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## What You Should Know About Electronic Subscriptions and Copyright Law: *A Best Practices Guide*

By Carolyn S. Toto and Mark R. Kendrick

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*Increasingly, printed matter is being made available via the Internet in electronic form, and both publishers and readers alike are starting to prefer an online format over the printed hardcopy format. One example is electronic newsletters or reports offered through online subscriptions. These can be emailed to the subscriber on a daily, weekly or monthly basis just as the printed hardcopy formats would have been mailed. Unlike the hardcopy formats, however, the electronic counterparts can be easily printed out or forwarded to large groups of people. Since these newsletters and reports are generally protected by copyrights, an unauthorized mass distribution can raise a host of risks and liabilities, including copyright infringement. If the subscriber has obtained the subscription as part of his or her employment for use by the employer, these risks and liabilities can be imputed to the employer.*

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Risk and Liabilities - A large part of the risks and liabilities relate to the amount of damages that can be claimed for copyright infringement for these types of works. The Copyright Act provides that a copyright owner may elect to recover, instead of actual damages and profits, an award of statutory damages of not less than \$750 but not more than \$30,000 per copyright infringed. 17 U.S.C. § 504(c)(1). This amount may be enhanced up to \$150,000 per copyright infringed based on a finding of willful infringement. 17 U.S.C. § 504(c)(2). When each daily or weekly newsletter or report is deemed a separate copyrighted work, the statutory damages can add up quickly over the years.

In *Lowry's Reports, Inc. v. Legg Mason Inc.*<sup>1</sup>, an employee in Legg Mason's research department subscribed to reports published by Lowry's which contained stock market analysis. The subscriptions were limited to individual subscriptions; institutional subscriptions and group licenses were not offered. The subscription agreement strictly prohibited unauthorized copying or dissemination of the reports and/or their contents. For more than a decade, Legg Mason paid for and received a single copy of the daily and weekly reports which were sent to the email address of the subscribing employee (who was the director of the research department). Copies of the reports and their contents were disseminated throughout the company via paper and email and even posted on a Legg Mason firm-wide intranet. After Lowry's became aware of these actions, it sent a cease and desist letter to Legg Mason. While the copy on the company intranet was promptly removed, the director of the research department continued to email copies of the reports to other members of the research department. Lowry's brought suit claiming copyright infringement. A jury found Legg Mason liable for willful copyright infringement and awarded \$19,725,270 in statutory damages for 240 copyrighted works (calculated from \$50,000 per work before notice to \$100,000 per work after notice). Because the copyright infringement took place at Legg Mason's offices, using company equipment and on company time, and because Legg Mason had the right and ability to supervise its employees, the court found Legg Mason vicariously liable for the damages.

Legg Mason moved for a new trial and judgment as a matter of law, arguing that the award was so excessively disproportionate to Lowry's actual harm that it violated the Due Process Clause of the Fourteenth Amendment.<sup>2</sup> The district court denied the motion and the parties subsequently settled the matter for an undisclosed amount. The constitutionality of statutory damages for copyright infringement has also been challenged in other cases as being disproportionately excessive, such as in *Capitol Records, Inc. v. Thomas-Rasset*.<sup>3</sup> The parties in *Capitol Records* appealed this issue to the 8th Circuit, which held that the statutory damages of \$222,000 awarded to the record company for the defendant's copyright infringement was indeed constitutional.<sup>4</sup> Accordingly, the 8th Circuit vacated the district court's judgment that the statutory damages award violated the Due Process Clause<sup>5</sup>. More recently, the First Circuit also agreed with the 8th Circuit's rationale in vacating a district court's decision to reduce the statutory damage award in a case with similar facts.<sup>6</sup>

The above cases are a reminder to companies that it is important to understand the terms and conditions of any subscriptions that have been purchased for the business and what is or is not allowed pursuant to the subscription agreements.

## BEST PRACTICES

### Read and Understand Your Subscription Agreements

When you subscribe to any electronic newsletter or report, you should always read the subscription agreements carefully and make sure that you fully understand the terms and limitations of the license granted to you. Do not assume that the copyright doctrine of "fair use" permits you to distribute newly created copies (e.g., printouts from electronic form or forwarded on in electronic form).



<sup>1</sup> 271 F.Supp.2d 737 (D.Md. July 10, 2003).

<sup>2</sup> 302 F.Supp.2d 455 (D.Md. February 11, 2004).

<sup>3</sup> 499 F.Supp.2d 999 (D.Minn. July 22, 2011).

<sup>4</sup> 692 F.3d 899, 910 (8th Cir. 2012).

<sup>5</sup> *Id.*

<sup>6</sup> *Sony BMG Music Entertainment v. Tenenbaum*, 719 F.3d 67, 71-72 (1st Cir. 2013).

## **Make Sure Your Employees Read and Understand the Subscription Agreements**

As an employer, a company can be found liable for the copyright infringement actions of its employees. The employer can be liable even if it was unaware of the infringement, especially if the employer can be seen to benefit from the infringing acts, such as in the *Lowry's Reports* case. The employer needs to be aware of all electronic subscriptions that its employees subscribe to that may be related to or used in the employer's business. Employees need to be mandated to read and understand subscription agreements before signing on, especially if on behalf of the employer. A database can be set up to identify all such subscriptions, including information regarding the subscriber, the start and end dates of the subscription, the purpose of the subscription and the terms or restrictions of the license. The database may be a useful tool to keep track of what subscriptions are active at any one time within a company.

## **Negotiate Institutional or Group Subscriptions**

Employers should try to negotiate with publishers for institutional or group subscriptions if it is expected that numerous employees will need to refer to the contents of the newsletter or report. If only individual subscriptions are available, inquire whether the publisher will provide for a group discount on multiple subscriptions. In the latter case, care should be taken to purchase as many of the individual subscriptions as needed, especially when the subscription agreement prohibits any unauthorized copying or dissemination of the newsletters or reports and their contents.

## **Create Written and Visible Policies**

Employers should adopt written policies to ensure that their employees are aware of and in compliance with subscription agreements and copyright law. The policy should include a general prohibition on making unauthorized copies, such as photocopying or forwarding articles or publications. The written policies should be distributed firm-wide and made readily available as reminders, such as posting on firm-wide intranets or displaying by water coolers and in break rooms. These policies should also be included in employee handbooks.

## **Implement Training on the Policies**

Training should also be implemented to reinforce the policies in the employees' minds. For example, employers can conduct quarterly lunch roundtables to educate employees on the policies and solicit feedback from the employees. A task force team can be set up to conduct the employee education and provide a resource to answer employee questions. The task force team can be made up of members of the employer's in-house legal staff or those who can regularly interface with the in-house legal staff. The training may also take place during new employee orientations.

## **Enforce the Policies**

Regular monitoring of employee activities to ensure actual compliance with the policies and enforcing disciplinary action for any non-compliance will further help ensure that these policies are taken seriously. The task force team may work with the employer's information technology department to manage compliance. It may be possible to track certain actions by employees such as tracking forwarded attachments sent to a wide distribution list and postings on the firm-wide intranet. An employer may request that the electronic subscription provider only distribute documents that are non-printable and/or prevent the copying of content within the documents.

If you have questions, please contact the Pillsbury attorney with whom you regularly work, or the authors.

Carolyn S. Toto [\(bio\)](#)

Los Angeles

+1.213.488.7238

[carolyn.toto@pillsburylaw.com](mailto:carolyn.toto@pillsburylaw.com)

Mark R. Kendrick [\(bio\)](#)

Los Angeles

+1.213.488.7253

[mark.kendrick@pillsburylaw.com](mailto:mark.kendrick@pillsburylaw.com)

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