Gaylord -- Copyright Precedent in the Federal Circuit

Copyright views expressed in two opinions reversing the Court of Federal Claims warrant more attention than usual.

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The basis for Frank Gaylord's ongoing litigation against the U.S. Postal Service (USPS) is summarized in the second of two appeals, "Gaylord is the creator of 'The Column,' a group of nineteen soldiers…, the centerpiece of the Korean War Veterans' Memorial…. In 2002, the [USPS] issued a 37–cent stamp commemorating the 50th anniversary of the armistice of the Korean War. The stamp featured a photograph… licensed from photographer John Alli. The [USPS] issued roughly 86.8 million of the stamps, sold retail goods carrying the stamp image, and licensed the stamp image to retailers." Gaylord v. U.S., 2012 WL 1662070 at *1 (Gaylord II).

Gaylord's suit could lie only in the U.S. Court of Federal Claims under 28 U.S.C. § 1498(b), and, under 28 U.S.C. § 1295(a)(3), the Federal Circuit has exclusive appellate jurisdiction. These cases differ from copyright rulings where the court has jurisdiction under 28 U.S.C. § 1295(a)(1) only because patent claims are joined. In the latter circumstances, the court attempts to apply law from the originating circuit. *See, e.g.*, Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008) (Ninth Circuit) and Bowers v. Baystate Technologies, Inc., 320 F.3d 1317 (Fed. Cir. 2003) (First Circuit).

If, in § 1295(a)(1) cases, the court faces issues previously resolved in a case coming from a different circuit, the prior opinion is not precedential. Moreover, originating circuit courts are no more obligated to follow such opinions than were state courts after Erie-

type opinions in Smith v. Dravo Corp., 203 F.2d 369 (7th Cir. 1953) (Pennsylvania), and Goldberg v. Medtronic, Inc., 686 F.2d 1219 (7th Cir.1982) (Minnesota). *See* Group One, Ltd. v. Hallmark Cards, Inc., 254 F.3d 1041, 1050-51 (Fed. Cir. 2001) (summarizing the holdings in four related cases).

Copyright issues are resolved by the Federal Circuit under § 1295(a)(3), however, without obligation to follow opinions other than its own, supplemented by those of the predecessor Court of Claims and the Supreme Court. Moreover, because they govern future cases in which it has exclusive jurisdiction, they deserve more attention than would otherwise be appropriate.

The first appellate opinion in the *Gaylord* litigation addresses three issues: ownership of copyright in the depicted soldiers, fair use under 17 U.S.C. § 107, and a limitation on rights in architectural works. Finding Gaylord's figures not to be "architectural," the last was easily resolved. Gaylord v. U.S., 595 F.3d 1364, 1380-81 (Fed. Cir. 2010) (Gaylord I).

USPS's above-mentioned license for use of the photograph shows good faith, but it does not cover separate title in the figures, a matter that was complicated by multiple parties' contributions. 595 F.3d at 1376-80. Refusing "to cobble together an excuse for the government's copyright infringement," the majority affirms that authorship "rested solely with Mr. Gaylord." *Id*. at 1380. Judge Newman dissented, arguing that the USPS should not have to pay the sculptor of "a national monument… authorized by Congress, installed on the National Mall, and paid for by appropriated funds." *Id*. at 1381.

Yet Gaylord held five copyright registrations, the last dated 1995. *Id*. at 1369. Neither opinion mentions the point, but other circuits would find 17 U.S.C. § 507(b) to have

rendered his title incontestable in 1998, well before he filed suit in 2006. See the discussion of that issue in Jules Jordan Video and Works for Hire.

Although the trial court did find that Gaylord was the sole owner of copyright in the figures, sentiments akin to Judge Newman's may have prompted it to find USPS's use fair. One factor that may have also influenced its second opinion was Gaylord's concession "that the stamp actually increased the value of The Column." *Gaylord I* at 1375. Downplaying that consideration, the appellate court concludes, "Even though the stamp did not harm the market for derivative works, allowing the government to commercially exploit a creative and expressive work will not advance the purposes of copyright…." *Id*. at 1376. Neither Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 577 (1994), nor non-binding Second and Ninth Circuit opinions are found to indicate otherwise. *Id*. at 1372-76.

On remand, Gaylord sought a 10% royalty based on $30.2 million in alleged revenue. *Gaylord II* at *1. Obligated to award *something*, the trial court, relying on a framework established in an earlier claims case, considered a range between $1,500, the amount USPS paid to license the photo, and $5,000, the most it had ever paid "to license an existing image." *Id*. It awarded the latter and denied prejudgment Interest. *Id*. at *2.

That the infringing use increased demand for Gaylord's work may have contributed to reluctance to make a larger award. If so, that would be akin to, for example, reducing compensation to the author an obscure novel after unauthorized use to make a popular film. It is difficult to imagine how any increased demand would bear on the fairness of the use or the novelist's right to compensation.

In any event, the appellate court takes exception. It holds as a matter of law, "It is

incorrect in a hypothetical negotiation inquiry for a court to limit its analysis to only one side of the negotiating table…. The trial court erred in this case by restricting its focus to the [USPS]'s past payments: $1,500–$5,000. Defendants cannot insulate themselves… by creating internal 'policies' that shield them from paying fair market value for what they took." *Id*. at *4 (citation omitted). Moreover, it states that, on remand, the trial "court may find that a hypothetical negotiation between the parties would result in a higher ongoing royalty than the rate earned by Mr. Gaylord or [USPS] under past agreements." *Id*. at *5.

Finally, regarding prejudgment interest, the court notes that Waite v. U.S., 282 U.S. 508, 508–09 (1931), holds "sovereign immunity does not prevent the award of prejudgment interest under the precursor to § 1498 because 'reasonable and entire compensation' includes delay compensation." *Gaylord II* at *6. Moreover, rejecting a waiver argument made by USPS, it notes, "Mr. Gaylord twice explicitly cited *Waite* to the trial court…. Mr. Gaylord is entitled to prejudgment interest because it is necessary to make his compensation complete." *Id*.

These holdings would be relevant not only to future copyright cases under § 1498, but to patent cases as well — including, the last point aside, those brought against private parties.