



# BELMONT ENTERTAINMENT LAW JOURNAL

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## NOTES

UNIFORM PROTECTION OF FREE EXPRESSION: THE UNIFORM  
PUBLIC EXPRESSION PROTECTION ACT IS THE PERFECT MODEL  
FOR FEDERAL ANTI-SLAPP LEGISLATION

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## SYMPOSIUM TRANSCRIPT

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PUBLISHERS NEED TO KNOW ABOUT THE MMA

*Featuring: Terri Nelson Carpenter, Sally Rose Larson, Abby  
North, John Riley, Kris Ahrend, Maurice Russell, Lindsey  
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We are proud to publish the second volume of the Belmont Entertainment Law Journal. It is my hope that this journal continues to grow and becomes a platform for diverse scholarly voices, as well as an important resource to the practice of entertainment law. Each of the scholarly notes contained herein were written by members of this journal, carefully selected, and thoroughly edited in preparation for publication.

In February 2021, the Belmont Entertainment Law Journal hosted its second annual symposium in partnership with the United States Copyright Office, focusing on the Music Modernization Act and the impact it will have on the entertainment industry. We thank each of the attorneys and professionals who participated, contributing their time and insight to the event. The transcript of the 2021 symposium is featured in this volume. In February 2022, the Entertainment Law Journal hosted its third annual symposium, and we look forward to the publication of the transcript from that event in next year's volume.

The Entertainment Law Journal greatly appreciates the administrative staff at Belmont College of Law who assisted us in bringing this volume to life. In particular, we thank Professor Loren Mulraine, who has acted as a guide and mentor to the members of the Entertainment Law Journal at every turn.

Finally, I would like to personally thank the officers and associate editors, without whom this volume would not exist. Thank you, Bradley Stephens, Kristen Johnson, and Sara Hibbard, for leading the editing process on each of this year's various projects; thank you Kristen Johnson for masterfully handling our digital platforms; thank you Madeleine Hickman for organizing and hosting an excellent, fun, and educational symposium; and thank you to each of the associate editors whose diligent work made all of this possible. It has been an honor to serve as your Editor-in-Chief, and I cannot wait to see what you do next.

Nathaniel Hobbs  
*Editor-in-Chief*



UNIFORM PROTECTION OF FREE EXPRESSION: THE  
UNIFORM PUBLIC EXPRESSION PROTECTION ACT IS THE  
PERFECT MODEL FOR FEDERAL ANTI-SLAPP LEGISLATION

SARA BETH HIBBARD

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INTRODUCTION

Strategic Lawsuits against Public Participation (“SLAPPs”) are civil actions filed by those hoping to take advantage of the expense and time consumption of civil litigation by filing suits meant to discourage public participation.<sup>1</sup> The purpose of filing a SLAPP suit is to intimidate and deter the defending party’s participation in matters of public interest through the exercise of their First Amendment right to free expression and right to petition.<sup>2</sup> These lawsuits can be hard to immediately identify because they come in many different forms and masquerade as legitimate claims.<sup>3</sup> SLAPPs are inherently meritless because the actions taken by the defendant are constitutionally protected.<sup>4</sup> However, parties filing a SLAPP (“filers”) are indifferent

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<sup>1</sup> GEORGE W. PRING & PENELOPE CANAN, SLAPPS: GETTING SUED FOR SPEAKING OUT 3, 8 (1996).

<sup>2</sup> *Id.* at 10.

<sup>3</sup> *Id.* at 3.

<sup>4</sup> Aaron Smith, Note, *SLAPP Fight*, 68 ALA. L. REV. 303, 307-08 (2016).

as to whether the claim has any merit because the goal is not to win but to apply enough pressure to the targeted parties defending the SLAPP (“targets”) to prevent further public participation. The fact that a claim lacks merit might eventually be exposed to a court, but this typically happens only after a defendant has been inflicted with the financial, mental, and physical burdens of fighting the case for a significant period of time.<sup>5</sup>

To prevent this illegitimate use of the civil litigation system, thirty-two states and the District of Columbia have enacted anti-SLAPP laws which vary extensively from state-to-state.<sup>6</sup> The Supreme Court has long held that participation by the public on matters pertaining to public interest is at the core of the protection offered by the First Amendment.<sup>7</sup> Nevertheless, the First Amendment alone is insufficient to fully combat the harms to free expression caused by SLAPPs because the harm stems from the practical effects of the SLAPP regardless of the resolution of the claim.<sup>8</sup> State anti-SLAPP statutes combat this type of harm through a combination of procedural mechanisms meant to protect a target by assisting in dismissal of the claim and reversal of any damage already caused by the litigation.<sup>9</sup>

The variation among state anti-SLAPP statutes leaves ample room for widespread forum-shopping by filers to find jurisdictions with minimal or no protection for targets.<sup>10</sup> Additionally, the circuit courts have split on whether anti-SLAPP statutes are applicable when federal courts are hearing state-law claims.<sup>11</sup> In 2017, the Uniform Law Commission (“ULC”) appointed a drafting committee charged with creating a Uniform Anti-SLAPP Act in response to the absence of anti-SLAPP legislation in a minority of states and the lack of

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<sup>5</sup> *Gordon v. Marrone*, 590 N.Y.S.2d 649, 656 (N.Y. Sup. Ct. 1992) (“SLAPP suits function by forcing the target into the judicial arena where the SLAPP filer foists upon the target the expenses of a defense. The longer the litigation can be stretched out, the more litigation that can be churned, the greater the expense that is inflicted and the closer the SLAPP filer moves to success.”).

<sup>6</sup> *State Anti-SLAPP Laws*, PUBLIC PARTICIPATION PROJECT, <https://anti-slapp.org/your-states-free-speech-protection/#10> (last visited Mar. 20, 2022).

<sup>7</sup> *Dun & Bradstreet v. Greenmoss Builders*, 472 U.S. 749, 758-59 (1985) (quoting *First National Bank of Boston v. Bellotti*, 435 U.S. 765, 776 (1978)).

<sup>8</sup> Smith, *supra* note 4, at 328.

<sup>9</sup> See *infra* Part II, for a full discussion of these mechanisms.

<sup>10</sup> Smith, *supra* note 4, at 330-31.

<sup>11</sup> See *infra* Part II, for a full discussion of the circuit split.



uniformity among anti-SLAPP law in other states.<sup>12</sup> On July 15, 2020, the ULC approved and adopted the Uniform Public Expression Protection Act (“UPEPA”).<sup>13</sup>

This note argues that the UPEPA should be used as the model for passing federal anti-SLAPP legislation. Enacting a federal statute would resolve the split among federal circuits, fill a loophole in protection by extending coverage to federal-law cases, and would encourage states to adopt the UPEPA. Part I explores the purpose and policy reasons behind anti-SLAPP laws, particularly the First Amendment principles that lay a foundation for adopting anti-SLAPP legislation. Part II discusses the variety of current state anti-SLAPP statutes, the consequential forum shopping among the states, and the split in federal circuits on the applicability of these state anti-SLAPP statutes. Part III analyzes the Uniform Public Expression Protection Act, how the UPEPA addresses the problems encountered by state statutes, and how the UPEPA fails to provide a meaningful solution to both the issue of forum shopping and the circuit split. Part IV concludes by proposing the federal legislature adopt an anti-SLAPP statute modeled after the UPEPA to close the circuit split and provide effective protection for those targeted by SLAPP suits.

## **I. SLAPPS AND THE FIRST AMENDMENT**

The American public has a right to comment on and participate in matters of public concern.<sup>14</sup> This right stems from the First Amendment’s Petition Clause and Free Speech Clause.<sup>15</sup> The protection provided by the Free Speech Clause is vital to a self-governing society in that free discussion promotes the discovery of truth through a competitive market of ideas.<sup>16</sup> A fundamental principle of our constitutional system is the preservation of the opportunity for

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<sup>12</sup> Jay Adkisson, *Anti-SLAPP Statutory Oddities*, FORBES (Oct. 31, 2017, 8:01 PM), <https://www.forbes.com/sites/jayadkisson/2017/10/31/anti-slapp-statutory-oddities/#75dbdcce2037>.

<sup>13</sup> Jay Adkisson, *Uniform Law Commission Approves New Anti-SLAPP Law In Time For Consideration By New York Legislature*, FORBES (Jul. 20, 2020, 12:46 PM), <https://www.forbes.com/sites/jayadkisson/2020/07/20/uniform-law-commission-approves-new-anti-slapp-law-in-time-for-consideration-by-new-york-legislature/#34d931b87517>.

<sup>14</sup> *Dun & Bradstreet v. Greenmoss Builders*, 472 U.S. 749, 758-59 (1985) (quoting *First National Bank of Boston v. Bellotti*, 435 U.S. 765, 776 (1978)).

<sup>15</sup> U.S. CONST. amend. I.

<sup>16</sup> *Garrison v. Louisiana*, 379 U.S. 64, 74-75 (1964) (“For speech concerning public affairs is more than self-expression; it is the essence of self-government.”).

every citizen to freely discuss and exchange ideas so as to promote political and social change.<sup>17</sup> The judicial system has long recognized that the freedoms protected by the First Amendment require “breathing space to survive,”<sup>18</sup> meaning any intrusion on free expression is closely scrutinized with the aim to safeguard against the chilling of protected speech.<sup>19</sup>

Speech is chilled when people self-regulate their behavior more than necessary for fear of approaching or exceeding the outer bounds of what is permissible.<sup>20</sup> A law prohibiting battery may cause a person to be overly cautious and refrain from behavior outside of the scope of prohibited conduct due to uncertainty of liability. This type of overdeterrence is generally acceptable within society.<sup>21</sup> However, when a law prohibits a certain type of First Amendment conduct like speech, overdeterrence is unacceptable due to the special value placed on the free exchange of information and public debate in a democratic society.<sup>22</sup> Chilling most commonly arises from “uncertainty in the legal process” which may result in a person deciding not to speak, even when such speech is protected, to avoid the risk of penalty.<sup>23</sup>

Combatting the chill of free speech by government intrusion is a well-documented function of the judicial system. The First Amendment, which is “premised on mistrust of governmental power,” prohibits restrictions on the content of speech, the viewpoint of the speakers, or discrimination among speakers.<sup>24</sup> The value placed on the promotion of free expression has been emphasized by the judicial doctrines intended to combat the potential chill of protected speech.

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<sup>17</sup> N.Y. Times Co. v. Sullivan, 376 U.S. 254, 269 (1964) (citing Roth v. United States, 354 U.S. 476, 484 (1957); Stromberg v. California, 283 U.S. 359, 369 (1931)).

<sup>18</sup> NAACP v. Button, 371 U.S. 415, 433 (1963) (citing Cantwell v. Connecticut, 310 U.S. 296, 311 (1940)) (“Because First Amendment freedoms need breathing space to survive, government may regulate in the area only with narrow specificity.”).

<sup>19</sup> Citizens United v. FEC, 558 U.S. 310, 327 (2010) (“The interpretive process itself would create an inevitable, pervasive, and serious risk of chilling protected speech pending the drawing of fine distinctions that, in the end, would themselves be questionable. First Amendment standards, however, ‘must give the benefit of any doubt to protecting rather than stifling speech.’” (quoting FEC v. Wis. Right to Life, Inc., 551 U.S. 449, 469 (2007))).

<sup>20</sup> Leslie Kendrick, *Speech, Intent, And The Chilling Effect*, 54 WM. & MARY L. REV. 1633, 1649 (2013).

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 1650.

<sup>23</sup> *Id.* at 1652.

<sup>24</sup> *Citizens United*, 558 U.S. at 340-41.

The doctrine of overbreadth alters the traditional requirements of standing to allow parties to challenge a law “not because their own rights of free expression are violated, because . . . the statute’s very existence may cause others . . . to refrain from constitutionally protected speech or expression.”<sup>25</sup> The void-for-vagueness doctrine renders a law facially invalid where it fails to “give the person of ordinary intelligence a reasonable opportunity to know what is prohibited” or allows those enforcing it to act in a discriminatory or arbitrary way.<sup>26</sup> The doctrine calls for rigorous adherence in the context of the First Amendment because “[u]ncertain meanings inevitably lead citizens to steer far wider of the unlawful zone . . . than if the boundaries of the forbidden areas were clearly marked.”<sup>27</sup> In these ways, legal traditions have furthered the free exchange of ideas by preventing unnecessary self-censorship.

Anti-SLAPP statutes are first and foremost meant to protect First Amendment rights, but some critics have asserted that these statutes are unnecessary because the First Amendment provides sufficient protection.<sup>28</sup> However, the government has a significant interest in preventing abuse in the form of frivolous litigation and in preventing the chilling of expression, particularly on matters of public concern.<sup>29</sup> The Supreme Court has recognized the need for additional protection against sham litigation<sup>30</sup> and the need for special procedural treatment in cases involving the First Amendment.<sup>31</sup> Anti-SLAPP statutes work to serve both of these interests. Without proper mechanisms in place to stop a SLAPP in its tracks, the target is likely to settle a suit and silence himself, and onlooking parties are more likely to silence themselves out of fear of a similar outcome.

In the context of anti-SLAPP statutes, legislatures must balance this interest in promoting the free exchange of ideas against the right of the people “to petition the government for a redress of grievances” under the Petition Clause of the First Amendment.<sup>32</sup> Additionally, the government has a significant interest in preventing abuse of the

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<sup>25</sup> *Broadrick v. Oklahoma*, 413 U.S. 601, 612 (1973).

<sup>26</sup> *Grayned v. City of Rockford*, 408 U.S. 104, 108-09 (1972).

<sup>27</sup> *Id.* at 109 (quoting *Baggett v. Bullitt*, 377 U.S. 360, 372 (1964)) (internal quotation marks omitted).

<sup>28</sup> *Smith*, *supra* note 4, at 329.

<sup>29</sup> *Borough of Duryea v. Guarnieri*, 564 U.S. 379, 390 (2011).

<sup>30</sup> *Bill Johnson's Rests. v. NLRB*, 461 U.S. 731, 743 (1983) (citing *Herbert v. Lando*, 441 U.S. 153, 171 (1979); *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 340 (1974)).

<sup>31</sup> *See Broadrick v. Oklahoma*, 413 U.S. 601, 612 (1973).

<sup>32</sup> U.S.CONST. amend. I

judicial system.<sup>33</sup> The Supreme Court has recognized petitioning in the form of a lawsuit poses a particular danger that traditional speech does not share.<sup>34</sup> Unlike other types of speech, a lawsuit demands a response, and “[m]ounting a defense to even frivolous claims may consume the time and resources of [the opposing party].”<sup>35</sup>

The Supreme Court has addressed the issues of baseless litigation and the ability of the government to interfere in preventing abuse. In the 1983 case *Bill Johnson's Restaurants v. NLRB*, the Court stated, “[j]ust as false statements are not immunized by the First Amendment right to freedom of speech . . . baseless litigation is not immunized by the First Amendment right to petition.”<sup>36</sup> The Court went on to say that in cases where a plaintiff has filed a meritless suit and thus “has not suffered a legally protected injury,” interference with continuation of the suit does not implicate the State's interest “in protecting the health and well-being of its citizens[.]”<sup>37</sup> In *Borough of Duryea v. Guarnieri*, the Court re-affirmed this line of reasoning in holding, “[T]he Petition Clause does not protect ‘objectively baseless’ litigation that seeks to ‘interfere directly with the business relationships of a competitor.’”<sup>38</sup> This reasoning supports the implementation of anti-SLAPP mechanisms in federal courts to combat baseless litigation outside of the scope of the Petition Clause.

In considering suits strategically aimed at curbing public participation and discourse on matters of public concern, constitutional principles suggest that the U.S. government would want to take steps to combat such an abuse of the judicial system. Allowing this type of abuse of the legal system to continue to run rampant would contribute to a significant breakdown of public confidence in the power and value of the courts. The threat of chilling free speech is not only permitted by the government but is actually facilitated when SLAPP suits are filed and litigated in the courts. For these reasons, many states have enacted some form of anti-SLAPP legislation to both help citizens exercising their rights fight SLAPP suits and to discourage the filing of SLAPP suits in the first place. Furthermore, this reasoning supports

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<sup>33</sup> *Guarnieri*, 564 U.S. at 390.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Bill Johnson's Rests.*, 461 U.S. at 743 (citing *Herbert v. Lando*, 441 U.S. 153, 171 (1979); *Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 340 (1974)).

<sup>37</sup> *Id.*

<sup>38</sup> *Guarnieri*, 564 U.S. at 390.

enacting anti-SLAPP legislation on the federal level to protect people sued in federal courts.

## II. CURRENT ANTI-SLAPP STATUTES

The trend of strategically using costly, time-consuming lawsuits to curb public participation was identified in the late 1980s by two professors who coined the term “Strategic Lawsuits Against Public Participation.”<sup>39</sup> By the early 1990s, states began enacting legislation meant to combat this abuse of their judicial systems.<sup>40</sup> The purpose of anti-SLAPP legislation might be simply summarized as deterrence and efficiency. Anti-SLAPP statutes operate as a statement of consequences intended to deter the filing of frivolous lawsuits and abuse of the legal system.<sup>41</sup> Additionally, the statutes enable a defendant to expedite the process of judicial review as a safeguard to protected First Amendment activity.<sup>42</sup>

In total, thirty-two states and the District of Columbia enacted anti-SLAPP statutes. These statutes vary greatly regarding the mechanisms of protection and the scope of protected activity.<sup>43</sup> Available early in litigation, the foundational mechanism found in anti-SLAPP statutes is a special motion to dismiss or strike.<sup>44</sup> The

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<sup>39</sup> Thomas J. Peistrup, *Dying For A SLAPP-Down: The Tamkin Case as a Rebuke of Dyer v. Childress*, 28 COMM. LAWYER 15, 15 (2011) (citing Penelope Canan & George W. Pring, *Strategic Lawsuits Against Public Participation*, 35 SOC. PROBS. 506 (1988); Penelope Canan & George W. Pring, *Studying Strategic Lawsuits Against Public Participation: Mixing Quantitative and Qualitative Approaches*, 22 LAW & SOC'Y REV. 385 (1988); George W. Pring, *SLAPPS: Strategic Lawsuits Against Public Participation*, 7 PACE ENVTL. L. REV. 3 (1989); Penelope Canan, *The SLAPP from a Sociological Perspective*, 7 PACE ENVTL. L. REV. 23 (1989); Penelope Canan ET AL., *Using Law Ideologically: The Conflict Between Economic and Political Liberty* 8 J.L. & POL. 539 (1992); GEORGE W. PRING & PENELOPE CANAN, *SLAPPS: GETTING SUED FOR SPEAKING OUT* 3, 8 (1996)).

<sup>40</sup> See California (1992) (Cal. Civ. Proc. Code § 425.16 through § 425.18); Delaware (1992) (Del. Code Ann. tit. 10, § 8136, through § 8138); New York (1992) (NY. Civ. Rights Law § 70-a and § 76-a).

<sup>41</sup> Peistrup, *supra* note 39.

<sup>42</sup> Smith, *supra* note 4, at 309.

<sup>43</sup> *State Anti-SLAPP Laws*, *supra* note 6; Shannon Hartzler, Note, *Protecting Informed Public Participation: Anti-SLAPP Law and the Media Defendant*, 41 VAL. U.L. REV. 1235, 1248 (2007).

<sup>44</sup> UNIF. PUB. EXPRESSION PROT. ACT prefatory note (UNIF. LAW COMM'N 2020), <https://www.uniformlaws.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=e83dcbef-4a6d-6059-a6aa-fb8a980fcdd0&forceDialog=0> (last visited Feb. 19, 2021). In July of 2020, NCCUSL approved the Uniform Public

claimant in anti-SLAPP cases must carry the burden to demonstrate the merit of the case which showcases the difference between this special motion and a traditional motion to dismiss or a motion for summary judgment.<sup>45</sup> The statutes typically offset the cost of defense by imposing cost-shifting mechanisms and stays of discovery.<sup>46</sup> These cost-shifting mechanisms award the costs of defending the SLAPP including attorney's fees. Other mechanisms found in some statutes include the requirement of an expedited hearing and allowing for interlocutory appeal when the defendant's special motion is denied.<sup>47</sup> The scope of protected activity under these anti-SLAPP statutes can be split into three categories: Narrow Statutes, Moderate Statutes, and Broad Statutes.<sup>48</sup>

Narrow Statutes limit the protection of anti-SLAPP laws to statutorily defined situations.<sup>49</sup> Other than a complete absence of a state anti-SLAPP statute, Narrow Statutes provide the least protection to defendants targeted in that state. The state laws within this category work in several ways to limit the use of anti-SLAPP protection to specific circumstances.<sup>50</sup> Some Narrow Statutes limit the class of plaintiffs with potential to bring a SLAPP suit.<sup>51</sup> Others limit the definition of protected activity to testimony provided during the course of or in connection with a public or government proceeding.<sup>52</sup>

Moderate Statutes are those that "apply only to participation in the processes of government or to communication specifically intended to procure government action."<sup>53</sup> Many statutes in this

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Expression Protection Act. The approved final act is available with or without the prefatory note or comments. Because the prefatory note and the comments are helpful in clarifying the UPEPA provisions, the Final Act, With Comments will be cited. All drafts, including both the Final Act, With Comments and the Final Act, Without Comments, are accessible through the documents library of the Public Expression Protection Act on the Uniform Law Commissioners webpage. *Public Expression Protection Act*, UNIFORM LAW COMMISSION, <https://www.uniformlaws.org/committees/community-home/librarydocuments?communitykey=4f486460-199c-49d7-9fac-05570be1e7b1&tab=librarydocuments&LibraryFolderKey=&DefaultView=> (last visited Feb. 19, 2021).

<sup>45</sup> Smith, *supra* note 4, at 310.

<sup>46</sup> *Id.*

<sup>47</sup> UNIF. PUB. EXPRESSION PROT. ACT prefatory note (UNIF. LAW COMM'N 2020).

<sup>48</sup> Hartzler, *supra* note 43.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 1249.

<sup>52</sup> *Id.*

<sup>53</sup> See Hartzler, *supra* note 43.

category are more expansive than Narrow Statutes because they extend protection to “communications made *in connection with any issue under consideration or review* by government body”<sup>54</sup> or because they protect communication intended on any level to persuade government action.<sup>55</sup> Moderate Statutes still limit application because any communication on matters of public concern unrelated to the government are not afforded protection under Moderate Statutes.<sup>56</sup> For example, reporting on government misconduct would be within the scope of the statute, but reporting on misconduct by a company’s CEO would not.<sup>57</sup>

Broad Statutes provide expansive protection to activity consisting of “the exercise of a party’s right to petition or free speech on any matter of public concern[.]”<sup>58</sup> Broad Statutes afford the most protection to those participating in public discourse. However, greater protection can pose more issues and increased opportunity for un contemplated use.<sup>59</sup> How broad a statute reaches truly depends on a state court’s construction of the statute; particularly, of the meaning of “public interest” or “public concern.”<sup>60</sup> Recently, the trend in the states has moved toward enacting broad anti-SLAPP statutes or amending their statutes to broaden who and what receives protection.<sup>61</sup>

Anti-SLAPP laws in California and Texas offer some of the broadest protections available. California’s statute protects any conduct “in furtherance of the person’s right of petition or free speech under the United States Constitution or the California Constitution in

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<sup>54</sup> *Id.* at 1253 (italics in original).

<sup>55</sup> *Id.* at 1253-54.

<sup>56</sup> London Wright-Pegs, Comment, *The Media SLAPP Back: An Analysis of California's Anti-SLAPP Statute and the Media Defendant*, 16 UCLA ENT. L. REV. 323, 334 (2009).

<sup>57</sup> *Id.*

<sup>58</sup> Hartzler, *supra* note 43.

<sup>59</sup> *Id.* at 1261-62.

<sup>60</sup> *Id.* at 1273.

<sup>61</sup> See OKLA. STAT. tit. 12, § 1430 through § 1440 (LexisNexis, Lexis Advance through Chapter 167 (end) of the Second Regular Session of the 57th Legislature (2020)); COLO. REV. STAT. § 13-20-1101 (Lexis Advance through all laws passed during the 2020 Regular and First Extraordinary Legislative Sessions and Measures approved at the November 2020 General Election); TENN. CODE ANN. § 20-17-101 through § 20-17-110 (Lexis Advance through the 2020 Regular Session); N.Y. CIV. RIGHTS LAW § 70-a, § 76-a (Consol., Lexis Advance through 2021 released Chapters 1-23).

connection with a public issue.”<sup>62</sup> The use of the phrase “in furtherance of” makes the California statute unusually broad compared to other states.<sup>63</sup> California courts have struggled to define the outer parameters of what conduct falls within the scope of that phrase.<sup>64</sup> The statute must be construed broadly,<sup>65</sup> so courts more often than not err on the side of including conduct within the meaning of the statute. The Texas statute is similarly broad and applies to actions stemming from “a party’s exercise of the right of free speech, right to petition, or right of association[.]”<sup>66</sup> The broad protection and large populations of California and Texas make both states prime specimens as laboratories of democracy, and thus, make them significant in analyzing anti-SLAPP statutes.

Each of the anti-SLAPP statutes within the three categories of narrow, moderate, and broad are significantly different apart from the loose characteristics of those categories. The statutes vary on the mechanisms of protection available to the target of a SLAPP, the required analysis by the court in hearing an anti-SLAPP motion, the burdens placed on each party by the analysis, and a multitude of other features. Moreover, eighteen states lack any type of anti-SLAPP statute. This variation leads to two significant issues. First, a major problem is the potential for widespread forum shopping among the states by SLAPP suit filers.<sup>67</sup> SLAPP filers view forum shopping as another strategic decision in their effort to abuse the judicial system to achieve their goals of silencing public participation.

Second, the Federal Circuits are split on whether anti-SLAPP statutes should be applied in federal courts sitting in diversity. When federal courts decide cases based on diversity subject matter jurisdiction, they apply substantive state law to the claim but

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<sup>62</sup> CAL. CIV. PROC. CODE § 425.16 (Deering, Lexis Advance through Chapters 1-35, 37-87, 89, 91-97, 99, 100, 102, 104-114, 118-123, 127-136, 145, 147, 155, 159-162, 164-166, 168-172, 175, 176, 178, 183, 194, 206-209, 211-213, 227, 232, 236, 262, 264, 277-282, 294, 298-302, 322-324, 337 and 343 of the 2020 Regular Session, including all urgency legislation).

<sup>63</sup> *Id.*

<sup>64</sup> Edward E. Weiman & Kenneth D. Kronstadt, *Anti-SLAPP Protection in the Entertainment Context: The Legacy (If Any) of Dyer v. Childress*, 27 COMM. LAWYER 20, 21 (2010).

<sup>65</sup> CAL. CIV. PROC. CODE § 425.16.

<sup>66</sup> TEX. CIV. PRAC. & REM. CODE ANN. § 27.003 (LexisNexis, Lexis Advance through the most recent legislation which is the 2019 Regular Session, 86th Legislature, and the 2019 election results).

<sup>67</sup> Smith, *supra* note 4, at 330-31.



implement the Federal Rules of Civil Procedure.<sup>68</sup> Where the state law is arguably procedural, the federal court must determine if the state law conflicts with a federal rule or practice to determine the applicability of the state law.<sup>69</sup> If the conflict is between a federal rule and state law, a court applies the federal rule instead of the state law if the rule is valid under constitutional and statutory limits<sup>70</sup> and applying the federal rule does not “abridge, enlarge or modify” a substantive right.<sup>71</sup> In circuits that determine anti-SLAPP state statutes are not applicable due to conflict with a federal rule, the practical result is that citizens who are protected by anti-SLAPP laws in their state lose that protection upon entering a federal court.<sup>72</sup> Whether a state anti-SLAPP statute conflicts with the Federal Rules depends on the specific court.

The First and Ninth Circuits have found that the anti-SLAPP statutes in Maine, California, and Texas did not conflict with Federal Rules and applied the state statutes. The First Circuit held that Maine’s anti-SLAPP statute must be applied because Federal Rules 12 and 56 were not meant to “control the particular issues,” and the statute was procedural in use but intertwined with substantive state rights and remedies, indicating the Federal Rule could not control.<sup>73</sup> The Ninth Circuit has applied both the Texas and California anti-SLAPP statutes. The Circuit held California’s anti-SLAPP statute supplemented the Federal Rule instead of conflicting with the Rule. Also, it held that Texas’s anti-SLAPP statute is “indistinguishable from California’s law in all material respects,” concluding that the Texas statute applied in federal court.<sup>74</sup>

The Second, Fifth, Eleventh, and D.C. Circuits have held state anti-SLAPP statutes to be inapplicable in federal court due to conflict

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<sup>68</sup> See *Erie R.R. v. Tompkins*, 304 U.S. 64, 78 (1938).

<sup>69</sup> *Hanna v. Plumer*, 380 U.S. 460, 471 (1965) (“It is true that both the Enabling Act and the Erie rule say, roughly, that federal courts are to apply state ‘substantive’ law and federal ‘procedural’ law, but from that it need not follow that the tests are identical. For they were designed to control very different sorts of decisions.”); TEX. CIV. PRAC. & REM. CODE ANN. § 27.003 (LexisNexis, Lexis Advance through the most recent legislation which is the 2019 Regular Session, 86th Legislature, and the 2019 election results).

<sup>70</sup> *Hanna*, 380 U.S. at 471.

<sup>71</sup> *Id.*; *Shady Grove Orthopedic Assocs., P.A. v. Allstate Ins. Co.*, 559 U.S. 393, 422 (2010) (Stevens, J., concurring) (citing 28 U.S.C. § 2072(b)).

<sup>72</sup> *Makaeff v. Trump Univ., L.L.C.*, 736 F.3d 1180, 1187 (9th Cir. 2013).

<sup>73</sup> *Godin v. Schencks*, 629 F.3d 79, 88-89 (2010).

<sup>74</sup> *Clifford v. Trump*, 818 F. App’x 746, 747 (9th Cir. 2020). See also *United States ex rel. Newsham v. Lockheed Missiles & Space Co.*, 190 F.3d 963, 973 (9th Cir. 1999).

with the Federal Rules. The Fifth Circuit held Texas's anti-SLAPP statute could not apply because the Federal Rules provide a comprehensive framework, the state statute conflicts with the rules, and the state statute is merely procedural creating no substantive rights.<sup>75</sup> The D.C. Circuit found conflict between D.C.'s anti-SLAPP statute and Federal Rules 12 and 56.<sup>76</sup> The court held the statute could not apply because the statute's requirement to show a likelihood of success on the merits presented a higher hurdle than that created by the Federal Rules.<sup>77</sup> In addition, the Second and Eleventh Circuits found conflict between state anti-SLAPP statutes and the Federal Rules where the statute applied a higher standard than the rules to avoid dismissal.<sup>78</sup> The split creates an unjust inconsistency in protection between circuits that will continue in the absence of a decision by the Supreme Court or a federal anti-SLAPP law addressing the matter.

### **III. THE UNIFORM PUBLIC EXPRESSION PROTECTION ACT AS A SOLUTION**

#### **A. The Scope of the Uniform Public Expression Protection Act**

The Uniform Public Expression Protection Act is a broad anti-SLAPP statute that applies to civil actions where a claim is filed against a party for certain types of conduct by that party. First, the Act applies when the claim is based on "communication in a legislative, executive, judicial, administrative, or other governmental proceeding."<sup>79</sup> The second category includes communication on an issue under consideration in such proceedings.<sup>80</sup> The third (and broadest) category applies to any cause of action based on the target's "exercise of the right of freedom of speech or of the press, the right to assemble or petition, or the right of association . . . on a matter of public concern."<sup>81</sup>

In addition, the act expressly exempts causes of action arising under three sets of circumstances. The first exemption applies to claims asserted *against* a governmental unit, employee, or agent

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<sup>75</sup> Klocke v. Watson, 936 F.3d 240, 247 (5th Cir. 2019).

<sup>76</sup> Abbas v. Foreign Policy Grp., LLC, 783 F.3d 1328, 1334 (2015).

<sup>77</sup> *Id.*

<sup>78</sup> La Liberte v. Reid, 966 F.3d 79, 87 (2d Cir. 2020) (quoting Carbone v. CNN, Inc., 910 F.3d 1345, 1353 (11th Cir. 2018)).

<sup>79</sup> UNIF. PUB. EXPRESSION PROT. ACT § 2(b)(1) (UNIF. LAW COMM'N 2020).

<sup>80</sup> *Id.* § 2(b)(2).

<sup>81</sup> *Id.* § 2(b)(3).

“acting or purporting to act in an official capacity.”<sup>82</sup> The second exemption applies to claims asserted by a governmental unit, employee, or agent “acting in an official capacity to enforce a law to protect against an imminent threat to public health or safety.”<sup>83</sup> The third exemption applies to claims against a person primarily engaged in the business of selling or leasing goods or services where the claim arises from communication related to the sale or lease of such.<sup>84</sup> The Act excludes “a dramatic, literary, musical, political, journalistic, or artistic work” from the definition of “goods or services.”<sup>85</sup>

The critical question for determining applicability of the Act is whether a targeted party’s conduct is within the Act’s scope of protected activity. This determination depends on how the UPEPA construes a “matter of public concern.” A draft comment to the Act asserts that “matter of public concern” should be construed consistently with the case law of the U.S. Supreme Court, the case law of the highest court of the applicable state, and with terms like “public issue” and “matter of public interest” seen in some state statutes.<sup>86</sup> Construction of the phrase “matter of public interest” may be problematic for two reasons.

First, the Supreme Court has struggled to define what constitutes a “matter of public concern,” and such vagueness may run the risk of inconsistent construction. The Supreme Court has formulated a set of guiding principles that “accord broad protection to speech to ensure that courts themselves do not become inadvertent censors.”<sup>87</sup> In *Snyder v. Phelps*, the Court defined speech as dealing with matters of public concern when the speech can “be fairly considered as relating to any matter of political, social, or other concern to the community,” or when it “is a subject of legitimate news interest; that is, a subject of general interest and of value and concern to the public.”<sup>88</sup> Additionally, the Court has asserted the inquiry into whether speech constitutes a matter of public concern “turns on the ‘content, form, and context’ of the speech,”<sup>89</sup> and because no single

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<sup>82</sup> *Id.* § 2(C)(1).

<sup>83</sup> *Id.* § 2(C)(2).

<sup>84</sup> *Id.* § 2(C)(3).

<sup>85</sup> *Id.* § 2(A)(3).

<sup>86</sup> *Id.* § 2 CMT. 9.

<sup>87</sup> *Snyder v. Phelps*, 562 U.S. 443, 452 (2011).

<sup>88</sup> *Id.* at 453 (quoting *Connick v. Myers*, 461 U.S. 138, 146 (1983); *City of San Diego v. Roe*, 543 U.S. 77, 83-84 (2004)).

<sup>89</sup> *Lane v. Franks*, 573 U.S. 228, 241 (2014) (quoting *Connick v. Myers*, 461 U.S. 138, 147-48 (1983)).

factor is dispositive, a court must consider “all the circumstances of the speech, including what was said, where it was said, and how it was said.”<sup>90</sup> Thus, the inquiry is highly fact specific, and judicial discretion is responsible for ascertaining whether application is appropriate in each case.

Second, state courts have concluded certain matters to be a public issue or an issue of public interest that may conflict with current Supreme Court precedent. For example, California’s Supreme Court analyzes the phrase “matter of public concern” by asking what “public issue” or “issue of public interest” is implicated and whether a functional relationship exists between the speech and the public discourse on that issue.<sup>91</sup> The Supreme Court has explained that the functional relationship inquiry assesses whether the target through his communication “participated in, or furthered, the discourse that makes an issue one of public interest.”<sup>92</sup> In *Hall v. Time Warner Inc.*, a California court held that the terms of Marlon Brando’s will were an issue of public interest due to the public’s fascination and interest in Brando’s personal life. This seems to conflict with the Supreme Court’s decision in *Dun & Bradstreet v. Greenmoss Builders* where the Supreme Court held a credit report to be purely private matter. However, courts could likely reconcile such variations as results of the fact-specific nature of the inquiry and the totality of the circumstances surrounding each case.

## **B. How the Act is Applied**

The UPEPA is a broad statute that uses all five mechanisms discussed in Part II to provide protection against SLAPP suits. The statute makes available a special motion to strike or dismiss.<sup>93</sup> Upon the filing of the motion, all proceedings, including discovery and any pending hearing or motions, are stayed.<sup>94</sup> An expedited hearing and ruling on the special motion are both required.<sup>95</sup> The UPEPA requires a three-phase analysis which focuses on clearly defining the burdens of

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<sup>90</sup> *Snyder*, 562 U.S. at 454.

<sup>91</sup> *FilmOn.com Inc. v. DoubleVerify Inc.*, 439 P.3d 1156, 1165 (2019).

<sup>92</sup> *Id.* at 1166.

<sup>93</sup> UNIF. PUB. EXPRESSION PROT. ACT § 3 (UNIF. LAW COMM’N 2020).

<sup>94</sup> *Id.* § 4.

<sup>95</sup> *Id.* § 5, 8.

each party and balancing the parties' competing interests and rights.<sup>96</sup> In the first phase, the court determines whether the Act applies.<sup>97</sup> The moving party has a burden to demonstrate that the cause of action implicates their right to free speech, petition, or association.<sup>98</sup> If the burden is met, the responding party may show its claim does not legally fall within the scope of the Act.<sup>99</sup> If the court determines that the action does not fall within the scope, the motion is denied.

If the court finds it does fall within the scope, the court moves on to the second phase where it decides whether the claim is factually viable.<sup>100</sup> This requires the responding party to establish a prima facie case for each essential element of the claim.<sup>101</sup> If the responding party fails to carry this burden, the motion is granted. However, if this burden is met, the analysis enters the third phase where the court must determine whether the claim is legally viable. The burden is on the moving party to show either that no cause of action upon which relief may be granted has been stated or that there is no genuine issue of material fact which would entitle the moving party to judgment as a matter of law.<sup>102</sup> If the court finds the responding party's cause of action is legally viable, the motion is denied, but if the cause is found to not be viable as a matter of law, the motion is granted. If the motion is denied at any point in the analysis, the stay is lifted allowing the proceedings to move forward, and the moving party may appeal immediately as a matter of right.<sup>103</sup> If the motion is granted in any phase of the analysis, the cause of action is dismissed with prejudice, and the moving party is awarded costs, fees, and expenses.<sup>104</sup>

A criticism of many anti-SLAPP state statutes is the burden of proof required to bring or defeat a motion under the statute.<sup>105</sup> The type of burden placed on either party in considering a special motion under a SLAPP statute must be carefully chosen to both serve the policy reasons for a SLAPP statute and protect the constitutional rights

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<sup>96</sup> UNIF. PUB. EXPRESSION PROT. ACT prefatory note p. 3 (UNIF. LAW COMM'N 2020).

<sup>97</sup> *Id.*

<sup>98</sup> *Id.*

<sup>99</sup> UNIF. PUB. EXPRESSION PROT. ACT § 7(A)(2) (UNIF. LAW COMM'N 2020).

<sup>100</sup> UNIF. PUB. EXPRESSION PROT. ACT prefatory note p. 3 (UNIF. LAW COMM'N 2020).

<sup>101</sup> UNIF. PUB. EXPRESSION PROT. ACT § 7(A)(3)(A) (UNIF. LAW COMM'N 2020).

<sup>102</sup> *Id.* § 7(A)(3)(B)(i)-(ii).

<sup>103</sup> *Id.* § 4, 9.

<sup>104</sup> *Id.* § 7(A), 10.

<sup>105</sup> Hartzler, *supra* note 43, at 1279.

of the parties. Some states require the moving party to show its conduct was a protected exercise of speech or petition.<sup>106</sup> However, placing the burden on a moving party to prove its actions are lawful works to defeat the purpose of an anti-SLAPP law because it adds weight to the party defending against a SLAPP without pressuring the SLAPP filer to reconsider the meritless suit.<sup>107</sup> The burden of proof required at each stage of analyzing an anti-SLAPP motion must work to protect each party's interests.

An anti-SLAPP statute's evidentiary burden must strike a constitutional balance between protecting one party's right to participate in matters of public concern against the other party's right to petition and right to a jury trial under the Seventh Amendment. A standard that is too low is likely to be ineffective, but applying one that is too high could infringe on a party's Seventh Amendment right to a jury trial.<sup>108</sup> In the analysis of special motions, states typically impose an evidentiary burden such as "a preponderance of the evidence," "clear and convincing evidence," "likely to succeed on the merits," or "prima facie evidence" standard on the responding party to defeat the motion.<sup>109</sup> A standard that is higher than that of summary judgement will typically infringe on this Seventh Amendment right because the duty to weigh evidence and answer factual questions are roles exclusive to a jury.<sup>110</sup> The use of a factual standard in an anti-SLAPP statute, such as "a preponderance of the evidence," "clear and convincing evidence," or "likely to succeed on the merits," imposes a standard higher than that of summary judgement which requires the judge to weigh evidence to make a factual determination. This type of standard violates the Seventh Amendment. However, statutes that impose a "prima facie evidence" standard do not violate the Seventh Amendment. The judge is only required to determine if the responding

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<sup>106</sup> *Id.*

<sup>107</sup> *Id.*

<sup>108</sup> *See* Unity Healthcare, Inc. v. County of Hennepin, 308 F.R.D. 537, 552-53 (D. Minn. 2015) (holding that motion to dismiss procedure may not be applied in federal court because doing so violates Seventh Amendment right to jury trial); Davis v. Cox, 351 P.3d 862, 874 (Wash. 2015) (same); Opinion of Justices, 641 A.2d 1012, 1015 (N.H. 1994) (stating that proposed motion to dismiss procedure would violate Seventh Amendment right to jury trial).

<sup>109</sup> Hartzler, *supra* note 43, at 1279.

<sup>110</sup> Eric Simpson, Comment, *SLAPP-ing Down the Right to a Jury Trial: Anti-Strategic Lawsuits Against Public Participation and the Seventh Amendment*, 48 U. TOL. L. REV. 169, 181 (2016) (citing Davis v. Cox, 351 P.3d 862, 875 (Wash. 2015)).

party has met their burden of production which is an issue of law and not an issue of fact reserved to the jury.<sup>111</sup>

The UPEPA delicately balances both parties' rights and interests through the selected burden required by a party at each stage. The UPEPA successfully circumvents any Seventh Amendment issues by requiring only prima facie evidence and avoiding the use of a factual standard higher than that of summary judgement. While the UPEPA requires evidence to carry a party's burden, the burden is legal in nature and not a factual burden.<sup>112</sup> Thus, a court simply determines whether a party has established the required legal standard based solely on the evidence put forth by the burdened party.<sup>113</sup> Because the court does so without weighing the parties' evidence against each other, the UPEPA does not infringe on a party's Seventh Amendment right to trial by jury.

Other issues are relevant in balancing the rights of both parties. Significant financial burdens placed on SLAPP targets include attorney expenses and the costs of discovery. Because an anti-SLAPP statute works to fight the chill of free expression, the mandatory award of costs and fees is essential to ensure targeted parties are adequately protected against such substantial financial burdens. However, the mandatory imposition of sanctions on the filing party can interfere with judicial decisions in granting motions and the filer's right to petition. Texas's anti-SLAPP statute originally made both an award of costs and fees along with sanctions mandatory upon the grant of an anti-SLAPP motion, but the legislature amended the statute in 2019 to make any award of sanctions discretionary.<sup>114</sup> The mandatory nature of the sanctions made judges more reluctant to grant anti-SLAPP motions that might impose excessive financial burdens on filers regardless of any intent to chill constitutional activities.<sup>115</sup> This also led to potential plaintiffs being more reluctant to file suit even when the claim was legitimate.<sup>116</sup>

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<sup>111</sup> *Burden of Production*, LEGAL INFORMATION INSTITUTE, [https://www.law.cornell.edu/wex/burden\\_of\\_production](https://www.law.cornell.edu/wex/burden_of_production) (last visited Mar. 30, 2022).

<sup>112</sup> UNIF. PUB. EXPRESSION PROT. ACT § 7 CMT. 2 (UNIF. LAW COMM'N 2020).

<sup>113</sup> *Id.*

<sup>114</sup> Brent Turman, *How Changes In Texas Anti-SLAPP Statute Affects Entertainment Industry*, LAW JOURNAL NEWSLETTERS (July 2019), <https://www.lawjournalnewsletters.com/2019/07/01/how-changes-in-texas-anti-slapp-statute-affects-entertainment-industry/>.

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

Section 10 of the UPEPA imposes mandatory cost-shifting upon the grant of a special motion to dismiss.<sup>117</sup> This means the moving party is awarded the costs, fees, and reasonable expenses associated with the motion. Requiring cost-shifting to be mandatory ensures uniformity among courts which discourages forum shopping and abusive filing. In contrast, mandatory sanctions discourage both legitimate filing and the granting of special motions by judges, and, thus, they are not mandated by the Act.<sup>118</sup> Even so, the comments emphasize that a court is not prevented from awarding sanctions under other applicable laws or court rules.<sup>119</sup> One of the primary purposes of the Act is combating the forum shopping that currently persists, and mandatory cost-shifting is necessary to do so.

Additionally, section 10 of the UPEPA functions to thwart the filing of special motions intended to harass the claimant and delay the proceeding. This is accomplished by the mandatory award of costs, fees, and expenses related to the motion to the responding party if the court finds either that the motion was frivolous or that the sole intent of the moving party was to cause delay. Neither of these requirements necessarily ensure that only meritorious motions are filed, but it does ensure that plaintiffs that filed a motion in good faith will not suffer further harms.

