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Intellectual Property/Media

Bad News for Copyright Trolls: Ninth Circuit Affirms That Bare Assignment of Right to Sue for Copyright Infringement Is Insufficient to Confer Standing on Assignee

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On May 9, 2013, in *Righthaven LLC v. Hoehn*,¹ the Ninth Circuit affirmed the dismissal of a pair of copyright infringement lawsuits brought by a company whose sole business was to identify copyright infringements on behalf of third parties, obtain the rights to sue for infringements from the copyright owners, and then sue the infringers. Notwithstanding agreements between Righthaven and the copyright owners that clearly were intended to convey sufficient ownership rights to Righthaven to permit Righthaven to sue, the appellate court determined that Righthaven lacked standing because it did not actually own any exclusive rights under the Copyright Act. Describing the case as one “about a lawyer who tried to establish that a company owned a copyright by drafting a contract calling the company the copyright owner,” the Ninth Circuit concluded that “merely calling someone a copyright owner does not make it so.”²

Righthaven’s Business Model and its Demise

Righthaven’s mission to police the Internet for infringing uses of news articles was announced in a May 2010 editorial published in the *Las Vegas Review-Journal* (the “*Review-Journal*”) entitled “Copyright Theft: We’re Not Taking It Anymore.”³ In the editorial, the president and CEO of Stephens Media, the publisher of the *Review-Journal*, forcefully expressed his displeasure with the proliferation of unauthorized copying and posting of news article content on the Internet. He warned that Stephens Media had “grubstaked” Righthaven, “a local technology company whose only job is to protect copyrighted content,” with the primary hope that “Righthaven will stop people from stealing our stuff” and the secondary hope that Righthaven “will find other clients looking for a solution to the theft of copyrighted material.”⁴

Through strategic alliances with Stephens Media and MediaNews Group, Inc., the publisher of *The Denver Post* Righthaven acquired limited, revocable copyright assignments for various news articles for which Righthaven had identified uses by others on the Internet that it deemed infringing. Over a short period, Righthaven initiated hundreds of copyright infringement suits against a variety of defendants for the unauthorized use of previously published news content. Widely dubbed a “copyright troll,” Righthaven was criticized by various groups for bringing “no-warning” lawsuits and employing aggressive litigation tactics against defendants, many of whom were individual bloggers or small, non-profit organizations.

The company initially met with some success as many early defendants quickly settled rather than bear the costs of litigation. When confronted with defendants who chose to litigate the infringement claims, however, Righthaven was less successful. After some initial determinations that Righthaven did have standing to pursue the infringement claims, courts with full information as to the nature of the relationship between Righthaven and Stephens Media began to conclude that Righthaven lacked standing.⁵ Other courts determined that the fair use defense applied to particular uses of copyrighted articles.⁶

In the wake of these dismissals and subsequent awards of attorney's fees to the prevailing defendants, Righthaven found itself in financial disarray. In November 2011, the US Marshals Service seized the company's assets. A receiver was appointed to auction its assets and pay the company's debts.

The Ninth Circuit's Decision

In *Hoehn*, the Ninth Circuit considered the consolidated appeal of separate copyright suits brought by Righthaven against Wayne Hoehn and Thomas DiBiase concerning the defendants' unauthorized use of *Review-Journal* articles. In each case, the district court granted a motion to dismiss after determining that Righthaven lacked standing to sue. In the *Hoehn* case, the lower court also held in the alternative that even if Righthaven had standing, the defendant would be entitled to summary judgment on its fair use defense.⁷ The Ninth Circuit affirmed the dismissals for lack of standing in both cases but vacated the portion of the district court's order in *Hoehn* granting summary judgment on fair use because, after concluding that Righthaven lacked standing, the court lacked the necessary jurisdiction to reach the merits of Hoehn's fair use defense.⁸

To determine whether Righthaven had standing, the appellate court undertook a detailed examination of the actual rights conveyed by Stephens Media to Righthaven. Righthaven and Stephens Media had executed a copyright assignment for each news article providing that, "subject to [Stephens Media's] rights of reversion,' Stephens Media granted to Righthaven 'all copyrights requisite to have

Righthaven recognized as the copyright owner of the Work for purposes of Righthaven being able to claim ownership as well as the right to seek redress for past, present, and future infringements of the copyright . . . in and to the work."⁹ The copyright assignments, however, were subject to a "Strategic Alliance Agreement" that placed "sharp limits on what Righthaven could do with any assigned copyright."¹⁰ Righthaven could pursue infringers, but only subject to Stephens Media's right to veto a suit. If Righthaven did not obtain a settlement or initiate litigation, it was required to reassign the copyright to Stephens Media, and Stephens Media had the unilateral right to revert the ownership of any copyright back to itself on 30 days' notice. Stephens Media retained an exclusive license to exploit the copyrights for any lawful purpose, and Righthaven had no right to exploit the copyrights or receive any royalties. All recoveries from alleged infringers were to be split between the co-venturers.¹¹

