

# Understanding Copyright

## in Creative Works:

### Do I Need a License?

by Grayson J. Derrick & Patrick M. Kennedy

Copyright can be one of the most misunderstood topics in intellectual property law. Unlike other forms of intellectual property, copyright protection arises automatically with the fixation of a work—and little action is necessary in order for the author of that work to have legal, enforceable rights in his or her work.

Compounding the confusion is the complex set of limitations on a copyright owner's rights. It is important that consumers of creative works—such as music, books, and art—understand the contours of their rights with respect to such works, as well as the bounds of the copyright owner's rights.

This article provides a basic overview of copyright protection and licensing, and also sets out the steps and actions businesses can take to avoid potentially disastrous results of copyright infringement. First, we summarize the nature of copyright and how it arises. We then examine the most commonly-invoked limitations on the exclusive rights of a

copyright owner and describe how and when the user of a copyright owner may rely on them. Lastly, we will walk through the licensing process generally, and will outline important considerations that a potential copyright licensee should make.

### What Is Copyright?

Copyright is an intellectual property right that provides an owner with several exclusive rights with respect to an original work. Works eligible for copyright protection include literary works (e.g., books, software code), musical works, dramatic works, choreographic works, pictorial, graphic, and sculptural works, motion pictures, sound recordings, and architectural works.

For a work to be protected by copyright, it must: (1) be original (in that it was not copied from another existing work); (2) be fixed in a tangible medium of expression—that is, it must exist in a permanent form such that a person can perceive it, reproduce it, or communicate it for a period of more than transitory duration; and (3) have a minimum degree of creativity.



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## UNDERSTANDING COPYRIGHT IN CREATIVE WORKS

Once a work is fixed in a tangible medium, the author gains copyright protection. Although registration of a work with the Copyright Office may be a desirable—and, in fact, necessary before an infringement claim can be filed—it is not required to obtain copyright. Copyright, with each of its exclusive rights, attaches upon fixation.

### Exclusive Rights of a Copyright Owner

The exclusive rights comprising copyright include the right to (1) reproduce the work; (2) prepare derivative works based on the work; (3) distribute or sell copies of the work; (4) in the case of literary, musical, dramatic, and choreographic works, to publicly perform the work; (5) in the case of literary, musical, dramatic, and choreographic works, and pictorial, graphic, or sculptural works, to display the work publicly; and (6) in the case of sound recordings, to perform the work publicly by means of digital audio transmission.

Each of these exclusive rights is separate and independent of the others, and the grant of one of these rights (for example, through a license), is a grant only with respect to that one right, and not the others.

While the precise definition of each of the copyright owner's exclusive rights is frequently the subject of debate (and litigation), there are a few concepts that are widely accepted, and that can be important in determining whether a license to use a copyrighted work is necessary.

### Derivative Works

A derivative work is a work based upon one or more preexisting works. Examples include (but are not limited to) motion pictures based on novels, translations of a novel or play, editorial revisions of a previously published book, sculptures based on a preexisting drawing, drawings based on photographs, and revisions to a website. While a derivative work may carry copyright independently of the preexisting work on which it is based, copyright in the derivative work protects only the new material appearing for the first time in the derivative work—and the right to prepare a derivative work (and hold copyright to the derivative work) is exclusive to the owner of the preexisting work. An individual or organization wishing to prepare a derivative work must ensure that, in doing so, it does not infringe the exclusive rights of the owner of the copyright in the preexisting work (either by obtaining a proper license or by falling within one of the limitations described below).

### Public Display and Performance

A “public display” or a “public performance” of a work consists of a display or performance, as the case may be, of a work, at a place open to the public or where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered. Though copyright litigants may

argue over this definition and its application to case-specific facts, court opinions tell us that showing a movie or playing music at a restaurant or bar is a public performance, as is playing music in a live venue, in elevators, or on the radio, but that playing music or displaying a copyrighted photograph in your home is not.

### Public Performance by Means of Digital Audio Transmission

This right was added by Congress in 1995 in an attempt to give owners of sound recordings the right to perform a work by means of a digital audio transmission—that is, a transmission in a non-analog format. Examples include the performance of a song on Internet or satellite radio, or through a live social media broadcast.

### What Constitutes Copyright Infringement?

Copyright infringement is the use of a copyrighted work (whether or not registered) without the permission of the copyright owner, such that one or more of the exclusive rights of the copyright owner is infringed. Put another way, one infringes another's copyright when he or she reproduces, distributes, displays, performs, or makes derivative works from the copyrighted work without the permission of the owner. Usually, copyright infringement constitutes a civil violation of law, and copyright holders must take infringers to court in order to recover (recall that the copyright must be registered in order for a copyright owner to sue for infringement). Frequently, once an infringer is “caught” by the copyright owner, the threat of litigation is enough to persuade the infringer to cease its use of the work and/or settle for a negotiated amount or license arrangement. Where the infringement is willful, the infringer may be subject to criminal fines and penalties, as well as imprisonment.

### Limitations on Exclusive Rights

Due to the imprecise nature of the definitions describing a copyright owner's exclusive rights, analysis of whether an act constitutes infringement frequently depends on the facts and circumstances of the act at issue. Even where a copyright owner has established infringement, the copyright defendant may still not be liable if he or she can establish that a limitation on the owner's exclusive rights, such as one of those described below, applies.

### Fair Use

One of the most frequently-invoked limitations on a copyright owner's exclusive rights is the fair use limitation. The use of a copyrighted work is not infringement, as a matter of law, if used for criticism, comment, news reporting, teaching, scholarship, or research, provided that the use is fair. In

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determining whether such a use is fair, a court will look to the following factors:

The Purpose and Character of the Use. To justify the use of a copyrighted work, the user must demonstrate that the use advances knowledge or progress in a way different from the copyrighted work. Recently, courts have assessed whether the use of the work was “transformative” or whether the use had a similar purpose or character. Commercial use of a copyrighted work for profit will weigh heavily against a finding of fair use.

The Nature of the Work. This factor relates to the creative nature of the copyrighted work. Use of a more creative work (such as a novel, movie, or song) is less likely to support a finding of fair use than use of a factual work (such as a trade paper or newspaper article). Additionally, the fact that a work is unpublished will cut against a finding of fair use.

Amount and Substantiality of Portion Used. If the use of a copyrighted work includes a significant portion of the copyrighted work, a court will be less likely to find fair use. However, even where only a small portion of the work is used, a court may find that the use was unfair if the portion used was an important part of the work.

### Effect of Use Upon Market for Copyrighted Work.

If the unlicensed use of a copyrighted work will have a harmful effect on the current or future market for the copyrighted work, a court will be less inclined to find fair use.

## First Sale Doctrine

Recall that a copyright owner has the exclusive right to sell or transfer the copyrighted work. In order to protect the owner of a lawful copy of a copyrighted work from liability for the private sale of that copy, copyright law permits the owner of the copy to sell or transfer such copyrighted work. There are several nuances to this doctrine, including that it generally does not apply to software because the owner of a “copy” of software is usually the owner of a mere license to use the software.

## Limitations on Display, Performance, and Reproduction Rights

The display or performance of a copyrighted work is not considered to be public if the display or performance occurs in the course of instruction by an educational institution or as a part of religious services. Subject to certain restrictions, libraries and archival entities may reproduce copyrighted works for preservation purposes.



## Meet Our Commercial Team



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### License to Use a Copyrighted Work

When a desired use of a copyrighted work would constitute infringement of one or more of the copyright owner's exclusive rights, and when none of the above limitations apply, a license is necessary to avoid liability for infringement. A license is simply a contract between the copyright owner and a licensee. A license may grant a licensee any one or more of the exclusive rights held by the copyright owner. While there is no requirement that consideration be given in exchange for a license, copyright owners frequently charge royalty fees, place restrictions on the licensee, or require that the licensee meet some other obligation with respect to the work.

Typically, a license agreement will describe the terms and restrictions of the licensee's use of the copyrighted work. Frequently, the license will permit the licensee to use the copyrighted work for only a limited period of time or only in a specific geographic area. Violation of the terms of the license agreement may expose the licensee to damages under the license agreement and may also constitute copyright infringement.

Often times, third-party organizations and associations are authorized by the copyright holder to engage in licensing transactions on behalf of the copyright holder. For example, owners of copyright in books and written works are generally represented by the Authors Guild, owners of copyright in photographs are frequently represented by the American Society of Media Photographers ("ASMP") or Getty Images, and motion picture artists are generally represented by licensing arms of the motion picture studio (such as Sony Pictures or The Walt Disney Studios).

Depending on the nature of the copyrighted work for which a license is desired, as well as the intended use of the work, several licenses may, in fact, be necessary. Recall each of the exclusive rights granted to a copyright holder. In the case of a song, a licensee may wish to perform the song in a live, public setting, but also stream a live video of the performance on the licensee's social media page. The live performance (and the streaming) would certainly constitute a public performance, but streaming the video of the performance may also constitute distribution of the work or transmission by digital means. Because each of these acts is within the exclusive rights of the copyright owner, a license for each act is necessary. As an example, below is a summary of the various licenses available for musical works:

Performance License. The performance license grants to the licensee the right to publicly perform the copyrighted song, whether in a live performance or as part of a multimedia presentation. Typically, a performance license is granted in exchange for royalties to songwriters, musicians, composers, and/or publishers.

Synchronization ("Sync") License. Sync licenses are among the most common music licenses. A

sync license permits the licensee to use a song and synchronize it with a visual media. These licenses are often necessary for television shows, movies, and promotional videos.

Master Recording License. This type of license gives the licensee the right to use the recording of a song. The term "master" is derived from the term "master record" that publishers frequently used to refer to the original, acetate copy of the studio recording of an album or song that was used to create record presses and vinyl copies. The major difference between a master license and a sync license is that the sync license permits the licensee to re-record the song for a specific project, while the master license permits the use of the pre-existing record.

Mechanical License. A mechanical license permits the licensee to reproduce a song onto a recording. Artists that wish to record "cover" songs need mechanical licenses in order to do so.

Blanket License. Performing Rights Organizations ("PROs") offer blanket licenses that allow a licensee to have access to a portion or complete catalog of songs for an annual fee. The licensee can be, for example, a bank branch that wants to play background music, or a local bar that hosts a live cover band.

Additionally, there are frequently several interested parties to a music license. For example, while a singer/songwriter is generally the author and copyright owner of any songs that he or she writes, others who contribute to a song recording (such as sound technicians, background musicians, etc.) are typically considered authors of the song recording itself. Complicating the licensing process further is the fact that record deals may require artists to assign copyright in certain recordings to the record label. It is important that a music licensee obtain the appropriate licenses from the proper parties before using copyrighted music in an infringing way.

### How Do You Acquire the Appropriate Licenses?

Because there are so many different types of licenses related to musical works, licensing musical works can involve more than one step. For performance licenses, look to one of the three major PROs—American Society of Composers, Authors and Publishers ("ASCAP"), Broadcast Music, Inc. ("BMI"), and Society of European Stage Authors and Composers ("SESAC"). Each of these PROs functions as a clearinghouse to license the public performance rights of music compositions. Together, ASCAP, BMI, and SESAC can license virtually any copyrighted song. Each of them represents a huge number of artists and composers, but none of the three PROs repre-

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sent each and every copyright owner. A BMI blanket license only allows the licensee to publicly perform songs in BMI's catalog. The same is true for blanket licenses from ASCAP and SESAC. Therefore, unless a conscious effort is made to perform music exclusively from any single PRO's catalog, the safest choice is to acquire licenses from all three major PROs. And, of course, keep in mind that a PRO can generally grant only a performance license. With respect to the other licenses available for musical works (sync, master, and mechanical), the record label is usually the licensing entity.


For non-musical works, licenses may be acquired from the Authors Guild, ASMP, Getty, or a motion picture studio, as appropriate. Generally, publishers of copyrighted works have a public-facing licensing office that is well-equipped to handle licensing requests. Some of the larger licensing organizations even have self-service, online licensing portals.

### Who Should Obtain the License?

Just as a licensee must ensure that it is dealing with the appropriate party in a licensing transaction, the licensee must also ensure that the license permits the appropriate party to use the licensed work as intended. Each party responsible for the use of a copyrighted work must ensure that it is permitted to do so under law. In the case of musical performances, the general rule is that the premises owner, concert or gathering promoter, or the website owner will obtain the license to use the music. Individuals or organizations, for example, planning a meeting or party at a venue during which music will be played, should

ensure that the venue is properly licensed. For use of a non-musical work, the appropriate party is usually the individual or business that plans to copy, distribute, display, or make derivative works based upon the original work.

### Conclusion

Individuals and businesses seeking to utilize copyrighted work should take steps to ensure that they have a lawful basis for using the work. Depending on the type of work and the intended use of the work, it is necessary to conduct a thorough analysis of whether the use is violative of the copyright owner's exclusive rights or whether the use may be covered by a limitation on the copyright owner's exclusive rights. If a license is required, an assessment of the appropriate parties—on both sides of the transaction—as well as the type of licenses needed is critical. Taking these actions as early as possible, before using the copyrighted work, will help to avoid a potentially costly infringement in the future. A successful infringement claim may permit the copyright owner to recover statutory damages ranging from \$750 to \$30,000 per work. For willful infringement, a court may award statutory damages in an amount up to \$150,000 per work. Additionally, criminal penalties for infringement are cumulative—that is, they increase with each subsequent act of infringement—and can include imprisonment for up to ten years. While copyright licenses can sometimes carry fees, the fees generally pale in comparison to the significant amount of damages a copyright infringer may face. 



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