Another burden imposed by SLAPP suits is the extensive time that is consumed by litigation even when frivolous. The purpose of a SLAPP is to harass the target by consuming time and resources which may force a target into settling even though the target may likely win.<sup>120</sup> The UPEPA contains timing provisions in four sections of the Act. First, the would-be moving party is allotted sixty days from service to file a special motion, but a showing of good cause will permit filing at a later time.<sup>121</sup> Second, the Act calls for an expedited hearing no later than sixty days after the motion is filed which may be altered upon a showing of good cause or to allow for limited discovery if permitted under another section of the Act.<sup>122</sup> If a later hearing is ordered to allow for limited discovery, such a hearing must occur no later than sixty days following the order allowing discovery, again,

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<sup>117</sup> UNIF. PUB. EXPRESSION PROT. ACT § 10 CMT. 2 (UNIF. LAW COMM'N 2020).

<sup>118</sup> Turman, *supra* note 114.

<sup>119</sup> UNIF. PUB. EXPRESSION PROT. ACT § 10 (UNIF. LAW COMM'N 2020).

<sup>120</sup> PRING & CANAN, *supra* note 1, at 218.

<sup>121</sup> UNIF. PUB. EXPRESSION PROT. ACT § 3 (UNIF. LAW COMM'N 2020).

<sup>122</sup> *Id.* § 5.



subject to a showing of good cause.<sup>123</sup> Third, the court must rule on the motion no later than sixty days after the motion hearing takes place.<sup>124</sup> The final timing provision in the Act entitles a moving party to twenty-one days to appeal an order denying the motion.<sup>125</sup> The number of days in this provision, twenty-one, is clarified by a legislative note clarifying that a state should use a deadline consistent with other interlocutory appeals in the state.<sup>126</sup>

Some critics of anti-SLAPP statutes generally have suggested that the statutes lead to increased filing that burdens the court.<sup>127</sup> Logically, the availability of a new motion will lead to that motion being filed, but this is unlikely to result in a substantial change in workload for two reasons. First, the filing of frivolous anti-SLAPP motions will be limited by the provision that shifts the cost of the motion from the party defending the motion to the moving party when found to be frivolous or intended to delay. Second, the filing of anti-SLAPP motions that are successful result in the dismissal of the claim. The net effect on the court could be a decrease in workload where the matter is dismissed entirely, but even if the dismissal is only partial, the result is less or substantially the same amount of work for the court.

Another general criticism of anti-SLAPP statutes is that the time frame allotted for filing a special motion is short. Like the UPEPA, both the California and Texas anti-SLAPP statutes have sixty days as the time allotted for filing, but unlike the UPEPA, each is accompanied by some method of modifying the deadline.<sup>128</sup> Texas's legislature recognized that the time frame may be insufficient in many circumstances, especially where a significant amount of time is consumed by obtaining counsel.<sup>129</sup> Therefore, the Texas anti-SLAPP statute was amended in 2019 to allow the parties to move the deadline

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<sup>123</sup> *Id.* § 5(b).

<sup>124</sup> *Id.* § 8.

<sup>125</sup> *Id.* § 9.

<sup>126</sup> UNIF. PUB. EXPRESSION PROT. ACT § 9, legislative note (UNIF. LAW COMM'N 2020).

<sup>127</sup> Smith, *supra* note 4, at 332.

<sup>128</sup> See CAL CODE CIV PROC § 425.16(f); TEX. CIV. PRAC. & REM. CODE ANN. § 27.003 (LexisNexis, Lexis Advance through the most recent legislation which is the 2019 Regular Session, 86th Legislature, and the 2019 election results).

<sup>129</sup> Turman, *supra* note 114.

by agreement.<sup>130</sup> In contrast, California assigns deadline adjustment to the court's discretion which is similar to, but still less than, the requirement to show good cause by the UPEPA.<sup>131</sup>

In implementing the UPEPA as a federal statute, the requirement for modifying a deadline should be amended to allow party agreement and the court to use its discretion without a requirement to show good cause. Including both options would permit parties to alter the deadline without the need for court intervention, and where a party is legally unsophisticated, the court may interfere as necessary. Also, the timing provision relating to interlocutory appeals should be adjusted as necessary to maintain consistency with other federal requirements.

### **C. The Bad News**

There are issues with implementing the UPEPA as a uniform state law that prevent the Act from being a practical solution to the pervasive forum shopping done by SLAPP filers. First, the approval of a new uniform act by the Uniform Law Commission is not the adoption of the act by states. Adoption may occur on a state-by-state basis.<sup>132</sup> However, less than one-quarter of approved uniform acts have been adopted by at least forty states and many have not been adopted at all.<sup>133</sup> Particularly in relation to the UPEPA, many states that have not enacted any legislation thus far may continue to remain stagnant. If a state, like California or Texas, has an anti-SLAPP law that already provides extensive protection to its citizens, it may not be easily persuaded to shift away from that law and its associated state jurisprudence.

Second, in states that do choose to introduce and enact the Act, each state has the power to make amendments to the Act. The ability to adjust uniform laws to the need of the locality is typically a benefit of the uniform law process. However, in the case of anti-SLAPP

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<sup>130</sup> TEX. CIV. PRAC. & REM. CODE § 27.003 (LexisNexis, Lexis Advance through the most recent legislation which is the 2019 Regular Session, 86th Legislature, and the 2019 election results).

<sup>131</sup> CAL CODE CIV PROC § 425.16(f).

<sup>132</sup> *New Project Criteria*, UNIFORM LAW COMMISSION, <https://www.uniformlaws.org/projects/overview/newprojectcriteria> (last visited Mar. 30, 2022).

<sup>133</sup> *Guide To Uniform and Model Acts 2020-2021*, UNIFORM LAW COMM'N (2020), <https://www.uniformlaws.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=ff9deb0c-9b0f-4f3b-1505-fdd63a9e2325&forceDialog=0>.

legislation which must balance significant constitutional interests, a small change could prove to be extremely problematic by intruding on the rights of the parties or by providing another opportunity for continued forum shopping.

Finally, in a perfect world where every state passed an exact replica of the approved Act, the split among federal circuits concerning the application of state anti-SLAPP laws in federal courts sitting in diversity would persist. Perfect uniformity between the states would solve the issue of forum shopping between states, but self-aware SLAPP filers could still file in federal court to take advantage of the absence of protection. Filers with state law claims could initiate suit in circuits that have rejected the application of state anti-SLAPP laws in cases based on diversity jurisdiction. Additionally, SLAPP suits filed in federal courts where the claim is based in federal law would never be subject to state anti-SLAPP laws. The best solution is for the United States legislature to enact federal anti-SLAPP legislation based on the Uniform Public Expression Protection Act.

#### IV. CRAFTING A SOLUTION

The idea for a federal anti-SLAPP law is not novel. Legislation has been introduced in Congress on several occasions, typically failing to garner support and always failing to receive a vote. In 2009, Representative Steve Cohen of Tennessee introduced the Citizens Participation Act in the House Judiciary Committee where it died having failed to ever receive a vote.<sup>134</sup> In 2012, the Free Press Act was introduced in the Senate Judiciary Committee. The Free Press Act was unique in that it provided broad protection to claims stemming from speech on matters of public concern, public officials, and public figures, but this broad protection was limited to claims asserted against representatives of the news media.<sup>135</sup> The bill died in the committee having received neither a vote nor any co-sponsors.

The SPEAK FREE Act of 2015 is the most notable piece of introduced legislation. The bill was introduced in the House Judiciary Committee by Representative Blake Farenthold of Texas along with

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<sup>134</sup> *H.R. 4364 (111<sup>th</sup>): Citizen Participation Act of 2009*, GOVTRACK, <https://www.govtrack.us/congress/bills/111/hr4364>.

<sup>135</sup> *S. 3493 (112<sup>th</sup>): Free Press Act of 2012*, GOVTRACK, <https://www.govtrack.us/congress/bills/112/s3493/text/is#link=2&nearest=ID5022c64cd4d14d2791a6967e24bc9531>.

thirty-one, bi-partisan co-sponsors.<sup>136</sup> A hearing on the bill was held in June of 2016, but the bill ultimately died in committee having never received a vote.<sup>137</sup> While uncertain, this death could be due to a number of factors including a looming new presidency<sup>138</sup> and criticisms of the bill itself. Some of the criticisms of the SPEAK FREE Act surrounded the removal provision which allowed parties targeted by SLAPPs in state court to remove the lawsuit to federal court even if the case was purely a state-law claim between non-diverse parties. A similar provision has been proposed for inclusion on future federal anti-SLAPP legislation, but in consideration of the numerous criticisms, another route provides a better alternative.

Critics identified several significant issues with the provision. First, critics noted that removal of a case in the absence of federal question or diversity jurisdiction could exceed the Constitutional authority given to the federal courts in Article III.<sup>139</sup> However, cases are deemed to be within the Constitutional scope of authority if the case contains a federal question as an ingredient of any portion of the action, including the defense. Where the removal provision is limited to claims stemming from the protected First Amendment activities of free speech and petitioning, the removal is constitutionally permissible because these claims have inherent federal questions in the form of prima facie evidence or defense.<sup>140</sup>

Second, critics noted that even if the suggested removal provisions would be constitutionally permissible, permitting removal for every lawsuit alleged to be a SLAPP would expand the existing congressional authority of the federal courts.<sup>141</sup> This expansion would further burden the federal courts by adding cases to their already extensive caseload that could easily be handled by state courts. One

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<sup>136</sup> *H.R. 2304 (114<sup>th</sup>): SPEAK FREE Act of 2015*, GOVTRACK, <https://www.govtrack.us/congress/bills/114/hr2304>.

<sup>137</sup> *Id.*

<sup>138</sup> Nancy Scola, *Online Speech Backers' Newest Fear: Trump*, POLITICO (Jun. 1, 2016 5:18 AM), <https://www.politico.com/story/2016/06/donald-trump-online-free-speech-223760>.

<sup>139</sup> *Examining H.R. 2304, The "SPEAK FREE Act": Hearing Before the Subcomm. on the Constitution and Civil Justice of the H. Comm. on the Judiciary*, 114th Cong. 30 (2016) (statement of Rep. Conyers, Jr., Ranking Member, H. Comm. on the Judiciary) <https://www.horvitzlevy.com/R5FD3S351/assets/files/News/Speak%20Free%20Act%20Doc..pdf>.

<sup>140</sup> *Id.* at 97 (statement of Jeremy B. Rosen, Partner Horvitz & Levy LLP (citing *Merrell Dow Pharms., Inc. v. Thompson*, 478 U.S. 804, 807 (1986))).

<sup>141</sup> *Id.* at 102 (Statement of the Motion Picture Association of America, Inc.)

possible remedy is to require a monetary minimum of damages for removal similar to the requirement for establishing diversity jurisdiction.<sup>142</sup>

Finally, the most substantial criticism of the removal provision in the SPEAK FREE Act is that the provision intrudes on the balance between federal and state governments.<sup>143</sup> Many states have chosen not to enact anti-SLAPP statutes or to only protect very specific types of activities.<sup>144</sup> Enacting a provision that allows for the removal of state law claims between parties from that state would be an overreach by the federal government. A person targeted by a SLAPP in those states would almost always remove which could work to substantially undermine the state's decision over these areas of litigation.

The best way to resolve these issues in future legislation based on the UPEPA is to exclude the use of a removal provision. Excluding a removal provision eliminates the question of whether the federal courts have the constitutional authority to hear those removed cases, and the federal courts will not be burdened by additional cases from an expansion of jurisdiction. Instead, the legislation should implement a provision providing for explicit preemption of a state's anti-SLAPP statute for any cases heard in federal court whether based on diversity or federal question jurisdiction. As noted by the federal circuit courts in decisions resulting in the circuit split, an anti-SLAPP statute is functionally procedural.<sup>145</sup> Enacting the statute under Congressional authority to regulate procedures of federal courts would resolve the circuit split among courts applying state law and provide protection to federal-law cases.

Whether the federal anti-SLAPP statute might be more or less protective than the state law, implementing the statute as a federal procedure over cases already under federal jurisdiction preserves the right of a state to make decisions about its laws and citizens. Regarding anti-SLAPP legislation, states have functioned as laboratories of democracy as intended in a federalist system. These

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<sup>142</sup> *Id.*

<sup>143</sup> *Id.* at 59 (statement of Alexander A. Reinert, Professor of Law, Benjamin N. Cardozo School of Law); Smith, *supra* note 4, at 332.

<sup>144</sup> *State Anti-SLAPP Laws*, *supra* note 6; Hartzler, *supra* note 43.

<sup>145</sup> *See* *Makaeff v. Trump Univ., L.L.C.*, 736 F.3d 1180, 1187 (9th Cir. 2013); *Godin v. Schencks*, 629 F.3d 79, 88-89 (2010); *Clifford v. Trump*, 818 F. App'x 746, 747 (9th Cir. 2020); *Klocke v. Watson*, 936 F.3d 240, 247 (5th Cir. 2019); *Abbas v. Foreign Policy Grp., LLC*, 783 F.3d 1328, 1334 (2015); *La Liberte v. Reid*, 966 F.3d 79, 87 (2d Cir. 2020) (quoting *Carbone v. CNN, Inc.*, 910 F.3d 1345, 1353 (11th Cir. 2018)).

state experiments have provided a substantial amount of the information used to construct a constitutionally sound and cutting-edge anti-SLAPP statute in the form of the UPEPA. Allowing the states to continue to enforce and adjust their anti-SLAPP laws individually will continue to provide the benefits of those experiments to the federal statute in guiding potentially necessary adjustments and improvements.

## CONCLUSION

In July of 2020, Representative Steve Cohen of Tennessee reintroduced his Citizens Participation Act, unchanged from its last proposal in 2009.<sup>146</sup> The Act currently sits in the House Judiciary Committee where it most likely will not receive a vote unless the bill is amended to resemble the UPEPA, to exclude the removal provision, and to include an explicit preemption provision.

Alongside the adoption of anti-SLAPP legislation by the federal government, states should enact a version of the UPEPA. Forum shopping has been and always will be an issue for the courts. Until all fifty states have some level of uniform protection in the form of anti-SLAPP statutes, forum shopping for the state with the least amount of protection will continue. The benefits of adopting the UPEPA are obvious for states that currently have no statute, but in states that do, the UPEPA can help correct underlying constitutional issues, provide a better balancing of the interests of both parties in litigation, and increase uniformity between states.

A statute that shares similar language, function, and enforcement provides a greater wealth of case law that courts may look to in adjudicating issues of first impression. States that adopt the UPEPA may look to not only the federal application, but the application in other states. Additionally, because the UPEPA instructs that “matter of public concern” be construed with similar phrasing in other states terms like “public issue” and “matter of public interest,” adopting a version of the UPEPA opens up the state’s courts to a wealth of existing case law from other states.

One of the driving factors in states enacting a proposed uniform law is whether uniformity is necessary and if it will be effective. However, the necessity of uniformity for effectiveness highlights a major disadvantage of the uniform law system. Adoption

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<sup>146</sup> *H.R. 7771 (116<sup>th</sup>): Citizen Participation Act of 2020*, GOVTRACK, <https://www.govtrack.us/congress/bills/116/hr7771>.

of the UPEPA as a model for a federal statute might encourage wider adoption by the states. Enacting a federal anti-SLAPP law may help to curb forum shopping between states because this type of forum shopping will likely result in diverse parties allowing for traditional removal mechanisms. However, removal is not easy, and the best way for states to curb forum shopping at the expense of state citizens is to enact a uniform system of protection. Thus, Congress should use the UPEPA as a model for enacting federal anti-SLAPP legislation that includes an explicit preemption provision to protect parties targeted by SLAPPs, resolve the split among federal circuits on the applicability of state anti-SLAPP statutes in federal court, and encourage the adoption of the UPEPA by the states.

TAKING DOWN A TECH GIANT:  
FOLLOWING THE CASE OF *FEDERAL TRADE COMMISSION V.  
FACEBOOK, INC.* THROUGH A MODERN MONOPOLIZATION  
FRAMEWORK

MADELEINE SNOW HICKMAN

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## INTRODUCTION

On December 9, 2020, the Federal Trade Commission (“FTC”), along with 48 U.S. states and territories, filed antitrust lawsuits against social media giant Facebook, Inc. (“Facebook”) (a/k/a “Meta”). The FTC’s complaint alleges that Facebook’s anticompetitive acts violate Section 2 of the Sherman Act, 15 U.S.C. § 2, and thus constitute unfair methods of competition in violation of Section 5(a) of the Federal Trade Commission Act (“FTCA”), 15 U.S.C. § 45(a). Specifically, the complaints allege that:

- (a) the acquisition and continued control of Instagram has neutralized a significant independent personal social networking provider;
- (b) the acquisition and continued control of WhatsApp has neutralized a significant competitive threat to Facebook’s personal social networking monopoly; and
- (c) the imposition and enforcement of anticompetitive conditions on access to APIs suppress and deter competitive threats to its personal social networking monopoly.

The government charged that Facebook “has for many years been unlawfully stifling competition and strengthening its monopoly.”<sup>1</sup> Accordingly, the FTC sought relief from the court including divestiture of Instagram and WhatsApp, as well as injunctive relief preventing Facebook from pursuing anticompetitive practices.<sup>2</sup>

In its subsequent motion to dismiss the complaint, Facebook contended that the FTC failed to adequately allege that Facebook has maintained monopoly power and harms consumers.<sup>3</sup> In June of 2021, Judge James E. Boasberg found that the FTC had failed to prove that Facebook holds monopoly power in the U.S. personal social networking market.<sup>4</sup> He dismissed the FTC’s complaint without prejudice.<sup>5</sup> Following Judge Boasberg’s rulings, shares of Facebook rose more than 4%, “sending the social media company’s market capitalization above \$1 trillion for the first time.”<sup>6</sup>

In July of 2021, while the FTC was busy gathering additional information for its amended complaint, Facebook petitioned FTC Chair Lina M. Khan<sup>7</sup> and the Commission “to recuse Chair Khan from participating in any decisions concerning whether and how to continue the FTC’s antitrust case against the company.”<sup>8</sup> The petition argued that “Chair Khan, well before becoming a commissioner, had already

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<sup>1</sup> *The FTC’s Facebook Suit: Questions and Answers*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/news-events/facebook-q-a> (last visited Jan. 11, 2021).

<sup>2</sup> *Id.*

<sup>3</sup> Memorandum in Support of Facebook, Inc.’s Motion to Dismiss FTC’s Complaint, FTC v. Facebook, Inc. (D.D.C. 2021).

<sup>4</sup> Salvador Rodriguez, *Judge Dismisses FTC and State Antitrust Complaints Against Facebook*, CNBC (June 28, 2021), <https://www.cnbc.com/2021/06/28/judge-dismisses-ftc-antitrust-complaint-against-facebook.html>.

<sup>5</sup> Judge Boasberg also dismissed the complaint of state attorneys general with prejudice on the grounds that the states waited too long to file their complaint. *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> Chair Lina Kahn authored the revolutionary Yale Law Review article *Amazon’s Antitrust Paradox* while a student in 2017. The article “argued that the unique business models of digital giants like Amazon must be assessed with a more expansive framework for antitrust laws besides the popular consumer welfare standard, which often leans heavily on whether prices go up or down for consumers.” Lauren Feiner, *Facebook asks for FTC Chair Lina Khan to be recused from its antitrust case*, CNBC (July 14, 2021) <https://www.cnbc.com/2021/07/14/facebook-asks-for-ftc-chair-lina-khan-to-be-recused-from-its-antitrust-case.htm>.

<sup>8</sup> *Id.*

decided the material facts relevant to Facebook’s liability in the Commission’s pending antitrust lawsuit and already reached legal conclusions that Facebook was liable under the antitrust laws.”<sup>9</sup> After careful review by the FTC’s Office of General Counsel, the Office of the Secretary dismissed Facebook’s petition for recusal, finding that, “as the case will be prosecuted before a federal judge, the appropriate constitutional due process protections will be provided to the company.”<sup>10</sup>

In August of 2021, the FTC filed an amended complaint against the social media giant. The amended complaint included “additional data and evidence to support the FTC’s contention that Facebook is a monopolist that abused its excessive market power to eliminate threats to its dominance.”<sup>11</sup> According to the amended complaint, “Facebook continues to monitor the industry for competitive threats to its personal social networking monopoly.”<sup>12</sup> The amended complaint further alleges that “Facebook is likely to impose anticompetitive conditions on access to its platform and seek to acquire companies it perceives as potential threats, especially when it next faces ‘acute competitive pressures from a period of technological transition.’”<sup>13</sup> Facebook again moved to dismiss the amended complaint “contending that the FTC’s latest effort is akin to rearranging the deck chairs on the Titanic.”<sup>14</sup>

In January of 2022, the FTC cleared its first major hurdle of the case when Judge Boasberg issued a ruling

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<sup>9</sup> Facebook’s petition asserted that Chair Kahn “has built her career, in large part, by singling out Facebook as a professed antitrust violator in her work at the Open Markets Institute, in academic writings, as leader of a congressional investigation and drafting of a final report, in public appearances and speeches, and on Twitter.” Petition for Recusal of Chair Lina M. Khan from Involvement in the Pending Antitrust Case Against Facebook, Inc., (July 14, 2021), <https://about.fb.com/wp-content/uploads/2021/07/Facebook-Inc.s-Petition-to-Recuse-Chair-Khan.pdf>.

<sup>10</sup> *Id.*

<sup>11</sup> *FTC Alleges Facebook Resorted to Illegal Buy-or-Bury Scheme to Crush Competition After String of Failed Attempts to Innovate*, FEDERAL TRADE COMMISSION (Aug. 19, 2021), <https://www.ftc.gov/news-events/press-releases/2021/08/ftc-alleges-facebook-resorted-illegal-buy-or-bury-scheme-crush>.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2022 U.S. Dist. LEXIS 5415 at 2-3 (D.D.C. Jan. 11, 2022).

denying Facebook’s motion to dismiss.<sup>15</sup> The court held that “[t]he FTC has now alleged enough facts to plausibly establish that Facebook exercises monopoly power” and “that the company’s dominant market share is protected by barriers to entry into that market.”<sup>16</sup> Furthermore, “the agency has also explained that Facebook not only possesses monopoly power, but that it has willfully maintained that power through anticompetitive conduct.”<sup>17</sup> Finally, the court found that Facebook’s attempts to force the recusal of Chair Kahn were in vain, noting that “such contention misses its target, as Khan was acting in a prosecutorial capacity, as opposed to in a judicial role, in connection with the vote” to proceed with the suit.<sup>18</sup> The court’s ruling gives the government’s case a new life and will allow the Commission to move forward to the discovery phase of the case.

In October of 2021, Frances Haugen, a former Facebook product manager, leaked Facebook’s internal company research and documents to media outlets throughout the United States.<sup>19</sup> The documents contained information indicating that the company has knowledge “of the harms its apps and services cause but either doesn’t rectify the issues or struggles to address them.”<sup>20</sup> The reports resulted in increased scrutiny against Facebook. Haugen later testified before a Senate panel about the reports.<sup>21</sup> On October 28<sup>th</sup>, in the wake of the Haugen whistleblower scandal, Facebook announced that it had changed its company name to Meta.<sup>22</sup> For the purposes of this article, “Facebook” shall refer to the company now known as “Meta.”

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<sup>15</sup> *Id.* at 3.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* at 4.

<sup>19</sup> Salvador Rodriguez, *Facebook Whistleblower Releases Documents to Multiple News Outlets Showing Company Knows the Harm It Causes*, CNBC (Oct. 22, 2021), <https://www.cnbc.com/2021/10/22/facebook-hit-by-a-barrage-of-reports-from-consortium-of-news-outlets.html>.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> Salvador Rodriguez, *Facebook Changes Company Name to Meta*, CNBC (Oct. 28, 2021), <https://www.cnbc.com/2021/10/28/facebook-changes-company-name-to-meta.html>.

This article will analyze the FTC’s complaint within the framework for monopolization claims under § 2 of the Sherman Act. The main discussion centers on two issues of law in the instant case: (1) whether the court will accept the FTC’s market power claim, and (2) whether intent evidence will impact the court’s exclusionary conduct analysis. This article will also consider both the positive effects and unintended consequences of antitrust litigation in the landscape of big technology.

Because Facebook’s conduct affects every person, it shouldn’t take an antitrust scholar to follow this case as it unfolds. However, this article will not analyze every aspect of the FTC’s complaint in detail. The discussion does not focus on the specific factual violations alleged (e., that Facebook neutralized competitors by acquiring Instagram and WhatsApp and suppressed competition by imposing anticompetitive conditions). Instead, the purpose of this article is to provide background for the ongoing litigation while maintaining that the FTC made the right decision in pursuing its claim against Facebook.

Section I of this article addresses the rise and continued dominance of Facebook and the social networking service market. Section II provides a brief history and overview of U.S. antitrust law, specifically monopolization claims under § 2 of the Sherman Act. Section III spotlights the relevant market analysis and contends that the government’s market definition of “personal social networking services,” supported by additional evidence of monopoly power in the amended complaint, is sufficient to survive a second motion to dismiss. Section IV argues that intent evidence will likely play a key role in the government’s case against Facebook. Finally, Section V discusses the long road ahead for the FTC, including the effects of lengthy litigation and the struggle to create appropriate antitrust remedies in the modern economy.

## **I. FACEBOOK’S RISE TO POWER**

In 2022, social networks are a primary method of communication for American consumers. Social networks were created to provide a platform by which users can interact with one another, share experiences with friends, family, or the general public, and stay up to date with the people and things they care about.<sup>23</sup>

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<sup>23</sup> Complaint, FTC v. Facebook, No. 1:20-cv-03590-JEB, 13:39 (D.D.C. Dec. 9, 2020).

Beginning in the early 2000s, social networking “gained popularity by providing a distinct and richer way for people to maintain personal connections.”<sup>24</sup> Since then, social media has become an integral part of the lives of most U.S. citizens.<sup>25</sup>

This article concentrates on the United States market, but the social media takeover *is* a global phenomenon. Massive social media companies impact the lives of people all over the world, and it’s hard to believe the speed at which this invasion took place. Facebook, for example, went from servicing around 1.5% of the world population in 2008, to around 30% in 2018.<sup>26</sup>

Of course, the rise of social media coincides with the rise of global internet access and use.<sup>27</sup> Social media companies are not the only companies in the big technology landscape that rapidly accumulated power and influence over the last decade.<sup>28</sup> Consequently, “regulators and lawmakers on both sides of the aisle have grown increasingly concerned about the influence that the biggest tech companies wield over how people live, work, shop and receive information about the most vital topics of the day.”<sup>29</sup>

When it comes to dissemination of information, social media companies are the main players. Because social media is a dominant news source and platform for social and political conversation, consolidation of power by companies like Facebook raises serious concerns. The ability of a single company to control the public discourse of an entire nation violates the very principles of democracy and free speech which form the bedrock of the U.S. constitution.<sup>30</sup> For these reasons, it is increasingly important that social media companies run their platforms ethically and transparently.

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<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at ¶ 12:42.

<sup>26</sup> Esteban Ortiz-Ospina, *The Rise of Social Media*, OUR WORLD IN DATA (Sept. 18, 2019), <https://ourworldindata.org/rise-of-social-media>.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> Shannon Bond & Bobby Allyn, *48 AGs, FTC Sue Facebook, Alleging Illegal Power Grabs To 'Neutralize' Rivals*, NPR BUSINESS (Dec. 9, 2020, 2:39 PM), <https://www.npr.org/2020/12/09/944073889/48-attorneys-general-sue-facebook-alleging-illegal-power-grabs-to-neutralize-riv>.

<sup>30</sup> David L. Hudson Jr., *In the Age of Social Media, Expand the Reach of the First Amendment*, AMERICAN BAR ASSOCIATION, [https://www.americanbar.org/groups/crsj/publications/human\\_rights\\_magazine\\_home/the-ongoing-challenge-to-define-free-speech/in-the-age-of-social-media-first-amendment/](https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/the-ongoing-challenge-to-define-free-speech/in-the-age-of-social-media-first-amendment/) (last visited March 15, 2021).

Another reason for social media's exponential growth is the fact that joining a social network is "free." Instead of charging a price for services, social media companies rely on "monetizing user data and engagement through advertising."<sup>31</sup> Companies compete for users on a variety of other factors, including "quality of the user experience, functionality, and privacy protection options, among others."<sup>32</sup> Facebook, for example, chose to "monetize its businesses by selling advertising that is displayed to users based on the personal data about their lives that Facebook collects."<sup>33</sup> The value of such user data speaks for itself – Facebook is a multi-billion-dollar company. Thus, the age-old adage that "there's no such thing as a free lunch" comes to mind. For consumers, "accepting Facebook's policies in order to use its service means accepting broad-scale commercial surveillance."<sup>34</sup>

Facebook is the undeniable leader in social media networks. Since its creation in 2004, Facebook garnered unprecedented levels of user activity. It further secured its dominance by acquiring its two biggest competitors: Instagram in 2012 and WhatsApp in 2014. Facebook is currently the leading social networking service based on global reach and total active users. In 2020, Facebook reported that 3.14 *billion* people were using at least one of the company's primary platforms (Facebook, WhatsApp, Instagram, or Messenger) each month.<sup>35</sup>

Facebook's goal, it appears, is to accumulate power without regard to the responsibility that comes with it. The company's conduct is consistently the subject of controversy and public protest.<sup>36</sup> Claims against the social media giant involve a myriad of issues including user privacy, political manipulation, anti-competitive policies, mass surveillance, psychological damage to users, false news, and hate

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<sup>31</sup> Complaint, *FTC v. Facebook*, *supra* note 23 at 12:42.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 12:43.

<sup>34</sup> Dina Srinivasan, *Antitrust Case Against Facebook: A Monopolist's Journey Towards Pervasive Surveillance In Spite of Consumers' Preference for Privacy*, 16 *BERKELEY BUS. L.J.* 39, 41 (2019).

<sup>35</sup> H. Tankovska, *Facebook: number of monthly active users worldwide 2008-2020*, STATISTA (Feb 2, 2021), <https://www.statista.com/statistics/264810/number-of-monthly-active-facebook-users-worldwide> (In the second quarter of 2020, Facebook reported over 2.7 billion monthly active users. Active users are those which have logged in to the social media website during the last 30 days. As for Facebook's properties, Instagram reached 1 billion active users in 2018; WhatsApp reached 2 billion active users in 2020; and Messenger reached 1.3 billion active users in 2020).

<sup>36</sup> Srinivasan, *supra*, note 34.

speech (to name a few). There is no denying that Facebook's unchecked power is problematic.

However, most existing U.S. law cannot be effectively applied to social media. Legislators are always scrambling to catch up to the technology or attempting to enforce outdated cyberlaws to address the issues that continue to arise in connection with social media platforms.<sup>37</sup> The novelty and technological complexity of the social networking industry allowed tech giants to amass unparalleled control over society while flying mostly under the radar of U.S. lawmakers. Facebook effectively created a forcefield of power and influence in the time it took for the public to catch on to its behavior.

By 2021, Facebook found itself “in the regulatory spotlight after years of a laissez-faire approach.”<sup>38</sup> While governing bodies around the world work towards legislating “big tech” and social media, immediate government action may still be necessary to curb Facebook's power. Regarding public policy, “[t]he fact that this century's new communications utility is free but necessitates widespread surveillance of consumers is a paradox in a democracy.”<sup>39</sup> For consumers and advertisers who depend on the platform, “[t]he fact that the free market today offers no real alternative. . . is a reflection only of the failure of competition.”<sup>40</sup> Therefore, the power of Facebook and similarly situated companies can no longer go unchecked.

For these reasons, the FTC's lawsuit against Facebook is a welcome sight. Obviously, there is no single solution for all of the problems created by big tech, but there *is* an entire body of antitrust law dedicated to protecting competition and consumer choice. Thus, “[w]hile politicians and regulators grapple with how to make sense of current market structures in and consumer frustrations with Big Tech, the principles of antitrust provide clarity for this era's dominant communications platform.”<sup>41</sup> At this point, antitrust litigation may be the only course of action available to put a crack in Facebook's forcefield.

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<sup>37</sup> Bond & Allyn, *supra*, note 29.

<sup>38</sup> *Id.*

<sup>39</sup> Srinivasan, *supra*, note 34 at 98.

<sup>40</sup> *Id.* at 99.

<sup>41</sup> *Id.* at 101.



## II. OVERVIEW OF ANTITRUST LAWS

Understanding the FTC’s case against Facebook requires familiarity with the fundamental principles of antitrust law. Section A will briefly discuss the overarching themes and history of the relevant statutes to establish a legislative background for the lawsuits against Facebook. Section B will examine the court’s framework for monopolization claims.

The United States economy is based on a competitive model.<sup>42</sup> The basic idea of the competitive model is that more competition leads to more products/services, which then leads to lower prices and superior service/quality.<sup>43</sup> In contrast, monopolies lead to fewer products/services, which then leads to higher prices and inferior service/quality.<sup>44</sup>

### A. Federal Antitrust Laws: Protecting and Promoting the Process of Competition

The core purpose of antitrust law is to protect and promote the process of competition.<sup>45</sup> Additionally, antitrust laws protect consumer welfare by barring activity that will raise prices or diminish the quantity or quality of products and services.<sup>46</sup> There are three core federal antitrust laws: (1) the Sherman Act, (2) the Federal Trade Commission Act (“FTCA”), and (3) the Clayton Act.

#### 1. *The Sherman Act*

In 1890, Congress passed the Sherman Act as a “comprehensive charter of economic liberty aimed at preserving free and unfettered competition as the rule of trade.”<sup>47</sup> The Sherman Act

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<sup>42</sup> *Guide to Antitrust Laws*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws> (last visited Jan. 11, 2022); *The Antitrust Laws*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/antitrust-laws> (last visited Jan. 11, 2022).

<sup>43</sup> *Guide to Antitrust Laws*, *supra*, note 42.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> *The Antitrust Laws*, *supra*, note 42.

was the first antitrust law in the United States. The Act prohibits “every contract, combination, or conspiracy in restraint of trade,” and any “monopolization, attempted monopolization, or conspiracy or combination to monopolize.”<sup>48</sup> Specifically, Section 2 of the Sherman Act criminalizes the actions of any company who “shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce . . .” with a central focus on the unlawful use of market power by a single firm.<sup>49</sup>

However, the Sherman Act’s broad language proved to be problematic for antitrust enforcers. Large companies exploited an endless list of loopholes within the law, allowing them to continue engaging in anticompetitive behaviors at the expense of the public and the marketplace.<sup>50</sup> A few massive companies in particular monopolized entire areas of industry by engaging in predatory pricing, exclusive dealings, and mergers designed to destroy competitors.<sup>51</sup>

## 2. *The Clayton Act*

In 1914, Congress passed the Clayton Act and the FTCA as a response to widespread corporate corruption and continued industry domination.<sup>52</sup> The Clayton Act strengthened antitrust law by identifying illegal business practices that the Sherman Act did not plainly prohibit, such as price cutting, horizontal mergers and acquisitions (i.e., the combination of two companies of the same industry), and exclusive dealership agreements.<sup>53</sup> While the Sherman Act criminalized monopolies, the Clayton Act proactively banned operations intended to lead to the formation of monopolies.<sup>54</sup> Importantly, Section 7 of the Clayton Act prohibits mergers and acquisitions where the effect “may be substantially to lessen competition, or to tend to create a monopoly.”<sup>55</sup> Section 7 does not require an actual lessening of competition, but rather, that the merger

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<sup>48</sup> *Id.*

<sup>49</sup> 15 U.S.C. § 2.

<sup>50</sup> *The Antitrust Laws, supra*, note 42.

<sup>51</sup> 15 U.S.C. § 12.

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> 15 U.S.C. § 18.

is *likely* to create or facilitate market power or anticompetitive exclusionary conduct.<sup>56</sup>

### 3. *The Federal Trade Commission Act*

Similarly, the FTCA outlawed "unfair methods of competition" and "unfair or deceptive acts or practices."<sup>57</sup> Moreover, the FTCA created the Federal Trade Commission ("FTC") to enforce provisions of the Sherman Act and the Clayton Act.<sup>58</sup> The Act grants the FTC investigative, enforcement, and administrative rule-making authority.<sup>59</sup> The FTCA is the broad umbrella of antitrust authority; it encompasses the Sherman and Clayton Act violations, as well as conduct not covered by these statutes.<sup>60</sup> Therefore, any violation of the Sherman Act also violates the FTCA.<sup>61</sup>

## **B. Monopolization Claims Under § 2 of the Sherman Act**

Early cases brought under Section 2 of the Sherman Act resulted in a muddled definition of the monopolization offense. Since defendants in these cases frequently violated Sections 1 and 2 of the Sherman Act, courts found that a violation of Section 1's prohibition on unreasonable restraint of trade was essentially a prerequisite to

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<sup>56</sup> *Id.*; See also HERBERT HOVENKAMP, BLACK LETTER OUTLINE ON ANTITRUST 102-103, (7th ed. 2021).

<sup>57</sup> 15 U.S.C. § 45(a); see *Guide to Antitrust Laws: The Enforcers*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/enforcers>.

<sup>58</sup> *Guide to Antitrust Laws: The Enforcers*, *supra*, note 57. (Technically, the FTC does not enforce the Sherman Act, but instead brings claims under the FTCA against the same kinds of activities that violate the Sherman Act).

<sup>59</sup> *Id.* (The FTCA gave the Commission the authority to "(a) prevent unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce; (b) seek monetary redress and other relief for conduct injurious to consumers; (c) prescribe rules defining with specificity acts or practices that are unfair or deceptive, and establishing requirements designed to prevent such acts or practices; (d) gather and compile information and conduct investigations relating to the organization, business, practices, and management of entities engaged in commerce; and (e) make reports and legislative recommendations to Congress and the public."); see also 15 U.S.C. § 2. (Rules established by the FTC are considered administrative codes).

<sup>60</sup> *Guide to Antitrust Laws: The Enforcers*, *supra*, note 57.

<sup>61</sup> *Id.*

finding a Section 2 offense of single firm monopolization.<sup>62</sup> However, while it is true that a Section 1 violation by a firm with monopoly power is also a violation of Section 2, it is not necessary that a defendant violate Section 1 in order to commit the offense of monopolization.<sup>63</sup>

The modern approach to finding an offense of monopolization requires that the antitrust plaintiff establish two elements: “(1) the [defendant’s] possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident.”<sup>64</sup>

An antitrust plaintiff may establish the first element of monopolization by identifying a “relevant market” that is capable of being monopolized.<sup>65</sup> If the court accepts the plaintiff’s definition of the relevant market, it will conduct an analysis to determine the defendant’s share of that market.<sup>66</sup> If the defendant’s share exceeds a certain threshold, the plaintiff successfully establishes the first element of monopolization.<sup>67</sup> Thus, proof that a defendant controls a large percentage of the relevant market creates an inference of monopoly power.<sup>68</sup> However, regardless of the court’s finding regarding relevant market share, the question of monopoly power is ultimately a question of fact, which in a jury trial will be left for the jury to answer.<sup>69</sup>

The second element of monopolization is far less cut-and-dry. In order to establish the defendant’s “willful acquisition or maintenance” of monopoly power, the plaintiff must prove that the defendant engaged in a prohibited “exclusionary practice” calculated to increase the amount or duration of its monopoly.<sup>70</sup> However, not all exclusionary conduct reaches the level of monopolization. In fact, many seemingly anti-competitive practices are allowed, and even encouraged, in the name of efficiency.<sup>71</sup> Thus, monopolization cases

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<sup>62</sup> See *Standard Oil Co. of N.J. v. United States*, 221 U.S. 1 (1911).

<sup>63</sup> *Id.*

<sup>64</sup> See *United States v. Grinnell Corp.*, 384 U.S. 563, 570 (1966).

<sup>65</sup> *Id.* at 571.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 572.

<sup>68</sup> *Id.*

<sup>69</sup> *Id.*

<sup>70</sup> *Id.* at 571.

<sup>71</sup> *Id.*

are governed by the rule of reason.<sup>72</sup> The rule of reason enables the court to distinguish between competitive exclusionary conduct and anti-competitive exclusionary conduct.

In order to determine whether exclusionary conduct is illegally anti-competitive, the court will look to factors such as injury to competition and intent of the defendant.<sup>73</sup> The court will also look to case precedent to determine the illegality of certain exclusionary practices (e.g., mergers to monopoly, refusal to deal with competitors, purchase and shutdown of rival firms, etc.).<sup>74</sup> Therefore, the issue of whether a single firm is guilty of monopolization requires an extremely fact-specific analysis.

Clearly, establishing monopolization requires extensive proof of anticompetitive behavior. The antitrust plaintiff faces many hurdles on the way to proving a Section 2 violation. Nevertheless, with the right aim, a single stone might be enough to take down a giant.

### **III. DEFINING THE RELEVANT MARKET AND ESTABLISHING MARKET POWER**

Similarly, with respect to Facebook, to show monopolization in violation of § 2 of Sherman Act, a plaintiff must first establish that the defendant possesses monopoly power in the relevant market. Therefore, two key issues in the suit against Facebook are (1) whether the court accepts the plaintiff's definition of the relevant market that is being monopolized, and (2) whether the plaintiff has plead sufficient facts to prove that the defendant possesses a monopoly share of the relevant market. In other words, is "personal social networking services" ("personal social networking") ("PSN") a distinct market that Facebook dominates?

In the district court's first major ruling in the case, it dismissed the FTC's initial complaint with leave to amend. While the court accepted the FTC's definition of personal social networking services, it found that the Commission had failed to prove that Facebook possesses a monopoly share of the PSN service market. The Commission then filed an amended complaint with an extended

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<sup>72</sup> *Standard Oil Co. of N.J. v. United States*, 221 U.S. 1 (1911).

<sup>73</sup> *Guide to Antitrust Laws: Single Firm Conduct, Monopolization Defined*, FEDERAL TRADE COMMISSION <https://www.ftc.gov/tips-advice/competition-guidance/guide-antitrust-laws/single-firm-conduct/monopolization-defined>.

<sup>74</sup> *Id.*

market definition and extensive evidence of Facebook’s monopoly share. In the second major ruling of the case, the court found that the amended complaint, unlike the initial complaint, was sufficiently and adequately plead. The court’s ruling will allow the government to proceed with its case.

This section will (1) explain the evidence required for a prima facie monopoly claim, and (2) discuss the strengths and weaknesses in the FTC’s initial complaint and the subsequent amendments that saved the government’s case.

## **A. Market Definition Overview**

Market definition is a threshold issue that often becomes a battleground for the litigating parties. The burden is on the plaintiff to properly delineate the market based on (1) geographic scope and (2) the type of service offered.<sup>75</sup> Defining the relevant market “establishes a context for evaluating the defendant’s actions as well as for measuring whether the challenged conduct presented a dangerous probability of monopolization.”<sup>76</sup> As the court points out in the instant case, market definition and market share “ultimately come together to produce the conclusion that matters: the defendant’s market power.”

If the relevant market is narrowly defined, the defendant’s market share might be substantial enough to create an inference of market power. On the other hand, a broadly defined market may encompass more of the defendant’s competitors, thereby decreasing its market share and rebutting the inference of market power. An effective market definition should be straightforward, clear, and backed by evidence. Because the delineation of the market directly impacts the defendant’s market share, a court will not examine the sufficiency of a plaintiff’s market-share showings “without looking back to how convincingly, or ‘how tenuously,’ the market has been defined.” As in the instant case, a plausibly plead market that lacks clarity or that is unsubstantiated by evidence may negatively impact the plaintiff’s market share claims.<sup>77</sup>

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<sup>75</sup> *Id.*

<sup>76</sup> *United States v. Microsoft Corp.*, 253 F.3d 34, 81 (D.C. Cir. 2001).

<sup>77</sup> *See FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2022 U.S. Dist. LEXIS 5415, at 27 (D.D.C. Jan. 11, 2022) (Judge Boasberg pointed out that, “[p]articularly where ‘the market is idiosyncratically drawn,’” as in the instant case, “findings or allegations as to a ‘particular market share’ carry much less meaning.”).

The first element – the geographic scope of the relevant market – may be narrow, consisting of a single metropolitan area or region, or it may be broad enough to encompass the entire nation.<sup>78</sup> The geographic dimension of the relevant market is defined as the “area of effective competition in which the particular product or its reasonably interchangeable substitutes are traded.”<sup>79</sup> Moreover, the market must be considered in light of “economic and physical barriers to expansion such as transportation costs, delivery of limitations, and customer convenience and preference.”<sup>80</sup>

Where the relevant market is online, geographic scope must be determined in terms of location of user activity. Barriers to entry must also be considered. Specifically, “customer convenience and preference” will come into play based on user access to internet and network effects. “Network effects” refers to a “phenomenon whereby a product or service gains additional value as more people use it.”<sup>81</sup> In terms of social networking, “[d]irect network effects refer to user-to-user effects that make a personal social network more valuable as more users join the service.”<sup>82</sup>

The next step of the relevant market analysis is to delineate the service offered from similar services in the competitive market.<sup>83</sup> To establish the scope of the product or service offered, courts will look to the “reasonable interchangeability” of products or services “as determined by cross-elasticity of demand, similarity of price, adaptability of products, uses to which product is put, and product’s general characteristics.”<sup>84</sup> The test for measuring product market by demand substitution principles applies equally to both goods and services.<sup>85</sup> Generally, an antitrust plaintiff can successfully define the relevant market by establishing that alternatives are not reasonable substitutes for defendant’s services.