The court observed that standing to sue under the Copyright Act only exists when one is the "legal or beneficial owner of an exclusive right under a copyright,"¹² and concluded that Righthaven could not establish such ownership. Under the Strategic Alliance Agreement, Righthaven possessed only the bare right to sue for infringement, not any of the exclusive rights conferred upon copyright holders by section 106 of the Copyright Act. Nor was the court persuaded that the "Clarification and Amendment to [the] Strategic Alliance Agreement," executed by Righthaven and Stephens Media after the cases were filed, conferred standing. While that amendment "purported to clarify that the parties' intent in entering [the agreement] was to 'convey all ownership rights in and to any identified [w]ork to Righthaven . . . so that Righthaven would be the rightful owner of the identified [w]ork,'"¹³ jurisdiction is typically based on the facts that exist at the time of filing, and the amendment did not fall within any of the recognized exceptions to that rule. The court declined to consider whether a new exception to the general rule was warranted because the amendment "made little practical difference to Righthaven's ability to exploit the copyrights."¹⁴ Looking beyond the parties' stated intent to confer ownership on Righthaven to the

actual substance of the amended agreement, the court found that Righthaven was unable to exploit any exclusive rights unless it was permitted to do so by Stephens Media, and Stephens Media remained free to exploit the works as it saw fit. The court concluded that “[a] hypothetical possibility that Righthaven might be able to exercise exclusive rights if Stephens Media decided to allow it at the time is not sufficient for standing.”¹⁵

Key Takeaways

Righthaven’s short life as a copyright troll was premised on the shaky assumption that acquiring the right to sue for infringement from copyright owners was sufficient by itself to confer standing to serve as a plaintiff. The Ninth Circuit has made clear that courts must look beyond labels in agreements and evaluate the substance of the rights actually assigned in order to determine whether an assignee has standing to pursue a claim for copyright infringement. Copyright owners cannot simply outsource the enforcement function in its entirety without giving up some degree of control over their copyrights. Where Righthaven failed, however, others could succeed. One could envision that publishers might determine that the ownership rights to certain already-published news articles might be of sufficiently low value that assigning them to a copyright troll makes economic sense. Or an enterprising lawyer interested in a volume business in pursuing small-scale infringers might simply negotiate contingency-fee arrangements with copyright owners rather than go to the trouble of forming a holding company and acquiring the copyrights. While the standing requirement is a hurdle for copyright litigation of this nature, it is far from insurmountable.

1 Nos. 11-16751, 11-16776, 2013 WL 1908876 (9th Cir. May 9, 2013).

2 *Id.* at *1.

3 Sherman Frederick, “Copyright Theft: We’re Not Taking It Anymore,” *Las Vegas Review-Journal* (May 28, 2010), http://www.reviewjournal.com/columns-blogs/sherman-frederick/copyright-theft-were-not-taking-it-anymore?ref_164=.

4 *Id.*

5 *See, e.g., Righthaven LLC v. Democratic Underground, LLC*, 791 F. Supp. 2d 968, 971, 976-77 (D. Nev. 2011) (“[T]he undersigned is well aware that Righthaven led the district judges of this district to believe that it was the true owner of the copyright in the relevant news articles. Righthaven did not disclose the true nature of the transaction . . . [and] those orders were tainted by Righthaven’s failure to disclose the [Strategic Alliance Agreement] and Stephens Media’s true interest.”); *see also, e.g., Righthaven LLC v. Wolf*, 813 F. Supp. 2d 1265, 1273 (D. Colo. 2011).

6 *See Righthaven, LCC v. Jama*, 2:10-CV-1322 JCM LRL, 2011 WL 1541613, at *5 (D. Nev. Apr. 22, 2011); *Righthaven LLC v. Realty One Grp., Inc.*, 2:10-CV-1036-LRH-PAL, 2010 WL 4115413, at *3 (D. Nev. Oct. 19, 2010).

7 *Righthaven LLC v. Hoehn*, 2013 WL 1908876, at *1.

8 *Id.* at *1, 5.

9 *Id.* at *1.

10 *Id.* at *2.

11 *Id.*

12 *Id.* (citing 17 U.S.C. § 501(b); *Silvers v. Sony Pictures Entm’t, Inc.*, 402 F.3d 881, 890 (9th Cir. 2005)) (internal quotation marks omitted).

13 *Id.* at *4.

14 *Id.* at *5.

15 *Id.*

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