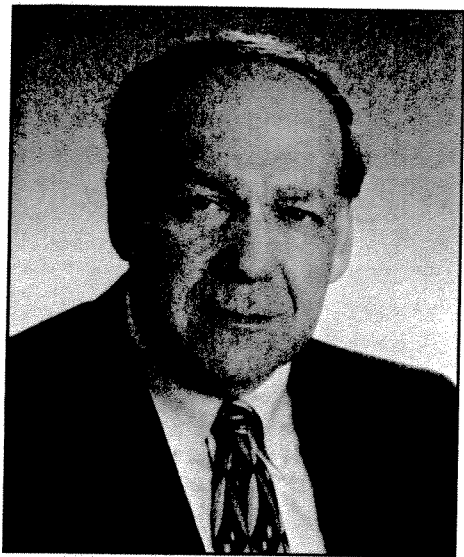


# Ninth Circuit Report



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**LEADSINGER, INC. V. BMG  
MUSIC PUBLISHING, ET AL. \_\_\_\_  
FED. 3D \_\_\_\_ (9TH CIR. JANUARY  
2, 2007)**

## **Producers of Karaoke Devices Do Not Get the Right to Display Song Lyrics in Real Time With Only a Compulsory Mechanical License for the Music**

THIS CASE DECIDES A NEW ISSUE of copyright law arising from new technology—karaoke devices that display song lyrics along with the recorded music enabling people to sing along with the music.

The plaintiff, Leadsinger, Inc., manufactures a karaoke device which has recorded songs and music lyrics embedded in a microchip in a microphone, so lyrics appear on the television screen in real-time as the song is played, enabling

the consumer to sing along. Other karaoke companies use a different hardware, or storage media, to accomplish the same function. The decision here is not limited to any particular hardware or equipment.

BMG and its related parties administer copyrights in musical compositions. The Copyright Act 17 U.S.C. § 115 subjects “phonorecords” to a compulsory licensing scheme that authorizes entities which comply with its provisions to obtain a license to make and distribute phonorecords of a non-dramatic musical work if:

(1) the work has “been distributed to the public in the United States under the authority of the copyright owner;” and (2) the person’s primary purpose in making phonorecords is to distribute them to the public for private use.

So, once the owner of the copyright has distributed the work, it becomes available for compulsory licensing for others to make phonorecords. This compulsory music licensing scheme does not apply to audiovisual works.

Here, Leadsinger obtained the compulsory license, and pays the fee, sometimes called a “mechanical fee” for the license. However, the copyright owners require that Leadsinger and karaoke companies also pay a “synchronization fee” and a “lyric reprint” fee for displaying the song’s words in real-time and including a printed copy of the lyrics, respectively. Leadsinger brought this action as a declaratory judgment in the Central District of California seeking a declaration by the court that it is entitled to print or display song lyrics in real-time with song recordings, as long as it obtains the compulsory mechanical license under 17 U.S.C. 115, or to declare that it is entitled to do so under the Copyright Fair Use Doctrine.

In this posture, the District Court concluded: (i) that the § 115 compulsory licenses *did not give* Leadsinger the right to display the visual image and lyrics in real-time with music; (ii) that the allegations of the complaint did not support Leadsinger’s fair use claim; and (iii) granted the defendants’ motion to dismiss the complaint, without leave to amend. Procedurally, review of a motion to dismiss is *de novo*, and such a dismissal is proper only if it appears beyond doubt that the non-moving party can prove no set of facts which would entitle it to relief. All the allegations of fact are taken as true, and the complaint is construed in the light most favorable to the non-moving party.

The Ninth Circuit affirmed. The facts were clear, and the decision was correct as a matter of law. The need for a synchronization license, sometimes called a “synch license” is clear in other audiovisual works, such as movies, where a synchronization license is required if a copyrighted musical composition is to be used in a “timed relationship” or synchronization with an audiovisual work.

It is also established that song lyrics are copyrightable as literary works and therefore enjoy separate protection under the Copyright Act. Literary works are defined in the Copyright Act as “works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.” 17 U.S.C. § 101.

The District Court had reasoned that Leadsinger’s karaoke device was outside the definition of “phonorecord” because the device contained more than sound. The Ninth Circuit disagreed somewhat with this interpretation, because the plain language of the Copyright Act did

not expressly preclude a finding that the license on which sound *and* visual images are fixed falls within the definition of phonorecords. However, the Ninth Circuit reached the same conclusion on the ultimate issue, because the definition of "phonorecords" in the Copyright Act was explicit in noting that audiovisual works are not phonorecords and thus are excluded from the compulsory license available under § 115.

The definition of audiovisual works under the Copyright Act is:

Works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied. 17 U.S.C. § 115.

Thus, the court found that the visual representation of successive portions of song lyrics on to a television screen constitutes "a series of related images." The images bear a significant relationship, being displayed in real time as the song is playing, and must be presented sequentially so as to match the accompanying music. The court noted that just because the related images were comprised of song lyrics which independently constitute a literary work, did not preclude the court from concluding that the karaoke device also is an audiovisual work. The Copyright Act defines literary works as:

Works, *other than audiovisual works*, expressed in words ...regardless of the nature of the material objects such as phonorecords, film, tapes, disks, or cards, in which they are embodied. 17 U.S.C. § 101.

The court noted that while § 101 does not require that an audiovisual work have sound, in the case of Leadsinger's karaoke device, its images of successive portions of song lyrics are "intrinsically intended to be shown by the use of machines...together with accompanying sounds." The Ninth Circuit noted that the Second Circuit had already concluded that a karaoke device was an audiovisual work.<sup>1</sup> The Court disagreed with a Utah District Court,<sup>2</sup> which had concluded that synchronization licenses were not necessary for karaoke.

Finally, the Ninth Circuit affirmed the District Court's decision that Leadsinger also did not have the right, through its compulsory mechanical licenses, to reprint hard copy lyrics in booklets that accompany its karaoke products. The court noted that song lyrics are separately copyrightable as literary works.

#### **THE USE OF THE WORDS IN KARAOKE IS ALSO NOT "FAIR USE"**

Leadsinger also requested a declaration that its use of the lyrics displayed was a "fair use" under the Copyright Act. The court affirmed the District Court's decision that it was not.

Fair use is a mixed question of law and fact, but a court can resolve the issue of fair use on a motion for summary judgment when, as here, no material facts are in dispute. The court found it was proper to dismiss the case on a motion to dismiss without leave to amend. This required the court to take all the allegations of Leadsinger as true, in a manner similar to consideration of the issue on a motion for summary judgment.

The introduction to the fair use section of the Copyright Act, § 107, explains that "the fair use of a copyrighted work...for purposes such as criticism, comment, news reporting,

teaching..., scholarship, or research, is not an infringement of copyright." 17 U.S.C. § 107. It provides four non-exclusive considerations for a fair use determination:

- (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.

As for the first factor, the use here was clearly a commercial one, and Leadsinger did not even allege that its use of the copyrighted lyrics was transformative. Of course, for karaoke, Leadsinger would not add to or alter the copyrighted lyrics, as this would undermine the karaoke device's ability to enable consumers to sing along. Leadsinger did argue that its use of the lyrics helped consumers to understand the lyrics and facilitate parental control over objectionable song words, but this "utilization" of the product did not detract from Leadsinger's basic purpose as being a commercial one.

The Ninth Circuit made short work of the second and third factors, because song lyrics clearly are creative expression, rather than informational content, and because Leadsinger had taken the entire portion of each copyrighted song.

As is the case with most fair use defenses, the focus was on the fourth factor: the effect of the use upon the potential market. Leadsinger contended that there was no market for song lyrics standing alone, and argued that music publishers rarely require a print license

SEE *Ninth Circuit* PAGE 55

# Case Comments

CONTINUED FROM PAGE 54

was not likely to cause confusion with WSI in a circle. While the case was on appeal the WSI mark was federally registered. The appellate court refused to take judicial notice of the registration. There was no evidence that the public recognized the WSI logo apart from the company's name "Welding Services Inc." *Welding Servs. Inc. v. Forman*, 509 F.3d 1351, 85 USPQ2d 1233 (11 Cir. 2007).

## TRADEMARKS – SPECIMENS ►►

A drawing of a product bearing the mark is not an acceptable specimen since it does not depict an actual product bearing the mark. *In re Chica Inc.*, 84 USPQ2d 1845 (TTAB 2007).

## TRADEMARKS – SPECIMENS ►►

A renewal specimen showing the mark AQUASTOP in the same font was not a material alteration of and presented the same commercial impression as the registered mark which had AQUA on a line above STOP with STOP in a different and bolder font. The registration was properly renewed. *Paris Glove of Canada, Ltd. v. SBC/Sporto Corp.*, 84 USPQ2d 1856 (TTAB 2007).

## TRADEMARKS – SURNAME ►►

J.J. Yeley is not primarily merely a surname since Yeley appears in only 147 listings of names throughout the entire U.S., and because the initials help make it a personal name rather than a surname. There is no rule that adding initials makes something a personal name. *In re Yeley*, 85 USPQ2d 1150 (TTAB 2007). ■

# Ninth Circuit IP Institute Report

CONTINUED FROM PAGE 47

for the use of lyrics by record companies, who freely enclose lyrics with records and CDs. But the Ninth Circuit found it unreasonable to infer that allowing record companies to reprint lyrics meant that no harm would take place in allowing karaoke companies to do so. Leadsinger also failed to allege this in its complaint, but the court noted that in copyright cases if a use is for commercial gain, the likelihood of market harm may be presumed. Thus, the fair use defense did not support Leadsinger's right to use and display the lyrics.

## CONCLUSION

While compulsory licenses may be available for records and other media, they do not include the lyrics used with karaoke equipment, since projecting the lyrics in real time is not fair use and not part of a compulsory license that is available for the music. ■

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## Endnotes

1. *ABKCO Music, Inc. v. Stellar Records, Inc.*, 96 F.3d 60 (2d Cir. 1996).
2. *EMI Entm't World, Inc. v. Priddis Music, Inc.*, 505 F. Supp. 2d 1217, (D. Utah 2007).



BARBARA FRIEDMAN

*Hanson Bridgett Marcus Vlahos & Rudy*

THE 32ND ANNUAL IP INSTITUTE was held November 8–10, 2007 at the Monterey Marriott, in Monterey, California. This year's conference was the biggest and most well-attended Institute in many years. More than 200 attendees enjoyed two and a half full days of excellent CLE programming. There were over 45 speakers, and 25 separate panels covering topics such as IP licensing, drugs and biologic patents, publishing contracts and permissions clearances, piracy, video gaming, how patents suppress speech, and tips from trademark Examiners.

This year's social activities included a kick-off dessert reception and a casino night with prizes.

Be sure to mark your calendars now for next year's 33rd Annual IP Institute to be held November 6–9, 2008 at the Rancho Los Palmas in Palm Springs. ■