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<sup>78</sup> *Hornsby Oil Co. v. Champion Spark Plug Co.*, 714 F.2d 1384 (5th Cir. 1983).

<sup>79</sup> *Id.* at 1392.

<sup>80</sup> *Id.*

<sup>81</sup> Caroline Banton, *Network Effect*, INVESTOPEDIA, <https://www.investopedia.com/terms/n/network-effect.asp> (last updated Nov. 30, 2021).

<sup>82</sup> *United States v. Microsoft Corp.*, 253 F.3d 34, 65 (D.C. Cir. 2001).

<sup>83</sup> *Hornsby Oil Co.*, 714 F.2d at 1393-94.

<sup>84</sup> *Venzie Corp. v. United States Mineral Products Co.*, 1975 U.S. App. LEXIS 12932 (3d Cir. 1975).

<sup>85</sup> *White & White, Inc. v. American Hospital Supply Corp.*, 1983 U.S. App. LEXIS 14420 (6th Cir. 1983).

For example, in *Eastman Kodak Co. v. Image Technical Services*, the Court accepted the market definition of “service and parts for Kodak equipment.” Rejecting Kodak’s argument that a single brand of product or service could not constitute a relevant market under the Sherman Act, the Court held that the market must be “determined by the choices available to Kodak equipment owners,” and since such service and products were “not interchangeable” with other manufacturers, “the relevant market from the Kodak equipment owner’s perspective is composed of only those companies that service Kodak machines.”<sup>86</sup>

*Kodak* reaffirms the principle that defining a service market requires a “factual inquiry into commercial realities faced by consumers.”<sup>87</sup> In order to facilitate such an inquiry, the plaintiff must point to specific facts.<sup>88</sup> For instance, in *United States v. Microsoft Corp.*, the government brought suit against Microsoft, claiming, among other violations of the Sherman Act, that Microsoft’s conduct regarding the sale of Internet Explorer constituted an attempted monopoly.<sup>89</sup> Defendant Microsoft sold Windows operating-system software and related software products, including its web-browsing software Internet Explorer.<sup>90</sup> The court explained that a proper definition of the relevant market must be supported by a “detailed description of the purpose of a browser—what functions may be included and what are not—and an examination of the substitutes that are part of the market and those that are not.”<sup>91</sup> However, the government failed to define the relevant market.<sup>92</sup> Instead of developing a factual record to establish consumer realities of the internet browser market, the government simply pointed to its products analysis for a separate claim, suggesting that no additional evidence was necessary.<sup>93</sup> The court, unimpressed, found that the government could have met its burden had it articulated and identified “the technological components of or functionalities provided by a

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<sup>86</sup> *Eastman Kodak Co. v. Image Technical Services*, 504 U.S. 451, 481-82 (1992).

<sup>87</sup> *Id.*

<sup>88</sup> See *Sales & Advertising Promotion, Inc. v. Donrey, Inc.*, 598 F. Supp. 538 (N.D. Okla. 1984) (“This court is not free to accept the market suggested by plaintiff . . .”).

<sup>89</sup> *United States v. Microsoft Corp.*, 253 F.3d 34 (D.C. Cir. 2001).

<sup>90</sup> *Id.* at 81.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at 82.

<sup>93</sup> *Id.*



browser.”<sup>94</sup> Also, the government failed to explain why “browser shells or viewers for individual internet extensions, such as Real Audio Player or Adobe Acrobat Reader” were not reasonable substitutes.<sup>95</sup>

Finally, because the relevant market is ultimately a factual issue, federal courts have held that “for purposes of defendants’ motion for summary judgment,” the plaintiff “need not substantiate its market definition but need show only question of fact.”<sup>96</sup>

## **B. Personal Social Networking in the United States as a Relevant Market**

In this case, the government’s relevant market is “personal social networking services” in the United States. The court found that the FTC’s definition of PSN services was sufficient to survive Facebook’s initial motion to dismiss. However, the court indicated that the agency’s weak market definition may have impacted its ultimate decision to dismiss the initial complaint on the issue of market share.

### *1. The Initial Complaint*

Regarding the geographic element, the United States is the appropriate geographic market. The FTC listed several factors in its initial complaint which supported this geographic market definition, including “differences in broadband access and social norms that vary at the country level” and stronger network effects “between users in the same country.”<sup>97</sup> It argued that “a personal social networking service that is not popular in the United States, even if it is popular in another country, is . . . not reasonably interchangeable . . .”<sup>98</sup> The District Court, in dismissing the FTC’s initial complaint, did not reject the geographic element of the relevant market.<sup>99</sup> Therefore, the

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<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

<sup>96</sup> *Hayden Pub. Co. v. Cox Broadcasting Corp.*, 730 F.2d 64 (2d Cir. 1984).

<sup>97</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2022 U.S. Dist. LEXIS 5415, at 56 (D.D.C. Jan. 11, 2022).

<sup>98</sup> *Id.*

<sup>99</sup> *Id.* (Because the parties do not dispute here that the geographic market — that is, ‘the terrain in which competition takes place,’ — is the United States, the only issue

geographic market is reasonably limited to the United States for the purposes of this claim.

That being said, defining the second element of the relevant market, the service market, has proven a significant challenge for the FTC. While the court reluctantly accepted PSN as the relevant service market, Judge Boasberg's opinion indicated that supplementary evidence would serve to bolster the agency's anemic market definition and strengthen its market share claim.

In its initial complaint, the FTC pointed to the unique characteristics of personal social networking services and attempted to distinguish Facebook from similar products. The government pointed to three key elements that "distinguish personal social networking services from other forms of online services provided to users."<sup>100</sup>

First, the FTC claimed that PSN services "are built on a social graph that maps the connections between users and their friends, family, and other personal connections."<sup>101</sup> This social graph "forms the foundation" upon which users utilize Facebook's services.<sup>102</sup> It enables Facebook to connect the users with friends and family, facilitate online conversations, extract information about users' personal interests and activities, and direct users to "groups, locations, businesses, artists, and hobbies."<sup>103</sup>

Second, the FTC asserted that PSN services include features that users employ to "share their personal experiences . . . in a one-to-many 'broadcast' format."<sup>104</sup> For example, Facebook's news feed feature allows users to post "personal updates, interests, photos, news, and videos" to all of their personal connections instantaneously. Then, "[p]ersonal social networking providers can use the social graph to inform what content they display to users in the shared social space and when." This personally tailored news feed adapts to the preferences of the user based on her activities on the platform. The provider may use the social graph to tailor all forms of content within

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is the '[t]he outer boundaries of [the relevant] product market' in which Facebook operates.") (citing *Novell, Inc. v. Microsoft Corp.*, 731 F.3d 1064, 1071 (10th Cir. 2013); *Sky Angel U.S., LLC v. Nat'l Cable Satellite Corp.*, 947 F. Supp. 2d 88, 102 (D.D.C. 2013) (quoting *Brown Shoe Co. v. United States*, 370 U.S. 294, 325 (1962))).

<sup>100</sup> *Id.* at 52.

<sup>101</sup> *Id.* at 53.

<sup>102</sup> *Id.*

<sup>103</sup> *Id.* at 54.

<sup>104</sup> *Id.*

the platform including “user-created content like user ‘news feed’ posts” and “publisher-created content like news articles, and advertisements.”<sup>105</sup>

Third, the FTC claimed that PSN services include features that “allow users to find and connect with other users, to make it easier for each user to build and expand their set of personal connections.”<sup>106</sup> Thus, by forming more connections on the platform, the user can expand her social network. The more time users spend on the platform, the more content and connections will be available to them. The social graph enables this feature “by informing which connections are suggested or available to users.”<sup>107</sup>

After the government successfully identified the “technological components” and “functionalities” provided by personal social networking services, it offered evidence to establish an absence of reasonably interchangeable substitutes for Facebook’s services. Specifically, the FTC distinguished Facebook from “specialized social networking services,” “online video or audio consumption services,” and “mobile messaging services.”<sup>108</sup>

First, the FTC argued that specialized services, i.e., LinkedIn or Strava, tend to focus on professional or interest-based connections.<sup>109</sup> Specialized services are distinct from personal networking services in that they are “designed for, and are utilized by users primarily for, sharing a narrow and highly specialized category of content with a narrow and highly specialized set of users for a narrow and distinct set of purposes.”<sup>110</sup>

Second, video or audio focused services, such as YouTube, Spotify, Netflix, and Hulu, are designed for “passive consumption and posting of specific media content (e.g., videos or music) from and to a wide audience of often unknown users.”<sup>111</sup> Unlike personal social networking services, the primary purpose of these services is not connecting with friends and family.

Third, the FTC contended that personal social networking is not reasonably interchangeable with mobile messaging services.<sup>112</sup>

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<sup>105</sup> *Id.* at 55.

<sup>106</sup> *Id.*

<sup>107</sup> *Id.*

<sup>108</sup> *Id.*

<sup>109</sup> *Id.* at 58-9.

<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* at 60.

Mobile messaging services lack “a shared social space in which users can interact” and “do not rely upon a social graph.”<sup>113</sup> Without a social graph, users of mobile messaging services “cannot query a mobile messaging service to find contact information they do not already possess, nor can they query the service to find other users connected to the people, places, things, and interests that matter to them.”<sup>114</sup> Moreover, mobile messaging users primarily use the service to send messages to a distinct group of users whose contacts they already possess. In 2019, Mark Zuckerberg, Facebook’s CEO, described social networking providers as “‘the digital equivalent of a town square’ . . . contrasting the private communication offered by mobile messaging apps. . . as ‘the digital equivalent of the living room.’”<sup>115</sup>

## 2. *FTC’s Market Definition for Personal Social Networking Services Narrowly Passes Muster*

In its response to the initial complaint, Facebook filed a motion to dismiss for failure to state a claim upon which relief can be granted, attacking the FTC’s definition of the PSN service market. The court, however, was not persuaded by Facebook’s contention. “While there are certainly bones that one could pick with the FTC’s market-definition allegations,” Judge Boasberg explained, “the Court does not find them fatally devoid of meat.”<sup>116</sup>

First, Facebook argued that the FTC’s market definition contained “an internal contradiction” in that the definition appeared to “exclude services like Circle and Vine” while simultaneously alleging that “Facebook’s revocation of API permissions from those apps was anticompetitive.”<sup>117</sup> In response, the FTC pointed out that the D.C. Circuit rejected this exact argument in *Microsoft*, finding that “[n]othing in § 2 of the Sherman Act limits its prohibition to actions taken against threats that are already well-developed enough to serve as present substitutes.”<sup>118</sup> Thus, the court found that “actions taken against Vine and Circle may have been anticompetitive even though

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<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

<sup>115</sup> *Id.*

<sup>116</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2021 U.S. Dist. LEXIS 119540 at 33 (D.D.C. June 28, 2021).

<sup>117</sup> *Id.*

<sup>118</sup> *United States v. Microsoft Corp.*, 253 F.3d 34, 54 (D.C. Cir. 2001).

those firms were not Facebook Blue's competitors in a properly drawn product market.”<sup>119</sup>

Next, Facebook contended that the FTC “neglected to allege any facts regarding the “cross-elasticity of demand<sup>120</sup> between [PSN services] and [potential] substitutes for it.”<sup>121</sup> However, the court explained that “at this stage” the FTC need only plead that “certain ‘factors’ of both the service at issue and its potential substitutes — *e.g.*, their ‘price, use, and qualities’ — render them not ‘reasonably interchangeable’ in the eyes of users.”<sup>122</sup> Therefore, the court held that the FTC had sufficiently pleaded its case on this issue, “albeit in a somewhat lean fashion.” Furthermore, the court found that “[a]lthough open to dispute, the agency's allegation that users view services with and without a social-graph-based connection-finder as fundamentally different and non-interchangeable is “at least . . . theoretically rational,” and thus hardly “facially unsustainable” or “untenable on its face.”

Finally, Facebook argued that the FTC impermissibly distinguished PSN services from other possible substitutes by focusing on the other services’ primary uses, rather than possible uses.<sup>123</sup> However, the court held that the FTC need only “provide a “plausible explanation as to why” users would not switch, even if they technically could, from PSN services to other services if prompted by a price hike.”<sup>124</sup> Though the court admonished the FTC, noting that “the agency certainly could have provided more on that front,”<sup>125</sup> it held

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<sup>119</sup> *Facebook*, 2022 U.S. Dist. LEXIS 5415, at 35.

<sup>120</sup> *Queen City Pizza v. Domino’s Pizza*, 124 F.3d 430, 437-38 & n.6. (Cross-elasticity of demand is a measure of the degree to which “the rise in the price of [one] good] . . . would tend to create a greater demand for other like goods.” It is thus considered a “measure of reasonable interchangeability.”).

<sup>121</sup> *Facebook*, 2022 U.S. Dist. LEXIS 5415, at 35.

<sup>122</sup> *Id.* (citing *Tunis Bros. Co., Inc. v. Ford Motor Co.*, 952 F.2d 715, 722 (3d Cir. 1991); *RealPage, Inc. v. Yardi Sys., Inc.*, 852 F. Supp. 2d 1215, 1225 (C.D. Cal. 2012) (denying motion to dismiss where complaint explained in qualitative terms why certain “conceivably interchangeable substitutes” were not “specialized to the needs” of defendant's customers)).

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

<sup>125</sup> *See* Amended Complaint, *FTC v. Facebook*, No. 1:20-cv-03590-JEB, 58:176-177 (D.D.C. Sept. 8, 2021). (In its amended complaint, the FTC addressed this argument and bolstered its market definition by noting that “TikTok is a prominent example of

that “the fact that other services are not primarily used for the sort of personal sharing that is the hallmark of a PSN service seems a plausible reason why little switching would occur.”<sup>126</sup>

Thus, the court denied Facebook’s motion to dismiss, holding the instant case was “not one of the ‘relatively rare’ cases of a ‘glaring deficiency’ in the market-definition pleadings that renders dismissal at the 12(b)(6) stage appropriate.”<sup>127</sup>

Overall, the FTC identified and articulated the specific functions of personal social networking services and distinguished the service from other reasonably interchangeable substitutes. Thus, while the court found that the PSN market was “idiosyncratically drawn,” it ultimately held that the Commission had sufficiently defined PSN services as the relevant market. Still, the FTC amended its complaint to strengthen its market definition and bolster its market share claims. The amended complaint includes evidence which further delineates Facebook from substitute services, addresses network effects, and indicates that Facebook “understands” and “recognizes” that it is providing PSN services that are distinct from other services.

### **C. Evidence of Market Share**

To create an inference of monopoly power, plaintiffs must show that the defendant possesses a dominant share of the defined relevant market.<sup>128</sup> There is no clear-cut market share at which monopoly power will be inferred. The Fifth Circuit has observed that “monopolization is rarely found when the defendant's share of the relevant market is below 70%.”<sup>129</sup> Similarly, the Third Circuit has

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a content broadcasting and consumption service that is not an acceptable substitute for personal social networking services. TikTok users primarily view, create, and share video content to an audience that the poster does not personally know, rather than connect and personally engage with friends and family. The purpose for which users employ TikTok, and the predominant form of interaction on the platform, is not driven by users’ desire to interact with networks of friends and family.”)

<sup>126</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2021 U.S. Dist. LEXIS 119540 at 38 (D.D.C. June 28, 2021).

<sup>127</sup> *Id.* at 37 (citing *E.I. du Pont de Nemours & Co. v. Kolon Indus.*, 637 F.3d 435 (4th Cir. 2011)).

<sup>128</sup> *See, e.g., U.S. Anchor Mfg., Inc. v. Rule Indus., Inc.*, 7 F.3d 986, 999 (11th Cir. 1993) (“The principal measure of actual monopoly power is market share . . .”).

<sup>129</sup> *Exxon Corp. v. Berwick Bay Real Estates Partners*, 748 F.2d 937, 940 (5th Cir. 1984) (per curiam).

found that "a share significantly larger than 55% has been required to establish prima facie market power" and a market share above 75% of sales is "more than adequate to establish a prima facie case of power."<sup>130</sup> The Tenth Circuit has also noted that "lower courts generally require a minimum market share of between 70% and 80%" to establish monopoly power.<sup>131</sup> According to the Department of Justice, "as a practical matter, a market share of greater than fifty percent has been necessary for courts to find the existence of monopoly power."<sup>132</sup> Additionally, the defendant's dominant market share must not be fleeting. The plaintiff should show that the defendant is able to maintain its market share for extended periods of time.<sup>133</sup>

In this case, the FTC's initial complaint alleged that Facebook had "maintained a dominant share of the U.S. personal social networking market (in excess of 60%)" since 2011,<sup>134</sup> and that "no other social network of comparable scale exists in the United States."<sup>135</sup> However, the agency's allegations were virtually unsubstantiated by evidence.<sup>136</sup> The district court found that the FTC had failed to show that Facebook possessed a dominant market share.<sup>137</sup>

Judge Boasberg noted that while "such an unsupported assertion might (barely) suffice in a Section 2 case involving a more traditional goods market, in which the Court could reasonably infer that market share was measured by revenue, units sold, or some other typical metric . . . this case involves no ordinary or intuitive market."<sup>138</sup> Rather, the court found, "PSN services are free to use, and the exact metes and bounds of what even constitutes a PSN service . . .

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<sup>130</sup> *United States v. Dentsply Int'l, Inc.*, 399 F.3d 181, 187 (3d Cir. 2005).

<sup>131</sup> *Colo. Interstate Gas Co. v. Natural Gas Pipeline Co. of Am.*, 885 F.2d 683, 694 n.18 (10th Cir. 1989).

<sup>132</sup> *Competition and Monopoly*, THE UNITED STATES DEPARTMENT OF JUSTICE, [https://www.justice.gov/atr/competition-and-monopoly-single-firm-conduct-under-section-2-sherman-act-chapter-2#N\\_31](https://www.justice.gov/atr/competition-and-monopoly-single-firm-conduct-under-section-2-sherman-act-chapter-2#N_31).

<sup>133</sup> *United States v. Syufy Enters.*, 903 F.2d 659, 665-66 (9th Cir. 1990).

<sup>134</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2021 U.S. Dist. LEXIS 119540 at 40 (D.D.C. June 28, 2021).

<sup>135</sup> *Id.*

<sup>136</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2022 U.S. Dist. LEXIS 5415 at 64 (D.D.C. Jan. 11, 2022).

<sup>137</sup> *FTC v. Facebook, Inc.*, 2021 U.S. Dist. Ct. Motions, LEXIS 156 (D.D.C. Mar. 10, 2021) (motion to dismiss granted).

<sup>138</sup> *FTC v. Facebook, Inc.*, 2021 U.S. Dist. LEXIS 119540 at 3.

are hardly crystal clear. In this unusual context, the FTC's inability to offer any indication of the metric(s) or method(s) it used to calculate Facebook's market share renders its vague "60%-plus" assertion too speculative and conclusory to go forward."<sup>139</sup>

Thus, although Facebook's dominant market share may seem obvious to the average consumer, the court took issue with the FTC's lack of identifiable metrics for calculating Facebook's market share.<sup>140</sup> "It is almost as if the agency expects the Court to simply nod to the conventional wisdom that Facebook is a monopolist," said Judge Boasberg, "[a]fter all, no one who hears the title of the 2010 film 'The Social Network' wonders which company it is about."<sup>141</sup>

In light of Judge Boasberg's criticisms, the FTC amended its initial complaint to include extensive evidence of Facebook's market share. First, the Commission asserted that "in every month of last year, more than 200 million people" in the U.S. visited Facebook, "with U.S. users spending in total an average of more than four billion minutes per day on the service," and in 2020 "over 80% of U.S. internet users in each month, on average, used Facebook."<sup>142</sup>

Additionally, "last year more than 138 million people in the United States used Instagram each month, with U.S. users spending in total an average of more than 1.5 billion minutes per day on the service," and in 2020, "approximately 54% of U.S. internet users in each month, on average, used Instagram."<sup>143</sup> The FTC contrasted these figures with Snapchat, the "next-largest provider" of PSN services in the United States, which has a user base and engagement level that "are only a fraction of the size of those of Facebook Blue and Instagram."<sup>144</sup>

The amended complaint also included the specific metrics of calculation, including: "time spent, daily active users ('DAUs'), and monthly active users ('MAUs')."<sup>145</sup> As evidence of Facebook's monopoly share and maintenance thereof, the FTC made the following claims:

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<sup>139</sup> *Id.* at 4.

<sup>140</sup> *FTC v. Facebook, Inc.*, 2021 U.S. Dist. Ct. Motions, LEXIS 156 at 5.

<sup>141</sup> *FTC v. Facebook, Inc.*, 2021 U.S. Dist. LEXIS 119540 at 47.

<sup>142</sup> Amended Complaint, *FTC v. Facebook*, *supra* note 125 at 60:182.

<sup>143</sup> *Id.* at 60:183.

<sup>144</sup> *Id.* at 61:185.

<sup>145</sup> *Id.* at 63:190.



Facebook’s share of the time spent by users of apps providing personal social networking services in the United States has exceeded 80% since 2012 and was at least as high in 2011<sup>146</sup>. . . .

Facebook’s share of DAUs of apps providing personal social networking services in the United States has exceeded 70% since 2016 and was at least as high in 2011<sup>147</sup>. . . .

Facebook’s share of MAUs of apps providing personal social networking services in the United States has exceeded 65% since 2012 and was at least as high in 2011.<sup>148</sup>

The FTC further supported its monopoly share argument by pointing to the market activities of other firms and providers. The amended complaint asserted that “multiple firms. . . even well-known, sophisticated, and well-financed firms,” e.g., Google+, “have also tried but failed to successfully enter the U.S. personal social networking market,”<sup>149</sup> and that “other providers have. . . also exited the U.S. personal social networking services market.”<sup>150</sup>

Lastly, the Commission relied on direct evidence, including historical events and market realities, to confirm that Facebook has market power. First, “historical events” such as the Cambridge Analytica scandal of 2018,<sup>151</sup> “indicate that even when Facebook’s conduct has caused significant user dissatisfaction, Facebook does not lose significant users or engagement to competitors.”<sup>152</sup> Next, the Commission argued that “Facebook’s ability to harm users by decreasing product quality, without losing significant user engagement, indicates that Facebook has market power.”<sup>153</sup> Further,

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<sup>146</sup> *Id.* at 65:199.

<sup>147</sup> *Id.* at 65:200.

<sup>148</sup> *Id.* at 66:201.

<sup>149</sup> *Id.* at 62:187.

<sup>150</sup> *Id.* at 62:189.

<sup>151</sup> Sam Meredith, *Here’s everything you need to know about the Cambridge Analytica scandal*, CNBC <https://www.cnbc.com/2018/03/21/facebook-cambridge-analytica-scandal-everything-you-need-to-know.html>.

<sup>152</sup> Amended Complaint, *FTC v. Facebook*, *supra* note 125 at 68:206.

<sup>153</sup> *Id.* at 69:207.

the FTC claimed that “despite causing significant customer dissatisfaction, Facebook has enjoyed enormous profits for an extended period of time, suggesting both that it has monopoly power and that its personal social networking rivals are not able to overcome entry barriers and challenge its dominance.”<sup>154</sup> Finally, the Commission cited Facebook’s massively disproportionate profits and ability to restrict and harm app developers, along with significant entry barriers, including direct network effects and high switching costs, as evidence of the company’s dominance over PSN services.<sup>155</sup> The FTC relied on all the aforementioned evidence to establish that Facebook holds a dominant market share.

In summary, the FTC’s initial complaint did not sufficiently plead the issue of market power, in large part due to conclusory assertions regarding Facebook’s market share, but also due to a poorly delineated relevant market. However, because the FTC followed the guidance of Judge Boasberg and significantly reinforced its market definition and market share claims in its amended complaint, the complaint survived Facebook’s second motion to dismiss. Ultimately, the court concluded that “the Amended Complaint adequately alleges both elements of the offense of unlawful monopoly maintenance under Section 2 of the Sherman Act: (1) Facebook’s monopoly power in the market for PSN services; and (2) the company’s willful maintenance of that power via anticompetitive acquisitions.”<sup>156</sup>

#### **IV. The Intent Requirement and the Role of Internal Communications**

Establishing the offense of monopolization requires evidence that the firm had monopoly power and engaged in prohibited exclusionary practices.<sup>157</sup> In determining whether a defendant’s conduct is exclusionary, Courts may use intent as a factor. Intent can be determined through evidence such as internal communications and statements by company executives.<sup>158</sup> Modern monopolization cases indicate that intent evidence may be an important tool for determining

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<sup>154</sup> *Id.* at 69:208.

<sup>155</sup> *Id.* at 70:209-212.

<sup>156</sup> *FTC v. Facebook, Inc.*, Civil Action No. 20-3590 (JEB), 2022 U.S. Dist. LEXIS 5415 at 50 (D.D.C. Jan. 11, 2022).

<sup>157</sup> HOVENKAMP, *supra* note 56, at 112-113.

<sup>158</sup> *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 604 (1985).

exclusionary conduct where a strict economic analysis would be insufficient.<sup>159</sup> Intent evidence will likely play a key role in the government's case against Facebook because of (1) the volume of internal quotes in the FTC's complaint, (2) the explicitly anticompetitive statements of Mark Zuckerberg, and (3) the winner-take-all nature of the personal social networking market.

## A. Overview: Intent in Monopolization Cases

Statute and precedent offer very little on the issue of intent in monopolization cases.

At first, it appeared that intent was presumed based on the conduct of the defendant. In *United States v. Aluminum Co. of America*, Judge Learned Hand disregarded the intent requirement on the basis that "no monopolist monopolizes unconscious of what he is doing."<sup>160</sup> Subsequently, the Supreme Court indicated that some showing of intent was in fact required when it defined monopolization as "the willful acquisition or maintenance of [monopoly] power."<sup>161</sup> Then, in *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, the Court held that in monopolization cases, "evidence of intent is merely relevant to the question whether the challenged conduct is fairly characterized as 'exclusionary' or 'anticompetitive' . . . ."<sup>162</sup>

Antitrust law, like criminal law, distinguishes specific intent from general intent.<sup>163</sup> This distinction depends on whether the defendant is charged with attempted monopoly or monopolization. Attempted monopoly offenses require a showing of specific intent to monopolize or, as Judge Hand put it, "an intent which goes beyond the mere intent to do the act."<sup>164</sup> Specific intent may be established with subjective evidence, such as internal communications and memoranda that reveal the defendant's conscious goals.<sup>165</sup> In contrast, the offense of monopolization requires only general intent, i.e., the intent to do the act which caused the harm.<sup>166</sup> General intent may be inferred through

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<sup>159</sup> See, e.g., *United States v. Microsoft Corp.*, 253 F.3d 34, 59 (D.C. Cir. 2001).

<sup>160</sup> *United States v. Aluminum Co. of America*, 148 F.2d 416 (2d Cir. 1945).

<sup>161</sup> *United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966).

<sup>162</sup> *Aspen Skiing Co.*, 472 U.S. at 600-04.

<sup>163</sup> HOVENKAMP, *supra* note 56.

<sup>164</sup> *Aluminum Co. of America*, 148 F.2d at 432.

<sup>165</sup> HOVENKAMP, *supra* note 56.

<sup>166</sup> *Id.*

objective evidence that the firm had monopoly power and engaged in prohibited exclusionary practices.<sup>167</sup> This inference standard is based on the principle that "[i]mproper exclusion (exclusion not the result of superior efficiency) is always deliberately intended."<sup>168</sup>

Thus, for the purposes of a monopolization claim, objective evidence that the defendant engaged in exclusionary conduct is sufficient, but subjective evidence of intent may still be a powerful tool for the plaintiff.<sup>169</sup>

## **B. The Evolution of Intent Evidence in Modern Monopolization Cases**

Under *Aspen Skiing Co.*, intent evidence is relevant to inform the court's economic analysis and to aid in determining whether conduct is exclusionary.<sup>170</sup> Conduct is "exclusionary" if it "tends to impair the opportunities of rivals" and "either does not further competition on the merits or does so in an unnecessarily restrictive way."<sup>171</sup> In other words, the monopolist's dominance must arise as a result of diminished competition, not superior service. Modern monopolization cases indicate that intent evidence can actually tip the scales in favor of the plaintiff.

*Microsoft* provides an example of a defendant engaged in exclusionary conduct.<sup>172</sup> In that case, the government produced numerous documents of internal communications, including a document in which Microsoft executives singled out Netscape as a competitor and plotted "to cut off [Netscape's] air supply."<sup>173</sup> Another document stated the following as a strategic goal: "Kill cross-

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<sup>167</sup> *Id.*

<sup>168</sup> ROBERT BORK, *THE ANTITRUST PARADOX* 160 (1978).

<sup>169</sup> See, e.g., *United States v. Microsoft Corp.*, 253 F.3d 34, 59 (D.C. Cir. 2001). ("Evidence of the intent behind the conduct of a monopolist . . . helps us understand the likely effect of the monopolist's conduct."); *Chicago Bd. of Trade v. United States*, 246 U.S. 231, 238 (1918) (" . . . knowledge of intent may help the court to interpret facts and to predict consequences.").

<sup>170</sup> *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 604 (1985).

<sup>171</sup> 3 P. AREEDA & D. TURNER, *ANTITRUST LAW* (1978).

<sup>172</sup> *Microsoft*, 253 F.3d at 76.

<sup>173</sup> Rebecca Haw Allensworth, *Why the FTC's anti-Facebook lawsuit stands a chance*, MSN (Dec. 23, 2020), <https://www.msn.com/en-us/money/other/why-the-ftcs-anti-facebook-lawsuit-stands-a-chance/ar-BB1cbfm0>.

platform Java by growing the polluted Java market."<sup>174</sup> Statements like these undermined Microsoft's argument that its conduct was not predatory and helped the government win the case. The opinions of the *Microsoft* courts (both the D.C. circuit and the district court) support this contention. Specifically, regarding the company's conduct towards Java developers, the court found that Microsoft's own documents "confirm[ed] that Microsoft intended to deceive Java developers" and revealed that "Microsoft's ultimate objective was to thwart Java's threat to Microsoft's monopoly in the market for operating systems."<sup>175</sup> Thus, internal documents helped persuade the court of the defendant's intent to engage in exclusionary conduct.

Nevertheless, there are risks associated with relying too heavily on intent evidence.<sup>176</sup> The controversy surrounding intent evidence stems, in part, from the ambiguity of the law.<sup>177</sup> How much weight should be given to intent? Judge Hand's assertion that "no monopolist monopolizes unconscious of what he is doing" still stands.<sup>178</sup> Yet, one antitrust scholar quips, "[e]ven lawyers haven't been able to figure out exactly what that means."<sup>179</sup> Furthermore, critics of intent evidence argue for a strict economic approach to monopolization claims, and there is concern that intent evidence will only muddy the waters.<sup>180</sup> Because "CEOs are not economists and are sometimes prone to chest-thumping braggadocio," critics argue that communications between executives are "better for wowing juries than making an economic argument."<sup>181</sup> Despite these criticisms, cases like *Microsoft* show that some monopolization cases require more than a strict economic analysis based solely on empirical data.

Furthermore, the strict economic analysis may be especially deficient in high technology markets, "where reduced innovation competition, not higher prices and less output, is the primary antitrust concern."<sup>182</sup> Such high technology markets pervade the modern economy. In these kinds of markets, particularly those with established

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<sup>174</sup> *Id.*

<sup>175</sup> *Microsoft*, 253 F.3d at 81.

<sup>176</sup> Allensworth, *supra* note 173.

<sup>177</sup> *Id.*

<sup>178</sup> *United States v. Aluminum Co. of America*, 148 F.2d 416 (2d Cir. 1945).

<sup>179</sup> Allensworth, *supra* note 173.

<sup>180</sup> Mariano Lao, Article: *Reclaiming a Role for Intent Evidence in Monopolization Analysis*, 54 AM. U.L. REV. 151, 157 (2004).

<sup>181</sup> Allensworth, *supra* note 173.

<sup>182</sup> Lao, *supra* note 180 at 157-158.

“network effects,” proving anticompetitive conduct would require speculating about the impact of conduct on future innovation.<sup>183</sup>

Additionally, Direct network effects are a major barrier to entry for competitors in social networking. Because the primary purpose of personal social networking is to engage with personal connections, “it is very difficult for a new entrant to displace an established personal social network in which users’ friends and family already participate.”<sup>184</sup> Accordingly, without intent evidence, “it may be unclear whether a dominant firm’s business strategy, which has succeeded in excluding other firms, has anticompetitive effects, or efficiency effects, or perhaps both.”<sup>185</sup> Basically, the plaintiff would bear the burden of proving that potential competitors *could have* entered the market, but for the anticompetitive conduct of the dominant firm. Moreover, the plaintiff must meet this burden in a market where anticompetitive effects are a natural consequence of business. Thus, the rise of technological markets and network effects may expand the use of intent evidence in monopolization cases.

### **C. Intent Evidence Will Play a Prominent Role in the Case Against Facebook**

In the instant case, because the government alleged monopolization, it need only show exclusionary conduct by Facebook to meet the intent requirement. But despite this lower intent standard, the FTC’s complaint is jam-packed with internal communications and memoranda in which Facebook executives seem to expressly contemplate anticompetitive behavior. The statements of Facebook CEO, Mark Zuckerberg, in particular, raised the eyebrows of antitrust scholars, students, and professors everywhere.

Rebecca Haw Allensworth, antitrust scholar and Professor at Vanderbilt Law School, was quick to point out the potential significance of intent evidence in the case against Facebook. “As I read the FTC’s summary of the arguments it plans to make at trial,” she said, “I began to highlight every direct quote from an internal Facebook communication. My highlighter ran out of ink.”<sup>186</sup> According to Allensworth, “Mark Zuckerberg’s own words play a

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<sup>183</sup> *Id.*

<sup>184</sup> Complaint, *FTC v. Facebook*, *supra* note 23 at 19:65.

<sup>185</sup> Lao, *supra* note 180 at 158.

<sup>186</sup> Allensworth, *supra* note 173.

starring role in the government's case to break up his social network."<sup>187</sup> In other words, the written statements of Facebook's CEO may become valuable evidence for the government. The phrase which is likely to haunt Mr. Zuckerberg throughout the upcoming litigation (and which is quoted by the FTC at least four times in the complaint) comes from a 2008 email in which Zuckerberg stated: "It is better to buy than compete."<sup>188</sup> Unfortunately for Facebook, this damning declaration by the company's CEO is only the tip of the iceberg of intent evidence.

In 2012, after the Instagram acquisition, Zuckerberg wrote another supercilious email, stating: "Instagram was our threat . . . One thing about startups though is you can often acquire them."<sup>189</sup> Understandably, the FTC jumped on these communications, among many others, as evidence of Facebook's blatant monopolistic behavior. Professor Allensworth notes that while "internal documents can come back to haunt antitrust defendants," she has "never seen a plaintiff's case rely so heavily on a CEO's own words."<sup>190</sup>

In spite of the inherent risks of "basing a monopolization case on a CEO's own explanations of his conduct."<sup>191</sup> Professor Allensworth contends that the "FTC's choice to hoist Facebook by its own petard makes sense."<sup>192</sup> Since Zuckerberg's communications are "voluminous and specific in describing how the mergers will insulate his company from competition" they negate most of the problems that critics have with using "hot documents" to make an antitrust case.<sup>193</sup>

Additionally, in case the court dismisses Zuckerberg's statements as mere "chest-thumping braggadocio" of a high-handed CEO, the FTC's complaint includes various communications between lower-level Facebook employees describing the company's conduct as "unethical" and "anti-user." One dubious employee questioned Facebook's allegedly anticompetitive API policy, noting "we're scared that we can't compete on our own merits."<sup>194</sup> Even more damning was an instant message sent out by a manager after the acquisition of WhatsApp, stating that the \$19 billion acquisition was "worth it"

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<sup>187</sup> *Id.*

<sup>188</sup> Complaint, *FTC v. Facebook*, *supra* note 23 at 2:5, 4:13, 7:20, 21:72.

<sup>189</sup> *Id.* at 4:15.

<sup>190</sup> Allensworth, *supra* note 173.

<sup>191</sup> *Id.*

<sup>192</sup> *Id.*

<sup>193</sup> *Id.*

<sup>194</sup> Complaint, *FTC v. Facebook*, *supra* note 23 at 2:5.

because “[it] *prevents probably the only company which could have grown into the next FB purely on mobile.* . . . [1]0% of our market cap is worth that.”<sup>195</sup> Even if the court is reluctant to rely on intent evidence, it would be remiss to allow such statements from insiders to go unnoticed.

Furthermore, personal social networking is a high technology market with strong network effects.<sup>196</sup> The FTC makes this exact point, again turning to Facebook’s internal communications: “Facebook’s internal documents confirm that it is very difficult to win users with a social networking product built around a particular social “mechanic” (i.e., a particular way to connect and interact with others, such as photo-sharing) that is already being used by an incumbent with dominant scale.” Even an entrant with a “better” product often cannot succeed “against the overwhelming network effects enjoyed by a dominant personal social network.”<sup>197</sup> Thus, without intent evidence, the court’s exclusionary conduct analysis will require significant guesswork.

In conclusion, the case against Facebook provides the court with an opportunity to adjust its monopolization analysis to the modern marketplace. The winner-take-all nature of high technology markets with network effects necessitates a higher level of antitrust scrutiny. As such, cases like the instant one could turn on intent evidence. Professor Allensworth summarizes that, from an antitrust scholar’s point of view, what is “truly remarkable about this case is not the volume of internal quotes in the complaint, but the paper trail a sophisticated CEO like Zuckerberg created of Facebook’s transgressions which is now why a federal antitrust lawsuit poses an existential threat to his company.”<sup>198</sup> Thus, internal communications can be powerful evidence, especially where the defendant’s anticompetitive intent is unambiguous and extensively documented.

## V. CAN THE FTC UN-RING THE BELL?

Armed with the basic principles of antitrust law and § 2 of the Sherman Act, this article considered the FTC’s case against Facebook within the framework of a monopolization claim. Then, based on the

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<sup>195</sup> *Id.* at 37:122 (emphasis added).

<sup>196</sup> *Id.* at 2:6.

<sup>197</sup> *Id.*

<sup>198</sup> Allensworth, *supra* note 173.



allegations in the complaint, the conversation zeroed in on two specific issues of law: (1) the threshold matters of the relevant market definition and market share; and (2) the relevance of the intent requirement in determining whether conduct was exclusionary. Obviously, the FTC's complaint gives rise to many interesting antitrust inquiries, but without more, one can only speculate about the future of this case. Accordingly, the final sections of this article will zoom out, examining the case against Facebook in terms of the current big tech landscape.

This section explains the FTC's authority to create appropriate remedies as litigation unfolds. Next, this section contends that the unique nature of technological markets and the government's own missteps could make it difficult, if not impossible, to remedy the damage caused by Facebook's alleged violations. Finally, this section discusses possible ripple effects of antitrust litigation and asserts that the government made the right choice by bringing the instant claim.

## **A. Finding the Right Remedies Won't Be So Easy**

The ultimate goal of any antitrust lawsuit is to restore the competitive market, and the court has broad powers when it comes to determining the appropriate remedy for antitrust violations. Director of the Bureau of Competition, Ian Conner, noted in a recent speech that “[r]emedies are crucial because they are where the abstract theoretical and analytical work of antitrust meets the real world.”<sup>199</sup> The FTC's remedial authority is authorized by Section 13(b) of the FTCA, which provides, in part, that “the Commission may seek, and after proper proof, the court may issue, a permanent injunction” from the alleged anticompetitive conduct.<sup>200</sup> Conner confidently contends that the FTC's “expertise in constructing custom-made remedies for complex cases is one of the Commission's flagship advantages as an antitrust enforcer.”<sup>201</sup>

Still, if the government prevails against Facebook, lack of antitrust precedent in big technology markets will impact the court's determination of appropriate remedies. As noted in a recent report by

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<sup>199</sup> Ian Conner, Director, Bureau of Competition, Federal Trade Commission, GCR Live 9th Annual Antitrust Law Leaders Forum: *Fixer Upper: Using the FTC's Remedial Toolbox to Restore Competition* (Miami Beach, Florida February 8, 2020).

<sup>200</sup> 15 U.S.C. § 53(b).

<sup>201</sup> Conner, *supra* note 199.

the Brookings Institute, “[t]he problems of today’s increasingly globalized, concentrated, and unequal economy are very different from those of the late 1970s, when the broad outlines of today’s antitrust regime took shape.”<sup>202</sup> The government might be confident in its ability to create a “custom-made” remedy in each new case, but at this point, the future of antitrust enforcement in the new economy is theoretical at best.

The FTC recognizes the long road ahead. The agency noted that it will develop an “understanding of what an appropriate remedial package would look like” as the litigation proceeds, and that “it’s too early to say definitively what would be necessary and appropriate to restore competition here.”<sup>203</sup> However, even armed with all the necessary information, federal enforcers cannot always predict the ways in which a monopolist will monopolize. This is illustrated by the fact that the challenged mergers of Instagram and WhatsApp were actually examined and approved in advance by the federal government through the Hart-Scott-Rodino (“HSR”) notification process.<sup>204</sup>

Now, according to Facebook, “the agency is saying it got it wrong and wants a do-over.”<sup>205</sup> The company further attacks the FTC’s change of position as “revisionist history” and contends that the

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<sup>202</sup> William A. Galston & Clara Hendrickson, *Report – A policy at peace with itself: Antitrust Remedies for our concentrated, uncompetitive economy*, THE BROOKINGS INSTITUTE (Jan. 5, 2018), <https://www.brookings.edu/research/a-policy-at-peace-with-itself-antitrust-remedies-for-our-concentrated-uncompetitive-economy/>.

<sup>203</sup> *The FTC’s Facebook Suit: Questions and Answers*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/news-events/facebook-q-a> (last visited Jan. 12, 2022).

<sup>204</sup> See *Federal Trade Commission, premerger notification program*, FEDERAL TRADE COMMISSION, <https://www.ftc.gov/enforcement/premerger-notification-program> (“The Hart-Scott-Rodino Act established the federal premerger notification program, which provides the FTC and the Department of Justice with information about large mergers and acquisitions before they occur. The parties to certain proposed transactions must submit premerger notification to the FTC and DOJ. Premerger notification involves completing an HSR Form, also called a ‘Notification and Report Form for Certain Mergers and Acquisitions,’ with information about each company’s business. The parties may not close their deal until the waiting period outlined in the HSR Act has passed, or the government has granted early termination of the waiting period.”).

<sup>205</sup> Jack Purcher, *Facebook Responds to the FTC Lawsuit by claiming it to be Revisionist History*, PATENTLY APPLE (Dec. 9, 2020, 4:25 PM), <https://www.patentlyapple.com/patently-apple/2020/12/facebook-responds-to-the-ftc-lawsuit-by-claiming-it-to-be-revisionist-history.html>.

lawsuit “risks sowing doubt and uncertainty about the US government’s own merger review process and whether acquiring businesses can actually rely on the outcomes of the legal process.”<sup>206</sup> Facebook certainly has a point about the merger review process, but ultimately the government’s prior approval of the mergers does not affect its power to take enforcement action.<sup>207</sup>

Even so, the government’s approval of the challenged mergers will impact its ability to break up those mergers in the future. While the FTC may seek to break up “consummated mergers,” a recent study on merger remedies noted that “the Commission may face significant challenges in crafting a remedy for a consummated merger, especially if the acquired business has been merged and its assets combined with those of the acquiring firm.”<sup>208</sup> Despite the FTC’s broad authority to restore the competitive market with antitrust remedies, there is no denying the long and arduous road ahead. In the words of Director Conner, “[s]ometimes we cannot fully un-ring the bell, but we will do our best.”<sup>209</sup>

## **B. The Effects of Lengthy Litigation**

Although antitrust precedent in technological markets is sparse, the landmark case of *U.S. v. Microsoft* bears many similarities to the case against Facebook.<sup>210</sup> A closer look at the “real word” effects of the *Microsoft* litigation may provide some clues for what the public can expect moving forward.

First, *Microsoft* made clear that the technology industry moves faster than the courts. The case against Microsoft lasted nearly a decade.<sup>211</sup> During that time, the technological landscape for computer software and internet browsing changed dramatically. One tech

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<sup>206</sup> *Id.*

<sup>207</sup> *Id.*

<sup>208</sup> *The FTC’s Merger Remedies 2006-2012* (Jan. 2017), FEDERAL TRADE COMMISSION [https://www.ftc.gov/system/files/documents/reports/ftcs-merger-remedies-2006-2012-report-bureaus-competition-economics/p143100\\_ftc\\_merger\\_remedies\\_2006-2012.pdf](https://www.ftc.gov/system/files/documents/reports/ftcs-merger-remedies-2006-2012-report-bureaus-competition-economics/p143100_ftc_merger_remedies_2006-2012.pdf).

<sup>209</sup> Conner, *supra* note 199.

<sup>210</sup> Kelly Anne Smith, *What You Need To Know About The Facebook Antitrust Lawsuit*, FORBES ADVISOR (Jan. 28, 2021, 10:47 AM), <https://www.forbes.com/advisor/investing/facebook-antitrust-lawsuit/>.

<sup>211</sup> *Id.*

commentator noted that, “by the time the case was finally over, the issues that seemed so crucial in the 1990s were sort of beside the point in 2004 when it finally drew to a close.”<sup>212</sup> Thus, in highly technological markets, lengthy litigation and appellate processes may produce an undesired effect – that technology at the center of the challenged conduct becomes outdated with the passage of time. The market may move on while the court expends valuable time and resources on matters that are no longer consequential.

There is also a risk that the monopolist’s power will only grow during the time spent litigating. Early on, statutes governing appeals in antitrust cases reflected this very concern. Specifically, under the Expediting Act, antitrust appeals went directly to the Supreme Court, bypassing an entire level of appellate review.<sup>213</sup> However, the statute was repealed in 1974 and now all appeals must go through intermediate appellate courts unless the district court certifies that immediate Supreme Court review is of “general public importance in the administration of justice.”<sup>214</sup> Interestingly, district courts have only certified three cases for direct appeal, one of which was *U.S. v. Microsoft*, but the Supreme Court declined to hear the case.<sup>215</sup>

Some scholars argue that “the case for legislation that reinstates [the Expediting Act] rule is strong,” especially with regard to monopolization claims under § 2 of the Sherman Act.<sup>216</sup> Those who argue for reinstating the appellate rule contend that “[t]he longer monopoly abuses are allowed to persist, the more entrenched offenders become, and the more unlawful rents they can extract from consumers.”<sup>217</sup> Furthermore, “[f]orcing firms to disgorge these ill-gotten gains after the fact is difficult at best, and there is no way of compensating potential entrepreneurs whom monopolistic firms

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<sup>212</sup> Trading Places Research, *The FTC Vs. Facebook: A Long Road Ahead*, SEEKING ALPHA (Dec. 11, 2020, 2:38 PM), <https://seekingalpha.com/article/4394319-ftc-vs-facebook-long-road-ahead> (“One of the most notable precedents, the Microsoft antitrust case, shows how long, arduous and sometimes unsuccessful these lawsuits can prove to be.”).

<sup>213</sup> R. Hewitt Pate, Assistant Attorney General, Antitrust Division, U.S. Department of Justice, Address at British Institute of International and Comparative Law Conference: *Antitrust Law in The U.S. Supreme Court* (London, England, May 11, 2004).

<sup>214</sup> 15 U.S.C. § 29(b).

<sup>215</sup> Pate, *supra* note 213.

<sup>216</sup> Trading Places Research, *supra* note 212.

<sup>217</sup> *Id.*

deterred from starting new businesses.”<sup>218</sup> Thus, a slow and cumbersome litigation process might make it even harder to formulate appropriate remedies.

### **C. Litigation is Still Beneficial Because It Puts Unethical Conduct in the Spotlight**

Despite the obvious shortcomings of long-drawn-out court processes, the competitive market may still benefit from the onset of antitrust litigation. By filing a monopolization claim (and making the complaint available to the public), the government forces the defendant’s conduct into the spotlight. In turn, increased pressure to comply with the law and placate public opinion may deter further anticompetitive conduct.

Moreover, public scrutiny resulting from ongoing antitrust litigation can affect the defendant firm’s stock value. Again, *Microsoft* provides a good example. A recent *Forbes* article points out that “[w]hen Microsoft lost the initial case and was found to have broken antitrust laws, its stock price dropped 14%—and shares of [Microsoft] didn’t recover for a decade and a half.”<sup>219</sup> Thus, even if the government ultimately lost the case, “Facebook could still be weakened by the outcome, like Microsoft two decades earlier.”<sup>220</sup>

Media attention and federal investigation may have already caused Facebook to change its policies. According to the FTC, “Facebook’s suspension of the explicit anticompetitive conditioning policy in December 2018 was driven by anticipated public scrutiny from the release of the documents.”<sup>221</sup> The government supports this assertion by noting that the day after the company announced its policy change, “a Member of the U.K. Parliament published a cache of documents . . . highlighting Facebook’s anticompetitive conduct towards app developers.”<sup>222</sup> However, public scrutiny won’t be enough to deter Facebook’s conduct forever. Accordingly, the government argues that the policy change “did not represent a disavowal by

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<sup>218</sup> *Id.*

<sup>219</sup> Smith, *supra* note 210.

<sup>220</sup> *Id.*

<sup>221</sup> Complaint, *FTC v. Facebook*, *supra* note 23 at 44:149.

<sup>222</sup> *Id.* at 44:148.

Facebook of the underlying anticompetitive conduct” and “Facebook is likely to reinstitute such policies if such scrutiny passes.”<sup>223</sup>

In summary, the modern economy presents new challenges to antitrust enforcement and the government faces many hurdles on the road to remedies. The government’s prior approval of the Instagram and WhatsApp mergers and subsequent backpedaling demonstrates a lack of foresight by antitrust enforcers with regard to big technology markets. Additionally, delay caused by long and complex litigation may hinder the government’s remedial abilities. But despite these challenges, antitrust litigation benefits consumers and competition alike. Information learned throughout the litigation process can help develop the government’s understanding of the new economy, and media attention surrounding the case can hamper further anticompetitive conduct by Facebook. Therefore, the FTC made the right choice by suing Facebook.

## CONCLUSION

In conclusion, the FTC’s monopolization case against Facebook is an opportunity for the court to reevaluate antitrust precedent. Facebook possesses an unprecedented kind of monopoly power. The company’s decisions directly impact the spread of information and public discourse in the United States. Proving monopolization in the modern economy will be challenging, but it’s a good thing the government stepped up when it did.

As the case moves along, the parties will likely battle over the company’s market share and the government’s use of intent evidence. Consumers and advertisers who use Facebook’s services would be well served to follow these issues as they arise, because the court’s determinations on such issues will impact the outcome of the case.

In the end, there is no perfect legal remedy to restore the competitive market and cure all of Facebook’s illegal conduct. The litigation process is not perfect, and technology may move faster than the courts. But when it comes to Facebook’s monopoly power, any action is better than inaction. Antitrust litigation allows the government to gather information about Facebook’s business practices and places the company under public scrutiny. It sends a message that unethical conflict will no longer be tolerated.

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<sup>223</sup> *Id.* at 44:149.

The truth is, it's *not* better to buy than compete. Not for the market, not for consumers, and not for competitors. The future of the FTC's case is up in the air, but one thing is clear: to secure a place in future marketplace, Facebook will have to start competing again.

BRIDGING THE GAP BETWEEN COMMON LAW TRADEMARK  
AND THE DIGITAL AGE: AN ANALYSIS OF THE TRADEMARK  
DISPUTE BETWEEN ANITA WHITE AND THE BAND  
FORMERLY KNOWN AS LADY ANTEBELLUM

NATHANIEL PARKER HOBBS

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## INTRODUCTION

Anita White (hereinafter “White”) is a talented, 62-year-old blues singer based in Seattle, Washington. She found her passion for singing at a young age when she and her friends sang karaoke together. White was very shy and was not ready for the world to see her up on stage just yet, so she adopted the stage name “Lady A” when she performed karaoke. Eventually, she began writing, recording, and performing her own music under that name. Since 1987<sup>1</sup> Lady A has recorded and released six albums and performed thousands of shows across the United States.<sup>2</sup>

On June 11, 2020, White was bombarded with phone calls and messages from friends, fans, and producers, alerting her to a jarring fact: her name had been appropriated halfway across the country.<sup>3</sup> The country band formerly known as Lady Antebellum (hereinafter “the Band”) announced earlier that day that it had decided to change its name to Lady A due to increased national concerns with racism and romanticization of the pre-American Civil War era associated with its name.<sup>4</sup> Specifically, the Band stated, “After much personal reflection,

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<sup>1</sup> Gil Kaufman, *Which Lady A Has the Rights to the Name? It’s Complicated*, BILLBOARD, (Jul. 17, 2020), <https://www.billboard.com/pro/lady-a-who-has-rights-to-name-experts/>.

<sup>2</sup> Complaint, *White v. Lady A Entm’t*, No. 2:20-cv-01360-RSM, 3:20, 4:4, (W.D. Wash. Sept. 15, 2020).

<sup>3</sup> Amy X. Wang & Ethan Millman, *Lady Antebellum Is Now “Lady A,” But So is a Blues Singer Who’s Used the Name for 20 Years*, ROLLING STONE, (Jun. 12, 2020), <https://www.rollingstone.com/pro/news/lady-antebellum-lady-a-country-blues-1013919/>.

<sup>4</sup> See generally, *A Timeline of the George Floyd and Anti-Police Brutality Protests*, ALJAZEERA, (June 11, 2020), <https://www.aljazeera.com/news/2020/6/11/a-timeline-of-the-george-floyd-and-anti-police-brutality-protests> (On May 25, 2020, George Floyd, a 46-year-old black man, was killed by police officer Derek Chauvin during

band discussion, prayer and many honest conversations with some of our closest Black friends and colleagues, we have decided to drop the word ‘Antebellum’ from our name and move forward as Lady A, the nickname our fans gave us almost from the start.”<sup>5</sup> The Band acted swiftly, changing all of its social media and digital streaming platform names to match the name change.<sup>6</sup> Despite the Band’s good intentions to change its name in the wake of the country’s race relation conflicts, its decision threatened to overshadow a prominent Black artist who had been using the name for decades.<sup>7</sup>

Initially, White was very upset that the members of the Band had not reached out to her prior to announcing the sudden name change.<sup>8</sup> After the announcement had been made, she and the members of the Band connected via Zoom to discuss mutual actions moving forward.<sup>9</sup> Unfortunately, these conversations and negotiations quickly broke down, culminating in two trademark suits spanning almost the entire length of the continental United States.<sup>10</sup> In the Western District of Washington, White asserted that, although she does not possess a federally registered trademark in the name Lady A, she possesses a strong common law trademark right which supersedes any claim the

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an arrest in Minneapolis. The following day, May 26, 2020, protests began in Minneapolis with protestors demanding that Chauvin and the other three officers involved, be held accountable. Between May 26 and June 7, 2020, protests spread across the United States and in many other countries, including the United Kingdom, New Zealand, Canada, and Brazil. Many of the protests were met with violence by police. On June 7, 2020, several Confederate-era statues and memorials across the southern United States were targeted by protestors, some being toppled or removed by cities).

<sup>5</sup> @ladya, TWITTER (Jun. 11, 2020), <https://twitter.com/ladya/status/1271094931227119620>.

<sup>6</sup> Wang & Millman, *supra* note 3.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> @ladya, TWITTER (Jun. 15, 2020), <https://twitter.com/ladya/status/1272665363889754113>; Anita White (@ladya\_bluesdiva), INSTAGRAM, <https://www.instagram.com/p/CBeiDpAHN6z/> (Jun. 15, 2020).

<sup>10</sup> Complaint, *White v. Lady A Entm’t*, No. 2:20-cv-01360-RSM, 4:14-20 (W.D. Wash. Sept. 15, 2020); Melinda Newman, *The Band Lady A Files Lawsuit Against Singer Anita “Lady A” White*, BILLBOARD, (Jul. 8, 2020), <https://www.billboard.com/articles/business/legal-and-management/9415420/lady-a-band-lawsuit-singer-anita-lady-a-white/>; Kaufman, *supra* note 1; Amy X. Wang, *What Is Lady A’s Case Against the Other Lady A?* ROLLING STONE (July 13, 2020, 12:15 AM), <https://www.rollingstone.com/pro/news/lady-a-lady-antebellum-lawsuit-case-1026653/>.

Band may have to the name.<sup>11</sup> In the Middle District of Tennessee, the Band filed for a declaratory judgment in its favor, which would grant it the right to use the mark Lady A either concurrently with White, or to her exclusion.<sup>12</sup> The existence of this parallel litigation raises an interesting question of personal jurisdiction that, while crucial to the case, falls outside of the scope of this Note.<sup>13</sup> Since announcing the

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<sup>11</sup> Complaint, *White* at 8:24, 10:12-14.

<sup>12</sup> Newman, *supra* note 10.

<sup>13</sup> There was an initial issue as to which court would hear the case. On the one hand, the Western District of Washington, where White filed her trademark infringement claim, might have been successful in its exercise of personal jurisdiction over the Band. The Band has performed in the state of Washington, sells music and merchandise within the state of Washington, and has communicated with White in the state of Washington. Whether the Middle District of Tennessee may exercise personal jurisdiction is more complicated. In order for a court to have proper jurisdiction over White in a declaratory judgment action, there must be an “actual controversy.” U.S. Const. Art. III, § 2201. Under all the circumstances, a substantial controversy must exist between the parties who have adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. *See Maryland Gas, Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941). *But see World Religious Relief v. Gospel Music Channel*, 563 F. Supp. 2d 714, 716 (E.D. Mich. 2008) (holding that at the time of filing for a declaratory judgment, the parties had only exchanged letters with no imminent prospect of litigation, making the declaratory judgment filing premature). *See Avocent Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1332-33 (Fed. Cir. 2008) (holding that the relevant inquiry for specific personal jurisdiction in an action seeking a declaratory judgment of non-infringement becomes a question of the extent the defendant patentee purposefully directed enforcement of its patent at residents of the forum, and the extent to which the declaratory judgment claim arises from those actions). Other cases have applied the Federal Circuit’s reasoning to suits seeking a declaration of non-infringement of other intellectual property rights, including trademarks. *See Bridgeport Music, Inc. v. TufAmerica, Inc.*, No. 18-10141. 2019 U.S. Dist. LEXIS 128708 (E.D. Mich. Feb. 20, 2019); *Want2Scrap, LLC v. Larsen*, No. 1:17-CV-443-PRC, 2018 U.S. Dist. LEXIS 61839 (N.D. Ind. April 9, 2018); *Am. Intercontinental Univ., Inc. v. Am. Univ.*, No. 16 C 10669, 2017 U.S. Dist. LEXIS 128563 (N.D. Ill. Aug. 14, 2017); *Ontel Prods. Corp. v. Mindscope Prods.*, 220 F. Supp. 3d 555, 561-62 (D.N.J. Dec. 8, 2016); *Mike’s Train House, Inc. v. Metro. Transp. Auth.*, No. 16-cv-02031-JFM, 2016 U.S. Dist. LEXIS 155860 (D. Md. Nov. 9, 2016); *New Belgium Brewing Co. v. Travis Cnty. Brewing Co. LLC*, No. 15-cv-00272-MEH, 2015 U.S. Dist. LEXIS 58085 (D. Colo. May 1, 2015); *United Bully Kennel Club v. Am. Bully Kennel Club, Inc.*, No. 11-80682-CIV, 2011 U.S. Dist. LEXIS 163196 (S.D. Fla. Oct. 5, 2011). In the instant action by the Band seeking a declaration of noninfringement, the Band moved to dismiss White’s action in Washington, hoping to litigate in Tennessee. *See Motion to Dismiss, White v. Lady A Entm’t*, No. 2:20-CV-01360-RSM (W.D. Wash. Oct. 13, 2020). White likewise moved to dismiss the action in Tennessee on the grounds that the Middle District of Tennessee will not be capable of exercising personal jurisdiction over White because she took no substantial

name change, the Band has released three full length projects, a single, and toured the country under the name Lady A.<sup>14</sup> Meanwhile, the impact of this trademark dispute has spread beyond the two parties, inflicting collateral damage on artists like Lilli Lewis, whose latest album was temporarily taken down by Spotify for featuring White as a contributor under her stage name.<sup>15</sup>

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actions within Tennessee to enforce her alleged trademark rights or enjoin the Band from using the name. *See* Response to Motion to Dismiss, *White*, No. 2:20-CV-01360-RSM (W.D. Wash. Nov. 3, 2020). Typically, though, in the event of parallel litigation, the first-to-file rule gives priority to the first party to file a claim, though courts still have discretion to dismiss the first filed action where there is evidence of an “improper anticipatory suit motivated by forum shopping.” *J.M. Smucker Co. v. Promotion in Motion, Inc.*, 420 F. Supp. 3d 646, 659, 661 (N.D. Oh. 2019); *See also* *Baatz v. Columbia Gas Transmission, LLC*, 814 F.3d 785, 789 (6th Cir. 2016). White moved for an exception to the first to file rule in the present case owing to the speed that the Band filed for a declaratory suit while White was still willing to negotiate terms of coexistence, as well as the likely insufficient settling of the controversy in the event of a declaratory judgment. Of particular weight was the fact that White has filed a coercive suit regarding the same controversy in her appropriate position as the plaintiff, which is an “inherently more effective litigation vehicle.” *AmSouth Bank v. Dale*, 386 F.3d 763, 791 (6th Cir. 2004). The Band moved to dismiss or stay White’s claim in Washington and its motion to stay was granted, pending a decision on White’s motion to dismiss in Tennessee. Motion to Dismiss, *White v. Lady A Entm’t*, No 2:20-cv-01360 (W.D. Wash. Apr. 13, 2021). Ultimately, the judge in the Middle District of Tennessee declined to dismiss the Band’s claim and force a transfer of the case to Washington. Chris Cooke, *Judge Declines to Force Lady A v Lady A Case to Washington State*, COMPLETE MUSIC UPDATE, (May 14, 2021), <https://completemusicupdate.com/article/judge-declines-to-force-lady-a-v-lady-a-case-to-washington-state/>. According to the judge, White had sufficient contacts with the forum state of Tennessee through the availability of her music online, her performances in Tennessee, and the fact that she engaged legal representation in Tennessee. *Id.* The case was set to reach trial in Spring 2022 but was settled. *White v. Lady A Entm’t*, No. 2:20-CV-01360-RSM, Joint Motion to Dismiss by All Parties (motion granted Jan. 31, 2022). At the time of publication, the terms of the settlement have not been made public.

<sup>14</sup> *News*, LADY A, <https://www.ladyamusic.com/news> (last visited Dec. 21, 2021).

<sup>15</sup> Lilli Lewis released her album *Americana* on Oct. 29, 2021. Within two weeks the album had been restricted by Spotify “due to Lady A being listed as a featured artist on a track.” Lilli Lewis (@folkrockdiva), TWITTER, <https://twitter.com/folkrockdiva/status/1460319733979439105>. At the time, it was unclear if the song featuring White was flagged because the algorithm mistakenly believed that Lewis was falsely claiming the band to be a contributor or because the name itself is tied up in legal disputes. Keith Spera, *Lady A Controversy Got New Orleans Songwriter Lilli Lewis’ “Americana” Deleted from Spotify*, NOLA.COM, (Nov. 16, 2021), [https://www.nola.com/entertainment\\_life/keith\\_spera/article\\_fa41d56a-471c-11ec-9f06-cf06a3b0b67d.html](https://www.nola.com/entertainment_life/keith_spera/article_fa41d56a-471c-11ec-9f06-cf06a3b0b67d.html). After much backlash, Spotify reuploaded *Americana* with

The Band has multiple federally registered trademarks in the name Lady A while White only holds a common law trademark. Presuming that the Band is the rightful and exclusive owner of the name due to its federal trademarks raises serious questions of equity and fairness.<sup>16</sup> The Band's federal registration forms a strong presumption in its favor that it is the rightful owner of the mark and may therefore exclude all others from using the Lady A mark in the United States.<sup>17</sup> However, White's assertion of common law trademark rights in her stage name do not rely on a federal registration. Those interests are based on prior use in commerce, meaning that if White used the name as a trademark in interstate commerce<sup>18</sup> prior to the Band, she may have a stronger right to use the name, and to exclude the Band from using it.<sup>19</sup>

The question now is: how should a court in any state, let alone Washington or Tennessee decide who has a stronger right to use the name Lady A? Unfortunately, while there are available solutions to this question, they give way to more questions in the end such as: should the federal registration of the mark govern to the exclusion of all other rights and policy concerns; how can two parties using a similar mark coexist in the digital age, where geographic boundaries are practically nonexistent; and is it equitable to allow one party to control a mark nationally even if they were not the first to adopt it?

This Note will compare common law trademark rights with federally registered trademark rights by identifying the policy goals of

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no restrictions, but the entire ordeal makes it seem like coexistence of the two trademarks will be impossible. *Id.* Lewis stated that she was thankful this happened because it "proved the point that Anita has been trying to make all along: that people are impacted by this. And it's not just her. Anybody that she collaborates with is impacted by this." *Id.*

<sup>16</sup> Lady A® 2011, Lady A Entertainment LLC, Nashville, TN, USA; Lady A® (registering the mark for use in entertainment services in the nature of live performances) 2011, Lady A Entertainment LLC, Nashville, TN, USA (registering the mark for use in clothing); Lady A® 2011, Lady A Entertainment LLC, Nashville, TN, USA (registering the mark for use in a series of musical sound recordings); Lady A™ 2020, Lady A Entertainment LLC, Nashville, TN, USA (registering the mark for use in retail souvenir and music store services).

<sup>17</sup> Wang, *supra* note 10.

<sup>18</sup> In order to assert nationwide trademark protection, the mark in question must be used in interstate commerce as either a trademark or a service mark. It is possible to register a trademark with a state's trademark office, earning protection only in that state. The focus of this Note is on nationwide trademark rights for both registered and unregistered trademarks.

<sup>19</sup> Wang & Millman, *supra* note 3.

each, showing where these goals have failed to be met, and, in gauging where trademark jurisprudence stands today, suggesting significant changes to better streamline American trademark law. Section I will generally explain common law trademarks in America, and the significance of the Lanham Act and its federal registration requirements. Section II will identify the numerous problems to which the modern trademark system has given rise, as well as some of the attempted solutions to such problems. Finally, Section III will propose a solution that, though lofty in its endeavor, aims to simplify modern trademark law in America by eliminating the disparity between common law trademark rights and federally registered trademark interests. Throughout this Note, the now settled dispute between the members of the Band and White will be frequently referenced as a real-time illustrative example of many of the problems addressed in this Note.<sup>20</sup>

## I. COMMON LAW TRADEMARKS AND THE LANHAM ACT

The slow historical progression of trademark law and protections for consumers and businesses in the United States has created a need for a major overhaul in the application of those rights and protections. This section will address that progression, touching on: common law trademark rights prior to Congressional intervention; the creation of the “Concurrent Use Doctrine” in an attempt to balance the rights of multiple users of similar marks; the development of the “zone of actual goodwill” to further limit confusion among consumers when multiple parties use the same mark; and the introduction of the Lanham Act, which attempted to incorporate parts of the common law, though still leaves much to be desired.

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<sup>20</sup> *White*, Joint Motion to Dismiss by All Parties *supra* note 13; Joseph Hudak, *Lady A Name Lawsuit: Country Trio and Anita White Settle Dispute*, ROLLING STONE, (Feb. 1, 2022), <https://www.rollingstone.com/music/music-news/lady-a-name-lawsuit-anita-white-1293434/>; Nardine Saad, *Country trio Lady A's messy dispute with singer Lady A finally appears to be settled*, LOS ANGELES TIMES (Feb. 2, 2022), <https://www.latimes.com/entertainment-arts/music/story/2022-02-02/lady-a-trademark-lawsuit-dropped-anita-white-lady-antebellum> (“... White’s spokesperson referred to her as ‘the Real Lady A’ and said that White and the country trio reached ‘a confidential, mutually agreeable solution.’”).

## A. Common Law Trademarks Prior to the Lanham Act

The term “trademark” means any word or symbol used in commerce to identify goods and services and distinguish the source of those goods or services.<sup>21</sup> Under the traditional common law, a trademark owner only had rights to that mark in the geographic area where it was used in commerce and had garnered goodwill.<sup>22</sup> Goodwill is defined as the “intangible worth of buyer momentum emanating from the reputation and integrity earned by the company”<sup>23</sup> and forms the basis of trademark rights where such goodwill is found.<sup>24</sup> All trademark infringement claims rest on fact-intensive findings of public confusion.<sup>25</sup> Consider the following examples. If two parties sell products with the same or similar marks in an overlapping geographic area, those marks will likely be indistinguishable and confusing to the public.<sup>26</sup> But where the parties are geographically remote, each with its own trade territory, confusion on the part of consumers is less likely and, generally speaking, concurrent use of the similar marks is permissible.<sup>27</sup>

What happens, though, when one of these parties begins to expand, drawing closer and closer to the market of another party using the same or similar mark? The answer is extremely fact dependent.<sup>28</sup> Even a small number of sales in a common physical location may be sufficient to result in consumer confusion.<sup>29</sup> In that instance, the first to use a mark in that market, the “senior user,” may, generally, enjoin the new, “junior user,” from using the confusingly similar mark in that area. However, determining if more than one party has rights to use the

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<sup>21</sup> 15 U.S.C.S. § 1127 (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020); *Clairol Inc. v. Gillette Co.*, 389 F.2d 264 (2d Cir. 1968).

<sup>22</sup> 2 JEROME GILSON & ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 5.16(2)(a) (2020).

<sup>23</sup> *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F. Supp. 1339, 1350 (E.D.N.Y. 1994).

<sup>24</sup> 2 GILSON & LALONDE, *supra* note 22.

<sup>25</sup> *Id.* § 5.16(1)(a).

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* § 5.16(1)(b).

<sup>28</sup> *Id.* § 5.16(1)(a).

<sup>29</sup> *Id.* § 5.16(1)(b) (quoting *Brennan's, Inc. v. Brennan's Rest., L.L.C.*, 360 F.3d 125 (2d Cir. 2004)).

mark is measured by the senior user's territorial extent at the time the junior adopted the mark.<sup>30</sup>

## **B. Concurrent Use Doctrine**

In some instances multiple parties may use the same or similar mark in commerce without infringing on each other, meaning that a junior user may retain rights to the mark in its geographically remote market area,<sup>31</sup> coexisting with the senior user under what is known as the “concurrent use doctrine.”<sup>32</sup> The concurrent use doctrine attempts to balance two important goals of trademark law: (1) to protect consumers from confusion in the marketplace; and (2) to protect a trademark's goodwill.<sup>33</sup> The concurrent use doctrine only applies when two questions can be answered affirmatively: (1) is the junior user<sup>34</sup> operating its business in a geographically remote marketplace from the senior user?<sup>35</sup> (2) did the junior user adopt the mark in good faith and without knowledge of the senior user?<sup>36</sup> The territorial limits of a common law trademark were established in *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916), limiting the scope of protection for such marks to the geographical area where the mark is both known and recognizable by an inarticulable segment of possible customers.<sup>37</sup> The

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<sup>30</sup> William Jay Gross, COMMENTS: *The Territorial Scope of Trademark Rights*, 44 U. MIAMI L. REV. 1075, 1084 (citing *Hotel Sherman, Inc. v. Harlow*, 186 F. Supp. 618, 620-21 (S.D. Cal. 1960)).

<sup>31</sup> 15 U.S.C.S. § 1114(2)(B) (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020); *Peaches Entm't Corp. v. Entm't Repertoire Assocs.*, 62 F.3d 690 (5th Cir. 1995).

<sup>32</sup> Codified in 15 U.S.C.S. § 1052(d) (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020)); *See also* David S. Barrett, ARTICLE: *The Future of the Concurrent Use of Trademarks Doctrine in the Information Age*, 23 HASTINGS COMM. & ENT. L.J. 687 (2001).

<sup>33</sup> Shontavia Johnson, Article: *Trademark Territoriality in Cyberspace: An Internet Framework for Common-Law Trademarks*, 29 BERKELEY TECH L.J. 1253, 1266 (2014).

<sup>34</sup> A senior user is the first party to adopt a mark and use that mark in interstate commerce. A junior user is any subsequent user of that mark that adopted the mark in good faith. It is possible for a junior user to be the first party to use a mark in a certain area. However, regarding nationwide trademark protections, that party would still be considered junior to the first party to use the mark.

<sup>35</sup> Barrett, *supra* note 32 at 688.

<sup>36</sup> *Id.*; Johnson, *supra* note 33 at 1271.

<sup>37</sup> Johnson, *supra* note 33 at 1269-70 (citing *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (codified in 15 U.S.C.S. § 1072 (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020) (holding that a trademark



Supreme Court later established in *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918) that a senior user with a common law interest in a mark used in interstate commerce could not preclude a junior user from using a similar mark when it had adopted the mark in good faith and operated in a geographically remote area where the junior user was the first to adopt the mark.<sup>38</sup> Therefore, under the concurrent use doctrine, a senior user of a common law trademark may not enjoin a junior user who adopted the confusingly similar mark in good faith from continuing to use that mark in a remote territory, where the senior user lacks any goodwill and confusion is unlikely.<sup>39</sup>

Similarly, under the *Dawn Donut Rule*,<sup>40</sup> a junior user may continue to use a confusingly similar mark in its geographically remote area until the senior user, whether asserting a common law trademark or a federally registered one, expands into the junior user's market, creating a likelihood of confusion among consumers.<sup>41</sup> This leads to confusion because the junior user is free to expand into any and all markets where the senior user has not established goodwill, stopping only when their presence creates a likelihood of confusion among consumers.<sup>42</sup>

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owner is entitled to protection and redress only in those markets where the trademark had actually been used in some meaningful capacity)).

<sup>38</sup> Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S.C. L. REV. 695, 708 (1998) (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 26:45, p. 26-74 (1997)).

<sup>39</sup> *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 100 (1918) ("Generally, the senior user of a mark is entitled to assert trademark rights in all areas in which it has legally sufficient market penetration. This is determined by examining the trademark user's volume of sales and growth trends, the number of persons buying the trademarked product in relation to the number of potential purchasers, and the amount of advertising."); *Hanover*, 240 U.S. at 413; 2 GILSON & LALONDE, *supra* note 22 (also known as the "innocent local user defense"); James M. Treece, *Security for Federally Registered Mark Owners Against Subsequent Users*, 39 GEO. WASH. L. REV. 1008, 1020 (1971) (the test under the innocent local user defense remains one of likelihood of confusion).

<sup>40</sup> *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358 (2d Cir. 1959).

<sup>41</sup> 2 GILSON & LALONDE, *supra* note 22.

<sup>42</sup> *Id.* § 5.16(3)(c) ("The junior user may show no likely confusion in an area and avoid an injunction as to that area, but the court must be careful to consider the equities and not simply allow 'the infringer free use of the infringing mark in all areas as to which the senior user has not shown a substantial probability of confusion.'") (quoting *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27, 47 (2d Cir. 2016)).

However, the analysis drastically changes when one of these parties federally registers the mark, earning nationwide protection and a presumption of priority over the other. “Federal registration does not confer an absolute right to enjoin all U.S. parties who might use the same mark.”<sup>43</sup> Once a party federally registers the trademark, there can be no new “innocent users,” because the registration provides constructive notice of ownership to all potential subsequent users of the mark.<sup>44</sup> Upon registration, the geographic territory of the unregistered party is effectively frozen to the extent of their territorial expansion prior to the registration date.<sup>45</sup>

### C. Zone of Actual Goodwill

The limited area where common law trademarks are enforceable is defined as the geographic area where the mark is associated with the user’s goods or services in an area commonly referred to as the “zone of actual goodwill,” which is comprised of the “zone of market penetration” and the “zone of reputation.”<sup>46</sup> Within the zone of actual goodwill, courts will offer redress and relief in favor of parties with enforceable trademarks in the interest of protecting the goodwill of that mark.<sup>47</sup>

Initially, the zone of market penetration was designated solely based on where goods labeled with a mark were sold.<sup>48</sup> Now, it is defined as a place where the mark has sufficiently penetrated the market to pose a real likelihood of confusion among consumers in that area if multiple users attempt to use the same mark,<sup>49</sup> and is gauged by

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<sup>43</sup> Jason Parent, STUDENT COMMENT: *Federal Trademark Law—A Roadblock to Small Business Success?*, 6 BARRY L. REV. 105, 116 (2006); Natalia Ramirez, Student Author, *Will the Anticybersquatting Consumer Protection Act Create More Problems Than It Solves?*, 8 WASH. I. J.L. & POLICY 395, 402 (2002).

<sup>44</sup> Parent, *supra* note 43 (quoting *Champions Golf Club, Inc. v. Champions Golf Club, Inc.*, 78 F.3d 1111, 1123 (6th Cir. 1996)).

<sup>45</sup> Burk, *supra* note 38.

<sup>46</sup> Brian L. Berlandi, ARTICLE: *What State Am I In?: Common Law Trademarks on the Internet*, 4 MICH. TELECOMM. TECH. L. REV. 105, 110-11 (1997/1998).

<sup>47</sup> *Id.* at 110.

<sup>48</sup> *Sweet Sixteen Co. v. Sweet “16” Shop, Inc.*, 15 F.2d 920, 925 (8th Cir. 1926) (“[W]hile there must, of course, be some user in the trade in the disputed field of trade, the quantum thereof need not be large.”); Gross, *supra* note 30.

<sup>49</sup> See *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967) (“Though the market penetration need not be large to entitle plaintiff to protection . . . it must be significant enough to pose the real likelihood of confusion among the consumers in

the volume of sales in the area, growth trends, the number of actual purchasers compared to the possible purchasers, and the amount of advertising in the area.<sup>50</sup> The zone of reputation is any area where the reputation of the mark has been carried either by word of mouth, advertising, physical goods, or any other means.<sup>51</sup> This type of zone has even been recognized by the Supreme Court of the United States,<sup>52</sup> though when this case was decided in 1916, there were no national advertising campaigns, television channels, or magazines like those that have exponentially increased the potential for a mark's zone of reputation in the digital age.

#### **D. The Lanham Act and the Attempted Incorporation of Common Law Trademarks**

In 1946, Congress passed the Lanham Act<sup>53</sup> to federalize the common law protection of trademarks used in interstate commerce.<sup>54</sup> The Lanham Act prohibits any person from using in commerce a mark that is likely to cause confusion among consumers regarding the origin or quality of the goods or services associated with the mark.<sup>55</sup> It was designed to protect consumers from confusion in the marketplace, and the goodwill of businesses in their goods and services by creating a federal cause of action for trademark infringement as well as a federal

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that area between the products of plaintiff and the products of defendants.”); *Berlandi*, *supra* note 46, at 110; *Gross*, *supra* note 30, at 1085.

<sup>50</sup> *See Nat. Footwear, Ltd. v. Hart, Schnaffer & Marx*, 760 F.2d 1383, 1398 (3d Cir. 1985); *Sweetarts*, 380 F.2d at 929; *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512, 522 (C.C.P.A. 1980) (providing similar tests for evaluating market penetration); *Berlandi*, *supra* note 46, at 111.

<sup>51</sup> *Alexander & Coil, Geographic Rights in Trademarks and Service Marks*, 68 TRADEMARK REP. 101, 105 (1978).

<sup>52</sup> *See Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (Acknowledging that advertising has the potential to spread goodwill beyond the region of actual market sales).

<sup>53</sup> 15 U.S.C.S. §§ 1051et seq. (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020).

<sup>54</sup> 15 U.S.C.S. § 1127 (LexisNexis).

<sup>55</sup> 15 U.S.C.S. § 1125(a)(1) (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020); *EMI Catalogue Pshp. v. Hill, Holliday, Connors, Cosmopolulos Inc.*, Docket No. 99-7922, 2000 U.S. App. LEXIS 30761 (2d Cir. Sep. 15, 2000) (quoting *Centaur Communs., Ltd. v. A/S/M Communs., Inc.*, 830 F.2d 1217, 1220 (2d Cir. 1987)).

registry for trademarks used in interstate commerce.<sup>56</sup> By federally registering a trademark with the United States Patent and Trademark Office (USPTO), the mark owner gains nationwide trademark protection and gives constructive notice of this claim of ownership to everyone in the United States.<sup>57</sup> Federal registration also creates a rebuttable presumption that the registrant is the true owner of the mark, discharging the original common law burden of proving validity of a mark in order to bring an infringement action.<sup>58</sup> This has not, however, decreased the number of unregistered trademarks being used in the United States.

A fundamental tenet of trademark law is that ownership is governed by priority of use.<sup>59</sup> As such, the Lanham Act provides a federal cause of action not just for federally registered trademark owners, but for owners of unregistered common law marks as well,<sup>60</sup> by incorporating parts of the common law to make a registered mark subject to unregistered senior users.<sup>61</sup> A party bringing a trademark infringement claim may rebut the presumption of validity created by

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<sup>56</sup> See 15 U.S.C.S. § 1125(a)-(c) (LexisNexis); 15 U.S.C.S. § 1127 (LexisNexis); H.R. REP. NO. 79-219 at 4 (1945); *Peaches Entm't Corp. v. Entm't Repertoire Assocs.*, 62 F.3d 690, 692 (5th Cir. 1995); Johnson, *supra* note 33, at 1265.

<sup>57</sup> See 15 U.S.C.S. § 1072 (LexisNexis); Johnson, *supra* note 33, at 1265.

<sup>58</sup> 15 U.S.C.S. § 1057(b) (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020; *Black Point Marine, LLC v. Black Fin Yacht Corp.*, No. 8:15-cv-1210-T-27AEP, 2016 U.S. Dist. LEXIS 127699, \*12 (M.D. Fla. Sep. 20, 2016); *Ramirez v. Martinez*, No. ED CV 17-2211 FMO (GJSx), 2019 U.S. Dist. LEXIS 140221, \*13 (C.D. Cal. Aug. 19, 2019) (citing 15 U.S.C.S. § 1115 (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020)).

<sup>59</sup> *Bell v. Harley Davidson Motor Co.*, 539 F. Supp. 2d 1249, 1254 (S.D. Cal. 2008) (quoting *Brookfield Commun., Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999); *accord Sengoku Works, Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996) ("To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods and services."); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 416 (1916)); See also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 16.1, p. 720 (4th ed. 2012); Gross, *supra* note 30, at 1076.

<sup>60</sup> 15 U.S.C.S. § 1125(a)(1) (LexisNexis); *Crystal Entm't & Filmworks, Inc. v. Jurado*, 643 F.3d 1313, 1320 (11th Cir. 2011); 1 Peter E. Rosden, et al., THE LAW OF ADVERTISING § 11.02(4)(c)(ii) (2020) (explaining that amendments to the Lanham Act encompass unregistered marks in seeking remedies; See. e.g., *NuPulse, Inc v. Schlueter Co.*, 853 F.2d 545 (7th Cir. 1988); *Brunswick Corp. v. Spinnet Reel Co.*, 832 F.2d 513 (10th Cir. 1987); *Centaur*, 830 F.2d at 1229; *WSM, Inc. v. Wheeler Media Serv., Inc.*, 810 F.2d 113, 116 (6th Cir. 1987); *Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 715 (8th Cir. 1980)).

<sup>61</sup> Gross, *supra* note 30, at 1094.

federal registration of a mark by demonstrating that the plaintiff used the mark first in interstate commerce.<sup>62</sup> Even if a mark is not federally registered, use by another of an unregistered mark can still constitute a violation of the Lanham Act's prohibition on trademark infringement.<sup>63</sup> However, such protections provided to common law trademarks will still only extend so far as the senior user has established goodwill through sufficient market penetration.<sup>64</sup>

In the dispute over use of the name Lady A, White was the senior, unregistered user of a common law trademark. The Band federally registered the same mark in 2010, creating a rebuttable presumption of validity in its ownership of that name nationwide. White was burdened with the task of proving that she had priority rights in the mark, meaning she must prove that she used the mark in commerce. This can easily be done by demonstrating the numerous performances she has done throughout her career, and the sale of her albums and merchandise.<sup>65</sup> As such, she had a solid foundation on which to seek an injunction against the Band.

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<sup>62</sup> *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1196 (11th Cir. 2001) (common law trademarks are appropriated only through actual prior use in commerce); *Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1171 (11th Cir. 1991) ("Trademark protection accrues with use . . ."); *See also Black Point*, 2016 U.S. Dist. LEXIS 127699, at 12 ("Rights in unregistered marks are appropriate through prior use in commerce.") (quoting *Crystal Entm't*, 643 F.3d at 1321).

<sup>63</sup> *Walter v. Mattel, Inc.*, 210 F.3d 1108, 1111 (9th Cir. 2000) (holding that the test for false designation under the Lanham Act, as well as the common law and statutory unfair competition claims, is whether there was a likelihood of confusion); *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1512 (11th Cir. 1984).

<sup>64</sup> *See, e.g., Glow Indus. v. Lopez*, 252 F. Sup. 2d 962, 983 (C.D. Cal. 2002) ("Generally, the senior user of a mark is entitled to assert trademark rights in all areas in which it has legally sufficient market penetration. This is determined by examining the trademark user's volume of sales and growth trends, the number of persons buying the trademarked product in relation to the number of potential purchasers, and the amount of advertising."); *See also Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 989 (9th Cir. 1996) ("The extent of market penetration depends upon the volume of sales, the positive and negative growth trends, the number of people who purchased the party's goods in relation to the number of potential consumers, and the amount of advertising."); *Nat. Footwear, Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1398–99 (3d Cir. 1985).

<sup>65</sup> *Franchised Stores of N.Y., Inc. v. Winter*, 394 F.2d 664 (2d Cir. 1968) (holding that anything more than de minimis out-of-state trade will suffice to constitute use of a mark in interstate commerce); *Coca-Cola Co. v. Old Dominion Beverage Corp.*, 271 F. 600 (4th Cir. 1921) (granting trademark protection if there was slight use of the mark in interstate commerce); *Halo Mgmt., LLC v. Interland, Inc.*, 308 F. Supp. 2d 1019 (N.D. Cal. 2003) (granting trademark protection where a mark associated with a service was rendered to a very limited number of consumers, but the mark had

However, if she had succeeded in her case, she would only have won protection in the areas of the country that she could prove established goodwill or sufficient market penetration prior to the Band's registration date.<sup>66</sup> This would leave the Band free to use the mark literally anywhere else in the United States. This poses quite an issue because the Band is an internationally famous group that has no doubt penetrated much, if not all, of the available marketplace in America. Furthermore, because the Band registered the Lady A mark in 2010, White's zone of actual goodwill would be frozen to the areas of market penetration she had reached over a decade ago, effectively wasting all the work she has done in expanding her brand over the last twelve years.

## **II. OLD PROBLEMS IN A MODERN WORLD: HOW AMERICAN TRADEMARK LAW HAS FALLEN BEHIND**

An important caveat to the Lanham Act is exposed when a federally registered trademark conflicts with a similar common law mark.<sup>67</sup> When this happens, timing becomes important, and courts must consider and balance the rights that each party has as both a senior and a junior user.<sup>68</sup> Such a case is normally highlighted, as in this Note, when the federal registrant is also the junior user of the trademark.<sup>69</sup> This means that the senior user is a common law mark owner, deriving its territorial rights from the traditional common law doctrines. The issue then becomes one of territory, the very issue the Lanham Act sought to eliminate, because the federally registered mark is supposed to have nationwide protection which will inevitably overlap with the territorial interests of the senior user.<sup>70</sup> Generally, courts follow the rule of the concurrent use doctrine, and provide the

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still been sufficiently used in commerce); *Harod v. Sage Prods.*, 188 F. Supp. 2d 1369 (S.D. Ga. 2002) (defining use in commerce as when a mark is used in a manner sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind); *Powermatics, Inc. v. Globe Roofing Prods. Co.*, 341 F.2d 127 (C.C.P.A. 1965) (stating that advertising alone or documentary use of a mark apart from goods is not trademark use); Complaint, *White v. Lady A Entm't*, No. 2:20-cv-01360-RSM, 3:20 (W.D. Wash. Sept. 15, 2020); Parent, *supra* note 43 (quoting *Homeowners Grp., Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1106 (6th Cir. 1991)).

<sup>66</sup> See *supra* discussion in Section I(C).

<sup>67</sup> *Berlandi*, *supra* note 46, at 120.

<sup>68</sup> *Id.* at 120-21.

<sup>69</sup> *Id.* at 121.

<sup>70</sup> *Id.*

federally registered mark with nationwide protection, except in the limited territory where the senior user has established goodwill with its mark.<sup>71</sup>

#### **A. The Internet and its Destruction of Trademark Boundaries**

Courts are still not sure how to address what would happen to this kind of case when the senior user has used the mark on the internet. Under current trademark doctrine, it is likely the senior internet user would still be able to assert priority of use over a federal registrant junior user and would be able to enjoin the junior user from using the mark where the senior internet user had established a zone of actual goodwill via the internet.<sup>72</sup> Holding in favor of the junior federal registrant in cases such as this would undisputedly curtail the expansion opportunities for smaller, senior users.<sup>73</sup> Once the senior user saturated its limited market area, its growth would be stunted and, in fact, statutorily prohibited.<sup>74</sup> But clearly, holding in favor of the senior internet user in a scenario such as this one would substantially undermine the purposes of the Lanham Act. If a common law mark owner need only place its trademark on the internet to establish enough business to prove nationwide market penetration, there is little point in undergoing the federal registration process.<sup>75</sup>

Indeed, as the internet has become more prominent in everyday life and business, the number of common law trademark cases has steadily increased, particularly those related to the music industry.<sup>76</sup> In 1999, at the height of the music industry's profits, a mere 140 common law trademark infringement cases were filed in the United States.<sup>77</sup> In 2014, just as digital streaming services began to take off and the music

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<sup>71</sup> See *GTE Corp. v. Williams*, 649 F. Supp. 164 (D. Utah 1986), *aff'd*, 904 F.2d 536 (10th Cir. 1990); *Nark Inc. v. Noah's Inc.*, 212 U.S.P.Q. 934 (TTAB 1981), *aff'd*, 728 F.2d 410 (8th Cir. 1984); *Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980); *Burger King of Fla, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968).

<sup>72</sup> *Berlandi*, *supra* note 46, at 122.

<sup>73</sup> *Parent*, *supra* note 43, at 118.

<sup>74</sup> *Id.*

<sup>75</sup> *Berlandi*, *supra* note 46, at 123.

<sup>76</sup> Data on number of common law trademark suits compiled through general Lexis research.

<sup>77</sup> *U.S. Sales Database*, RIAA, <https://www.riaa.com/u-s-sales-database/> (last visited Nov. 23, 2020) (in 1999, at the height of physical sales in the music industry, \$27.9 million was earned from vinyl, \$1.1 billion from cassettes, and \$12.86 billion from CDs).

industry saw its lowest profits in nearly thirty years, 474 common law infringement cases were filed.<sup>78</sup> Finally, in 2019 when digital streaming services had long since surpassed physical album sales and become the driving force behind the music industry, 611 common law trademark infringement claims were filed.<sup>79</sup>

While it is true that the traditional common law doctrines of the past still possess vitality, their reliance on geographic remoteness and good faith adoption has been called into question by scholars.<sup>80</sup> For instance, while common law trademarks have been traditionally entitled to legal protection and enforceability in geographically delineated territories, current trademark law is rooted in the physical world of brick-and-mortar businesses and provides little guidance regarding the territorial extent of the use of a trademark on the internet.<sup>81</sup> Providers of internet-based services like e-mail, video games, or digital music are less likely to have sufficient remoteness to bar injunctive relief in a trademark infringement claim.<sup>82</sup>

The geographic indeterminacy of the internet is cause for much legal speculation.<sup>83</sup> The internet not only spans geography; it renders geography largely irrelevant in the realm of electronic commerce (or “e-commerce”).<sup>84</sup> This poses quite a problem to trademark law, because trademark law is territorial by nature and relies on the outdated geographical foundations of market penetration.<sup>85</sup> As such, trademark law, as a legal doctrine, cannot be rationally applied to an online environment without some serious and foundational overhauls. Indeed, the speed at which technology is changing weighs against creation and use of per se rules.<sup>86</sup>

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<sup>78</sup> *Id.* (in 2014, the music industry experienced its lowest revenue since 1989: \$1.8 billion from CD sales, \$1.1 billion from album downloads, and \$770 million from paid subscription services).

<sup>79</sup> *Id.* (in 2019, the music industry saw growth after a long period of decline, earning \$5.9 billion from paid subscription streaming services and \$1.12 billion from the physical sales of both vinyl and CDs).

<sup>80</sup> 2 GILSON & LALONDE, *supra* note 22.

<sup>81</sup> Johnson, *supra* note 33, at 1253.

<sup>82</sup> 2 GILSON & LALONDE, *supra* note 22.

<sup>83</sup> Parent, *supra* note 43, at 128.

<sup>84</sup> *Id.*

<sup>85</sup> Burk, *supra* note 38, at 705.

<sup>86</sup> Barrett, *supra* note 32 at 721 (citing *Lockheed Martin Corp. v. Network Solutions Inc.*, 985 F. Supp. 949, 968 (C.D. Cal. 1997) (“The solution to the current difficulties faced by trademark owners on the Internet lies in . . . technical innovation, not in attempts to assert trademark rights over legitimate non-trademark uses of this important new means of communication.”)).



The “use in commerce” provision of the Lanham Act<sup>87</sup> has already divided courts in their interpretation of what constitutes a trademark when used on the internet.<sup>88</sup> The internet has created a paradigm shift for marketing services, providing an opportunity for small businesses to communicate with potential customers around the nation, and the whole world.<sup>89</sup> Likewise, the internet has opened interstate commerce to many small businesses and businesspeople without requiring much in the way of technical skills to expand their markets and clientele.<sup>90</sup> The vast reach of the internet, under current trademark doctrines, could necessitate the conclusion that trademark rights have been established across the nation through actual sales or virtual connections with consumers in those markets.<sup>91</sup> However, even if trademark rights have been established in the physical realm of cities and states through the use of a trademark on the internet, courts still struggle with the legal impacts of such a conclusion.<sup>92</sup>

## **B. Further Complications: How the Internet May Circumvent the Lanham Act**

It is conceivable that an internet-based company, or say an artist releasing music digitally through digital streaming platforms (“DSPs”), could establish common law trademark rights nationwide without even considering obtaining a federal registration.<sup>93</sup> Similarly, physical businesses with an online presence could sell goods through the internet to all fifty states in America easier than any business without an online presence.<sup>94</sup> This leaves little incentive for federal registration if a mark owner can gain nationwide trademark rights simply by extensively using the mark on the internet.<sup>95</sup> If a common law trademark owner successfully did this, it would leave no geographical rights for a federal registrant of the same mark, which is

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<sup>87</sup> 15 U.S.C.S. § 1051 (LexisNexis, Lexis Advance through Public Law 116-193, approved October 30, 2020).

<sup>88</sup> *Compare* 1-800 Contracts, Inc. v. WhenU.com, 309 F. Supp. 2d 467 (S.D.N.Y. 2003) and U-Haul Intl., Inc. v. WhenU.com, Inc., 279 F. Supp. 2d 723 (E.D. Va. 2003); Parent, *supra* note 43, at 128.

<sup>89</sup> Parent, *supra* note 43, at 127.

<sup>90</sup> *Id.*

<sup>91</sup> Berlandi, *supra* note 46, at 121.

<sup>92</sup> *Id.* at 121-22.

<sup>93</sup> 2 GILSON & LALONDE, *supra* note 22.

<sup>94</sup> *Id.*

<sup>95</sup> Parent, *supra* note 43, at 127.

supposed to be afforded nationwide protection by virtue of the Lanham Act.<sup>96</sup> However, defining the scope of an internet mark's territorial use is no simple task, particularly due to the absolute lack of boundaries on the internet.<sup>97</sup> At the time of this writing, there have been no cases directly on point, and determining how a court would rule on this complicated issue would be an exercise in guesswork that falls outside of the scope of this Note.

If anything is clear in this context, it is that current trademark doctrines may not survive the digital age.<sup>98</sup> While traditional analyses provide clear and instructive guidelines for businesses with physical locations, the overwhelming use of the internet to market, advertise, or operate a business adds a new dimension to the equation that courts have so far struggled to fully comprehend.<sup>99</sup> In the past, cases were decided when brick-and-mortar locations were the epicenter of businesses from which goods and services were bought and sold. Today, the internet has made the physical locations of many companies less relevant, if not obsolete, for purposes of trademark law.<sup>100</sup> The territorial scope of a trademark depends largely on the nature of the trademark owner's business and where the customers of that business are located.<sup>101</sup> The internet's greatest impact, in that regard, is in providing a means for businesses to reach millions of people in every part of the United States, regardless of the nature of the trademark holder's business or the locality of its customers.<sup>102</sup>

Despite the uncertainty, courts have consistently held that merely creating a website as a means of featuring a trademark on the internet is not sufficient to penetrate the marketplace of all fifty states.<sup>103</sup> Displaying a trademark on a website, without something more, does not establish a reputation in all fifty states, nor does it create a common law trademark in those territories.<sup>104</sup> Courts continue

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<sup>96</sup> Berlandi, *supra* note 46, at 126.

<sup>97</sup> *Id.* at 124.

<sup>98</sup> Johnson, *supra* note 33, at 1292.

<sup>99</sup> *Id.* at 1277.

<sup>100</sup> *Id.* at 1278.

<sup>101</sup> See *Alexander's Dep't. Stores, Inc. v. Rapoport*, 113 N.Y.S.2d 718, 722 (N.Y. Sup. Ct. 1952); Johnson, *supra* note 33, at 1277.

<sup>102</sup> Johnson, *supra* note 33 at 1277; As of June 2021, there were approximately 347,916,627 internet users in North America, nearly 94% of the total population of North America. *North America*, INTERNET WORLD STATS, <http://www.internetworldstats.com/america.htm> (last visited Mar. 17, 2022).

<sup>103</sup> Johnson, *supra* note 33, at 1279.

<sup>104</sup> *Id.*

to rely on a deviation of the four factors used to identify a zone of market penetration to gauge whether use of a mark online is sufficient to establish common law trademark rights.<sup>105</sup> Similarly, courts continue to rely on a “likelihood of confusion” standard, though some scholars suggest it should be based on the “ordinary internet consumer,” which requires a higher degree of evidence to show that confusion is likely.<sup>106</sup> The idea behind this suggestion is that the average internet user is likely more sophisticated than the average physical consumer, and the internet, through its accessibility, has made it less likely for an average internet consumer to be confused as to the origin of a good or service.<sup>107</sup>

In such a confusing and uncertain area of the law, courts are sure to create legal fictions in order to deal with the new internet medium that complicates and obfuscates the basis of modern trademark law by nullifying geographic boundaries.<sup>108</sup> Indeed, some courts have already acknowledged in dicta that having an active internet presence could provide a common law trademark owner with nationwide trademark protection.<sup>109</sup> Still other jurisdictions have suggested that the internet may necessitate the genesis of a new *sui generis* zone of protection, existing in addition to the physical zone of actual goodwill.<sup>110</sup> While such a zone would not qualify for sovereignty, it would replace the rubric confining trademark rights to

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<sup>105</sup> Factors used to determine where a mark’s market penetration is sufficient to warrant trademark protection include: (1) the volume of sales in the region; (2) growth trends of sales; (3) the number of actual purchasers in relation to the potential purchasers in the region; and (4) the amount of advertising in the region. *See Allard Enter v. Advanced Programming*, 249 F.3d 564, 574 (6th Cir. 2001); *Nat. Footwear Ltd v. Hart, Shaffner & Marx.*, 760 F.2d 1383, 1398-99 (3d Cir. 1985); *Sweetarts v. Sunline*, 380 F.2d 923, 929 (8th Cir. 1967).

<sup>106</sup> Barrett, *supra* note 32, at 715 (“A likelihood of confusion standard for the ordinary internet consumer should involve a higher degree of evidence needed to show confusion for three reasons: (1) the nature of the internet may make confusion less likely as to the source of the trademarked good or service; (2) the sophistication of the average user is likely to be higher than average; and (3) the ease of the analysis.”).

<sup>107</sup> *Id.* at 715-17.

<sup>108</sup> *Id.* at 720.

<sup>109</sup> *See Pure Imagination, Inc. v. Pure Imagination Studios, Inc.*, No. 03 C 6070 at \*41, 2004 U.S. Dist. LEXIS 23064 (N.D. Ill. Nov. 12, 2004).

<sup>110</sup> *See Optimal-Pets, Inc. v. Nutri-Vet, LLC*, 877 F. Supp. 2d 953 (C.D. Cal. 2012) (positing that the internet could be viewed as its own distinct market); *But see Dudley v. HealthSource Chiropractic, Inc.*, 883 F. Supp. 2d 377 (W.D.N.Y. 2012) (noting that the internet is not a geographic territory to be subdivided; instead, it is a global communication medium that is accessible from anywhere on the planet).

physical areas of use in commerce.<sup>111</sup> Under this theory, the first party to use a mark on the internet would have exclusive, unfettered rights to use that mark on the internet, regardless of being enjoined from using that same mark in physical commerce.<sup>112</sup> Understandably, courts are hesitant to extend monopolies of this nature over cyberspace, where consumers from any of the fifty United States, or even the world, could find a business.<sup>113</sup> Some courts have started considering personal jurisdiction as a keystone factor in the internet context.<sup>114</sup> The types of contacts that sufficiently establish personal jurisdiction in the internet context are fairly similar to the contacts necessary to prove a trademark's zone of market penetration.<sup>115</sup> Both tests analyze the types of contacts a party has with a particular geographic area, such as customer base, advertising efforts, and volume of sales.<sup>116</sup> If a court may exercise general personal jurisdiction over a trademark owner based on its internet activities, perhaps such activities could also be used to establish a territorial zone of protection for the disputed trademark.<sup>117</sup>

### **C. Suggestions by Other Scholars Attempting to Modernize Trademark Law**

As these new and confusing issues continue to emerge, some scholars have attempted to craft new doctrines that incorporate both the traditional common law doctrines and the Lanham Act. Though admirable in their efforts, these suggestions still leave much to be desired, raising more questions than they answer.

Some scholars have suggested merging the zone of market penetration with the zone of reputation. This would change the zone of actual goodwill traditionally used in trademark analyses to a "zone of consumer recognition."<sup>118</sup> This idea, while helpful in gauging where a mark has established goodwill, particularly in the context of the

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<sup>111</sup> 2 GILSON & LALONDE, *supra* note 22, § 5.16(2)(b).

<sup>112</sup> *Id.*

<sup>113</sup> *Dudley*, 883 F. Supp. 2d at 394 (stating that the rights of concurrent users would be substantially harmed if one user were able to monopolize the internet to the exclusion of other lawful users of the same mark); Johnson, *supra* note 33, at 1256.

<sup>114</sup> W. Scott Creasman, *Establishing Geographic Rights in Trademarks Based on Internet Use*, 95 TRADEMARK REP. 1016, 1031 (2005).

<sup>115</sup> Berlandi, *supra* note 46, at 112.

<sup>116</sup> *Id.*

<sup>117</sup> *Id.* at 112-13; Johnson, *supra* note 33, at 1288.

<sup>118</sup> *See* Gross, *supra* note 30.

internet, is still more complicated than necessary in the fast-paced and constantly evolving state of trademark law today. Such an analysis would require a more detailed, fact-specific insight into modern business strategy than most courts are prepared to undertake.<sup>119</sup> As such, courts are likely to differ on both a case-by-case and a jurisdiction-by-jurisdiction basis at a time when trademark law needs consistency and uniformity.

Other scholars suggest that substantially similar marks should be permitted to coexist on the internet so long as: (1) each user limits the physical distribution of its goods and services to remote marketplaces where consumer confusion between the two users is unlikely; (2) any webpages bearing the mark also contain a disclaimer of the user's geographical restriction; and (3) the disclaimer includes a link to the other business's website, making the identity of the user clear to consumers.<sup>120</sup> While this method would effectively eliminate the likelihood of confusion, it is still contrary to some of the primary policy goals of both the common law of trademarks and the Lanham Act, namely the exclusivity of trademark rights.

Common law trademark owners and federal registrants have the absolute authority to enjoin others from using their mark in a way that is likely to cause confusion in consumers.<sup>121</sup> It can be disheartening enough for common law users that they may have to allow a junior user to use their mark so long as it is not overlapping the senior's market area. Why, then, should they also have to surrender their hard-earned exclusivity on the internet? Conversely, the federal registrant is supposedly owed nationwide trademark rights to the exclusion of all others, so there is little incentive for users to federally register their marks if they will still be compelled to share that mark on the internet, where more business is done today than in the physical world.<sup>122</sup>

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<sup>119</sup> *Id.* at 1108 (suggesting five factors to delineate the "zone of consumer recognition" within which common law trademarks may be protected: (1) the sales of the trademark's product; (2) the size of the relevant market; (3) evidence of actual confusion; (4) the amount of advertising in the relevant market; and (5) the distance consumers ordinarily travel to purchase the good or service).

<sup>120</sup> Johnson, *supra* note 33, at 1293-94.

<sup>121</sup> *Supra* note 53 and related discussion.

<sup>122</sup> In 2020, over 2 billion internet users worldwide used the internet to purchase goods or services online, and e-retail sales surpassed \$4.2 trillion worldwide. *E-Commerce Worldwide—Statistics & Facts*, STATISTA (Oct. 26, 2020), <https://www.statista.com/topics/871/online->

In the Lady A dispute, it is important to consider that, as artists, both parties substantially rely on the internet to generate revenue, either through DSPs, online advertising of live performances, or sales of merchandise. Tickets and merchandise are bought and sold online. Albums are streamed from Spotify or Apple Music directly to consumers with minimal effort on the part of the artists. With her right to use her stage name, Lady A. on the line, White should have pushed for her internet presence to be evidence of sufficient market penetration throughout the United States, not limited to where she has performed a show or sold a physical album.

On the other hand, the Band has a federal registration for the mark, establishing nationwide trademark rights in the name Lady A, so its best-case scenario was no longer using that name where White had established goodwill with the mark. If White had been permitted to make a showing that she had established that goodwill through the internet, the area where the Band would be enjoined from using the name Lady A could potentially have extended to the point of impeding the Band's reputation. This in and of itself raises significant questions in the music industry because streaming services operate on demand and at the mercy of the consumers. Unless it is possible to limit streaming along geographic boundaries, this resolution would pose a huge threat to both White and the Band.

If the internet could in fact be considered its own zone of protection, separate from the physical world, there was a fifty-fifty chance that the Band would be permanently excluded from using the Lady A mark on the internet, which would be the death of the Band's career unless it changed its name again. It is a matter of fact that either the Band or White would have been the first to use the name Lady A on the internet as a mark, and therefore would have the right to prevent the other from such use.

Though the zone of consumer recognition factors would be more helpful in identifying where exactly each party's use of the mark is recognized and associated with their respective goodwill, it gives rise to a nebulous question: where should courts draw the line? At what county or street will a party's internet use reach the edge of the zone of consumer recognition and expire? And although it is known that displaying a trademark online is not sufficient to establish market penetration and the zone of consumer recognition, no court has been

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[shopping/#:~:text=In%202019%2C%20an%20estimated%201.92,even%20further%20in%20the%20future](#) (last visited Mar. 17, 2022).

able to identify just what is required, whether it is a single stream or an album equivalent.<sup>123</sup>

Finally, if the two parties had been ordered to coexist and include online disclaimers that each is limited geographically in its ability to provide goods and services to consumers, as well as redirect site visitors to the other party, neither party would feel as if its trademark rights had been satisfactorily protected. White would have been trapped in the pacific northwest, or the cities and states where she performed or sold goods in the past and would have to provide free advertising on her website and social media platforms for the Band, whose success forced this severe geographical limitation upon her. Likewise, the Band, which is already famous both in the United States and around the world, would have been barred from performing or selling goods, perhaps including its digital sound recordings, in any of the places White's mark has priority, and would have been forced to provide free advertising to White, whose prior use of the mark stunted the Band's reputation and nationwide goodwill. Additionally, it is unfair for a federal registrant, who is supposed to have absolute nationwide rights, to have to announce with every use of its mark on the internet that it, in fact, does not have nationwide trademark protection. Such an outcome would undermine the very core of the Lanham Act.

Other, more radical suggestions include amending Title 28 of the United States Code<sup>124</sup> to establish a centralized system of nationwide priority in a mark regardless of registration or nationwide use of the mark as a common law trademark, similar to copyright and patent law.<sup>125</sup> Such a dynamic shift would provide immediate protection to trademark users upon their first use of the mark in interstate commerce and incorporate parts of the Lanham Act by providing prima facie evidence of priority of use, and constructive

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<sup>123</sup> 1,500 on-demand audio and/or video song streams = 10 track sales = 1 album sale. *Gold & Platinum—About the Awards*, RIAA, <https://www.riaa.com/gold-platinum/about-awards/#:~:text=The%20Album%20Award%20counts%20album,track%20sales%20%3D%201%20album%20sale.&text=Must%20include%20at%20least%20three%20but%20no%20more%20than%20five%20different%20songs> (last visited Nov. 23, 2020).

<sup>124</sup> 28 U.S.C.S. § 1338 (Lexis Advance through Public Law 116-193, approved October 30, 2020).

<sup>125</sup> Copyrights become protectable the moment an idea is fixed in a tangible means of expression. 17 U.S.C.S. § 101 (Lexis Advance through Public Law 116-193, approved October 30, 2020); *See also* Parent, *supra* note 43, at 134.

notice to the entire country of ownership of the mark upon registration, though registration would not be necessary to receive federal protection.<sup>126</sup>

However, analogizing trademark law with copyright law is not totally reliable. The latter protects ideas in an effort to stimulate creativity and originality in the marketplace of ideas, while the main policy goal of the former is to protect consumers from being confused when purchasing goods and services. Furthermore, though the internet has certainly had a profound impact on trademark law, trademarks ultimately live in the realm of goods and services. Much of America still depends on service industries that require physical locations to operate, such as restaurants, grocery stores, or coffee shops. While it is unlikely that two people will independently create the exact same creative composition protectable by copyright law, there are only so many words or marks that similar service industries can use to distinguish themselves from each other. As such, national protection upon first use in commerce with no actual registration requirement would likely cause more problems than it would solve.

### **III. BRINGING AMERICAN TRADEMARK LAW INTO THE DIGITAL AGE: SOLUTIONS TO THE NUMEROUS ISSUES FACING TRADEMARK JURISPRUDENCE**

Trademark statutes serve the public by enjoining the use of confusingly similar marks, so compliance with these statutes is generally in the public interest.<sup>127</sup> Congress has even taken measures to allow common law trademark users to petition the cancelation of a registered mark that they believe infringes upon their common law rights.<sup>128</sup> In such a case, the petitioner must have both standing and valid grounds for the cancelation through proving priority rights to the mark.<sup>129</sup> Priority can be demonstrated through evidence of proprietary rights<sup>130</sup> in the mark that produce a likelihood of confusion among

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<sup>126</sup> Parent, *supra* note 43, at 134.

<sup>127</sup> Anderson v. Baker, No. 4:14-CV-1211, 2014 U.S. Dist. LEXIS 73059 at \*24 (S.D. Tex. May 28, 2014) (citing Quantum Fitness Corp. v. Quantum Lifestyle Ctrs., 83 F. Supp. 2d 810, 832 (S.D. Tex. 1999)).

<sup>128</sup> 15 U.S.C.S. § 1064 (LexisNexis, Lexis Advance through Public Law 116-193, approved October 30, 2020); Herbko Int'l v. Kappa Books, 308 F.3d 1156, 1161 (Fed. Cir. 2002).

<sup>129</sup> Cunningham v. Laser Golf Corp., 222 F.3d 943, 945 (Fed. Cir. 2000).

<sup>130</sup> *Herbko*, 308 F.3d at 1162; *See, e.g.,* Nat'l Cable TV Ass'n v. Am. Cinema Editors, Inc., 937 F.2d 1572, 1582 (Fed. Cir. 1991) (canceling a registered mark based on the



consumers.<sup>131</sup> When a likelihood of confusion exists, the fact that the senior user lacks full control over the use of its mark, as well as the lack of control over the quality of the goods or services provided by the junior user, constitutes an immediate and irreparable harm that can only be cured through injunctive relief.<sup>132</sup>

In theory, this idea, combined with common law trademark doctrines, makes issues like the Lady A dispute seem like they would be resolved rather quickly. In practice, however, size makes all the difference. Under these circumstances, an analysis based on the likelihood of confusion between the two marks swallows the goodwill garnered by the senior user when a more widely known junior user making use of a similar trademark encroaches on the senior user's territory.<sup>133</sup> In such a case,<sup>134</sup> analogizing the internet to real, geographic spaces, is not meaningless, but is certainly more problematic than it is helpful.<sup>135</sup>

The existing trademark doctrines and practices leave much to be desired. When two companies have concurrent trademark rights in a similar trademark, it is presently unclear whether one party must be precluded from using that trademark on the internet, regardless of the registration status of either. Some courts find it inequitable to preclude trademark owners from capitalizing on the wide-reaching and inexpensive marketing channels offered by the internet, while others cannot accept a system that would allow confusingly similar or identical marks to exist simultaneously on the internet.<sup>136</sup> The common law has not kept pace with the rapid speed of technological advancement, and has been slow to respond to the myriad of questions that will continue to rise as companies and individuals enter

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petitioner's prior use of the mark as a trade name); *Knickerbocker Toy Co. v. Faultless Starch Co.*, 467 F.2d 501, 508-09 (C.C.P.A. 1972) (permitting reliance on copyrighted appearance of stuffed rag doll in opposition and cancellation proceedings).

<sup>131</sup> *Herbko*, 308 F.3d at 1162; *Otto Roth & Co. v. Universal Foods Corp.*, 640 F.2d 1317, 1320 (C.C.P.A. 1981).

<sup>132</sup> *Anderson*, 2014 U.S. Dist. LEXIS 73059 at \*26 (citing *Quantum Fitness*, 83 F. Supp. 2d at 831); *Hawkins Pro-Cuts v. DJT Hair*, No. 3-96-CV-1728-R, 1997 U.S. Dist. LEXIS 22418, 1997 WL 446458, at \*7 (N.D. Tex. Jul 25, 1997) ("The likelihood of confusion can constitute irreparable harm in a trademark case.").

<sup>133</sup> *Id.*

<sup>134</sup> *See, e.g., Complaint, White v. Lady A Entm't*, No. 2:20-cv-01360-RSM (W.D. Wash. Sept. 15, 2020).

<sup>135</sup> *Barrett*, *supra* note 32, at 721.

<sup>136</sup> *Johnson*, *supra* note 33, at 1291-92.

cyberspace to conduct business.<sup>137</sup> For this reason, trademark law must be revamped to accommodate technological advancements.

Common law trademark rights are restricted to the locality where the mark is used and the area of probable expansion. As such, obtaining a nationwide common law right, while theoretically possible, places a heavy burden on the smaller trademark users who may never consider the fact that someone could be using their mark elsewhere in the country until it becomes a problem.<sup>138</sup> Any attempts to obtain nationwide trademark protection without filing for a federal registration would force a smaller party to rapidly expand its business and marketing area immediately upon creation of the mark, despite the risk of insufficient capital or loss of quality.<sup>139</sup>

The solution to this issue is to simply get a federal registration and instantly earn nationwide protection and the ability to enjoin anybody in the United States from using the same or similar mark. It is easy to say that White should have filed for federal registration of the name Lady A at some point in the decades she was using it prior to the Band's registration of the mark. The fact that she did not may have been the driving force leading to a settlement, despite the decades of work White dedicated to generating goodwill towards her uses of the name. This poses a larger problem: federal registration under the Lanham Act creates a kind of "race statute." It rewards the quickest to register a mark regardless of the goodwill fostered by senior users elsewhere in the country.<sup>140</sup> This runs contrary to the policy interests of both the common law trademark doctrines and the Lanham Act itself without providing any protection to balance these inequities.

However, because finding a geographical nexus in the internet context is dizzyingly difficult to do, inspiring countless analyses and convoluted approaches to the concurrent use doctrine, geographic remoteness of trademark use has lost much of its importance in trademark infringement cases.<sup>141</sup> Even the notice requirement of the concurrent use doctrine, or whether the junior user adopted a mark in good faith, has been called into question in the digital age. For example, should bad faith adoption of a mark be established by actual

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<sup>137</sup> See, e.g., *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 234 n.9 (4th Cir. 2002); *Allard Enters., Inc. v. Advanced Programming Res., Inc.*, 249 F.3d 564 (6th Cir. 2001); *Johnson*, *supra* note 33, at 1298.

<sup>138</sup> *Parent*, *supra* note 43, at 107-08.

<sup>139</sup> *Id.*

<sup>140</sup> *Id.*

<sup>141</sup> *Barrett*, *supra* note 32, at 719.

knowledge of a senior user? Or should courts impose a “reasonably prudent internet user” analysis to gauge if prudent users could have found the senior user’s mark through an internet search?<sup>142</sup> Furthermore, it is presently unclear how a court would even begin to define such a standard in terms that are easily replicated in other jurisdictions.

Although the parties settled, in the dispute between White and the Band, it was likely that under current trademark doctrines, White’s market penetration prior to the Band’s registration of the name Lady A was sufficiently widespread that enjoining the Band from using the mark in commerce in those areas would be crippling to its international career. This is likely a factor that led the parties to resume negotiations to reach a settlement agreement.<sup>143</sup> While this may be satisfactory to the parties of that case, trademark law is desperate for answers to the bigger questions.

This Note suggests that the implementation of a registration requirement to earn nationwide trademark rights would resolve the lack of territoriality caused by the internet. Without applying for and receiving a registered trademark from the USPTO, the owner of a mark used in interstate commerce would lose all legal rights to enforce ownership of that mark on a nationwide scale.<sup>144</sup> Though this would be a drastic change to current trademark law, effectively ending common law trademark rights, the benefits of a simpler, more centralized method of protecting trademark rights would far outweigh any

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<sup>142</sup> *Id.*

<sup>143</sup> One possible result of the settlement includes one of the parties qualifying or altering its name enough to create a noticeable difference. *See, e.g., Anderson v. Baker*, 2014 DIST. LEXIS 73059 at \*24 (S.D. Tex. May 28, 2014) (holding that, in a trademark dispute over an artist name, in balancing the harms, the defendant would not be harmed by the issuance of an injunction against her because she could resume performing music under her given name); *Tradewell Stores v. T.B. & M.*, 7 Wn. App. 424, 425 (1972) (“The trial court enjoined defendant from the unqualified use of the name ‘Family Mark-It’ but allowed the use of that name ‘when qualified by additional words either before or after, which are of a personal or geographic nature.’”).

<sup>144</sup> This Note does not suggest that implementation of such a federal trademark registration requirement would fully preempt state trademark law. A federal registration would apply exclusively to marks used in interstate commerce, thereby becoming eligible for nationwide trademark protection. If the user of a mark does not use it in interstate commerce, state trademark law would be the only method of protecting the mark. Although it is suggested that individual states adopt similar registration requirements to facilitate the policy interests supporting the proposal of a required registration system. How such a system might impact state trademark law is an area of further research and writing beyond the scope of this Note.

resulting harms. Such a system would maintain the primary goals of the Lanham Act, incorporate the best components of existing common law trademark doctrines, resolve questions raised by the intangible nature of the internet, and remain true to the policy goals at the heart of trademark law. Furthermore, most countries in the world have adopted a registration requirement to obtain nationally protected trademark rights, illustrating that it is not only possible to enforce such a system, but beneficial. Such a massive overhaul would be a sudden shift in the slow-to-change law, but it would be the best way to serve many complicated, and often conflicting, policy goals.

### **A. Lanham Act Incorporation**

The process of federally registering a trademark is meant to incentivize users to federally register their marks by means of what is supposed to be a simple and inexpensive filing process.<sup>145</sup> This is a seemingly universal purpose for trademark law and was one of the primary goals of the Lanham Act.<sup>146</sup> Under a required registration system, federal registration would continue to provide nationwide trademark protection to users of the mark and priority over subsequent junior users. Federal registration would also continue to serve as *prima facie* evidence of priority of use and ownership of the mark to the exclusion of all others in the United States.

The constructive notice element of federal registration would also continue, creating a presumption that any junior user was aware of the existence of the federally registered mark, and adopted a confusingly similar mark in bad faith, which would greatly simplify the process of litigation.<sup>147</sup> Only users who have filed for federal registration of a mark would have standing to bring an infringement claim, and the likelihood of confusion analysis that has been amended into the Lanham Act would continue to be the standard by which infringement claims are brought and measured.<sup>148</sup> These changes

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<sup>145</sup> Bernard A. Kosicki, U.S. Dep't of Commerce, Trade Information Bulletin Nos. 155, *Trade-Mark Protection in Europe* (1923).

<sup>146</sup> See 15 U.S.C.S. § 1125(a)-(c) (LexisNexis, Lexis Advance through Public Law 117-80, approved Dec. 27, 2021); 15 U.S.C.S. § 1127 (LexisNexis, Lexis Advance through Public Law 117-80, approved Dec. 27, 2021); H.R. REP. No. 79-219, at 4 (1945); *Peaches Entm't Corp. v. Entm't Repertoire Assocs.*, 62 F.3d 690, 692 (5th Cir. 1995); Johnson, *supra* note 33, at 1265.

<sup>147</sup> Kosicki, *supra* note 145, at 4.

<sup>148</sup> *Id.*

would drastically decrease the total number of trademark disputes.<sup>149</sup> Each of these policy goals can be found in the heart of the Lanham Act, and, under a required registration system, would continue to serve American trademark law in full effect, exemplifying the primary goals of the Lanham Act—streamlining and simplifying trademark law.<sup>150</sup>

## **B. Concurrent Use Doctrine and Zone of Actual Goodwill Incorporation**

As the concurrent use doctrine is now, there is a constant threat to both common law mark users and federal registrants that the other will usurp their goodwill, or encroach upon their marketplace, limiting the extent to which they can expand their business and use of a mark. In a situation where two parties use the same mark, leading to eventual conflict when one expands into the other's territory, establishing the right of one to the sole use of the mark based on prior use would deny the other the fruits of their hard work.<sup>151</sup> This issue is what led to the creation of the concurrent use doctrine in an attempt to balance trademark interests with equity. However, as addressed previously in this Note, the concurrent use doctrine raises its own equitable concerns. Most importantly, the concurrent use doctrine freezes one user in place unless it can beat the other in a race to as-of-yet untapped markets.<sup>152</sup> Such rushed business tactics will ultimately hurt consumers more than it could ever threaten the goodwill of the businesses involved. It incentivizes bad faith efforts to out-manuever other parties and will likely lead to a decline in quality of the goods and services offered to consumers. Instead of searching for a cure to these issues, American trademark law should strive to take

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<sup>149</sup> *Id.* Although it could be argued that adopting a federal registration requirement would give rise to more unfair competition and unfair registration claims, the presumption of priority and ownership in the registered user would force the challengers to bear the burden of proving that their use of the mark existed prior to the registrant's mark, and that the registrant unfairly claimed the challenger's mark. With such a high burden of proof, it would be easier for registrants to move for summary judgment in such cases if the challenger has failed to satisfy their burden. As to the potential increase in unfair competition claims, these would be an issue for state courts and state trademark law, an area which is beyond the scope of this Note that would require further research and writing to discuss at length.

<sup>150</sup> 15 U.S.C.S. § 1127 (LexisNexis, Lexis Advance through Public Law 117-80, approved Dec. 27, 2021).

<sup>151</sup> Kosicki *supra* note 145, at 3.

<sup>152</sup> *See supra*, Section I(B) discussing the concurrent use doctrine.

preventative measures to avoid them. The most equitable measure to take is to hold businesses and mark holders to a higher standard and expect that any party who values its trademark should federally register it without delay.<sup>153</sup> After all, pursuing a trademark registration is less expensive than trademark litigation.<sup>154</sup>

It is difficult to geographically pin down the limits of a zone of actual goodwill. It is unclear if use in a state establishes statewide goodwill or if the analysis should be broken down further to the city, or even the street level. Finding an answer to these questions and determining where a trademark has sufficiently penetrated a market or earned a reputation can make or break a trademark infringement claim. Added confusion caused by the internet makes it almost impossible to accurately identify this zone.<sup>155</sup> However, by adopting a required registration system to earn nationwide trademark protection, the issue of identifying a zone of actual goodwill as it stands now would be substantially simplified. Without a registered mark, a party would have no legal interests in that trademark, nor the standing to bring suit; and the question of where their mark has penetrated the marketplace would make no difference. In an infringement case between two parties who each possess a federally registered mark, a required registration system would allow courts to focus exclusively on whether there is a likelihood of confusion caused by the coexistence of the marks.<sup>156</sup> Under the incorporated concurrent use doctrine, the area where a mark has garnered a reputation would become a factor in the analysis without being conclusive. This already exists to an extent in the factors that many courts use to measure the likelihood of confusion in a trademark infringement case.<sup>157</sup>

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<sup>153</sup> Kosicki *supra* note 145, at 4.

<sup>154</sup> *Id.* at 2.

<sup>155</sup> *See supra*, discussion in Section II(A).

<sup>156</sup> As mentioned previously in this Note, there are only so many words in the English language that can be used to identify the sources of goods or services. But if two mark holders use the same or similar mark in geographically remote regions in connection with varied goods or services, under a required registration scheme both mark holders could register and earn nationwide trademark protection due to the low probability of consumer confusion.

<sup>157</sup> 15 U.S.C.S. § 1125(c)(2)(A)(i)-(ii) (LexisNexis, Lexis Advance through Public Law 116-193, approved Oct. 30, 2020) (weighing the duration, extent, and geographic reach of advertising of the marks and the amount, volume, and geographic extent of sales of goods or services associated with the mark); *Playnation Play Sys. v. Velez Corp.*, 924 F.3d 1159 (11th Cir. 2019) (weighing the similarity of the products represented by the marks, the similarity of the parties' retail outlets and customers, and the similarity of the advertising media used by the parties); *Affliction*

## C. Resolution of Internet Issues

Issues stemming from the genesis and mass adoption of the internet would also be resolved by implementation of a required registration federal trademark system. For example, the question of whether or not the internet can serve as its own zone of market penetration that a mark user can sufficiently penetrate to exclude other users of the same mark would essentially be moot. Likewise, the issue of whether including disclaimers addressing geographic limitations or stating non-relation to other users is equitable would be resolved. Regardless of prior use of the mark on the internet or where the website is being viewed, the user of the mark would have no protectable trademark interests unless it federally registered the mark. Furthermore, adopting a higher standard for internet users would decrease the risk of a likelihood of confusion among consumers. A number of courts, in performing a likelihood of confusion analysis,

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Holdings, LLC v. Utah Vap or Smoke, LLC, 935 F.3d 1112 (10th Cir. 2019) (weighing the similarity of the products and the channels of marketing used); Allstate Ins. Co. v. Kia Motors Am., Inc., 784 F. App'x 507 (9th Cir. 2019) (weighing the proximity of the marks, the channels used to market the products, and the likelihood of expansion of the product lines); Grayson O Co. v. Agadir Int'l LLC, 856 F.3d 307 (4th Cir. 2017) (weighing the similarity of the facilities used by the mark holders and the similarities of advertising used by the mark holders); Niagara Bottling, LLC v. CC1 Ltd. P'ship, 381 F. Supp. 3d 175 (D.P.R. 2019) (two of the eight factors used by the First Circuit to determine whether a likelihood of confusions exists are the similarities between two parties' channels of trade and the relationship between the parties' advertising); Fife & Drum, Inc. v. Delbello Enters., LLC, No. 17-3676 (NLH/JS), 2019 U.S. Dist. LEXIS 190582 (D.N.J. Nov. 1, 2019) (weighing whether the goods of each party are marketed through the same channels of trade and advertising mediums); Entm't One UK Ltd. v. 2012shiliang, 384 F. Supp. 3d 941 (N.D. Ill. 2019) (weighing whether there is a relationship in use, distribution, or sales between the goods or services offered by the parties); Eyebobs, LLC v. Snap, Inc., 259 F. Supp. 3d 965 (D. Minn. 2017) (considering the degree to which the products compete); Anderson v. Baker, No. 4:14-CV-1211, 2014 U.S. Dist. LEXIS 73059 at \*21 (S.D. Tex. May 28, 2014) (weighing the identity of retail outlets used by both parties and the similarity of the advertising media used); Dominic's Rest. of Dayton, Inc. v. Mantia, No. 3:09-cv-131, 2009 U.S. Dist. LEXIS 37215 (S.D. Ohio Apr. 20, 2009) (weighing the marketing channels used and the likelihood of expansion of the product lines); Pfizer, Inc. v. Y2K Shipping & Trading, Inc., No. 00 CV 5304(SJ), 2004 U.S. Dist. LEXIS 10426 (E.D.N.Y. Mar. 26, 2004) (weighing the proximity of products using the same mark and the likelihood of the owner of one of those marks bridging the gap between each parties' market).

undermine the sophistication of consumers<sup>158</sup> but consumers in the digital age are sharper than ever.<sup>159</sup> Therefore, concurrent use of similar marks on the internet, if both have been registered with the USPTO, would be better able to both protect consumers from confusion and benefit the businesses using the mark by enabling them to coexist without one benefiting from the goodwill of the other, or preventing growth of a smaller business.

#### **D. Maintaining the Main Policy Concerns of Trademark Law**

The primary policy concerns of American trademark law are protecting consumers from confusion in the marketplace and protecting the goodwill fostered by businesses in association with their trademarks and service marks. These concerns would continue to be the primary purpose of a required registration system for federal trademark protection. If a mark is likely to cause confusion among consumers in the marketplace, regardless of seniority or remoteness, that use of the mark may be enjoined. However, there are now and will continue to be options available to that junior user, such as qualification of the mark or changing the mark altogether.<sup>160</sup>

This would help to mitigate the risks of a senior user of a mark losing the goodwill it has fostered without a federal registration when a more popular junior user does acquire a federal registration, such as in *White's* case. No senior user's goodwill would be threatened by any junior users who were faster to register because the senior user would

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<sup>158</sup> *Autozone, Inc. v. Strick*, 543 F.3d 923, 933 (7th Cir. 2008) (noting that “the more widely accessible and inexpensive the products . . . the more likely that consumers will exercise a lesser degree of care and discrimination in their purchases.”); *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir. 1992) (“ . . . consumers tend to exercise less care when purchasing lower cost items . . . and thus rely on brand names.”); *Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190 (2d Cir. 1971) (warning against undue reliance on the “supposed sophistication” and care of consumers when expensive goods are involved); *UA Corp. v. United Artist Studios LLC*, No. CV 19-828 MWF-MAA, 2020 U.S. Dist. LEXIS 139283 (C.D. Cal. Jul. 7, 2020) (“Courts generally expect a reasonable consumer ‘to be more discerning—and less easily confused—when he is purchasing expensive items, . . . and when the products being sold are marketed primarily to expert buyers.’” (quoting *Brookfield Commun., Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1060 (9th Cir. 1990); *Anderson*, 2014 U.S. Dist. LEXIS 73059 at \*26 (concluding that there was a likelihood of confusion among “impressionable, and unsavvy consumers.”)).

<sup>159</sup> *Barrett*, *supra* note 32, at 715.

<sup>160</sup> *See supra* note 143.



not have any legal protections in the mark without first registering it. They cannot lose what they do not have.

While it is true this would create a sort of “race statute,” common law trademark doctrines already create a “race statute” in practice, as discussed previously in this Note.<sup>161</sup> Current trademark doctrines benefit the first person to register a mark with the USPTO, giving them nationwide protection and rights to enjoin others from using a confusingly similar mark with near impunity. It would be no less fair to adopt a required registration system that would encourage mark owners to register as quickly as possible—this is already the way American trademark law operates. However, under a required registration system for nationwide trademark protection, such a race to register a mark would be less likely to lead to inequitable results through the maintenance of both the actual use in interstate commerce requirement, and the intent to use in commerce requirement. This would better balance otherwise opposing interests while limiting the inequitable application of the current trademark doctrines.

Users of a mark would be able to apply for federal registration upon first use of the mark in interstate commerce or could apply for registration in advance with a demonstration of the intent to use the mark in the near future. An application for trademark registration with the intent to use the mark backdates the registration to the date of the first application upon first use in commerce, allowing sufficient time for users of the mark to plan the launch of the mark without rushing and overlooking a senior user of the mark. This also provides users with plenty of time to conduct appropriate market research to ensure their use of a mark could not be enjoined by another user. Furthermore, the requirements that use of the mark must be greater than a mere attempt to hold the mark would prevent people from “using” a large number of marks that are likely to be attractive to other businesses, and then extorting those businesses for ridiculously high prices to sell the rights to use that mark.<sup>162</sup>

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<sup>161</sup> See *supra* note 138 and related discussion.

<sup>162</sup> “Cybersquatting” is piracy of another’s trademark through use as a domain name on the internet with the intent to sell the domain to the rightful owner of the mark. Some people have been known to purchase a large number of domain names that are likely to be used by businesses, holding the names in the hopes of turning a profit in the future when the domain name becomes necessary to a business. See Lanham Act § 43, 15 U.S.C.S. § 1125(d) (LexisNexis, Lexis Advance through Public Law 117-80, approved Dec. 27, 2021) (commonly referred to as the Anticybersquatting Prevention Act). See *supra* note 61 and related discussion. The Trademark Modernization Act of 2020 allows plaintiffs to challenge the accuracy of a

It is possible that the implementation of a required registration system for federal trademark protection would benefit wealthier parties who can afford the registration costs that so often act as a barrier to small businesses or solo entrepreneurs.<sup>163</sup> As such, it may be prudent to create methods by which the costs of trademark registration for small or minority-owned businesses could be subsidized to prevent trademark law from acting as an impenetrable barrier to less affluent businesses. Adopting a required registration model of earning trademark protection would likely lead to an influx of registration applications from existing common law mark users who do not wish to lose protection of their marks, as well as new trademark applicants who cannot rely on common law doctrines to protect their interests. Portions of the significant uptake in registration fees could be used to subsidize the less affluent businesses across the country who, owing to size and client limitations, cannot afford the costly registration fees, but do not wish to lose interests in their trademarks.

On the other hand, such a surge in trademark applications might overwhelm the USPTO's staff, which could in theory exasperate the already lengthy waiting period for approval of an application.<sup>164</sup> As

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registrant's claims of "use" of a mark in order to cancel or deny registration of marks that are registered for inequitable purposes. *See* Louis T. Perry & Darren S. Cahr, *Important New Trademark and Copyright Laws Appear in Stimulus Package*, THE NATIONAL LAW REVIEW (Dec. 22, 2020), <https://www.natlawreview.com/article/important-new-trademark-and-copyright-laws-appear-stimulus-package>.

<sup>163</sup> Four factors contribute to the overall cost of a trademark registration application: (1) the number of marks being registered, because each must be filed separately with its own fees; (2) the number of classes of goods each mark is associated with, each having its own fees; (3) the type of application form, either TEAS Plus which is cheaper, but requires more from applicants, or TEAS Standard which costs more, but has fewer requirements for the application; and (4) the filing basis, either use in commerce or intent to use, with up to five six-month extensions available before the application is terminated. Generally, the cost of a single trademark application will range from \$225 to \$1,000 for a single class use, depending on these four factors. For each additional class or mark included in the application, the cost increases. *See Trademark Fee Information*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/trademark/trademark-fee-information> (last visited Dec. 9, 2020).

<sup>164</sup> It can take a number of months before an examining attorney at the USPTO reviews an application. If the mark is approved, it may take another three or four months from publication in the "Official Gazette" before an applicant is made aware of the next status of their application. *See* Peking, Comm'n on Extraterritoriality, *Trade Mark Law and Detailed Regulations*, art. 23, 25, 26 (1923). If the application is based on an intent to use, a notice of allowance will be delivered to the applicant approximately eight weeks after initial publication. From then, the applicant has up

previously mentioned, though, the significant increase in registration applications and registration fees could be used to fill out the ranks of the USPTO to minimize a negative temporal impact caused by the same increase in applications.<sup>165</sup>

## **E. International Support for a Required Registration System**

In most countries, prior use of a mark is less important for purposes of obtaining trademark rights than priority of registration.<sup>166</sup> Most countries require trademark registration in order to obtain legal rights. This method does not grant trademark rights in the first party to use a mark, but rather encourages registration so that proper notice of

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to six months to file a statement of use, and five six-month extension periods in which to use the mark in commerce and deliver a statement of use to the USPTO. In total, it could take anywhere between six months to three-and-a-half years for a trademark application to be fully processed. *See Trademark Process*, UNITED STATES PATENT AND TRADEMARK OFFICE, <https://www.uspto.gov/trademarks-getting-started/trademark-process> (last visited Dec. 9, 2020).

<sup>165</sup> The implementation of a required registration system in order to gain nationwide trademark protection raises certain questions that call for further research and writing, namely as to how such a system would be affected by the “Crowded Field Doctrine.” Under this doctrine, if a mark is in a “crowded field” of similar marks, each member of the crowd is considered weaker in its ability to prevent use by others in the crowd. J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:85 at 11-163 (4th Ed. 2001). It should be noted though that the mere fact that third parties have registered a similar mark does not in and of itself weaken any given user’s mark without evidence that the other marks in the crowded field are in use and have actually weakened the rest. 5 JEROME GILSON & ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 5.10, endnote 9. (2020). That is to say, trademarks in a crowded field are measured by concurrent use, not registration. *Moose Creek, Inc. v. Abercrombie & Fitch Co.*, 331 F. Supp. 2d 1214 (C.D. Cal. 2004), *aff’d*, 114 Fed. Appx. 921 (9th Cir. 2004). Even an inherently distinct mark will have a limited scope of protection available to it if it exists in a crowded field of similar marks. Jeffrey H. Greene, SL082 ALI-ABA 51 (April 2006) (course of study materials on file with author); *One Indus., LLC v. Jim O’Neal Distrib., Inc.*, 578 F.3d 1154, 1164 (9th Cir. 2009). However, in certain fields where the level of care and sophistication practiced by customers is higher, it is less likely that marks will be weakened by the crowded field doctrine. David H. Herrington and Arminda B. Bepko, 2009 THE BANKING LAW JOURNAL § 2009-5.05 (2021). As mentioned previously in this Note, there are suggestions that in the digital age the average internet user is more discerning than average customers when it comes to discriminating between similar trademarks. *See supra*, note 104 and related discussion. This could potentially mitigate the risks of a crowded field in the wake of adopting a required registration system for nationwide trademark protection.

<sup>166</sup> Kosicki *supra* note 145, at 3.

exclusivity can be afforded to other users.<sup>167</sup> That is to say that trademark rights vest not in the first party to use a mark, but in the first party to publicly lay claim to the mark through federal registration of the mark.<sup>168</sup> More than 100 countries utilize a first-to-file required registration system as opposed to the roughly seventy countries that attribute ownership on the basis of prior use.<sup>169</sup> In these “registration countries,” the law recognizes no ownership interests in a trademark unless it is registered, regardless of prior use in commerce or the reputation the mark has in the marketplace.<sup>170</sup> Although in such countries it is possible for a mark to be registered in bad faith, it is very difficult to challenge the presumption of ownership afforded by trademark registration without expensive and protracted litigation.<sup>171</sup>

## CONCLUSION

Modern applications of trademark law have fallen behind the curve of technology, almost reversing one of the policy goals that trademarks were established to protect: goodwill in a business’s goods and services. With common law trademark infringement claims on the rise in the wake of the advent of e-commerce, the geographic barriers that traditionally defined the scope of trademark use are becoming blurred, or disappearing completely, and the application of the Lanham Act is confusing the purpose of trademark law. It is high time trademark law evolves to enter the digital age.

The implementation of a registration requirement in order to obtain nationwide trademark protection regardless of prior use in commerce is the significant shift in trademark law needed to resolve many of these issues. Federal registration would continue to provide prima facie evidence of ownership and constructive notice of priority rights to use a mark, while also permitting concurrent users to coexist provided there is not a likelihood of confusion among consumers. Such a system would even resolve many of the questions posed by the advent of the internet addressed in this Note, including the confusing idea of geographic territoriality on the internet. Furthermore, if

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<sup>167</sup> *Id.* at 4.

<sup>168</sup> *Id.* at 1.

<sup>169</sup> See generally Kosicki *supra* note 145; Bernard A Kosicki, U.S. Dep’t of Commerce, Trade Information Bulletin No. 219, *Trade-Mark Protection in Latin America* (1924); Donna A. Tobin, *Trademarks Throughout the World* (5th ed. 2020).

<sup>170</sup> Kosicki *supra* note 145, at 4.

<sup>171</sup> *Id.*

America were to adopt a required registration system, it would join the majority of nations that have already done so.

As technology continues to rapidly advance and new modes of communication and marketing evolve, territorial boundaries will continue to blur into extinction, requiring a new structure that looks beyond the traditional territorial confinements of American trademark law.<sup>172</sup> Implementing a registration requirement in order to obtain nationwide trademark protection regardless of prior use in commerce is the most logical step to resolving the many questions that the internet has raised with regards to trademark law. It is the safest way to properly carry out the primary functions of trademark law: protecting consumers from confusion in the marketplace, and protecting the goodwill that commerce depends on. Although it would not have helped Anita White in her case against the Band, implementing a registration requirement for trademark protection could lower costs, making it easier for artists in the future to protect themselves from larger more influential junior users who like the sound of the name Lady A.

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<sup>172</sup> Parent, *supra* note 43, at 134.

BELMONT ENTERTAINMENT LAW JOURNAL SECOND  
ANNUAL ENTERTAINMENT LAW SYMPOSIUM:  
SONGWRITING AND THE LAW: WHAT ATTORNEYS,  
SONGWRITERS, AND PUBLISHERS NEED TO KNOW ABOUT  
THE MMA

**Matthew Jafari:** Hi everybody. My name is Matthew Jafari. I am the Symposium Coordinator for Belmont University's Entertainment Law Journal. I'd like to welcome you to today's event, *Songwriting and The Law*. We are so excited to have you. To start, I wanted just to give a brief thank you to all of you for being with us today, and, as well, I would like to thank the Copyright Office for sponsoring this event with us and creating what should be an excellent program for everybody.

I would like to give a special thanks to Holland Gormley, John Riley, Professor Loren Mulraine, and Klare Essad for dedicating their time to help create this event. We're going to have a good list of excellent panels for everybody today. One last thing, just a quick housekeeping note, if you're planning on seeking CLE credits for this event, we have a form available and instructions on how to submit that on the site where you registered. Without further ado, I will turn over to Professor Loren Mulraine.

**Prof. Loren Mulraine:** Good morning, everyone. Welcome to Belmont University College of Law, virtually, of course, and our 2021 Entertainment Law Journal Symposium, which we are sponsoring in co-partnership with the US Copyright Office. Before we get into our first panel, I wanted to give a special thanks to our Entertainment Law Journal members who have worked tirelessly to make this program a success. If they were associates at a law firm, they would've really exceeded their billable hours over the last couple of weeks for sure. I'd also like to thank our dean, Alberto Gonzalez, and our faculty and staff for their support as well.

My name is Loren Mulraine. I'm a Professor of Law and the Director of Music and Entertainment Law Studies here at Belmont. I wanted to just tell you a little bit about our program before we get started, what we do here at Belmont Law. Our Entertainment and Music Business Program includes a number of courses that prepare students for practice in this area, including Entertainment Law, Entertainment

Practice, Copyright Law, Trademark Law, Patent Law, Intellectual Property, Film and TV Transactions, Sports Law, Media Law, and some other courses. We try to get our students in a position where if they want to work in this space, they are well prepared to do so.

Our Entertainment Law Journal is an outgrowth of this program and is two years old now, and this is our second symposium. We're thrilled that the US Copyright Office is partnering with us to sponsor this event and we're equally thrilled that so many of you have registered for today's webinar. If this is your first time with us, we certainly hope it will not be your last, and we hope that next year at this time, the online component of our symposium will just be one component of our program.

Now, this is an exciting time to be in the music industry. It's exciting for creators, and it's exciting for the business and legal personnel who facilitate the work of the creators and owners of copyrighted works. Over the past 20 years, we have seen a major shift in the music industry with regard to the creation, distribution, and now the monetization of creative works.

The massive changes in distribution and monetization led by the rapid transition to a streaming economy triggered a need for legislation that facilitates a fair, accurate, and effective means of compensating creators for their works. You might say the industry has been undergoing a series of disruptions, but disruptions lead to opportunities. In particular, these disruptions in the industry have served as the clay from which the Music Modernization Act (“MMA”) and the Mechanical Licensing Collective (“MLC”) were formed.

Our first panel this morning will introduce you to the MMA and will be moderated by John Riley, Assistant General Counsel of the US Copyright Office. John will introduce the panel members shortly. Our second panel will be the MLC panel and will discuss the Mechanical Licensing Collective, what it is, what it does, and how it works. This panel will be moderated by Kris Ahrend, the CEO of the MLC.

After our second panel, we'll have a 15-minute segment called *The Artist Focus*, which will feature hit songwriter, Jenn Schott, who will discuss a songwriter's perspective on the MMA and MLC and do a little musical performance as well. Following *The Artist Focus*, I'll

return as the moderator of our third panel, which will feature leading attorneys in the music space discussing how changes in copyright law, the MMA, and the MLC will affect songwriters.

Last, but certainly not least, our day will culminate with a keynote speech from Reagan Smith, who is the US Copyright Office General Counsel and Associate Register of Copyrights. Let's get started with our first panel. John, it's all yours.

### **First Panel: Copyright Office**

**John Riley:** Thank you, professor. Hello everyone. My name is John Riley. I'm an Assistant General Counsel at the Copyright Office. I'd like to start as well by thanking our symposium co-hosts for having us, including Professor Mulraine, the staff of the Belmont Entertainment Law Journal, as well as the Copyright Office's own Holland Gormley, who worked tirelessly to put this symposium together.

I have the pleasure of introducing you to our distinguished panel, on our screen shortly if everyone could turn on their video. Right. Teri Nelson Carpenter, the National Chair of the Association of the Independent Music Publishers and President and CEO of Real Music Works; Sally Rose Larson, the Vice President of Government Relations for the Digital Media Association; and Abby North, the President of the North Music Group and AIMP Board Member. Abby also works with SONA's Advocacy and Education efforts.

I'd like to suggest that the audience refers to the symposium's bios for lengthier backgrounds on our panelists as it might take half the panel to read all their accomplishments. The first panel, as Loren mentioned, is going to talk about the background of the MMA and how different stakeholders came together to get it passed.

If you have questions for our panel, we ask that you reserve them for some time at the end. Please, enter any questions you have into the Q&A section on our screen, not the chat section. To kick things off and get everyone on the same page, I'd like to start by asking Teri to give us a little bit of context. Teri, can you tell us a little bit about the difference between musical works, sound recordings, and maybe explain very briefly songwriters' different sources of income?



**Teri Nelson Carpenter:** I will, but first I want to say that while I have been honored to be the Chair of the AIMP, just recently, we have elected a new Chair. I'm very happy to say, it's AIMP Nashville Chapter President, John Ozier, who is now the new National Chair. It's been truly an honor to be that chair, and I just wanted to correct that one segment.

It all begins with a song. None of us would be sitting here, and we would not have an industry if it weren't for the song. When you talk about that, there are two different rights to think about. That is the musical work, which is the underlying composition of a song, and then once that song is recorded, you create a sound recording.

I know we're getting into the basics here, and this may be confirmatory for some, but it helps give you context about what it is that we're talking about and, for that intellectual property once it's created, how we deal with that. In an underlying copyright of a musical work, you have [a] writer and publisher, and the writer could be self-published or under a publishing agreement.

There's two segments—it's a pie, if you will. Songwriters are half, publishers are half. Then, when you think about the sound recording, you have the artist and producer and engineer—because they all figure into their half of that pie— and then the owner of the sound recording, which could be a record company or another entity depending on who actually pays for the songwriting or the recording. The agreements that these creatives enter into will govern what they receive as remuneration for their work. In the beginning, you have a song, and I think that you wanted to ask about the different types of revenue that a songwriter could expect. There are four main areas, and the first is performance revenue. That is from the public exhibition of works such as live performance of a song, or perhaps the exhibition on a radio, or within a film and television product, or online. You're looking at different types of revenue from the performance perspective.

A mechanical is that per-unit rate that a song is paid, and it is for the mechanical reproduction of a work. Synchronization is for the synchronization of that song to an audio-visual work. That is shared, obviously all of this, between writer and publisher. Then you have print, which has to do with what songwriters work in print. Usually, a

publisher will work actually on all four of these main categories.

One of the things that's very different is that performance revenue is normally paid directly to the writer, whereas these other forms of income are usually collected by the publisher and then paid to the writer. Then you wonder, "Where does the mechanical come from?" In 1909, Congress saw fit to allow music publishers to license their music for the mechanical reproduction of their songs in piano rolls, and it has evolved from then.

I just have to say as a publisher and as a co-writer on some titles, I'm not a prolific writer, but we have only garnered a very small increase since 1909. We started at 2 cents, and now we're only at 9.10 cents. I think we'll probably talk about the CRB (the Copyright Royalty Board), and some royalty issues with respect to the appealing of the most recent decision, which allowed us an almost 45% increase, but it's 45% of 9.10 cent, which has to be shared with the songwriter. If you're thinking that that's a great deal of money, not so much.

**John:** That's helpful. I think it's always great to get everyone on the same page because exactly as you said, there's probably some experts in the audience, there's probably some people who are new to this. Just for the rest of this panel, we're not going to be talking about performance rights mostly. We're mostly going to be talking about the mechanical rights, which are reproduction and distribution.

This is something that is in the Copyright Act where a lot of people, I think when they're starting out are very confused that there is something in the law that says, "We can use your work without your permission." We have to jump through some hoops and pay some royalties, and as you said, that there are royalties set by the government, they date back to 1909. Just to clarify, I think you had mentioned 9.10 cents for physical reproduction. This is a law that says, if you write a song—and historically this has been used a lot for cover songs, for example.

**Teri:** Right. Exactly.

**John:** Or record labels who want to use a writer's work, in any case that 9.10 cents refers to the physical reproduction. There's a very

complex set of rates—

**Teri:** For the digital.

**John:** —for digital, so yes, for Section 115, sometimes called the Mechanical Right, there is a law that says, "You can use certain things," and some people might be a little bit confused I think because, "Where does this come about in digital?" It's in a very technical term called Digital Phonorecord Deliveries, which is long and short interactive streaming and digital downloads. That's the main part where we see these today.

That is a very helpful background, and we're talking about the MMA, the Music Modernization Act, which has other parts to it that don't involve Section 115, but we're going to focus on Section 115. I think I'd like to take us back a little bit to 2015 before the MMA passed as the Copyright Office was studying these issues. Before the MMA was negotiated, can anyone walk us through the problems, either songwriters, publishers, or streaming services had with the existing landscape?

**Teri:** It's called the Loophole of the Mechanical Copyright. I think Abby and I are very passionate toward this one issue because the law before the MMA only said that they had to try to locate a writer, the artist, or the label. It didn't say they had to find them. With the advent of the digital space, now these DSPs, they found a Loophole where they knew that they only had to send out a Notice of Intent, an NOI, in order to use music.

If they couldn't find it, they filed it with the Copyright Office and that gave them permission going forward. Still, your initial release of a song must be governed by the original owner. They have to give permission for that right. Subsequent to that, it's a compulsory law that allows the song to be recorded by anybody who wishes to record it. They can't turn it down. They have to pay the statutory rate and if they'd like to negotiate something less, then they have to speak with the owners of the copyright.

I think that one of the things that was just very difficult is, since 2018, there's well over a million of these NOIs on file at the Copyright Office. It's like, if they would just go to BMI or ASCAP databases or

maybe another licensing agent database, they could find the copyrights and the contact information necessary to pay the rights owners.

I get the DSP's side because they have an incredible amount of work to clear in order to utilize it on their digital sides. It's technology and copyright running into one another, and how we were able to deal with that. We didn't deal with it very well, and thank God the MMA came along. I think Abby has a couple comments to add to that.

**Abby North:** Teri's passionate; I'm passionate about it, it's true. I think, just to be clear, the problem was that all of these songs were up on these digital services without being licensed, so they were licensed typically on the performance side as a result of the blanket licenses with the PROs, but we didn't have this blanket license on the mechanical. These DSPs had to go and license every single song one by one.

Certainly, that's a gigantic job. I think right now we have about 70 million sound recordings up on the services, so then the services started utilizing administrators and it's just a behemoth job, and the NOI is turned into a little bit of a mess. The result was DSPs getting sued, songwriters, publishers, not receiving money because we weren't identified as the rights holders.

**John:** As I understand, Sally Rose, the DSPs really viewed this as an administrative challenge. They didn't want to not pay these relatively lower royalties; it's just they had a huge administrative problem finding songwriters and publishers. Is that right?

**Sally Rose Larson:** Yes. I think that is right. I think you're looking at, this was mentioned earlier by Teri, but a system where these are digital services operating in the 21st Century. They're trying to license millions and millions of songs to make the best services to get music to fans, but they're operating under a system pre-MMA, where they had to license works on a song-by-song basis.

That was an incredible challenge in a very inefficient system, and services absolutely want money to go to the proper rights holders. It was very difficult to find those people under the previous system, which in turn led to legal liability, and it was a system that was essentially lose-lose for everyone.

**John:** Maybe just a clarification because under the old rule, if there wasn't information in the Copyright Office's records, what would happen is—I think Teri mentioned this and you're right. It was that if you wanted to take advantage of the Section 115 license and the information on those copyright owners weren't in the Copyright Office's records, you did serve the NOI on the Copyright Office.

I think the important part about it that we're leaving out is, "and then you paid no royalties." If you identify the copyright owner, you pay the royalties, but under the old system, you were left off the hook, explicitly by not having to pay royalties.

**Teri:** John, I think one of the things that got publishers upset is that all of these platforms, all of these digital sites were being created off the backs of our copyright. It felt like they were asking for forgiveness instead of permission and finding the easiest way to skirt the law. Not every DSP did that, mind you. I'm not throwing everybody into the same bucket, but that was the feeling of rights owners, that our copyrights aren't being honored here and there has to be a solution.

This was something that the DSPs were frustrated [with] because it's easier to go to one record label and get all of these different recordings, but it isn't so much on the copyright side. There's so many more moving parts with writers and publishers that it is a far more intense process in clearing. We want to give those who want to utilize our music the right to do so, but in the most transparent, expedient, and legal way.

**Sally Rose:** It was definitely a complex system. My understanding is that many of the DSPs were accruing those royalties that under NOIs that they could not pay. I think the complexity of that system and the challenges that Teri is mentioning, the DSPs did want to pay. The songwriters, of course, wanted to get paid.

We all want that to happen, and I think that's why DiMA and its members were so committed from the very beginning of the MMA negotiating process and are still so committed to getting this right. So we can fix the system so that it works better for everyone.

[A] system that works through litigation is broken, and that's essentially how it was working. Now we're in, hopefully, with the

MMA—and I'll talk about this a little bit later, but—a better place, and we'll see a better future where everyone is in a more efficient and effective system, and people are getting paid what they're owed.

**Abby:** I think we have to define DSP.

**Teri:** Yes.

**John:** You might hear us refer to a streaming service, or a service, or a digital music service, but technically in the law in Section 115, it is called a Digital Music Provider, or DMP. Sometimes abbreviated as DSP because that's how Section 512 refers to online service providers, but DMP is a Digital Music Provider. There we go.

I think we started to mention about the different interests of all these folks. We don't have a record label on this panel here, but we have songwriters, we have publishers, we have Digital Music, DMPs, and others who might fight over money, because at the end, everybody wants to make as much money as they can, but they also might have some aligned interests that you might not see.

I'm wondering from everyone's perspective as they saw the MMA come together, how did those different groups come to Congress and bring their interest? Did it come all at once, was feedback piecewise? Anybody want to talk about the political process to bring together the MMA?

**Teri:** I think Sally's going to have the most interesting story. I will say that this was not something that did happen all at once. It happened over two different congressional periods. We were lucky that the timing was so ripe for all of this to come about because the MMA was trying to be passed on its own with respect to the songwriters and publishers. Then, we all learned that if we all came together, we might have a better time politically, being able to cover all three of the aspects of what is the Music Modernization Act.

It isn't just the MMA, it's also the Classics Act for the legacy recordings pre-1972, and then the AMP Act for the distribution of royalties for producers, engineers, and mixers. This was something that we came together. I think that it was truly a moment that we should all savor for a very long time because it's the first time in a very

long time that we've had this type of consensus, but I think Sally's got a great story to tell. [chuckles]

**Sally Rose:** That's right.

**John:** Sally Rose, I think I should introduce this a little bit because you worked for Congress at the time that the MMA came together. In fact, when the MMA was passed, you were recognized on the floor of Congress by Representative Collins, Senator Alexander, and Hatch, all for your efforts on the MMA. There's not a lot of other people who got that recognition. Maybe can you tell us a little bit about your former role with Congress and what the process was like to get the bill passed?

**Sally Rose:** Sure. As John mentioned, I worked for Congressman Collins previously who was one of the lead authors of the MMA along with Senators Hatch, Alexander, Congressman Jeffries, and a handful of others. The part of the MMA that I worked the most closely on was Section 115, what is now Title I of what became the MMA, the law. The bill, ultimately, passed Congress in both chambers unanimously, which I think really belies the challenges in getting there.

As Teri mentioned, there were multiple conversations. I would say we met with dozens of stakeholders and negotiated for hundreds, if not more, hours over a period of several months. It took us several months to even get to the concept of the MMA, much less the actual legislative language. Then the legislative language, the devils in the details, and that part obviously took much longer.

It was multiple groups, multiple meetings. There were several times when I thought everything was going to fall apart, and it seemed like it would, and we would have what I would nicely refer to as a "pep talk" by my former boss, Congressman Collins. He was in House leadership at the time and had a very small office in the Capitol. He would get everyone together in the office and we'd have an airing of grievances, a pep talk, and essentially stay in that room until we could work through challenges.

Sometimes that meeting took place in Senator Hatch's office and sometimes in Senator Alexander's, but there were plenty of times where we really just had to sit there and put our nose to the grindstone

and say, "Everyone agrees there's a problem. Everyone agrees you need to find a solution. Let's just stay here until we can figure out what it is."

In addition to all of that negotiating, the stakeholder meetings, the very arduous process of going line by line, page by page through the bill, including with the Copyright Office, which was incredibly helpful in the process, we also had to do a lot of educating. Most members of Congress are not experts on the intricacies of music licensing, especially if you're not on the Judiciary Committee, and it had been a long time since Congress had done anything related to music licensing.

It took a lot of telling people why there was a problem and there were a lot of stakeholder groups that did a really great job with that, including DiMA, NPA, RIAA, AIMP, SONA, NSAI, to name just a few of them, ASCAP, BMI, tons and tons of them. It really was a group effort, and it took a lot of members of Congress who are very passionate and a lot of stakeholders who are very passionate, really willing to work through some big disagreements at times.

**John:** I don't know if everyone agrees, but it seems that there was enough frustration in the industry all around, including with respect to 115, but also other pieces, where that triggered everybody to come together. It also sounded like the parties didn't get all that they wanted, but there was something seemingly for nearly everyone in the bill. Go ahead.

**Sally Rose:** Yes, definitely true. I think it was a true illustration of compromise and everyone agreeing that they wanted to find a solution. That meant that it was not going to be 100% whatever side went into it wanting, but it was going to be something that ultimately worked better for everyone. That was the goal. It certainly took a lot of head bashing to get to that point.

**Teri:** Some backroom deals I think happened at the last minute in order for this to go through and to be able to move this legislation forward. One of the things that rights holders were not totally pleased with was the release of liability of the DSPs in this deal. Because, yes, we're happy going forward, it's going to be transparent. We are going to get paid, but we still had issues for what happened previous to that time.



When you said, "Did everybody get what they wanted?" Yes, you're right, they didn't. For the greater good, we all came forward. I know that the whole announcement about Blackstone and their last-minute issue [chuckles] with this whole thing, this is another outside company that could be definitely affected by the creation of the MLC. We're seeing that all parties now are working together and are able to make this happen. I see this going forward as such a positive step in the collection of royalties and process for rights owners. Our songwriters have been denied so much for so long and they really need to see that their royalties are coming through, and they need to see the transparency of that. It's hard to hear your music being played and wondering in your statement where the heck that payment is. I think that's just where the rubber meets the road for all of us.

**Abby:** To that end, I think it's absolutely incredible that all these parties came together and reached some kind of an agreement. I don't think we can ignore the fact that there's the CRB rate appeal. I think that's such a black mark and it's so disturbing, I think for songwriters, for publishers. Songwriters are struggling to survive.

**Teri:** Well, what's really hard is that, with Spotify's appeal and others that have joined them, the problem is now we're starting— That's actually entitled CRB III, and now we are starting CRB IV. As a publisher, I'm collecting royalties. If the outcome of that appeal affects me several years down the road, how do I manage that? I'm obligated to pay out royalties to my writers and this is really a huge challenge. Now we're seeing CRB VI and the new proceedings that'll govern the next period of time. It's very daunting for a publisher.

**Abby:** The accounting challenges are huge.

**John:** Yes, I just want to, for the audience who might not be keeping up, when the rates and terms are set for the Section 115 license, the money that digital music providers are going to pay, it's set by a three-judge panel. It's a part of the library of Congress called the Copyright Royalty Board and it's set in different proceedings. One proceeding, I think we call it Phonorecords III is on remand with the board right now. That's going to be set under the old four-factor 801B standard, which was one [of] the biggest changes in the MMA. I don't know if Abby or Teri wants to talk about this because the next rate setting is going to use a new standard.

**Abby:** I think the willing buyer, willing seller thing [chuckles] and being—

**Teri:** We win when that happens. God bless the capitalist nation we live in; we do take a chance in a willing buyer, willing seller type of situation. History proves that as we are able to have that type of ability in the marketplace, it seems to square out equally. It seems to be something that is far more fair in being able to dictate terms and test the market. [crosstalk] Go on, Abby.

**Abby:** To that end, I was just going to say that, when we're looking at synchronization, that is that one royalty type where we get to be on an even ground negotiating as the labels are on. Everywhere else, we are so regulated, and we are so limited.

**Teri:** Right, and not all budgets are the same. That's why being able to negotiate that rate, we can work with the users of music so that we can get our music licensed and at a fair rate that meets their budget and makes us happy that our copyright is valued.

**John:** I don't want to steal too much of the MLC's thunder because they are on the next panel. Does anyone want to talk about what the MMA did and what the MLC's role is in doing that?

**Abby:** I'll start. I'm sure Teri's going to, but we'll pass the mic.

**Teri:** You're good, Abby.  
[laughter]

**Abby:** Again, I mentioned before, before the MMA, we had blanket licensing on the performance side, and we had one-off licensing on the mechanical side. Now with the passing of the MMA and now with the MLC, we have a blanket license on the mechanical side, which is great for the DSPs. They know they're licensed and that's great for the ecosystem. The MLC's challenge now is to be able to match those songs that were, let's say, under NOI because somebody couldn't find the rights holder or couldn't find the songwriter. Now, you got to find them. That's the MLC's job, and it's not an easy job, frankly.

Teri mentioned that there are databases like ASCAP, like BMI, which often do have the data that's necessary. The challenges here are being

able to say, "This is the song that is being, let's say, embedded in this sound recording. Therefore, these songwriters and this publisher, or whatever, those are the entitled parties. Those are the ones to whom we need to pay the royalties." It's a gigantic challenge. It hasn't been done that well thus far, we know because that's why the whole MMA thing happened.

**Teri:** The way that the MLC was seeded was starting with the copyrights that were on registration at Harry Fox Agency, one of the licensing agencies, and that's what started their database. Here's the thing about registration—and Abby can get into more of this as she's been intimately involved on the broader level—but they do not resolve conflict. The conflict of any copyright has to be resolved between the claimants.

The MLC takes a Switzerland approach, if you will. They are just there to help facilitate what will hopefully be a resolution between parties. I think the biggest thing that people need to understand is that your metadata has to be right in order for this whole law and this whole collective to work for you because if your metadata is not correct—and that's the information that states writer, publisher, and identifying the works through the different codes that I'll let Abby talk about. [chuckles] If that is not correct, you cannot get paid because they cannot match it properly.

**Abby:** The metadata matters, but the very first thing is, please go to the MLC and join it. Please sign up. If you don't sign up, I promise you won't get paid. I promise.

**Teri:** Exactly.

**John:** That's a good point because I think the one thing that's important to note is that the MMA changed what happened when you couldn't find a copyright owner. Before the MMA, if you couldn't find the copyright owner, you again, you could serve an NOI in the Copyright Office and you paid no royalties, but that's not the case now. Digital music providers will be paying all royalties for all uses under the blanket license to the MLC, and it's the MLC's job to find those people.

**Abby:** What happens, John, if they don't?

**John:** That's a good question. If the MLC is not able to find a copyright owner by the time a certain statutory holding period ends, then there's a distribution to all matched copyright owners of that money by market share. Around the world, there's a few different ways that CMOs or other organizations do this. Some hold it indefinitely, which may not incentivize folks to go out, and if there's no money coming back to the songwriters, that's not great.

On the other hand, you don't want them to not pay it and have the money escheat to the state or something like that. It is the bargain of the MMA. I think, certainly, as the different parties discussed, it was something that was better than the DMPs not paying, at least, in terms to incentivize copyright owners. I know a lot of people have very intense thoughts about this system. What do you all think?

**Teri:** Let me say, if you're going by this strict reading of the law within 45 days from the opening of the MLC, we should get that black box revenue. Let's hope it is a sweet Valentine's Day and that money does come in, and it is something that we are able to match. I think that the issue is that market share has always been a difficult subject, especially for the independent music publisher, because the question becomes its market share at which time, for what copyrights, for what use.

We are that other part of the copyright that the majors control. One of the things that's unique about the MMA, which I love, is the fact that independent music publishers and, even more important, songwriters have an equal seat at the table. Especially in the committee setup, they're able to work on the unclaimed funds, exactly what you are talking about.

This is something that they will advise the MLC board on, as well as the dispute resolution, helping to resolve issues and then operations. We are seeing such a wonderful representation of independent music publishers and songwriters. Let's hope that market share truly is something that's more representative rather than, "Oh, okay. Well, let's see. 90% goes to the majors, then 10% goes to us." I'm being facetious here, but you get my point. Having a seat at the table is important.

**Abby:** Having a seat at the table is crucial, for sure. Here's the thing. If you join the MLC, you register your works, you are much more likely to be able to have the MLC match what is currently unmatched and unallocated. If they're able to match correctly, then the correct parties will be paid. Further, if you put the time into joining and matching, then your market share grows. Hopefully, the results are that this black box, this unallocated, unmatched body of royalties is matched a lot, not entirely, but gets matched, and then those people who are putting the time and energy and effort into matching their works, they're going to benefit, they're going to get their royalties, and they will grow their market share.

**Teri:** It's just the quality of the information to be able to match, and I think that that's where the issues lie. Gosh, John, if you don't mind, can I ask Abby a question? [laughs]

**John:** Go ahead.

**Teri:** Abby, we're talking about being able to match and register. The DQI, can you talk about that really quick because that's really key.

**Abby:** Let's actually—let's roll back just a little bit because we did want to talk about those identifiers. We got these identifiers, which are associated with parties, with songs, and with recordings. One of the greatest challenges in matching is when we don't have those identifiers associated with the titles because we have a billion songs that are called, “Just the Way You Are.” How do we know which one is the Billy Joel one? How do we know which recording is a recording of that composition?

Get your identifiers in order as much as possible, and then there's this thing called DQI, Data Quality Initiative, which the MLC has created, which allows rights holders to see disparities in their own data truth, their data set, compared to that of HFA, MLC. This is valuable because we can see if the share that the MLC attributes to us is the same as what we claim. It shows if the number of writers matches. In other words, if I say there's four writers, but the MLC says there's five, that's a conflict.

Also, it matches identifiers. If I say, well, this is the ISWC, the ISWC is the International Standard Work Code. If I say, "This is the ISWC

that is associated with my composition," and then I receive a report, a DQI report from the MLC that says, "We don't have this ISWC on file," or "This is not the ISWC that we matched to this work," that's an issue. The way the DQI works is, we deliver three files to the MLC, and these are about the work, about the writers, and alternate titles.

An alternate title is, let's say the song is "Unchained Melody," but everybody knows it as, "Are You Still Mine." We would put "Are You Still Mine" as an alternate title, and we want to make sure that any CMO has that alt title as well, in case a usage report comes in with that alternate title, they know to match it to "Unchained Melody." We deliver these three reports or three files to the MLC, and then in return, we receive a report from them that illustrates the disparities.

**Teri:** Just [crosstalk], ISWC, International Standard Work Code, the ISRC, International Standard Recording Code, DQI, Data Quality Initiative. Gosh, I told everybody earlier, I'm going to write a rap song with all of the acronyms in the music industry. It's going to be a hit, I promise.

**Abby:** A big hit.

**John:** I think maybe the MLC is going to probably mention the DQI a little bit more in-depth. I think maybe a way to think about this is, if you go to a large chain grocery store and you swipe your seltzer water and it just beeps, it uses the UPC to identify it, and everything's done quickly. If you go to a bodega to get the same thing, they might need to look at the shelf to look at the price.

It's so much easier when you have a number that's highly automated and goes into a database. This is one of the big things about the MLC is that they're creating this ownership database. Sally Rose, I want to just let you—we have not too much time left because we want to let some questions come in—but transparency was a big issue for the DMPs. Can you just talk a little bit about the value of having this new database, and the other pieces that DMPs got in the MMA?

**Sally Rose:** Sure. Yes. I think what we're hearing, obviously, from this conversation is that music is really complex. I think to touch on something we talked about a little bit earlier, industry economics are really complex and questions about how much people get paid for uses

of certain works have been hallmarks of the industry from the beginning. Teri mentioned earlier, there's various components of the industry. That plays into some of these economic questions. There's the data questions, which the MMA I think will also help with.

That part of it is, if there was no musical works database, comprehensive musical works database. The MMA creates that, which should lead to more transparency. It's publicly accessible, that people can go in and see what's been claimed, what has and what hasn't, what's owned, what's not, that should be very helpful. I think more transparency in the system is always a good thing.

One of the other things that the services I think are very excited about in the MMA is just the increased certainty. The services agreed to pay for the MLC, and that is a very unique system. That's unlike any other collective organization. In exchange for that, the MLC takes on some of the responsibility of matching works through the proper owners, and the hope is that that means that more copyright owners get paid what they're due.

Then there's also, of course, the limitation on liability, which is a great thing. The MMA spells out very clearly what services need to do to be eligible for the blanket license, and what they need to continue to do to maintain that eligibility. That creates certainty in the system, and I think certainty and transparency are good things. We talked about it earlier, but hopefully, this means a system that works under the law and that doesn't work through litigation.

**John:** I think that's— Abby, I want to turn to you because I think that transparency is important, not just for the DMPs, but for songwriters. I wanted you to talk a little bit about the differences of how independent songwriters and administrators and full-service publishers will interact with the MLC and how transparency will help maybe the little guy.

**Abby:** Yes. These identifiers, just one thing—John, you brought up the UPC thing. It's when the identifier's globally used, that's when that identifier becomes incredibly powerful. When the MLC, let's say is distributing to a reciprocal CMO, if everybody is sharing that same ISWC, ISRC, that's where we start to clean up the distribution within the ecosystem.

How does this work? Transparency. Today, we have many songwriters who are either in a publishing deal, and in which case, the songwriter isn't going to join the MLC, but his or her publisher will join. The songwriters now can go look within the public portal, which is absolutely crucial. Please, everyone, when you join, go to this public portal [and] search for your works. Make sure that your publisher is the publisher that's identified. Make sure that you are the songwriter that's identified. Make sure that every single performer and/or ISRC— The ISRC is the International Standard Recording Code; it's the sound recording equivalent of the ISWC— make sure that data is there, and if it's not, deliver it.

Now, so transparency. I can see within, as a publisher, as a songwriter, I can see in that portal where someone else is claiming my work, and believe me, it happens. It's a big problem. Transparency, we weren't able to see transparently, let's say Harry Fox data. There was no public portal. This is a big difference.

The other thing is the way in our internal portals, the more transparently we can see which writer is associated with which publisher, which ISRC is the ISRC for which performer or performance rather recording, that's where we really are getting into true transparency. When we can see in these usage reports exactly how many streams are associated with which ISRC, that's when we know that our song is being paid correctly.

All these discussions that we've been having with the Copyright Office about rules and things, and what data must be in the usage reports or what data the MLC must deliver to its members, that's the stuff that creates transparency. That's the stuff that makes us believe that we're actually getting paid for the usage of our works.

**Teri:** It doesn't matter whether you're a songwriter or you are a publisher of so many different works. You have the right to go in there and check your works either on a song-by-song basis, and we're talking about bulk upload. There's so many different ways and I know that Kris and his team are going to talk about that registration. They've worked so hard to get this process going and we're just so thankful for the many hours and the effort that he and his team have put in to make this work.



We're going through growing pains in certain areas, but I don't know any company at the very beginning that doesn't have to work out a few kinks in the road, but they have been the most interactive and proactive collection rights organization that I've had the pleasure to interact with. I'm very thankful for everything that they've done in helping the independent songwriter and those who have larger catalogs. It's a place for everyone.

**John:** Great, I see that there's a lot of questions in the audience, so I only have maybe a couple more questions before we turn over to them, but if people do have questions, there's a lot there already, but I'll try to get to more than a couple. Put them in the Q&A section, and if I don't get to them, maybe the next panel might be interested in getting to some of those questions. The question that I have I think in terms of—the MMA was passed "unanimously." A lot of people had a lot of buy-in into the system.

Do you think that this is the model for music legislation to come? Do you think we could find other common ground, or was this a unique circumstance where everybody was frustrated with the circumstances that existed five years ago?

**Sally Rose:** I'll jump.

**Abby:** I think it is— I'm sorry. Go ahead.

**Sally Rose:** I think I am certainly frustrated and that contributed to us being able to find a solution, but I also think we really learned from this experience that the music industry is stronger when it works together and when we can speak with one voice and come together as different parts of the value chain, but all part of the same music ecosystem. We can effectuate really meaningful changes, and I think that's really powerful.

DiMA remains committed to implementing the MMA properly, but I think that's a sign of its broader commitment to continuing to have conversations within the music industry. We may not always agree on everything, but I think we certainly agree that when we can work together and be constructive, we are able to make the system better as a whole.

**Teri:** If we can get consensus on CRB, I think that you're going to find more cooperation within the industry.

**Abby:** I think the CRB issue, the appeal, there's no question that puts a strain on the alliances and the relationships, but further, Kris, Ellen, everybody, Maurice, it's not an easy job. It's a treacherous, torturous job, but if they pull it off in a way that makes everybody feel like all the songwriters and publishers feel like we're getting paid, that opens the door to a lot more deal-making and negotiating because we will then feel like this consensus was actually truly valuable.

**Sally Rose:** I'll just go back. I think there's always these questions about industry economics, and Teri mentioned right at the beginning of this panel, the different parts of the chain and there will always be areas where there's not total alignment, but again, if we can have these conversations constructively and work together, I think that really leads us forward into a place where we can find more solutions to these problems.

One thing that has been mentioned, I'll say before I forget, just thank you to the Copyright Office for all of your work on the MMA. I think you implementing it has been a lot of work for you all and your willingness to dig in and understand the issues and just to getting it right. We are very appreciative, and I didn't want to forget the chance to say that.

**Abby:** So glad you said that.

**Teri:** Yes, we agree.

**Abby:** [laughs] So glad you said that. You all have also been in the throes of all of this, and it's been long and protracted and challenging and contentious, so thank you.

**John:** I think they left everything that was not a consensus to us, so I appreciate the nice comments.

**Teri:** Yes, all that rulemaking.

**John:** All right, I want to get to a handful of questions if we can. We have a couple of questions about who issues the ISWC?

**Abby:** Teri, you want to do it?

**Teri:** Well, Abby, it's up to you if you want.

**Abby:** Go ahead.

**Teri:** When you register your works, you can get them from your performing rights societies, which really should be the ones to give you those ISWCs. CISAC, the global society of societies, has just implemented a new ISWC system, which really allows for even greater accuracy and ease of being able to obtain an ISWC, so get those from your performing rights societies.

**Abby:** You deliver your work registration to the society like ASCAP and BMI and then now because of this CISAC modernization, that ISWC almost always now is immediately assigned like some within—

**Teri:** Same day service or a day later.

**Abby:** The exception is if there is a writer of the work who is not an affiliate of a CMO, then that ISWC is not automatically assigned.

**John:** Another question here, what does the MMA do when there is a dispute between copyright owners, the MLC?

**Abby:** We don't know yet. [laughs]

**Teri:** They're not going to resolve it; they're going to leave it to the parties, and they're going to put that copyright on hold. I think that we're just learning about the different processes about disputes, but one thing is very clear. They will not make that decision as to who is the copyright owner. It is the parties that must resolve the matter.

**Abby:** That's consistent around the world, by the way. That's not exclusive to the MLC. That's how every single CMO operates, in my experience.

**Sally Rose:** There is a dispute resolution committee within the MLC that was created by the MMA.

**Teri:** Which is seated with songwriters and independent music publishers, I'm happy to say.

**John:** Right, another question. This question is generally the difference between Harry Fox and the MLC, and do you still have to be a member of Harry Fox to get royalties?

**Abby:** The MLC is dealing specifically with those Section 115 mechanicals. To my understanding, most of the DSPs, DMPs are not taking the blanket license for the digital downloads. The mechanicals for those digital downloads in many, if not most, cases will still flow either directly to the publisher or potentially through Harry Fox is my understanding or MRI, or maybe you could use easy song licensing or one of those services. There's the digital download, but there's also physical and also those are licenses that might include things like lyric or ultimate guitar or whatever."

**John:** It sounds like you can still be affiliated with Harry Fox, but to get the blanket license money, you don't have to be.

**Abby:** Correct.

**Teri:** Right.

**John:** Great. I guess we are slowly running out of time here, but I wanted to leave it up to my co-panelist. If you had anything you wanted to say in closing, what would you tell our audience?

**Teri:** Copyright has a value. Make sure that you register your works with the MLC, with all the collectives possible, and make sure that your information regarding your work is correct and complete because if that does not happen, they cannot connect any type of performance or mechanical revenue to your work. Be a member, join those mechanical rights society, MLC, HFA, PROs, everything, but make sure that your metadata is correct.

**Abby:** Specifically with the MLC because it's brand new. Songwriters are not used to mechanicals; they know performance. They're not used to the mechanical because that's traditionally been what their publishers collect. Today we have so many self-administered songwriters. Songwriters need to think of themselves as publishers

when they are their own publisher, they need to go join MLC, HFA, they need to deliver their data to MRI, and like Teri said, all the other places where they might receive royalties, you need to join, you need to deliver your banking information.

That's not ultimately clear when you join. Deliver your banking information because if these societies don't know how to pay you, they won't. Deliver your songs, review all of your song data, review your works in the public portals, and then when you have your own portal, review within there. Make absolutely certain that what you see is your truth.

**John:** Sally Rose?

**Sally Rose:** That goes back to something I said earlier that the music industry is really complex and complicated. Even this overview panel we've heard that and that we work better as an industry and we're stronger when we work together and DiMA remains committed to being part of that and to being part of the solutions.

**John:** Great. I will say one last word in that the Copyright Office has a lot more information on all that's going on with the MMA and the MLC, and I think my colleague's going to drop a link in the chat, and has been dropping links in the chat, to direct people to those educational materials. We also have a newsletter if people want to sign up for new developments. On all of this, please sign up, and we will keep you informed as well as we can. Last word is I sincerely appreciate the three of you joining me today. I think this was a great panel and thank you one last time.

**Abby:** Thank you.

**Teri:** Thank you, John. You've done a great job moderating, and it's an awesome topic and this is wonderful. Thank you for having us.

**Abby:** Thank you all.

**John:** I think we may have Professor Mulraine back and here we are to bring us to the next panel.

**Loren:** Thank you so much, John, Terry, Sally, and Abby for an excellent panel. You really set the foundation for what we're going to be talking about today. I was noticing as they were giving their panel this morning, there were a lot of questions in the Q&A that dealt with the MLC. Those of you who have questions in that area will be happy to see that our next panel is the MLC panel. Without further ado, I'll turn it over to the CEO of the MLC, Kris Ahrend.

### **Second Panel: Mechanical Licensing Collective**

**Kris Ahrend:** Hi Loren, good morning. I take it you can hear me. It's wonderful to be here. My name is Kris Ahrend. As Loren said, I'm the CEO of the MLC and I'm here with two colleagues of mine, members of our senior leadership team, Maurice Russell, who is our head of rights management, and Lindsey Major, who is our head of customer experience. I have to say that last panel was fantastic in so many ways, really informative.

I think what you saw was evidence of how we have approached our task and our role from the beginning. That is to do it in a cooperative way. We are a collective and the definition of a collective is a cooperative enterprise where people act together as a group. That has certainly been the case with Teri and so many people at the AINP, a fantastic organization that represents independent music publishers.

It has been true of Abby who wears so many hats both as an independent publisher, as someone who's very interested in helping self-administered songwriters, and who also has been very involved in data quality issues and our data quality initiative. Of course, Sally representing DiMA of the Digital Services and their representative organization. The DLC have been very involved.

I'd love to take a minute to thank the Copyright Office, John, Regan, Holland, and their colleagues because they have done a fantastic job, both promoting the MLC and the MMA more broadly, and also they have spent thousands of hours in the past year stewarding the regulatory process that has really created the framework for us to build the organization.

Again, for me, these were lots of familiar faces because we speak with each of them very regularly, and all of them have been a part of what

we are building today for all of you. You have heard some great information already about the MLC. We're going to touch on some of that, but our plan for today is to go over a deck that will probably take about 15 minutes and that'll touch on some additional aspects about the MLC that might be interesting, maybe fill in a few gaps that exist from the earlier panels. Then we will speak more specifically about the portal, the registration—I should say, the signup process in the portal, the works registration process. We'll touch on public search, and then we'll finish up by talking a little bit more about the data quality initiative, historical unmatched, and the disputes policy, and all along we'll be watching for questions as well.

With that, I'm going to start and share my screen. Also, I should add the chat and the Q&A have been really active, which is great. If you could keep funneling your questions in the Q&A, that'll make it easier for us to move them to the answer column as in when they're answered, and we'll do our best to leave plenty of time for questions. Maurice, I'm just going to ask you if you can see my screen.

**Maurice Russell:** Yes, I can.

**Kris:** Great. I will go quickly through some of these since I think the prior panels have probably filled you in. The origin of the MLC is probably now pretty clear, and again, it's worth reiterating that the MLC administers a new blanket mechanical license created when the MMA was passed. It was effective as of January 1st of this year.

It is now available for digital services, known in statutory parlance as Digital Music Providers, to secure for their US Digital Audio Services. The blanket license does not cover operations outside the US, and it does not cover services to the extent they do things other than offer digital audio. When we say digital audio, think interactive streaming and downloads. It does not include non-interactive streaming, things that are more akin to radio-type services.

On the right, you see a very simple diagram that just shows how the MLC will sit in between the DMPs and the constituents who are entitled to receive mechanicals. Our job is to take the money and the data that the digital services now pay and provide under the blanket mechanical license, match that data with the musical works data in our

database, and then use that to determine how to pay the appropriate rights holders.

Again, just to reiterate that the digital audio services provide money and data to the MLC, we then pass that through our members. We are the exclusive administrator of this new blanket license. You've heard a lot about other organizations in the industry, and I'll touch on that a little bit more in a moment. There are lots of different places where you, if you are representing a creator or a publisher, may be receiving money.

For this set of revenue, the royalties paid pursuant to the blanket, the only place that your clients can receive those monies would be from the MLC. Again, high level, it's sometimes helpful to put the pieces together, and we like to describe it this way, because again, there are lots of other things that people need to know about that we don't do. What the MLC will do in the first instance is that we have established and are maintaining a public database of musical works ownership information.

You'll hear a little bit more about that in a minute. We will and are administering a new blanket license that covers the rights I described. We will receive and match that sound recording data with musical works data and then we will collect and distribute royalties to the rights holders entitled to receive it. One important point to note. I know there are some folks from outside the United States participating today. I saw them saying hello in their chat. Even though the blanket license is only available to services covering their US operations, the money that we receive and ultimately distribute can and will be distributed to rights holders all around the world because, of course, in a global marketplace where we can see music available on the US service originating from all over the world, there will inevitably be rights holders outside the US who are entitled to be paid. We don't express any preference based on where you are located. We will pay a rights holder in the United States and a rights holder in Japan in exactly the same way if they're entitled to receive royalties.

Things we will not do. We cannot administer performance rights or collect performance royalties. This question comes up in almost every webinar that we do. I think it's really important to note that the MLC does not replace the performing rights organizations in the US that you



may be familiar with. Organizations like ASCAP and BMI, CISAC, and GMR. That's a separate royalty stream. It's a very important one for songwriters and publishers. It's important for them to know that we do not replace them. I say this not because I think that most of you participating today don't already know that, especially if you're a lawyer working in our industry, but to caution you that this is an area where some of your clients may be confused or not clear about that. This is a great opportunity for you to help clarify their understanding of all the different ways they get paid and all the different organizations that will be paying them. Again, it's a great thing to pass along to your clients the next time you speak with them.

Similarly, we do not administer digital performance rights for sound recordings. That might seem rather specific, but those are the rights that SoundExchange administers. SoundExchange is another similar organization that has existed in the United States now for several decades. They do a fantastic job of administering those rights and paying the royalties on those rights both to creators and the owners of sound recordings.

Again, if you have a client who both writes songs and performs for sound recordings, that's a revenue stream they need to know about. We don't replace SoundExchange. They don't replace us. Again, the blanket license covers digital audio uses. We cannot administer mechanicals for physical products. There is still a physical market. While CDs may be in decline, vinyl is growing. For all of those uses, your clients need to know that there is still a royalty on physical product uses of songs, and you've got to make sure they know how they're getting paid those mechanicals.

Closing out the list, we do not administer rights related to audiovisual products and we do not administer lyric rights, and again, as I said, the blanket license is limited to uses in the United States. We are not going to be administering rights that relate to uses of your client's works outside the United States. That's a pretty good shorthand that maybe summarizes lots of things that you've heard today, and that I touched on a moment ago.

To give you one more shot at consuming that information, another way to think about it is like this. There are musical works and sound recordings. Those are the two key components of what we think of as

music in the music industry. Obviously, live is a whole other ballgame, but the MLC administers a set of rights that relate to musical works. We administer rights that relate to audio-only uses, not audiovisual uses.

We administer mechanical rights, not public performance rights. We administer mechanical rights related to digital uses, not physical uses, and within that digital space, we administer rights related to interactive streams and downloads, not non-interactive streams. For all of those other boxes that are shaded in pink, those are separate revenue streams that your clients may be entitled to receive, and it's important for you as their lawyer to help them understand how they get those monies, who is helping them to collect them, or which organizations administer them.

Hopefully, that's helpful in placing the MLC in that broader spectrum of organizations, rights, and royalty streams. I see a couple of questions popping up, and just so you all know, I'm not ignoring those, but when I'm in the presentation mode on the panel, I can't see the questions. I promise as soon as we shut this off, I will take a look at those questions, and I'll begin starting to answer some of them if I can while my colleagues continue with our presentation.

Some key questions that I heard bubble up and that you may be thinking about, or that your clients may be asking. Who needs to become a member? I think you've heard pretty clearly before: all music publishers, all administrators, all CMOs. If you're an organization that collects mechanical royalties on behalf of someone else, you need to be a member of the MLC. You need to be connected with us because we're the exclusive administrator of these blanket royalties, and so we'll be the only place that you can get them.

One of your key responsibilities, regardless of which type of organization you are on that list, is to collect money in connection with the use of the works that you manage. By no means is that the only thing you do, and in the case of publishers, there is a significant role and perhaps a more important role that they play in the first instance, and that is helping to cultivate the creativity of the songwriter and connect them with other songwriters.

All of those things are incredibly valuable, but from a payment perspective, all of these types of organizations tend to collect money for the songs they represent, so they need to be connected with us. For songwriters, it's a little more complex, and this is again, where as a lawyer you come in because I think you can be a great lead for your client in helping them to understand the distinctions here.

The MLC will also be paying self-administered songwriters, composers, and lyricists. Another way to think of self-administered is self-published, creators who essentially act as their own publishers. You as a lawyer may be very involved in helping them manage that aspect of their business. You might work closely with an accountant or a business manager in that respect. To the extent that your client is self-administered, even if it's for only a handful of works, they can and should become a member of the MLC so that they can manage the rights and collect the royalties related to those works that they self-administer.

Many songwriters over the course of their career will self-administer and partner with a publisher or an administrator or a CMO. It is not a binary choice. It is not all or nothing. As a lawyer, you can help, presumably, because you may have done some of the deals with those other partners. You can help your clients sort out which of their works are covered by a publishing deal or handled through an administrator and which ones are self-administered.

One other note, and this is often an area of confusion. There is in the publishing world a very well-known concept of a writer share and a publisher share, and that exists in the performance royalty space where those royalties are separated and designated as writer share and publisher share. That's why both writers and publishers all should become affiliated with the performing rights organization because if you are a writer, you are the one entitled to collect that writer share, and if you're a publisher, you collect the publisher share.

If you are a writer who self-administers, you've got to collect both shares. You may sometimes find you're wearing both hats. In the mechanical space, that distinction doesn't exist under the law, which means when we receive those mechanicals; they don't automatically get divided into writer and publisher shares. There is simply a

mechanical share, and the person entitled to receive that can then collect that full amount of money.

In some instances, or many instances, where a writer is affiliated with a publisher, it is the publisher's responsibility to collect 100% of the mechanical royalties and then to divide those between the publisher and the writer according to the contract that the publisher and writer have entered into. If you're self-administered, as I said before, then you may be entitled to collect 100% of that, but when you deal with the MLC, you don't have to worry about a writer share and a publisher share if you're self-administered; you can simply collect your mechanicals.

When will we start paying royalties? That is certainly a pressing question, and we are getting closer and closer to that point. The answer is mid to late April. We will be accounting on a monthly basis, and the DSPs that operate under the blanket license will be accounting to us on a monthly basis. Mid to late April, we expect to distribute the royalties for the data we received and the payments we received for the month ending January of this year. Then from that point on, we will continue to pay monthly.

Because of the timing, changes between the way that the old compulsory system worked, and also the way that many parties were receiving their money under direct deals, there may be a payment gap, and that's important to note. If you go to our website, there are a series of graphics that help to explain that so you can understand how that transition will look, but starting in April, we should be paying on a monthly basis. For anyone who is signed up to receive mechanicals from us, they should start receiving those payments on a monthly basis.

There are also some key dates in our distribution cycle that are important to note, and you can check those out on the page as well. What should you do now? I think you heard a bit of this from the last panel. I think Abby and Teri both talked about these three things, but it's worth reiterating again. Because if you represent clients in this space, whether they be publishers or self-administered songwriters, I think this is really good advice and a great reminder. Become a member. If we don't have that connection with you, we can't pay you.

Membership is not something arduous. It essentially requires you to set up an account with our portal and a member profile so that we can begin associating works with the sound recordings in your name and then providing the payment information that we need to pay you. That's the first box and the third box. Then in the middle—you've already heard so much about this, and we'll talk more about it too—check your data. Anyone can do that. You can go to our website today on the top right of the web page, click the yellow public search button, and you'll immediately be taken to a window where you can input your own search.

Anyone in the world can do that, but certainly, if you are a writer or publisher, that's a very quick and easy way to start looking at the data we have for your works even before you sign up and become a member, but please do become a member because that's how we'll be able to pay you, and also the way that you'll be able to manage your data, submit updates, and submit new registrations. Again, that's a picture of the homepage. You can see the yellow button, public search. How to become a member, that's the middle button, the blue button. It says, "Connect to Collect." Click on that, and you'll be taken to the screen where you can begin that process.

Lindsey's going to talk about that in a moment, and as you heard, I think from Sally Rose, the DSPs pay 100% of our operating costs, which is a unique arrangement in this collective management space. We think we're the only organization to have that structure in the world. What that means is we will then be able to distribute 100% of the royalties that we receive, and that is certainly an extraordinary benefit for our members.

In closing, and this is a good segue way to Lindsey, my colleague, who again, has led the effort to build and now operate our support team, which is our largest team to date. We're here to help. If you have questions, if your clients have questions, you can contact us by phone or by email. If you go to our website, there's a contact page and you can fill out a form. Once you fill out that form, we'll respond to you via email, and from that point on, we'll just direct it to your email. Then in the portal, once you have that member account or your member profile and your user account set up, you can chat with us in the portal.

We're available 12 hours a day, five days a week because we want to be available to you to help you through this process, get yourself set up, and make sure you're getting paid.

With that, I'm going to stop sharing my screen, and I'm going to hand it off to my colleague Lindsey Major, who again has led the effort to design and build, and now operate, our support team. She's done a fantastic job. I'm really thrilled to introduce you to her, and I will add that she is a Belmont grad to boot. She got her MBA from Belmont. She is Belmont's own, Lindsey Major. Lindsey.

**Lindsey Major:** Thank you, Kris. I'm going to go ahead and show everybody some things in the portal at a high level just so when you get in there, it's pretty easy to navigate. You can get to what you need to get to. Again, as Kris alluded to, at any moment if you are confused or you need some help with something reach out to our support team. I'll also show you where that is, and we can help you get through it.

This is our website. The first thing we need to do is create a user account. You see this blue Connect to Collect button. When you click that, it'll send you to our signup page. When you're signing up here, this is signing up for your user account. There's a user account and then there's the member. The difference there is the user account is your portal account.

Everyone needs to set up a user account in order to gain access to the portal. When you're signing up here, that's why you're inputting your personal information, or your user information. So, it's your first name, last name, your contact information, your address, and you'll accept some terms and conditions. After you fill out this screen and you accept the terms and conditions, enroll in email communications so you can stay up to date. You will go through what we call a Know Your Customer check, or KYC check. This is just a security precaution to vet so we can validate that you are who you say you are. It protects our users and members against any fraudulent activity.

After you sign up—I've got an account set up already that I'm going to show you. Once you have a user account, you'll hit this "Welcome" screen, and from here you can create your member. I'll show you another way to get to creating a member as well. When you create your member—the member being the top rights holder or the entity

that is authorized to administer musical works and receive those digital audio mechanical royalties—this is where you'll do that. You'll select what type of member you are. Then, this is where you'll input all the member information, so the name, the business address, contact information, all those things.

After you create that member, it does go through a validation process where we will look for any existing information we may already have, match it, and then set up your member information for you. Once you have your member set up, this is what your profile when you log into the portal will look like. Here's just a snapshot of the member. Just to note, this is fake information. This is our QA version of the portal just to demo, so none of the information you're seeing here is real, but when you click on viewing your member— There was a question in the chat I think is important for this group. If you are not a member, you can still be added to a member account in order to take action on that. This would be—maybe you're not the member, but you are responsible for making edits to a catalog or something like that. If that's the case and you need to be added, you'll come to this maintenance tab, click on user permissions, and then click "Add New User" where you can be added for those who are like, "I'm not the member, but I do need to take action on this account." That member can add you this way.

There are different flavors of users. The copyright user will only have access to manage the catalog. Finance users will only have access to view and manage banking and tax information, and then a superuser can do anything. I just wanted to quickly show that, because I did see that come up in the chat.

One thing, obviously we're in our portal, I'm going to go back. This is your summary. We've got a few options in terms of registering work. Within the portal, you can register works two different ways. There's the individual work registration. When you get here—and I'm just going to go quickly in the interest of time through this, but there are a lot of resources available to you—it will always want to prompt you to search for the work first. I did not write this obviously, and that's just the first work that came to mind, but we'll search for the work first to just make sure that it doesn't already exist. That's important so that we're not creating duplicates, or we're trying to prevent that as much as we can. My work doesn't exist; then I'll go through the actual

individual work registration process. I'm going to skip to the form so I can show you what information, what data, is required versus the data that you can input. We do highly recommend that you input as much data as you can.

I think this was mentioned earlier, but the more data we have the easier it is for us to match those works and pay accordingly. The required information though in order to register work at a very baseline level is the work title. There are some additional fields here that you can enter that aren't required, but also as you're registering works if you're like, "Oh I don't know what my ISWC is at the moment," you will be able to add that later by editing the work, but so the work title is required. The writer's last name is required. If the writer does go by a pseudonym, you just put that pseudonym in the last name. The writer role is required. A publisher, also known as original publisher, is required, and the publisher share. These are where you'll fill these out by clicking the edit, and you can add here. I'm going to go back really quick. You'll notice these little icons once those turn into this blue check. That means that your work is ready to be submitted.

That's a quick overview of the individual work registration. Again, if you're going through it and you have some questions, our support team will be able to help you with that.

The other option within the portal is our bulk work upload. This we've got quite a bit of content around helping you through this. You'll need to download this template here and fill it out according to the instructions within the template. Once you have the template filled out, you can upload it and then you'll be basically escorted along the process with several different screens that let you know, "Okay these works are ready to go. These works need some attention. Here are the fields that you need to fix." It is also important to know that when you do upload that file into our bulk work upload and if you get errors returned to you, we're just checking for validation. If you get errors and you fix it, we're just telling you what information isn't passing our validation, meaning, for example, maybe when you put an IPI in there may be one that's too many digits, so you'll need to fix that information, but it's not yet checking whether the work is going to be accepted or not.



After everything is okay, you submit the works. Then it goes into the matching process. At any point, after you register works—whether that be through individual work, bulk work, or even CWR—you can always check your registration history to see what is currently in "pending" or "processed." Any works that maybe you started to register, but you need to revisit, you can save in your drafts, and these will stay here for about three months. So, you can edit those things and submit them when they're ready. That's a little bit about how to register works within the portal.

There are more resources on our websites, and we will be releasing a video on how to do the bulk work upload specifically coming soon. I realize we're going fast, but we do have resources available for you.

Lastly, in the portal, probably the most popular thing that we're all interested in is the public work search. This is available; you do not need to be a user or a member to access this public work search. It is available on our website, but you can also easily get to it in the portal up here. When you search, you can search by several different fields. Then, you can also click this blue button and refine your search if your results originally return too many. Our public data is also available in our bulk database feed. Organizations and more sophisticated individuals can access our entire musical works database by subscribing to our bulk data feed. The cost is just [a] \$100 one-time setup fee, and then \$25 a month thereafter, and you'll get weekly snapshots of all of the data as well. With that, I am going to pass it to my colleague Maurice.

**Maurice:** Hi everyone. I'm going to touch on a few additional topics before we move on to the Q&A. The first involves the importance of data quality. As you can see from Lindsey's walkthrough, the MLC's portal provides members with a full view of their data in the database as well as the ability to take action to improve it. In addition, the MLC created the Data Quality Initiative, DQI, to provide a streamlined way for members to compare large schedules of their musical works data against the MLC's data. Through the DQI, the MLC provides participants with reports that highlight the discrepancies between the two data sets so that they can focus on addressing only those discrepancies in order to improve their data quality with the MLC.

To the lawyers out there in the audience, it's similar to how redlining a document works when you compare two documents and you use a red line to highlight the differences between the two, so you can focus only on those. Again, once the data discrepancies are identified, members can then register and update their works to get their data up to date in the MLC's database.

Moving on, historical unmatched royalties. As you may know, the MMA provides the offer of limitation of liability for past copyright infringement to DSPs who turn over to the MLC all of their historical unmatched royalties by February 15th, 2021. As a result, the MLC expects to receive historical unmatched royalties from many DSPs.

We will then begin to match the unmatched uses to the corresponding musical works and pay the corresponding royalties to the publishers. This data will ultimately be available in the portal to our members. It will likely be an enormous amount of data, and we're still working out what the timeline of that will be, so we will keep you posted on that.

In the portal, members will be able to review, identify, and claim usage that it pertains to their works. Then, the distribution of any remaining unmatched and unclaimed royalties will not happen for at least three years. In the near term though, our focus is on matching and distributing as much as possible to our members.

Moving on to mechanical rates, the rates and terms that were set by the Copyright Royalty Board, the CRB in the last proceeding, are known as Phonorecords III, and which sets the rates for the period of 2018 to 2022, were appealed by Digital Service Providers to the US Court of Appeals for the DC circuit.

In a decision on that appeal, the DC Circuit vacated and remanded in part the Phono III determination, sending it back to the CRB for further proceedings. The MLCs consulted with the Copyright Office regarding the rates and terms that should be applied under the blanket during the remand process and accordingly, the rates that will be applied by the MLC to the blanket license during this period—and again, that would be effective January 1st, 2021 until the outcome of the CRB's Phono III remand proceeding—will be those established under the Phono II proceedings.

Once there's a final determination of the rates and terms by the CRB pursuant to the remand process, those final rates and terms will be used by the MLC and will also be applied retroactively back to January 1st, 2018.

Then finally, the disputes and overclaims process which came up in the last panel. The MMA requires that the MLC establish policies for resolving musical works ownership disputes under the guidance of the Disputes Resolution Committee, which is also established under the MMA.

We are nearing the publication of the MLC's dispute resolution policy. The primary goal of the policy is to create a process that facilitates timely and efficient resolution of disputes directly between the parties involved. Therefore, the role of MLC is not to judge or to resolve disputes, but rather to facilitate the resolution.

The policy will include several key features of interest including the issuance of notice to advise parties of conflicts, the provision of substantiating documentation in certain instances to support claims, and suspension of royalties pending resolution of disputes to avoid incorrect payments. There'll be more to come on this policy when we begin to roll it out. Back to you, Kris.

**Kris:** Great. Thanks so much, Maurice. Thank you, Lindsey. We got through things pretty quickly and there are lots of questions, so we're going to devote the rest of the time to the Q&A and again, we've got colleagues that are going to post useful links in the chat, but if you can, please put your questions in the chat and we'll try to answer as many of those as we can.

Lindsey, Maurice, I'll try to moderate that and hand some off to you. I think this came up before, but Robert asked the question about [how] ISRC codes on recordings are recommended, but from the perspective of an independent songwriter artist, what is recommended? Maybe it's worth just noting again, Lindsey, that these codes are valuable, but none of them is a requirement to register.

**Lindsey:** That's correct.

**Kris:** What are the big codes that we would deal with that someone would want to know about.

**Lindsey:** So, the big codes—ISRC is a big code. ISWC is another big one, and then publisher IPI. The publisher IPI is required if you're registering works in the bulk upload feature. It's not required if you're doing individual work.

**Kris:** That picks up on a question that Grace asked. As an independent songwriter, would you recommend incorporating as an independent publishing company before registering with the MLC, or can you simply register as an individual? You can do either and shouldn't make that decision based on how you will connect with us.

I would certainly consult with a lawyer or a business adviser on the question of whether it makes sense for you to create an entity. To the extent you have set up an IPI number for yourself as a writer, and also an IPI number for yourself as a publisher—Lindsey, correct me if I'm wrong—it is preferable for you to use your publisher IPI when you connect with us, because that will give you the ability to register works both individually and using the bulk upload process.

**Lindsey:** Yes. When you're signing up to become a member, all the fields are optional, but if you're going to put in an IPI number for the member signup process, you should put in your publisher IPI and not your songwriter IPI. You'll be able to input your songwriter IPI when you're registering works. On that level, that's where we'll capture it when creating a member.

Another one when creating a member, that's optional but is helpful if you have it—if you were previously affiliated with HFA, your HFAP number is also helpful in signing up to become a member, not required though.

**Kris:** Some of these questions actually predated the start of our panel, so I don't want to spend too much time on them running the risk that they may have been answered already, but a subject came up about disputes and I just want to reiterate some of the points that Maurice made.

We do have a disputes policy that we will be publishing shortly and the fundamental premise of our approach to disputes is that the MLC will not act as the arbiter of disputes. We will not decide who's right and who's wrong, but we will try to surface the existence of disputes, and over time, we believe we can do that in some ways that will be more automated so that you can see that in the portal and address them more quickly. Certainly, where we believe that a valid dispute exists, we will be quick to put monies on hold, because we want to make sure that while that dispute is pending, we don't continue to pay the wrong person if, in fact, we are paying the wrong person, but again, we are not going to decide disputes.

I also want to make the point that there are lots of disputes that can exist. You can dispute a credit even if you are not receiving money because the creative credit can be different than the economic arrangements behind the scenes. Again, the MLC will be dealing with disputes that relate to the collection of mechanicals, disputes that arise between the parties who are claiming a right or a share in a work to receive those mechanicals. There are lots of other disputes that could exist that will not have anything to do with the MLC's mission and therefore will not be something that we address.

Again, that's another example where it's always great to have a lawyer that you can call, because they can help you not only determine if you have a legitimate basis for a dispute, but also the right forum for bringing it. You don't want to waste a lot of time pursuing a dispute via the MLC's process only to find out that that's not a dispute that's even relevant to what the MLC does and therefore you could have been spending that time in a different forum.

There are a couple of questions that I think picked up on the rate process and I'm not going to get into those beyond what Maurice said, for a number of reasons. One, because it's complicated, and two, because it's important to note that the MLC is an administrative organization. We are not an advocacy organization. That's another aspect of what we do that is somewhat unique. You will not see the MLC lobbying for a particular group in the industry to change, for example, the rates. Our job is to administer the rates as they are set by the Copyright Royalty Board, not to lobby for an increase or a decrease. That's why we're not going to express views on how the rates are working, in that regard, or whether they should be different or not.

That's simply not a part of our mission, and the law actually prevents us from being a part of that lobbying effort on anyone's behalf. I'm going to skip down a bit. There was a question about podcasts, and I'll touch on that for a minute. Podcasts are an example of something that I think many of us are seeing throughout the industry, and that is because the industry is now primarily operating in a digital environment. There are lots of opportunities to create new types of services and new types of businesses. Podcasts are certainly an example of that, and podcasts are unique in many respects. I think the important thing is to know podcasts generally involve people speaking about subjects, and in that way, they might feel like a talk show on a television program.

If a podcast wants to use a song that you've written as the lead-in for their podcast every week, that's not a license that the MLC can provide. On the other side, if they are talking about a song, and they provide a little snippet, that may or may not be a use that needs to be licensed because it may be that they're talking about it in a way that is covered by fair use. There are lot of legal complexities around podcasts, but generally speaking, we're not going to be administering rights related to the use of music in podcasts.

Maurice, is there more you want to add to that? There's probably enough nuance to that subject that it could support its own CLE. I don't want to oversimplify it, other than to say it's complicated, and it's not something that we'll handle.

**Maurice:** Absolutely. I was thinking exactly that.

**Kris:** Okay. Let's see, I'm looking to see if there are others. Different questions or at least one question related to HFA and MRI, and I think it's worth making this point. Many of you are familiar with HFA, or Harry Fox and Music Reports. They are two of the larger companies that have operated in this administrative space for a number of years and prior to the MLCs arrival, they were often administering the mechanical rights that, now, will flow to the MLC through the blanket. Those organizations to some degree, were performing a service that the MLC will now perform, but they also provide administrative services for other rights.

It's for that reason that it's still very important for you if you're a creator, or, again, as a lawyer representing creators or publishers, to understand which other rights' streams may be administered through those organizations to make sure you maintain your connections with them. This is one of the challenges, I think, with the MLC. Because our industry is so complex, I think there is often a tendency to hope that perhaps the MMA simplified every aspect of the industry. In reality, it addressed and is hopefully going to simplify a particular part of the industry, but by no means does it simplify everything.

Just as the slide I showed at the beginning of the presentation indicated, there are a number of different royalty streams and rights involved in the music industry, and the MMA did not somehow create a clearinghouse for all of those different rights. The one other thing I would note here that relates to those organizations is this: Even if a service secures the blanket license, the law still allows services to maintain direct licenses or voluntary licenses with rights holders. That means a service could operate under the blanket, but they could carve out of that blanket activity that they would prefer to administer pursuant to a direct deal that they have done with a publisher or a rights holder.

In that case, those monies that are due under the direct license will not flow through the MLC and the service has the right to go to the market and pick a vendor to help them with that, or they have the ability to do that administration themselves. HFA and MRI are both companies that have provided digital services for voluntary deals in the past, and they can continue to do that going forward. If you represent a company that has one of those direct deals, you may find that the direct deal is still being administered by one of those companies. That's why it's important, again as a lawyer, to work with your client, to understand all of the different contractual relationships that they have, how they are receiving money, and then how that impacts the flow of money to them.

I think I will pause there, and we can pick up some questions. Maurice and Lindsey, if you're scanning them, I think one touched on a lot of different subjects, but it mentioned, as an example, a company like Songtrust. Maurice, do you want to talk a bit about companies like Songtrust that operate in the administration space and how they may

play a role in connecting their customers to the revenue stream that the MLC administers?

**Maurice:** Yes, and it's an important point. Some artists who use aggregators, use companies like Songtrust to register their works on their behalf. It's really important if you're an independent artist, before you go into the portal, and I think we touched on this earlier, to be sure that you understand where your rights are before you start to register works to make sure that you're not inadvertently creating a conflict. It's very important, before you go into the portal to sign up, to be sure you have a clear understanding of all of the agreements that you have in place with publishers or any agreements that you may have entered into, also with aggregators, where you've given your publishing rights to them to administer.

**Kris:** Right. David asked the question, "Can an attorney set that up for songwriters they represent?" I assume "that" refers to portal access, so, Lindsey, is that a question that you could just go over again, really quickly? I think you touched on it.

**Lindsey:** If the member—Just to recap, the member is an entity authorized to administer those musical works and collect the digital or the mechanical royalties, but if you are playing that role, or you are involved with the member in some way, you can set that up on their behalf. Anyone who is [involved] can be added. Like, if the member decides to add somebody to the member account as a user, that's how you would gain that access, but you should be able to set up that member account for whoever it is that you're representing.

**Kris:** I do think there is real opportunity for lawyers who either are interested in data and a bit data-savvy, or view that as an opportunity—because, again, the data lies at the confluence of the creative and the legal and the business. There will be a need, I think, for some creators and others, who are members, to have assistance in checking their data. Not because it isn't easy to do, but because they may not want to do that. I think as lawyers, again, the public search is a great resource for you in general. You can always check the information about your client's works via the public search.

If your client is self-administering, and they want to give you access to the portal, I think there's a lot you can do to help them there as well in



managing the process. That's an opportunity that is available. Michael asked a great question, "Why are you the exclusive administrator? What is the benefit of that?" The short answer is because that's what Congress determined when they passed the law. To answer your second question, the benefit of having an exclusive administrator in a system like this is that it centralizes the process.

In other words, for digital services, they've got one place now where they've got to deliver all of their data and their money. That makes it very easy for them to fulfill their obligations. Then for rights holders, all of the information that they receive, all the payments, will now come from one organization, and they have one place where they need to manage their data. In that way, by creating a single hub for that activity, it simplifies what stakeholders, both upstream and downstream, have to do in order to ensure they're receiving the benefits of what they're doing.

There are lots of examples of this in the world and, sometimes, they're not as obvious because the way that it happens—it happens behind the scenes. I always use an example of cash machines. There are lots of different banks that have cash machines in their networks behind the scenes, but there's a process behind the scenes that coordinates all that activity to make sure that money gets from your bank to the machine where you want it, and that's a good thing because we don't want the process of the data and the money flowing through the system to be the thing that creates competitive advantage. We want the service on the other end to be the thing that distinguishes.

Again, it's like that. It isn't quite that simple in the banking space, but, again, it's not like every bank has their own bespoke system of delivering money to you in cash machines. Much of that is coordinated behind the scenes through industry or organization. The MLC is an example of that, but we are a single hub, and all the activity flows through us, which makes it much easier for folks to manage that activity and those relationships.

The other point that I would add to that is that because we're a nonprofit, it makes it a lot, I think, easier for folks to get comfortable with that because we don't benefit from this. If we were a for-profit organization, that would raise a whole host of other issues from a competitive standpoint, but because we are not-for-profit, because we

pass 100% of the monies, we don't benefit from doing that work. Our mission is to do the work, and we do it on behalf of our members. Hopefully that helps, but certainly, that is an example of another question that we could spend an hour talking about because it works in different ways in different places. Though, I think the general trend is, around the world, you often see a single organization in a particular country playing that role or, at least, historically, that's what [has] happened.

We are going to make the deck available so that you can access it. Someone asked, "Is there a way to pull a song info from the PRO?" I think there are probably a couple of answers to that, but I know that two of the PROs, ASCAP and BMI, just announced that they had launched a new database called Songview that essentially allows you to see the data in both of their databases. That's certainly a resource you can use to pull some information if you're a writer or a publisher. You can certainly talk with your own PRO if you have questions.

I don't know what their practices are, with respect to letting you download data in some way, but those online resources are certainly a useful reference and will be useful in the same way that our public search is. It's another place where you can go and find information that may be relevant for your particular purpose. I just want to check, Loren. How are we doing on time? I think we're getting close to the end of the hour, but are we still okay for another five minutes of questions, or would you like for us to wrap up?

**Loren Mulraine:** You're fine for another five, seven minutes.

**Kris:** Great. Please jump in whenever you want to wrap things up. I don't want to take any time away from your wrap-up.

**Lindsey:** Kris.

**Kris:** Lindsey.

**Lindsey:** There were a few questions. Some people are trying to sign up for their user, and I think I know what's going on. Can I just show them really quickly?

**Kris:** Yes, please.

**Lindsey:** Great. I'm going to share my screen. When you're signing up to become a user, a couple of people have mentioned that they filled out all of the required information, but the signup button is still gray. It's not very obvious. What you likely have to do for a phone number is hit the "Country" drop-down menu and select the country code, and then that should fix the problem. If you're still not getting that signup button to work or are not able to sign up after doing that, just double-check that all the required fields are filled out. If that is the case, you can reach out to Support, and they'll be able to troubleshoot further, but I suspect that that's probably going to solve the issue.

**Kris:** There was a question that came in. I'm just going, now, to the end to make sure we pick up questions that were new and that may have come after you heard everything that we had shared. It was asking, "Maurice was suggesting not to sign up for an MLC account if you have a publishing agreement with a company like Songtrust or CD Baby." I think the point is more, if you are already working with a distributor like Songtrust or CD Baby, it's important to check to see if you have also chosen to have them administer publishing rights for works that you control.

Many distributors offer that publishing administration service in addition to the distribution service, related to sound recordings, but it is an option. It's not a mandatory thing. There are some distributors that don't offer publishing administration services at all, so it's just important to check and see what your relationship is with the particular distributor you're working with, if you are working with one.

Again, that's a choice. I think one of the things that hopefully you're hearing here is, there are lots and lots of different ways that you as a rights holder can set up your business, and there're lots of great partners that you can work with in the business who can help you perform certain functions that you may not want to spend the time performing yourself. There is no right answer. The MLC certainly does not offer a preference on how you set up your business. We simply want to make sure you understand that we should be able to support you regardless of how you make that choice.

If you are partnering with a company that is also collecting your publishing royalties, then know that you don't have to become a member with us for the works that company's managing, because they

will collect money from us. Songtrust will be a member of the MLC and we can pay those mechanicals to them, and then they will pay them to you under whatever relationship you have. It's the same with a music publisher. If you have a music publishing deal, there's a reasonably good chance that your music publisher's responsibilities include collecting mechanicals from organizations like the MLC, which means for those works covered by your publishing deal, you don't have to join the MLC.

Again, it's not always binary, it's not always all or nothing, and that's where, for those of you who are lawyers in the mix, and you represent rights holders, creative clients, you can be really helpful. Helpful in helping them to sort out which of their works are covered by one of those existing relationships with a partner and which are not. Hopefully, that answers the question.

Are there any other questions that either of you see? I see one more on the carve-out that I think I'm going to address while, Maurice, you and Lindsey look for any last one. Digital services that provide a notice to the MLC that they want to operate under the blanket license also have the ability to provide us with a separate notice letting us know the extent to which they have those direct or voluntary deals. Once they let us know that they have a voluntary deal, when they send us their usage reports, we will then look to see whether the publisher or the rights holder with whom they have a voluntary deal was matched to any of the sound recordings that were used on their service. If they were, we then send them back a response file— Essentially, it's the file they sent to us, but we send it back to them, and we tag everything that was on their file as either a blanket or a voluntary.

That is then what tells them, here are the uses or here [are] the works on your service that were used for that month that connect to that publisher or rights holder with whom you have a direct deal. The MLC is still doing that matching. We're determining whether or not the work controlled by that party with a voluntary license was used or not. Then the service has the responsibility for paying the mechanicals for those voluntary uses separately. Again, for everything else, they'll get a bill, an invoice from us, and they'll be required to pay the mechanicals under the statutory rate to us.

You might be asking, "Well, what if we're not sure? What if we run that matching process and some of the works that were used on the service don't match at all?" The service still has to pay us the full mechanicals on those unmatched works because until we can match them, we don't yet know if they were matched to a rights holder with whom the service had a voluntary deal or not. In the absence of certainty, the regulations require that the service pay the mechanics to the MLC.

That picks up another question. We will hold all the mechanicals. To the extent we can't distribute them, we will then be accruing interest on those so that when we do ultimately pay them out, we will pay both original royalties out and interest at a rate that is set by the MMA. Where we are holding money in the middle, we'll be accruing interest on it and then ultimately paying out interest when we distribute it. That's another benefit of the law for rights holders. Any last words, Lindsey, or Maurice?

**Maurice:** Yes. I see one question here from David regarding historical fees. I think he's referring to historical unmatched and how far back they go. It's important to note that they go back to the inception of the service who is seeking to get the limitation of liability for infringement.

**Kris:** There you go. Lots of great questions. I know there're still more. What I would do is recommend that you go to our website. If you have a chance, sign up for our newsletter. We publish a monthly newsletter that has some great tips and information, and it also references content on the website. You can follow us on social media. We do quite a bit on social media, share a lot of information that way, and then, of course, as always, please contact our support team. They're here six days a week, almost 70 hours a week, and they're here to provide answers to your questions on a one-on-one basis.

If you're a lawyer, don't hesitate to call Support. I know, often, as lawyers, we want to believe we know the answers to everything and for our clients, we're the person they call when they have questions, but there's no shame in calling us if you're not sure. We'll help you get the right answers so you can give your client the best advice. There's a lot here to learn for everybody, but, again, together, working collectively, I think we have the ability to make this part of the

business work much more effectively for everyone's benefit, but certainly for the benefit of the rightsholders who are ultimately going to be paid. We're really excited to be a part of that process. Loren, I'm going to hand it back to you, and thank you so much for all the work you do in this space to help make sure folks are educated. It's great to be back with you on a panel, and I'm sure we'll be doing these again in the future. I look forward to it.

**Loren:** Thank you, Kris, Lindsey, and Maurice, thank you so much for a great panel. I've been studying this stuff for the last couple of months, and I learned so much in the last hour, just because of the practical way that you shared this information this morning. I'm sure that our listeners or our guests, also, were receiving that great information as well. We're about to move into the creative piece of our presentation today. Of course, Nashville is a music city, and we are a music and entertainment journal, so, obviously, it makes sense that we would have some music as well. You're in for a treat this morning.

### *The Artist Focus*

**Loren Mulraine:** I want to introduce to you— Well, let me read a bio for you, of our guest. Born and raised in Pittsburg, Kansas, Jenn Schott was destined to have a career in music. It's in her genes. Her grandfather was the concertmaster violinist for the CBS orchestra, including the Ed Sullivan show. Her father was a University Professor of Woodwinds, and her mother is a flutist or maybe flautist, I think they say it both ways, I'm not sure. I want to be proper this morning, alright. After graduating with a journalism degree from the University of Missouri, Jenn made the move to Nashville to pursue a career as a songwriter. Let me just add as a sidebar, if you study journalism, you're studying how to be a storyteller, right? That transition from journalism into songwriting was probably a very natural one for her.

Since moving to Nashville, her songs have been recorded by artists, including Tim McGraw, Rascal Flatts, The Eli Young Band, Gloriana, Jana Kramer, Billy Ray Cyrus, Pam Tillis, Lonestar, Kelleigh Bannen, Francesca Battistelli, Lucy Hale, Jamie Lynn Spears, and Restless Heart.

Jenn co-wrote Mickey Guyton's debut single, "Better Than You Left Me," which was named one of Billboard's 10 Best Country Songs of

2015. She also penned the title track of Tim McGraw's Grammy-nominated album, "Two Lanes of Freedom," which was the namesake of McGraw's 2013 summer tour. Jenn's other past radio singles include Restless Heart's "Feel My Way to You," Katie Armiger's "Unseen," Billy Ray Cyrus' "A Good Day," and pop artist, Lucy Walsh's "1882." In addition to her success in the US country market, Jenn has also had songs released by top-selling artists in Canada and Australia. Jenn is an alumna of Leadership Music and proudly sits on the board of the Nashville Songwriters Association International and a committee for the MLC.

This time I'd like to introduce Jenn, as well as Klare Essad, who is our Editor-in-Chief of the Entertainment Law Journal. Klare is going to have a conversation and Jenn is going to play some music, and we'll all enjoy it. Thank you, guys.

**Klare Essad:** Thanks. I'll keep it short because we all want to get to the songs. As Professor Mulraine mentioned, not only are you busy songwriting, you are part of advocacy and education. For our creators that are with us today, could you give them some advice if they're interested in becoming more involved in advocacy?

**Jenn Schott:** Absolutely. I think one of the best ways to do that is to be up to date, try to stay informed and read the trade publications, read Billboard, get on the social media sites for the MLC, for NSAI, NMPA. I think, become a member of Nashville Songwriters or The Recording Academy, places that work in advocacy. Become a member, and if they ask, if they reach out and say, "Hey, would you play a show for us?", do it. Do those things, talk to your co-writers, talk to your publishers, and try to just immerse yourself as much as you can.

**Klare:** Yes, those are all great resources. Some of them you don't think of intuitively, but Billboard's a great resource for keeping up with changes in the law and changes in business. We worked so hard to get the MMA passed, to get the MLC up and running. We learned so much about it today. As a songwriter, what do you see is the next step for songwriters, to secure their rights or maybe the next topic of conversation that songwriters should be having?

**Jenn:** Yes, that's a great question. Passing the MMA was a huge step forward for songwriters and how we receive our income. I think, going forward, it is a bit of a protection for us, for technology, but I have to say, I personally think technology is something we're always going to have to be paying attention to because it's moving so quickly. It goes from YouTube to TikTok to what's next. Of course, some of that is just, we have to wait and see. It's hard to anticipate those things, but we're always going to be playing a little bit, I think, of catch up to that and how those new things are going to be monetized. I think another conversation that I've heard lately are on a different topic is capital gains for songwriters that are possibly going to be selling catalogs. The capital gains rates could be going up, which could mean more taxes for sales on catalogs.

Then, the other thing I would say—this is on a more micro level, but no matter when it is, I believe every songwriter, no matter if you're self-administered or published, should always be checking your works, registrations, and your work catalogs with your PRO and with the MLC. Make sure that those song entries are correct because I have personally gone on to BMI and found there are just little errors. It's a misspelling of the last name, or it's a percentage wrong, or a writer that's not supposed to be there. I think that's very important that all songwriters pay attention to. It's easy to think, "Oh, my publisher took care of it," but it could be wrong. I encourage people to check it monthly, quarterly—it's important.

**Klare:** Yes. That's a great tip, and check your addresses.

**Jenn:** Check your addresses, absolutely.

**Klare:** If you move, change it on the MLC, change it on your PRO.  
[chuckles]

**Jenn:** Yes, absolutely.

**Klare:** That's all great stuff to think about, especially technology and trying to stay ahead of the game. It's tricky to do, but, hopefully, all the creators take your advice and try to stay ahead. I'll get out of your hair because we all want to listen to your songs. Take it away, Jenn.

[Musical Performance by Jenn Schott]



**Jenn:** Thank you. Klare, we're probably at time. I'm not sure.

**Klare:** Yes, we're catching up to time. Sorry, my video is not on, but thank you so much. This just made today so special, and it was a great break from thinking through all the complexities of the copyright law. It's a great reminder of why we're all here, and what the MMA and MLC is all about. Thank you so much, Jenn.

**Jenn:** Thank you so much for having me. It's an honor to be here.

**Klare:** Great. Turning it over now to Professor Mulraine again, to introduce our next panel.

### **Third Panel: Entertainment Attorneys**

**Loren Mulraine:** Thank you, Klare, and thank you again, Jenn. That was awesome. We start with the music and the creators create the music. Then there's a whole host of folks who are on the back end making sure that music is taken care of and protected, and the artist's rights and the writer's rights are protected, and that's what entertainment attorneys do. This next panel here features three leading entertainment attorneys in the field, in this space. I want to introduce those to you at this time.

We have Megan Joyce who is the Vice President of Business and Legal Affairs at Provident Entertainment Group. We have Chip Petree who is a partner with Ritholz Levy Fields, and we have Rick Marshall, who is Senior Director of Legal Affairs at Warner Music Group. Now, I know that—Thank you, all of you, for being a part of this. We're looking forward to hearing from you. There are a number of people in our audience who are attorneys, but there are also a large number of folks who are on the creative side. A lot of them don't really understand, necessarily, what the role is that we play on the legal side and on the business affairs side, from day to day.

I'd like to start off with just asking each of you, what does the day at the office look like for you all in your roles? Chip, you're the only one in private practice. Let's start with you, and then we can talk to Megan and Rick about what they do.

**Chip Petree:** Thank you. I appreciate it, Loren, and thanks for having me as a part of this panel. It's good to see Rick, and Megan as well. It's good to see anybody these days. A day in the life, for me, can run a pretty wide spectrum. The heart of my practice, for many years, has been creators. Songwriters, record producers, recording artists. Along with that as well, music publishers in the space that the topic of the day is particularly important for. It's a cocktail of therapy sometimes, education a lot of times. Then it's just the ins and outs and the general transactional practice that is required to connect creators and the companies who can help move their creative product along. Whether that be publishing deals, record deals, management relationships for creative people, the relationships a recording artist has with their producer, songwriter with their publisher. That pretty well sums it up.

**Loren:** Thank you. Megan?

**Megan Joyce:** Thanks for having me. Well, I started my career in private practice. I've spent most of my legal career as an in-house business affairs lawyer, primarily at record labels, but also doing some publishing work as well. At its most basic level, people kind of understand that that means I do the record deals, but it certainly doesn't stop there. One thing that I'd like to say is that a lot of my job is translation because, unlike a lot of other lawyers, I'm not actually talking to lawyers most of the day. I'm talking to lawyers outside the company, but, internally, I am talking to everybody else in the company, trying to help them understand what rights we have, what we can do, what we can't do, how to do the things that they're trying to do. That's everything along the way from when an artist comes on board, we get the deal done, and then maybe we're getting the royalty accounting set up, we're working with the marketing people and the promo people around initiatives that they want to do and the legal concerns that come with that, reviewing artwork, reviewing label copy, reviewing music videos, anything and everything that comes with them exploiting the rights that we've acquired.

**Loren:** Thanks, Megan. Rick.

**Rick Marshall:** I head up the catalog legal affairs team at Warner Music Group's shared services center, so basically, we're a shared resource for all of the frontline labels on the recorded music side of Warner Music Group. Like Megan just said, she's signing artists and

she's doing deals, we're the opposite. We do everything, but we like to think of ourselves as a Swiss army knife. We do everything from claims defense to fielding general inquiries to handling collective bargaining negotiations with the American Federation Musicians and SAG-AFTRA. We also provide input on policy matters and the copious amount of rulemakings that the Copyright Office has put forward in the last year or so, which I'm sure many people on this call are familiar with.

Again, we consider ourselves a Swiss army knife. We service Warner Music Group's East Coast Labels, so Atlantic, Elektra Records, the West Coast Labels, Warner Records, Rhino, Warner Music Nashville, where I met Megan, and everything in between basically. I would say that before this, I worked at the United States Copyright Office, where I was working on a number of the initiatives that I like to think laid the groundwork for the Music Modernization Act. That might be taking away too much credit, but we did a two-year study many years ago where we tried to gather industry consensus and bring together people at round tables and meetings and through comments and tried to get a feel for how we could solve some of the larger problems in the music ecosystem. It's really great to see how that all transpired into what happened many years later, with the passing of the MMA.

**Loren:** Interesting point that you make there, Rick, that so much goes into the development of these laws before they're actually implemented. A point that Megan made that I'd like to jump in on and get your thoughts on—all of your thoughts on—is this concept of translation and this concept of educating. Whether it is in the private practice area, maybe you're educating your client, maybe you're educating other people at the firm. If you're in the entertainment company area, in-house as Rick and Megan are, you're educating the company. How has the MMA and the MLC created a new need for you to educate on those levels? Anyone can answer.

**Megan:** First of all, I think Kris and his team are doing an amazing job of setting the table and the outreach. I wish that I could just see them give the presentation that they just gave 100 times because music publishing is so—I joke that a lot of people don't understand music publishing, even if they work in music publishing. It's so complicated that when you start really getting into the stuff that's not music publishing 101, like the MLC, there's really a lot of nuance there. The

education is going to be so important to getting people to realize why they need to register.

I feel like you still hear things like people saying, "I signed a publishing deal with BMI," or still not really understanding what SoundExchange is all these years later. These are—as Kris's graphic showed, these are all discreet buckets that everybody needs all of [in order] to make the full picture or else they're leaving money on the table. I think that education is so, so crucial, and this is really a place where we're going to have to take the lead in guiding people because it's not simple stuff, and it's not something that a lot of the less [sound cut]

**Chip:** Did we lose her?

**Loren:** I think we might have lost her.

**Chip:** Megan froze. I'll pick up though. [crosstalk]

**Megan:** -to writers.

**Chip:** There she is. We lost you for a minute there, Megan. I think I was going to pick up on what you just said, to your point about SoundExchange. How many years have we been in a SoundExchange world, and I still find myself relatively regularly educating clients and making the distinctions between "No, no, no, that's not that income stream, that's that income stream," and we've had SoundExchange for 25 years. They had, as I recall, a rather robust PR, getting out into the community, effort to educate everyone about, and we still are dealing with that educational process.

Like I said in my earlier comments, that is, the education piece is certainly a big part of what I do on a regular basis with clients, whether they're sitting in the office—socially distanced and masked, just to be clear—or we're meeting on Zoom or in a call, it is a lot of just running through the basics because music publishing is very detailed. I don't know how many times I've lost count of watching rooms glaze over, where it's an audience of non-music-publishers being taught about music publishing. It is a very nuanced and detailed area of the business.

Learning up a new thing, despite Kris and his team's efforts, is going to be an ongoing process of just explaining what it is. Now the good news is, it's not that complicated—what this is about, or what the MMA and the MLC is about. They don't have to know all of those 48 pages of information about setting up the MLC because that's Kris's manual for how to build it, for he and his team to go build this structure, to really effectively—He and I talked earlier this week, and I'll steal his metaphor. It's 48 pages about how to fix the plumbing.

From my perspective, all my clients care about is the water coming out of the pipe on the end, and is it coming out as much as it should be? I think the goal of setting up the MLC to be this single-source clearinghouse for the digital service provider market, the streaming market, is an effort to clean up that plumbing and make it so that there isn't this patchwork quilt and amalgam of different deals that have been struck with the providers and provide a one-stop to, hopefully, make the water coming out on the other end a little bit more plentiful than it was.

**Loren:** I love that. That's great. Why don't we spend a few minutes—because you did make a great point that I think is worthy of spending a few minutes on—just telling the audience the basics of the differences between the PROs and SoundExchange and the MLC? They're all in different places and different spaces. Can we explain that to the audience?

**Chip:** Sure. Kris did a really great job of it in his presentation, and I think the slides will speak to it too, if I recall. The PROs which are the longest serving, they're the one we're the most used to. They've been around for a long, long time—BMI, ASCAP, SESAC, now GMR. Those organizations serve to conduct the licensing process for the performance right in musical compositions. Again, going all the way back up to the top of the pyramid if you will, when we're talking about music, we're talking about two copyrights. We're talking about the recording copyright; we're talking about the underlying musical composition copyright.

The PROs work in the musical composition copyright space, which are paid by radio stations that are performing music. Bars, restaurants, hotel lobbies that perform music, anywhere where music is performed publicly, those organizations are going out and licensing, collecting

money, and then flowing it through down to the songwriters and publishers.

As Kris pointed out, there is the concept there of a publisher share of income that pays to the music publishers and the holders of the copyrights, and a songwriter share that's paid to the songwriters, irrespective of whether they've kept their copyrights or not. It's a 50/50 split, and that's how that's set up.

SoundExchange is on the other copyright side. It is the performance right collection society for the sound recording side of the equation and a little nuance to it is that it is only with respect to digital performance rights. It's only with respect to non-interactive services. If you can go in and pick your song, that money's not coming through SoundExchange. Traditionally, it's SiriusXM, and basically webcasters, but SiriusXM I think was probably the biggest payor source in there. Pandora would be through there at one point. Megan, you can correct me if I'm wrong here.

Again, in that framework, there is a split where statutorily, it's created to pay half of the money to the copyright holder, the copyright owner. Primarily that means the record label side, and then 50% is split over to the creative side. Of that 50%, 45% is paid to the featured artist on the recording, and 5% goes in 2.5% shares to the respective unions, where the session musicians are members, and money can flow through to the background vocalists and musicians on the track.

Again, PROs are performance rights on the composition side, SoundExchange is limited performance rights on the sound recording side. Now what we have in the MLC is an organization that is serving to collect just on the mechanical-rights side of the musical composition. Again, only with respect to streaming and digital music, streaming and downloads.

As Megan said, it's very detailed. We're talking about these discrete silos, but it is important to understand the distinction that if you're a musician, you're playing on tracks, and you're wondering how you're getting paid for the work you did on so and so's recording. You're not worrying about the PROs or the MLC. You're looking at, really, your union and what's flowing through to the unions from the SoundExchange side.

**Megan:** I think it's important to point out here too, that there is no corollary to ASCAP and BMI on the master recording side. Broadcast, terrestrial radio—the record company is not receiving any royalties from a play on terrestrial radio. The songwriter gets a royalty. The performer, if they're not the songwriter, does not.

**Rick:** That was a remarkably comprehensive explanation of this really complicated and confusing structure of rights.

**Chip:** Well, thank you. I've done it once or twice.

**Rick:** Yes, right. Still, it's so impressive. Just to get back to the education question, I think I would add that what I found after I left the Copyright Office, is that there's generally a gap in between the folks that— How would you characterize it? The folks that live and breathe policy and pay attention to changes in the law and pay attention to regulations, and then the folks—at least speaking as an in-house lawyer—that are in the trenches and are implementing those laws or are dealing with the fallout.

Part of my job is to be that liaison. I'm educating the folks in different business units that, like I said, are in the trenches. You have publishing licensing teams that need some guidance, you have other teams that need to understand what the regulations that are being passed by the Copyright Office could mean for our business practices, and then you have a corporate policy team that needs to explain— They're also very much involved in policy, obviously, but they need to explain at a high level to executives exactly what's happening and what position should be taken on that.

Just like Chip and Megan, I think being located in Nashville is a real benefit there. Because you're in touch with so many folks that also live and breathe it. We've had the opportunity to have NSAI come in and give us presentations. Kris is such a great resource, and he's been around to give us insight and updates on what's happening at the MLC. Just generally people here, especially now, are paying attention. It's just bridging that gap that's really important from an education standpoint.

**Loren:** Good deal, Rick, I'd like you to take the lead on this question. So much of what the public sees in the music space and the attention

given is based on the current hit, the artist that's breaking at that moment. It seems to me that the MMA and the MLC actually will put a lot of emphasis on those artists who are legacy artists as well. Artists who have a number of works that are already out in the marketplace, and now they've got to come back and make sure they're lined up with the registration and such with the MLC. Can you tell us how you think the MLC will affect what you do there in your role in catalog? Well, not necessarily for you, but for the artists.

**Rick:** Yes, I'm on the recorded music side, so it's not as immediate of an impact or at least the part of it that I'm managing. I should say, just at the outset, I work for Warner Music Group, but I'm not here to represent them or any of their labels and most of these opinions are my own—or all of them are my own, I should say.

How it affects catalog artists in general? It's just another opportunity to— Anytime that complicated rights structure that Chip and Megan so eloquently laid out, is simplified, there's a bit more opportunity for artists, or writers, or singer-songwriters to capitalize and better monetize their music without having to search in many different places, without having to understand complicated rights structures on their own. The more consolidation there is, the more streamlining, the easier it is for them to make a living and monetize their work.

**Megan:** I think that the part of the MMA that probably most benefits the catalog artists would be the Classics Act. Now that we've pulled these Pre- '72s in, a company like Sirius has to pay on them now. I think in general, I've really seen that the rapid adoption of streaming has kind of been a boom for these catalog artists because it used to be that you bought your copy of Bob Seger's greatest hits, and you have that in your car for 10 years, and you may listen to it 100 times, but you bought it once.

Now, it's every time you want to hear Bob Seger, you're going on Spotify, and you're playing it again. The royalty streams that are now coming through for these catalog artists. I've really seen a pretty significant uptick in the last several years or so. That's been a real benefit, I think.

**Loren:** Chip, do you want to add something to that?



**Chip:** No, I think that covers it for the catalog folks. On the publishing side, there may be circumstances where older writers of those songs may or may not have been published. Chances are in the old days, they probably were, and if they weren't when the song was cut, they were within minutes of the song getting released, somebody was signing them to a publishing contract. We've heard all day the importance of tuning in, logging on, looking, and making sure that the information in the data is accurate. I think that the important point for that material is making sure that, from the MLC perspective and from the publishing perspective, if you've got cuts that are from back in the day, go back and make sure that your splits are accurately registered and reflected in what the MLC's database shows.

Again, you likely were under a publishing agreement, but if you weren't, you definitely need to, and even if you were, you should make sure that your information is correct. I think Megan's right that the real important point of the MMA for the deeper catalog recording side is the Classics Act that provides some protection for those older recordings for a period of time.

**Loren:** Whenever we have any disruption in the industry, you always see changes that are made in the structuring of deal. What are your thoughts on how some structures may be changing in deals based on what's going to come out of the MMA and MLC? That might be a long journey.

**Chip:** I'll give you a short answer, which is they won't right away, and they may never. Again, it's the Act, and the MLC that comes from it, is really about streamlining and cleaning up the payment and collection process of the royalties. The deals themselves are still going to largely be structured the way that publishing deals are always structured. A full publishing deal where the publisher owns 100% of the copyrights is still going to pay and split that money 50/50.

If you're in a co-publishing agreement where you own half the copyright and the publisher owns half, you as the songwriter will get 75 cents of those dollars instead of 50 cents. Those structures, I don't see really being impacted by it. If there had been, as there has been with the SoundExchange royalty stream, or with the PRO royalty streams, where there is a writer share and publisher share, and there was some mechanism for paying directly to the songwriters for their

"share" that would create some real structural change in deals in the publishing space.

I don't see anything really being impacted from this. I think it's really more about— It's hopefully going to mean that there is more money flowing through from the streaming side, which the publishing end of the business is certainly on the short end of the stick in terms of streaming revenue overall. It's still that the majority flows to the recording side. That's not going to change, and that's not really a function of what the MLC is going to be doing, but if we can collect more of the stream that we are entitled to, that's really the goal here.

**Loren:** That's one of the— [crosstalk] I'm sorry. Go on.

**Megan:** No. I would agree with that. I think this is really more about operationalizing some of this stuff than really changing the rights flow.

**Loren:** Good portion of the MLC process is really driven by—or all of it's really driven by—good data. I think that when we look at the education of writers and creators over the years and how it's expanded with more information being available, do you think that we're getting to a place where artists are going to be able to, or in this case, writers are going to be able to be more hands-on in handling the business matters that relate to their copyrights?

**Chip:** Not to jump in, but I think it provides them another opportunity to, whether they pursue that opportunity is going to remain, I think, individual specific. Some writers are very dialed in and are going to pay attention and are going to be diligent about it, and some are just not wired that way. That's just human nature. Some people are able to stay organized and on top of it, and they'll do their part and be hands-on with this new database to make sure that their information is correct.

Others are going to need help because their minds are so creative that the business side of it is very difficult. It's why they hire someone like me and/or a business manager to get involved to help, or they've got— Depending on their success level, they may have somebody working with them just that helps keep the I's dotted, T's crossed, and everything organized.

No matter the setup, I think it's important that they do that, and those creators who aren't naturally inclined to pay attention and caretake should make sure that they have professionals advising them in their life that can help with that process. I think Kris made a good point. There's probably a business opportunity there for—really, it's not even legal, it's not business management, it's data management—to go out there and do that work. Because again, it's just not natural inclination of most creative types to pay attention to the details of splits and who owns what and how it's all set up. It doesn't click for some. I think that you're right, that the system only works as well as the data is accurate, and it's going to be very important for all of us to encourage the process of paying attention and participating.

**Rick:** I'd agree with that. I'd say it all comes back to the educational aspect that we were talking about earlier, and the steepest learning curve is probably the data and all of the acronyms that folks have to deal with. I know that's been in the discourse now for some time, but there's a difference between understanding what an ISRC is, or an ISWC is, or an ISNI, or what DDEX does, or what MLC, DLC, all of the different acronyms and actually knowing how they work in practice. When is a CWR, for example, created?

When is an ISRC created? How are they matched? How does that affect you as a writer who's in a room creating a song and trying to memorialize your splits? What specific data input do you need to understand and make sure is solidified so that you can then monetize that split? I think that's very important.

I think that not being on the publishing side of the equation but being here in Nashville—and I actually teach or taught a copyright law class at the Belmont Music Business College for undergrads before I had my son and all my free time was gone. I found that this community and the music business students that are there are very hungry to understand this.

A lot of them are writers, performers, or people trying to be in the music business themselves, and they get it. They get how important this is going forward. They're looking for more resources. They're looking to understand it. They're interested in what the MLC is doing. They're interested in what the Copyright Office is putting out and all the information that they have on their website and in their general

information downloads. It's education and making sure people understand what they need to understand in order to be successful.

**Loren:** Obviously all of us here are really on the transactional side of these deals, but are there any pending cases that you all have your eyes on, that might be of interest in regard to how this is being implemented?

**Megan:** Not yet.

**Chip:** I think that's right. It's still a little early, at least for this specific topic for there to be anything that I'm aware of.

**Loren:** The transition from— Well, let me leave that question alone. I'll go to this next one here. There are a couple of questions that are showing up in our Q&A. I'd like to see if you guys would like to answer or attempt to answer some of these. This one here says, "What is the statutory holding period for unmatched unresolved splits?" What is the statutory holding period? I'm not familiar with that.

**Chip:** Again, I'm not the pro. I don't know if that's talking about trying to match of what we all commonly call "black box," where we can't connect the income to the rights holder. I think the period, and don't quote me, go check a better source than me, but I believe it's two years on older material, and that this is the minimum period. They'll hold it for two years on older material, three years on newer material, newly exploited material.

Again, my conversations with Kris were [that] those were minimum periods. Their intention is that, as long as they can before they distribute, they will continue to try to connect the dots. I don't know if you all have any other information on that, but I believe that it's two years and three years.

**Loren:** After that time, the funds will be distributed?

**Chip:** Well, they are eligible to be distributed pursuant to a market share calculation. I raised a question, and I don't know if they have an answer to this yet, but is it market share based on 2021's market share, or if we're distributing money from 2010, are we taking a look back at what the market share was in 2010? It's probably an impossible task

because some of these publishers didn't even exist in 2010. It's an in the weeds issue that I don't know if they have a specific framework for resolving.

**Loren:** Let's get the Copyright Office on this panel to answer all these questions for us in detail.

**Chip:** We're getting some comments I see from Holland in there. She may be answering some of this for us.

**Loren:** I did see a question here. It's lost in my list here, but someone was asking—it wasn't really a question, but it was asking us for some commentary on what we're seeing in the last few months, a real plethora of sales of music catalogs. Any of you have thoughts on that and why that's going on and where we're going with that? Usually for multiples of 12 to 15 sometimes. That's a—

**Chip:** Yes, or more. It is the hot topic it seems and has been for a couple of years now. I've been in that particular side of the business for 15 years, a little longer at this point, and have seen it ebb and flow. The current market is something we haven't seen in quite a while, and it's largely been driven by the fact that Wall Street and the serious investment money has recognized copyrights and the income flowing from copyrights as non-correlated assets, and therefore, they're the new hot thing.

Then you've got, I've got a lot of thoughts on this topic, and I'll try to keep it brief. [laughter] You've got some very public players who are in there, very much shaking things up and disrupting. Merck Mercuriadis and his company Hipgnosis, being probably the most prominent, but other companies like Primary Wave who've been in the business now for a number of years, they're a much longer player, and Round Hill. There are consistently new acquisition companies coming online.

There's a new one that Neil Jacobson, who has been a writer manager for the last few years, is launching and talking about—I think he may have conducted an IPO and raised \$200 million. Old-guard publishers like Charles Koppelman are getting into the business with new funds to come buy copyrights. It's the cool thing to do, and from a songwriter perspective, which is the majority of my clientele, it's a moment where

you have to at least take a look at it because the valuations are so aggressive.

That said, it's a transaction you need to make sure you're well advised in looking to get into because there are a lot of players; there are a lot of things to consider. How much do you sell of your rights bundle? Do you sell all of it? Do you sell some of it? Do you retain some of it? Getting help on assessing your royalties and what valuation to expect. It can be very much genre impacted and longer-term; evergreen copyrights are going to do better than newer-term, immature copyrights, as I like to call them, that are still in a peak moment, but we'll have income dropping at some point.

There are a lot of different new— It's a whole other panel in and of itself, I think. This side of what we're talking about today with the MLC, I think, is a piece of the puzzle that has made the investment community more bullish on the assets because there is a move towards ensuring that proper compensation is flowing to the copyrights. Hopefully by streamlining the process and again cleaning up the plumbing that it will increase the back-end and the future-potential-earnings potential—sorry, two potentials in a row there—for copyrights that they may acquire.

**Loren:** Megan, did you want to add something to that?

**Megan:** No. I think the music business has always been seen as a sexy investment. For a lot of folks who come in from the private equity world, they want to be a part of something that they perceive as exciting. I think some of what's been happening is a lot of writers are starting to hear from their friends about the deals that they've been getting.

Now, everybody wants in on that too, but there are a lot of moving points. As Jenn alluded to, there's potential tax implications around the changes in the capital gains rates, and then I think there's also a move—an alternative to the sale of a catalog is there are also folks who are in the business of advancing against those royalties now as well. There are more options now I would say than ever before.

**Chip:** I will also say that the masters' side is coming into play a lot more often now as well. I think that ties into Megan's earlier comment

that catalog and recordings are being paid now much more like songs are being paid by virtue of the streaming world.

Instead of there being the one-time sale of a piece of plastic that sits in the passenger seat or in the CD player for years on end and you've only paid for it that one time, you're now streaming it repetitively and there are these little micropayments that are flowing through on the master side. We're seeing masters become much more sought after than they used to be.

They were usually the poorer cause to the composition side in an acquisition sense and, frankly, most of them are owned by record companies that weren't selling them. That has also shifted over the last many years where artists are actually retaining rights in masters and are able to sell.

**Rick:** In my capacity— [crosstalk]

**Loren:** And it's driving up the cost.

**Chip:** I think that Rick, you had something.

**Rick:** Oh yes. I was just going to add that in my capacity as an in-house lawyer doing catalog legal affairs for a major record label, I'm not going to opine on that. I'm just going to stay out of it. I will say that, yes, it's very popular and it's an inordinate amount of my time these days. The masters side is definitely implicated there.

**Loren:** We have a question. Someone would like us to talk about termination rights and the MMA. I'm not sure if we can talk about termination rights.

**Megan:** Well, I'll speak to termination rights. I think we're starting to get to a place where things that you think of almost as modern-day records may now be eligible for a termination right. Speaking as a record company lawyer, those moments become a time and opportunity to basically have a renegotiation conversation. Somebody's going to send a notice to avail themselves of their termination right, and the record company's response would generally be, "Okay, well, they're still going to need someone to administer this catalog. We have it all in our system, so let's talk about what we do to

keep them there." Often those conversations end in just rearranging the relationship rather than taking my copyright and walking away with it.

**Loren:** Yes. I often tell students when we talk about this subject that artists typically want to be artists; they don't want to be companies. They do need someone to handle that business piece, and it really is very much, quite often, an opportunity to renegotiate and everybody ends up feeling happy about where they go with the new process. Rick, any thoughts on that?

**Rick:** No, that sounds great with everybody ending up happy.  
[chuckles]

**Megan:** Happy enough, right?

**Rick:** Yes.

**Loren:** All right. Any thoughts on blockchain Content ID for the industry?

**Chip:** If you want to talk about something outside my wheelhouse?

**Loren:** There it is.

[laughter]

**Chip:** Enough to be dangerous. We've heard about blockchain taking everything over and revolutionizing all of this. I've been hearing that for, it seems like several years at this point. That's probably just my warped sense of time in a pandemic and otherwise. I don't know. I've heard benefits sung about blockchain and its ability to lock in the rights of the various interested parties around a property. I haven't seen any real big movement in that direction at this point.

**Megan:** I can tell you that at the corporate level, at the major record labels the [business development] people are definitely interested in it. They're having a lot of conversations around it, but I don't really think it's there yet.

**Rick:** I remember several years ago on the panel circuit, blockchain was really popular when discussed in the context of having this



comprehensive musical work rights database. This immutable ledger that you can use to verify song splits, and then have this comprehensive database that can be a resource across the industry. I don't know what the back end of the MLC looks like, but maybe this is a good opportunity to shift into that piece that we haven't really discussed, though I think it was brought up on other panels. That is just how important it is to have the prospect even of having this database that has song splits, publisher information, and ownership information that can be used as a resource for record labels, for music publishers, for songwriters, for everybody, and having that hub as a place to go.

**Megan:** And how much folks who work in sync licensing would love to have that and wish they had it. Because sync licensing to an outsider is so unnecessarily complicated. How often have I had somebody come to me and say, "Isn't there just one place I can go to license this song?" The answer is often, "No, I'm sorry. You have to go to two record companies and six publishers."

**Chip:** It's not easy, but I'm hopeful. Kris and I spoke earlier this week about the database building and the databases that the PROs have already built out. I just was involved in a catalog sale last year that involved 25 plus years of a writer's output over multiple publishers. Thankfully, largely one PRO, but even within that one PRO, he had multiple IPs that had been established over the years by different publishers who set him up under one name, and then because his given name was not his public name— Frankly, it was a mess, and a royal pain in the neck to sort through all of the— Even within that adding another layer, multiple work IDs for the same title within the ASCAP system. Covering all of that in the song schedule was a Herculean task.

My hope is that at some point, once the MLCs database is at least to some point fully realized, there can be some kind of synthesizing. To Rick's point, this idea of the super database, that is the panacea for the music business. It's the one-stop where you can go find everything about everything. Hopefully, this is a step towards that. It's not that; it's not going to be the answer and the one solution, but I think it's a very helpful step along that process. Where blockchain comes in, I don't know.

**Loren:** Okay, thanks. I see a question in here where a DJ is asking about arrangements that he makes and turns into sound recordings. He's asking about how the royalties stream would flow to him as the DJ. Anyone want to comment on that?

**Rick:** I'll take a crack at it. I think it depends on the service that he's using to make his— I'm assuming we're talking about remixes?

**Loren:** Yes. It looks as if that's a little bit what he's talking about.

**Rick:** I guess it depends on the service that he's using, or the service that's performing his remixes. Speaking without any— I don't have this in front of me, but I know certain services that offer that remixing capability have licenses with record labels and sound recording content owners. From the sound recording perspective if he's using one of those services, he would get paid through the service as he would be paid through any other DSP. Then on the composition side, I'm unclear. Maybe Chip or Megan could opine.

**Loren:** Yes.

**Chip:** Yes. [crosstalk]

**Loren:** I'm sorry, go on Chip.

**Chip:** It's not something that I've touched. You've got issues if you're using other people's works in a new work, you've got clearance issues, sample issues, and otherwise that you're going to have to navigate. Without knowing specifics, it's really hard to answer that one in a vacuum.

**Loren:** Sure. I think— [crosstalk]

**Megan:** Yes, agreed. I think the simple answer is it's complicated.

**Loren:** Yes. A lot easier if you write the songs. We can add that to it and say well.

**Megan:** Yes.

**Loren:** Well, we're just about out of time. I did see one question here about resources that creatives can go to if they wanted to know more about publishing or the copyright world. Do you all have any advice on that or any general advice you'd like to give to our creative audience?

**Chip:** In Nashville, I would certainly say NSAI is a great resource. I feel like touching back to our initial conversation about educating our clients whether they're the songwriters or our business clients that we work with. The NSAI in Nashville, the education process is made a lot easier by them I will say. They do a great job in our community here of keeping the songwriter community very engaged and aware of what's going on.

I got to say the NMPA I think has also done a great job over the last several years with David Israelite at the helm of putting out good information to give the basics and really provide a pretty good roadmap to someone who's trying to learn it all, what their rights are and what the various stakes are in the publishing space. Those would be two that I would point to directly.

**Megan:** Read the Don Passman book.

**Chip:** That helps too. Can't plug another lawyer though, come on.

**Megan:** No, but that's what I tell every intern that comes into me.

**Chip:** I'm going to recommend the Brabec's book. How about that?

**Megan:** Oh, okay. There you go, yes.

**Chip:** Because I saw Jeff in the comment down there.

**Megan:** I saw Jeff on here.

**Rick:** I think I'd plug the Copyright Office. I know there are so many people there that work so hard. If you just go to their website, which has recently been redone, you'll see all of the literature that they've put out that really breaks down these complicated rulemakings and these complicated, newly enacted laws in a really accessible way. Again, I know they spent a lot of time doing that. I think they're a great

resource, and they view it as a mandate to get that information out into the world.

**Chip:** I will say, I saw a comment come through, and I was remiss in not mentioning them because I've spoken at an event or two over the years. AIMP, and its various chapters, because they are on the ground in most if not all of the major music centers, they do a great job of putting on regular educational programming that is always full of information. I think there are a lot of great resources out there is the short answer.

**Loren:** Then I'll ask you one last question that will take us off of the regulatory and legal path to just something that you're excited that you think is coming down the pipe. Megan, maybe from being with an entertainment company, there's a project that you see that you're putting out this year that you're excited about? Does anybody want to talk about anything like that?

**Megan:** Oh, my goodness. Can you come back to me on that one? You know, what I'll say is I'm actually really new to my current role. I'm just excited to get in there and figure it all out.

**Loren:** That's fair. Chip or Rick, anything you want to add?

**Chip:** I'm looking forward to live music at some point. This year, it will happen, and I'm going to be there. I don't care if it's— What was it in *Planes Trains, and Automobiles* where they ran into—It was at some kind of convention. It was a—I can't remember it—terrible accordion music. I don't care what it is. I'm going to see live music this year.

**Rick:** I'll be right there with you, Chip. Let me know; we'll go together. I can't wait for live music to come back. I think there are also some really interesting things that are happening in the gaming space, and the integration of music into that space. I think that's something to pay attention to in the future. It'll be exciting to see how that plays out. Especially until we're able to see live music in person again, there might be some creative solutions that are being worked on there. That's what I'd say.

**Megan:** And AR and VR as well, I'd say.

**Chip:** I'll just clarify. It was Polka. Thank you for the comment. It was Polka music. Thank you for clarifying. I'd even go see Polka music.

**Loren:** Well, thank you, all of you for your participation today. Rick, Megan, Chip, very entertaining and educational at the same time. I think our understanding of the subject matter has increased, and [our] understanding [of] what's necessary for artists and writers to get to the next level with regard to the MLC and the MMA, and the roles that we would have to play, or we should be playing, as those who take care of their business. Thank you so much for being part of this.

**Megan:** Absolutely. Thank you for having us.

**Chip:** Thank you.

**Rick:** My pleasure. Thank you.

### **Keynote Speaker**

**Loren Mulraine:** Alright, we are now at the point for our keynote address. I'm going to invite the General Counsel and Associate Register of Copyrights to join us at this time, Regan Smith, from Washington, DC. Hi, Regan.

**Regan Smith:** Hi, how are you? Thank you so much for inviting me.

**Loren:** We're looking forward to hearing from you. I'll just turn the floor over to you.

**Regan:** Well, thank you. Thank you, Professor Mulraine. Thank you, Belmont Entertainment Law Journal, for co-hosting the symposium with the Copyright Office and inviting me to speak today. I think when you're the last person speaking, whether it's yourself or a panel, you're always conscious that there's been a lot of great programming before you. If you're going before lunch, you're also very conscious of that. I'm very excited to build on the panels earlier today and add a little bit more to the dense discussion that we've already had because there really is a lot.

There's a lot happening and a lot that can be relevant and valuable, I think, for people to know if they are operating in the industry, or if

they're students studying things. I think with my time, I'm going to try to provide an update on the Copyright Office's activities, including giving a little bit more of an overview of what these regulatory changes do, as well as talk about other recent developments in the music, copyright, policy space, ways in which the music industry and the government interact with each other, and what might be coming up ahead.

I'll try to do that about 50/50. We'll see how well I do, and hopefully, we'll have time for questions at the end, which I'm happy to answer. Starting with the Music Modernization Act, which has been obviously the focus of the discussion since this morning. It certainly seems to me like the MMA was passed a lifetime ago. On the other hand, it's coming relatively quickly, and for some, it might seem like it passed yesterday, and then all of a sudden, the blanket license is upon us.

In actuality, it was passed before the COVID-19 pandemic happened, and since 2018, the Copyright Office has issued 22 Federal Register notices. We've received 800 written comments and had 89 ex parte meeting summaries with various interested parties. If you have participated and talked to us, thank you, and we hope you will continue to be engaged on music copyright policy issues. Depending on your perspective, the road goes way, way, way back. Perhaps it was the introduction of the Songwriter Equity Act of 2014, or the Section 115 Reform Act 2006 ["SIRA"].

Similar to the MMA, the SIRA legislation, as that is called, would have allowed the Copyright Office to designate an agent to grant and administer Section 115 licenses, and collect and distribute royalties. Complaints about the mechanical statutory licenses, if they were a song, they would be an old standard by now because practically speaking, the statutory license for the reproduction and distribution of musical works has carried tension since its inception in 1909. Copyright holders focused on the license's mandatory nature as well as the perception of low royalty rates. Does that sound familiar? In 1928, the then-president of ASCAP testified to Congress, "You could not find in any place of law a situation similar to that that exists here." There were a handful of men in 1909 that came down for days and tried so hard to get a hearing.

The mechanical people were organized like they are today, but since that time, with modern inventions, and the new fields that have opened up where they utilize the works of creators of materials, the songwriter as an individual could not possibly protect himself. In 2021, the phrase "mechanical people" calls up some sort of robot invasion, which I will get to later.

This quote is referring to record distributors. The term mechanical, which then was referring to piano rolls and wax records, is now an anachronism. Most users of mechanical license are Digital Service Providers. Given the scale at which music services operate, they viewed the song-by-song licensing approach as burdensome, inefficient, and risky.

Meanwhile, that same scale that DSPs use makes the gaps in the system more apparent as songwriters and copyright owners need to ensure that their works are appropriately licensed, and they are receiving accurate payment for their use. After 110 years, as you heard earlier today, the system is now changing. It's also a good time to look around and see how other aspects of the music ecosystem is functioning, and what changes may bring ahead from there.

Before we get into specifics, I want to just give another shout-out to the importance of music education and so that you know that the Copyright Office is here. I think the last panel provided a lot of suggestions for educational resources of other groups that are out there, other authoritative books.

I know the MLC itself; I found their overviews today very informative, and they are very active, engaging in webinars, and ensuring that members and other people in the public can have their questions answered as they sign up for the MLC and begin to use what it has to offer. The Copyright Office is the agency that administers the nation's copyright laws, has a little bit of a different situation, but we have an ongoing statutory duty to provide public information and education about copyright information.

For the Music Modernization Act specifically, we have a statutory directive to help educate everyone, particularly songwriters, to make sure they understand how this law affects them. I know that we've seen Hellen and others from the Copyright Office all over the chat

answering your questions. We really care, and we're really here. So far, the Copyright Office has engaged in over 50 educational events like this one, as well as created, I think, 10 or more informational handouts and a variety of YouTube videos on the MMA.

I'm sure Helen in the chat is giving you the link to all of those informations again, so I won't say it here. Going forward, in addition to supporting the MLC and DMP's efforts to bring education. We want to make sure that we provide information in practical terms so that songwriters, publishers, and others who are affected understand what they need to do, and also to provide a broadening understanding of music copyright and licensing practices more generally.

It's a highly reticulated area. It's complicated, and a lot of background is being asked for musicians and those who support their careers. Know that the Copyright Office holds an open door, and we are open to suggestions. We are available to provide information, and if you think that something is missing, let us know because it is an evolving effort on our part.

Let's jump into the office's regulatory work. I want to start first, with, "What even is that?" I think it hit some people out of nowhere and the reason for that is the Music Modernization Act itself as a piece of law is extremely long. It's longer than the 1976 Copyright Act, and it also contains more references to the word "regulation" than the 1976 Copyright Act, which covers the entire rest of the nation's copyright laws. That's funny when you're looking at the idea that it is updating a law perceived as being perhaps too restrictive upon the normal background operation where we have more freely licensed works.

What does that mean, "regulation," and what is happening here? It means that the Copyright Office must fill in the details as the agency to make sure that the MLC, creators, copyright owners, digital services, and all others interested can know what is expected of them and what they can expect of others they engage with as we move to operating under these new laws.

The questions that we are taking up, they range just from "How much does it cost to send the Copyright Office your list of your Pre-'72 Sound Recordings if you go to court?" to "At what time, with what information, and what format should your digital service update its



monthly usage reports and payments to the MLC when it received new information regarding the performance rates that factor into the rate-setting by the Copyright Royalty Boards or even when the CRB itself issues its updated new rates?" That's a highly specific piece of information.

Rules are adopted following a process called "notice and comment," that's across every agency. In layman's terms, that means we write up a proposal, and we ask you what you think. We put it on our website, and it's published in the Federal Register. Participation in that process helps us ensure that we understand the issues and equities involved, particularly when there's specific technology at issue. If you would like to have your views considered, you need to show up.

I want to first talk about the structure for Pre-'72 Sound Recordings, which I think has been touched upon just a little. On the day the MMA was passed, we sent two notices to the Federal Register to implement regulations associated with the Classics Protection and Access Act. This grants protection for sound recordings fixed before February 15th, 1972, which is the date Congress granted copyright interests to those on a federal level on a prospect basis. The MMA grants sound recording copyright owners exclusive right to their use, subject to certain limitations and exceptions, including the Section 114 statutory license.

It's pretty close to the same rights afforded to copyright owners under federal law, but it is not technically copyright protection, and not all the rules apply. For example, you do not need to register, and actually, you cannot register a US Pre-'72 Sound Recording work with the Copyright Office to obtain protection to sue in federal court. Instead, you file a schedule, which I think is somewhat of a simpler format, listing the sound recordings that the owner is asserting in order to obtain statutory damages or attorney's fees in the event that type of enforcement is necessary.

The MMA also allows an entity who was previously transmitting Pre-'72 Sound Recordings to file a notice of contact information entitling that entity to direct notice from the sound recording owner before litigation commences. In a sense, it builds in time to hopefully come to a license agreement and account for pre-existing reliance agreements on the prior state of law.

Transmitting entities had six months to come forward and submit a filing, so that's not an option anymore, but that was something that we created a mechanism in the database to do so. Relatedly, the office established a regulatory safe harbor for users who might wish to make a non-commercial use a Pre-'72 Sound Recording that is not being commercialized.

It's a bit of a mouthful, but it was certainly an important new limitation in the copyright laws that was added to this provision to allow the legislation to move forward.

The office's rule identifies specific places a user can search, basically conducting a knockout search—it's progressive, if you find it somewhere you stop, otherwise, you go on—to determine whether a recording is still being commercialized or whether it's not and so it's eligible for the new exception for non-commercial uses. It is a way to acknowledge the so-called orphan-works problem in a sense for some of these older recordings.

Those sites are first. You check our list of schedules of Pre-'72 Sound Recordings, do a quick Google search, Yahoo or Bing, search a major streaming service, check out YouTube, the SoundExchange database, or amazon.com in general. A user would certify to taking those steps in a notice of noncommercial use, and then the sound recording owner would have 90 days to object.

After standing up all of these filing requirements and searchable databases, it's all public, which actually, to me, I find this a very interesting feature of the office's many repositories of information. Because you start to see works that instantly connect and you remember these catalog works. To me, it's an impression that they're still alive and being used. I think that's a valuable result of the Music Modernization Act. At any rate, overall, we have received schedules listing 228,000 Pre-'72 Sound Recordings. We also received 636 notices of contact information, mostly I would say from radio stations. Today, we haven't received a single notice of non-commercial use, so we'll see where that goes.

Next, to turn to the mechanical licensing update, I know that there's a lot that has been explained as to what the MLC will do. They're in a better position to explain that themselves and why we have it, but I

want to provide an overview for some of the Copyright Office's regulatory activities. I think it is pretty dense, and although the primary materials are in some ways the most valuable, understanding maybe in practical terms what we are talking about may be useful. First of all, where do we start with? We started with in July 2019, we designated the Mechanical Licensing Collective as well as its counterpart, the Digital Licensing Coordinator, DLC. There's only one application to be the DLC, but we received two to do the MLC and over 600 public comments. In the end, we concluded, with a register providing her reasoning in a written document, that the MLC selected meets each of the statutory criteria, including that it would possess the technological and administrative capabilities to perform the job and that it had the endorsement and substantial support from musical work copyright owners that represent the greatest percentage of the licensure market for covered activities in that period. Every five years the register must take a look and review those designations. Following that, we have been implementing various regulatory structures to govern aspects of the new blanket licensing system.

Because the MMA is essentially establishing a new intermediary between the digital services and the musical work copyright owners, which would be the MLC, to improve the administration of the 115 license, a lot of the details needed to be adjusted and hashed out to figure out exactly how this would work. I think as we all know, the devil is often in the details.

As the statute has directed the Copyright Office, there's no updated regulations addressing with specificity, issues like how DSPs should submit a notice of license to the MLC; how the MLC will publicize those notices so that anyone can see which services are taking the blanket license, I know they've already put that up on their website; the format and timing of DSPs sending usage reports and royalty payments to the MLC; and then how the MLC will send royalty payments and statements to copyright owners.

There's a little bit of a pause created by the statute, which is giving services 45 days instead of 20, after the close of recording months to send their information and payment to the MLC, and then now the MLC will need its time to match and process and distribute those payments. That is the phase we are in right now.

Next, the content of the required reports and statements [includes] the DSP plays and downloads and how it calculated its relevant royalties so that the MLC can confirm, and copywriters, in turn, can look at and understand the payments they received on their statement, as well as songwriters if they receive their payments through a publisher.

[Additionally, it details] the sound recording and musical work information that DSPs must collect and report to the MLC for use in its matching and distribution of royalties, including information passed through the metadata from the record label or aggregator that is providing the sound recording to the digital music service.

It outlines the obligations that DSPs have to solicit more complete and accurate data from further upstream and digital supply chains and specifies what information the MLC must publicize to aid in overall transparency, and on the other hand, what information should not be included or shared because it's sensitive business information not intended for public circulation.

Finally, an additional rule specifies the information that must be included in the public-facing database, which I think is a unique feature of the US update to its law, and what flexibility and considerations that the MLC should take into account in making data available for bulk download and sharing.

In taking all these actions, we've tried to listen carefully to all parties and ensure the MLC is going to receive the information it needs to execute its tasks of matching DSP uses to the sound recording of underlying musical works and identifying the copyright owners of those musical works. In some instances, this means that it is requiring these services to do more, but the expectation is that the MLC will benefit from the improved information flow and participation by musical work copyright owners who join to improve the US mechanical licensing ownership and usage information at scale.

One final rule addressed the statutory limitation and liability for unlicensed uses of musical works prior to January 1st, 2021, as part of the overall bargain. The MMA includes a provision allowing DSPs to obtain a limitation on liability under certain circumstances that they report and payout certain royalties. This is separate from the blanket license, and it is optional for DSPs to participate in. If they obtain a

limitation on liability, it limits the DSP's liability for unlicensed uses to the statutory royalty rate, as opposed to being eligible for statutory damages.

Here's how it works. To be eligible for the limitation on liability, the DSP must take steps to try to match its uses of sound recording to the underlying musical work and [to] identify and locate the copyright owners of those musical works. If they do that before the blanket license kicks in, they must report and pay accrued royalties to the copyright owner in accordance with the statutory license.

Now, of course, direct agreements remain valid as well in lieu of the compulsory license conditions. If that doesn't happen, the DSP should have accrued and maintained applicable royalties, and eventually, must transfer the accrued royalties to the MLC. Specifically, the statute requires digital services to accrue and hold royalties, and to maintain them in accordance with generally accepted accounting principles or GAAP principles.

Those transfers are happening to the MLC now. The issue of historical unclaimed royalties is quite timely. The Copyright Office regulations require DSPs participating in the limitation of liability to pay overall accrued royalties payable to copyright holders for unmatched uses to the MLC in order to be eligible. We've set up a rule that does recognize some of these transfers are occurring against the backdrop of preexisting industry agreements.

In those cases, to facilitate participation and not step upon catalog or company-wide agreements, the rule sets up a mechanism for DSPs to transfer what they have accrued under good faith certification subject to later potential adjustment. Correspondingly, for copyright owners who have entered into those agreements to submit a good faith certification to the MLC, in the event there's a dispute.

When the MLC is otherwise ready to make a distribution related to a disputed use, if necessary, the MLC will invoice the DSP and then hold the money until the dispute is resolved by the parties themselves. As the blanket license comes into effect, the Copyright Office remains having its door open to assist as unforeseen issues will necessarily arise with respect to many of these issues, but meanwhile, we are heading towards the future.

We are also engaged in a public policy study to recommend best practices that the MLC may implement to identify and locate musical work copyright owners with unclaimed accrued royalties held by the collective to encourage those copyright owners to claim royalties owed to them and to reduce the overall incidence of unclaimed royalties. This study is part of Congress's interest in getting copyright owners, including songwriters, accurately paid for uses of their work.

We kicked off [the study] with an all-day educational symposium in December 2019. We had a broad amount of members of the music industry and other interested members of the public discuss some of the background issues related to the challenges the collective will face. We also commissioned a report that provided a factual summary of practices from foreign Collective Management Organizations, or CMOs, and how they engage in their own matching and royalty distribution practices to see if it might prove to have some good suggestions for the United States.

Both the symposium and this report were provided to the public so that it can be considered when submitting comments in connection with the office's public policy study. We did receive two rounds of those comments that concluded in August 2020. Coming up, we are going to hold public round tables. This will be done virtually over Zoom, where there's an opportunity to exchange in dialogue that will be transcribed and can be considered in part of our public policy study.

The date for that is March 25th, and we are now currently accepting signups until February 26th. If you are interested, please sign up and we will publish that report by July 8th, 2021, which is a statutory date. We're well aware of this heightened interest in making sure that the MLC makes a distribution of unclaimed accrued royalties only once it has made significant efforts to match works and identify proper copyright owners. The MLC probably said that itself today.

As needed, we will separately consider whether it's appropriate to promulgate additional regulations related to this distribution, which again cannot occur until 2023 at the earliest. We are catching our breath at least a little bit on that. Comments submitted in the office's policy study are likely to inform our thinking on that issue.

The last topic I wanted to touch upon for the Music Modernization Act is the rate-setting. Because while most of the MMA elements are now in effect, even if recently, in the future we will also start to see the new rate-setting proceedings of the Copyright Royalty Board, use of the willing buyer, willing seller rate-setting standard instead of the former standard, which was more policy-oriented.

Now, of course, Section 115 rate setting for the period of 2018 to 2023 has been remanded from the DC Circuit back to the Copyright Royalty Board. This year, we hope to see the conclusion of that remanded determination, but already the proceedings to set rates using the new standard have commenced, those are for the years 2023 to 2027. If the parties do not settle this out, 2022 will show us how the Copyright Royalty Board employs the new standard. