficient operations.

The *Pickering* analysis certainly is not perfect, but it is the tool in a federal court's toolbox for the time being. Employees, attorneys, and employers alike are sure to watch eagerly as new cases attempt to clarify its standards. For now, government employers enjoy strong deference when monitoring their employees' speech. In today's age of "cancel culture," current precedent operates as both a cautionary tale and a road map for employees who wish to avoid its snare.

whether Google's use of the APIs was a fair use. The Court dodged the copyrightability question, which had the potential to send shockwaves throughout the industry, and instead focused its analysis on the fact-intensive fair use defense. By doing so, the Court potentially limited the direct impact of its decision to the dispute at hand and ones like it. But the Court's broad application of the fair use analysis is likely to lead to greater reliance on the defense in the software industry and beyond. Unfortunately, what the Court's opinion failed to do is add much-needed clarity and certainty to what has long been a convoluted, inconsistently-applied, and murky area of copyright law.

Copyright Case of the Century Decided: Supreme Court Rules in Google's Favor in \$9 Billion Software Dispute



Jason Bloom

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At long last, and after more than a decade of litigation, the United States Supreme Court has ruled in the multi-billion dollar copyright dispute between Google LLC and Oracle America, Inc. In a matchup that could be described as Goliath vs. Goliath, the technology giants waged war for years over Google's unlicensed use of Oracle's Application Programming Interfaces ("API") in early versions of its Android smartphone platform. In a case involving two jury trials, two Federal Circuit appeals, and two petitions for certiorari to the Supreme Court, both sides had wins and losses along the way, but Google ultimately prevailed before the Supreme Court and was absolved of liability.

The case involved two key issues: (i) whether Oracle's APIs were subject to copyright protection; and (ii)

How Did This Start?

More than 15 years ago, Google set out to develop a software platform for smartphones. Sun Microsystems' (Oracle's predecessor) Java SE program offered a desirable solution. Ubiquitously used in computers, programmers know Java well. If Google could integrate Java into its Android platform, then programmers could readily develop new, compatible smartphone programs, making the Android smartphone even more desirable.

Unable to agree on the terms of a license with Sun, Google set out to develop its own Android platform. The end-product included millions of lines of novel code, but also copied approximately 11,500 lines of Oracle's API tool from Java. Could Google have developed its platform without the copying? Sure. But without Oracle's code, programmers could not use the API tool they know so well.

Oracle's API: Explained

Oracle's API gives programmers access to thousands of prewritten computing tasks (each, called a "method") with the use of simple commands. This is tremendously useful. So long as programmers understand the API's commands, they can integrate

the API's methods into their programs. Without the API, programmers would have to write their own code from scratch to accomplish the same computing functions.

The API functions in three parts. First, programmers enter a short-form command (called a "method call") associated with the desired method. Second, the API's declaring code facilitates retrieval of that method. The declaring code organizes *thousands* of methods into classes and those classes into packages. Once a method call is entered, the declaring code reads it, provides the name and location of the method within its organizational structure, and calls up the method. Finally, the API's implementing code tells the computer how to execute the method.

Although Google wrote its own implementing code, it copied 37 packages of Oracle's declaring code, allowing programmers to rely on the familiar Java method calls to access Google's computing tasks. Without Google's copying, programmers would have had to learn an entirely new system to program for the Android platform.

The \$9 Billion-Dollar Question(s)

Oracle sued Google, claiming that Google's copying infringed both its copyrights and patents. Its copyright claims raised two key issues: first, whether Oracle's declaring code is copyrightable, and second, whether Google's copying of the code was fair use. Google secured its first win in 2012 from the District Court of Northern District of California, which found that the declaring code was not copyrightable because it was merely a "system or method of operation"—which copyright law excludes from protection. The Federal Circuit reversed, and directed the District Court to consider the fair use defense. In 2016, a jury found Google's use was fair use but, again, the Federal Circuit reversed, and Google's petition for writ of certiorari to the Supreme Court followed.

A Victory for Fair Use

Although fair use is an affirmative defense to copyright infringement, the Supreme Court declined to determine whether the declaring code is actually copyrightable. Instead, the 6-2 majority (with Justice Barrett not participating) only examined the notoriously flexible, fact-specific test for fair use. The test considers: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit 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."

On each of these factors, the Court found for Google.

Factor 1: The Nature of the Work

Here, the Court contrasted implementing code—which necessarily involves creative design and writing—with declaring code—which is inextricably bound with uncopyrightable ideas (such as task division and organization). Thus, the Court found that declaring code's value is not derived from creativity, but rather from the number of programmers who learn to use it. Because copyright law seeks to protect creative expression, the Court concluded that declaring code is farther from the core of what copyright law protects and, thus, that this factor weighs in Google's favor.

Factor 2: The Purpose and Character of the Use

Traditionally, for this factor to weigh in favor of fair use, the copier's use must "add something new" or "transform" the use of the copyrighted material. Although the Court concluded that Google's use of the declaring code served the same function as Oracle's (i.e., to enable programmers to integrate methods from the API into their own programs), the Court nevertheless found this factor weighs in Google's favor.

Specifically, the Court concluded that Google’s use was “transformative” because it: (1) sought to create new products and (2) enabled programmers to access a new collection of computing tasks in a different computing environment (smartphones as opposed to computers).

The dissent, by Justice Thomas and joined by Justice Alito, opined that the majority’s novel application of the “transformative” analysis eviscerates copyright. Indeed, courts routinely reject a fair use defense where the copier merely creates a new product without altering the original with “new expression, meaning, or message.” Just days before the Supreme Court’s decision, the Second Circuit rejected Andy Warhol’s fair use defense against infringement of a photograph of pop-star Prince that Warhol used to create artistic prints. The Second Circuit found that Warhol’s work could not “stand[] apart from the ‘raw material’ used to create it” and, thus, could not be transformative. Here, the Supreme Court’s transformative analysis is a far cry from that standard. Indeed, Google’s copying would have been hard-pressed to survive that test.

Factor 3: The Amount and Substantiality of the Portion Used

Although Google copied only a small quantitative amount of the API (approximately 11,500 lines of 2.8 million), Oracle contended the taking was qualitatively substantial. The Court disagreed and found that Google’s taking was not intended to usurp creativity, but rather to promote it. Thus, the copying was not “substantial,” because it served a valid, transformative purpose.

The dissent criticized the majority’s analysis for concluding that 11,500 lines of declaring code was a quantitatively insubstantial part of the entire Java platform, including the implementing code. The dissent argued that the proper frame of analysis was to compare the volume of declaring code copied to the volume of declaring code in the Java platform.

Under such an apples-to-apples analysis, the dissent contended the copying was quantitatively substantial.

Factor 4: Effect on the Market

Finally, although Oracle claimed it was due more than nine billion dollars in damages as a result of Google’s copying, the Court was unpersuaded that the market effects were in Oracle’s favor. The Court concluded that Android was not a market substitute for Java’s software and, in fact, that Oracle benefitted from Google’s expansion of Java into the smartphone market. And while the dramatic value Google derived from the API was undeniable, the Court declined to attribute that value to Oracle’s copyright. Instead, the Court found that the value was a product of the time programmers have invested to learn the API—which copyright law does not protect. Taken together, the Court concluded all factors weighed in favor of fair use.

What’s Next? Implications of the Google-Oracle Decision on Software Development

The Court’s decision undoubtedly was met with sighs of relief from software engineers tasked with the job of developing interoperable, scalable software solutions. To many in the software industry, the outcome of this decade-long dispute validated what had been considered a “best practice” by developers – the re-implementation of API declarations. But, does the Court’s ruling mean there is now an “open season” on APIs? Far from it.

The Court’s decision to side-step the threshold question of copyrightability of API declarations and instead focus on the highly fact-specific analysis of the fair use factors underscores the narrowness of its decision. The Court made it clear that it did not view its decision as one that overruled its prior decisions or dramatically altered the copyright fair use legal landscape. Indeed, the Court used existing precedent to characterize API declarations as being remote from the core of what copyright seeks to protect

(i.e., creative expression), and thus, more amenable to fair use than the code used to implement the API declarations.

The limited nature of the Court’s decision and the specific facts surrounding Google’s conduct provide important lessons for software development going forward. First, Google took only what it needed from Oracle’s API declarations to ensure interoperability. Equally important, Google utilized a well-vetted “clean room” protocol to write and test the API’s code used to implement the API declarations. Software developers using APIs should take heed of Google’s prudent approach.

In Sum

While the long-term impact of the decision on technology companies and software developers remains to be seen, it is anticipated that fair use will be lodged as a defense more frequently in software cases going forward. Nevertheless, parties should exercise extreme caution before using another’s copyrighted work and should rarely rely on fair use as a get out of jail free card in their decision-making process. Fair use is an extremely fact-intensive inquiry that is inconsistently applied throughout the federal courts. The fact that the Federal Circuit and two justices of the Supreme Court disagreed with the applicability of fair use to this case illustrates this point. And, although Google ultimately prevailed, it was only after spending millions of dollars in attorneys’ fees and more than a decade in time-consuming litigation, a burden most companies could not easily bear. And, because the Supreme Court’s opinion did little to add clarity or certainty to the applicability of fair use outside of the Google/Oracle case, relying on fair use in other contexts could be risky business.

Federal Courts of Appeals Paring Down Transformative Use: Two Recent Copyright Fair Use Decisions (Not Named *Google v. Oracle*)



Wesley Lewis

Although the Supreme Court’s decision in *Google v. Oracle* may be commanding most of the spotlight these days, it is not the only recent decision likely to have a significant impact on copyright fair use. Over the past few months, the Second and Ninth Circuit Courts of Appeals have also waded into the legal morass of fair use, providing additional guidance regarding this notoriously murky area of copyright law. In both cases, the appellate courts reversed lower court summary judgments based on fair use, and taken together, these cases may further define the outer limits of the fair use defense, especially in the context of “transformative uses” of underlying works.

Fair use is an affirmative defense to copyright infringement, but establishing fair use is not cut and dried. Courts evaluate the fair use defense based on the following factors: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the original copyrighted work; (3) the amount or substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the allegedly infringing use on the potential market for or value of the original work. See 17 U.S.C. § 107. Given the fact-intensive balancing test and the unique circumstances of any given case, fair use has developed a well-earned reputation for being unpredictable and subject to inconsistent application.

However, two recent fair use cases may provide some additional clarity on the so-called “transformative use test.” First, in *Dr. Seuss Enterprises, L.P. v. ComicMix, LLC*, 983 F.3d 443 (9th Cir. 2020), the Ninth Circuit weighed in on a dispute regarding an unauthorized “mash-up” of Dr. Seuss and Star Trek. A few months

later, the Second Circuit chimed in with a fair use opinion of its own—this time in a dispute arising from Andy Warhol’s allegedly infringing use of a photograph of the recording artist Prince. In both cases, the Ninth and Second Circuits reversed summary judgments in favor of defendants based on fair use, taking issue with the lower courts’ expansive interpretation of the first fair-use factor. Taken together, these opinions may rein in the expansive application of the “transformative use test,” narrowing the types of uses that may support a finding of fair use.

Oh, the Places You Can’t Go (Without a License)

In 2016, Dr. Seuss Enterprises (“Seuss”), the owner of the works of Theodor Geisel (better known by his nom de plume, Dr. Seuss) brought a copyright infringement suit against ComicMix, LLC and several individual defendants arising from defendants’ creation of an unauthorized “mash-up” book entitled *Oh the Places You’ll Boldly Go!* (“*Boldly*”). *Boldly* incorporates characters and elements from the Star Trek science-fiction universe and places them in “a colorful Seussian landscape full of wacky arches, mazes, and creatures.” As the name suggests, the book is based on the best-selling Dr. Seuss work *Oh the Places You’ll Go!*, with a rhyming structure that is deliberately evocative of Dr. Seuss’s work, and many of the illustrations “painstakingly” made to be “nearly identical to its Seussian counterpart.”

Seuss sued ComicMix in California federal court, alleging that *Boldly* infringed on Seuss’s copyright in *Oh the Places You’ll Go*. On cross-motions for summary judgment, the district court granted Defendant ComicMix’s motion, holding that *Boldly* was a fair use of the Dr. Seuss book. The district court reasoned that the use was fair in large part because *Boldly* was highly transformative and took no more than necessary to achieve its purpose. Considering the remainder of the four fair use factors, the district court granted defendants’ summary judgment motion on fair use.

Seuss appealed to the Ninth Circuit, and on December 18, 2020, the court of appeals reversed the district court’s ruling, expressly disagreeing with the district

court’s conclusion that *Boldly* is transformative of the original Seuss work, and concluding that the balance of the four fair use factors disfavored a finding of fair use.

Much of the Ninth Circuit’s analysis focused on the extent to which the allegedly infringing use was transformative of the original work. At the outset, the court of appeals rejected ComicMix’s argument that *Boldly* was a parody: although the work borrows from and references Dr. Seuss’s works, *Boldly* does not critique or comment on Seuss or the works. Rather, the appellate court held, defendants arguably relied on the Seussian style “to get attention or to avoid the drudgery in working up something fresh.” *Boldly* did not offer a “further purpose or different character” or a different “expression, meaning, or message,” instead merely repackaging the original work. And although defendants incorporated new elements into the book, that alone is not sufficient to render the work transformative. Considering these factors together, the Ninth Circuit concluded that the use was not transformative.

The Ninth Circuit also disagreed with the district court’s analysis of the fourth fair use factor, which looks at “the effect of the use upon the potential market for or value of the copyrighted work.” Because fair use is an affirmative defense, the burden remained on the defendants to establish fair use, including the lack of market harm under the fourth factor. And because *Boldly* likely would compete with the original for high-school-graduation gifts, and because defendants’ use could interfere with Seuss’s ability to exploit the market for derivative works, the court concluded that *Boldly* was “likely to result in cognizable market harm to the original.” Thus, considering all four factors together, the Court concluded that summary judgment was inappropriate and reversed the district court’s decision.

This Is What It Sounds Like When Doves Cry Infringement

Four months after the Ninth Circuit’s decision in Dr. Seuss, the Second Circuit issued its opinion in *The Andy Warhol Foundation v. Goldsmith*, Case No. 19-

2420 (2d Cir. Mar. 26, 2021). At issue in that case was a photograph taken by plaintiff Lynn Goldsmith of the recording artist Prince.

In 1984, Goldsmith licensed the photograph to the magazine *Vanity Fair* as an artist reference, but unbeknownst to Goldsmith, the artist that *Vanity Fair* had commissioned was Andy Warhol. In addition to the licensed photograph used in the magazine, Warhol also made fifteen additional works based on the photograph, which became known as the Prince Series.

Following Prince's death in 2016, Goldsmith asserted a copyright claim against the Andy Warhol Foundation for the Visual Arts ("AWF") based on the use of the photograph in the Prince Series. AWF sought a declaratory judgment that the Prince Series works were non-infringing or, in the alternative, that they constituted a fair use of the photograph. The district court determined that the allegedly infringing works in the Prince Series transformed the subject of the original photograph from a "vulnerable, uncomfortable person to an iconic, larger-than-life figure." The district court also noted that each work in the Prince Series is "immediately recognizable as a 'Warhol' rather than as a photograph of Prince" to support a finding of fair use.

Like the Ninth Circuit in *Dr. Seuss*, the Second Circuit reversed the district court's grant of summary judgment on the issue of fair use. The court of appeals determined that the district court's fair use analysis was overly subjective, remarking that "whether a work is transformative cannot turn merely on the stated or perceived intent of the artist of the meaning or impression that a critic—or for that matter, a judge—draws from the work." Rather, the court clarified, when assessing whether a work is "transformative," the inquiry should turn on whether an allegedly infringing work's use of the original work is of a "fundamentally different and new" purpose, comprising "something more than the imposition of another artist's style on the primary work." Here, the court determined that the Warhol Prince Series works "retain[ed] the essential elements of the Goldsmith photograph" and therefore were not sufficiently transformative to constitute a transformative use. The Second Circuit also rejected

the district court's reasoning that the Prince Series pieces were "immediately recognizable as a 'Warhol,'" observing that to adopt this test would establish a "celebrity-plagiarist privilege." Thus, the Second Circuit concluded that the first fair use factor weighed against a finding of fair use. After separately considering the remainder of the fair use factors, the Second Circuit concluded that summary judgment was improper, reversed the district court's decision, and remanded for further proceedings.

What Are Standard Essential Patents and Why Do I Need to Know About Them?



Raghav Bajaj

When you woke up this morning, you probably unplugged your cell phone from its charger, looked at it, and saw a Wi-Fi icon at the top. Maybe over breakfast, you watched a couple of clips from the news. Just like that, without even thinking about it, you have used multiple technologies covered by standards, and those everyday actions implicated hundreds of standard essential patents, or SEPs.

Broadly speaking, a standard is a document or a technology that is defined by a standards body in a standard-setting process. Standards are often the result of many meetings over many years by industry representatives who work together to come to a consensus on a new technology. Of course, these companies also work separately to develop their own technologies, but the goal of working on a standard together is interoperability. Some commonly-known standards are USB, LTE, Wi-Fi, and others. Standards are developed to make sure that, for example, when you buy a USB cable from any manufacturer, it works

with the USB port on your computer without issue. In addition to the commonly-known standards, there are many more standards that work in the background as part of our everyday lives, like video compression standards.

A standard essential patent starts out as a typical patent and becomes essential to a given standard usually when it is declared to be essential by one of the contributing participants of the standard. As part of the standard-setting process, and sometimes as part of the process of declaring a patent to be essential to the standard, the contributors of a technology who own patents on the technology agree to license the patent on fair, reasonable, and non-discriminatory terms, sometimes abbreviated as FRAND. This is not always the case – many standard essential patents (or patents that are alleged to be essential to a standard) are owned by companies that did not participate in the standard-setting process, and these companies are usually not obligated to declare that their patents are essential to the standard and not obligated to license on FRAND terms.

As mentioned above, video compression standards are commonly used, but largely go unnoticed by consumers. When a consumer clicks to stream a movie online, it just works – that’s in part enabled by video compression standards. Video compression standards allow digital video to be compressed into a size that is more manageable for transmission and storage. Companies use video compression standards to take, for example, a 30-minute television show and compress it into a size that allows it to be streamed or downloaded efficiently. Various standards bodies have developed these technologies so that anybody can compress a video into a format that is understandable and can be interpreted by a wide variety of devices.

Video compression standards often involve hundreds or even thousands of standard essential patents contributed by multiple companies. And, as one might

expect with that many interested parties and patents, legal issues abound. As mentioned above, owners of SEPs are frequently obligated to license their SEPs on fair, reasonable, and non-discriminatory terms. While that is a laudable goal, there’s no standard for what a FRAND rate is. Companies can negotiate the rates they pay for licensing SEPs, and sometimes (though not often), litigation happens, and a court sets the rates that an implementer will pay. Sometimes, however, even a FRAND rate can be too high, which can lead to companies shelving development of product that implement standards, because the potential for profit evaporates with high licensing fees.

Another legal issue in the SEP arena is overdeclaration. Overdeclaration happens when a patent owner asserts that patents are essential to a standard, but the standard can be implemented without implicating the patents. This can result in companies negotiating and paying for licenses for which they don’t need to pay, and can have the effect of causing companies to overpay. These costs are ultimately passed on to the consumer – if the manufacturer of a mobile phone pays more to license the patents needed to play videos on the phone, the consumer ultimately pays more for the phone.

Relatedly, in an attempt to efficiently license SEPs, patent pools have formed to provide a more comprehensive licensing solution for companies seeking to implement a standard. Patent pools are formed by multiple SEP holders so that, when a potential implementer wants to implement a standard, the implementer can negotiate with the pool instead of engaging in multiple time-consuming negotiations with individual SEP owners. However, in some cases, patents can be licensed through a pool without any validation of their essentiality to the standard, and without any validation of the validity of the patents that make up the pool. As with the overdeclaration problem, this can lead to increased licensing costs passed on to the consumer.

Although complicated, standards and standard essential patents are an everyday part of life, especially in the media and entertainment industry. Appreciating the growing importance of these topics can help companies better understand the technological and legal benefits and concerns of implementing standards.

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Haynes and Boone's Media, Entertainment and First Amendment Practice Group has extensive experience representing major media clients across all platforms - including newspapers, magazines, broadcast and cable networks, production companies, and online content providers - in high-profile disputes. Our team brings deep knowledge to a broad range of matters, including libel, intellectual property, and access to information. Our lawyers present frequently on issues facing the industry and have been leaders in drafting legislation to address cutting-edge issues affecting free speech and transparency.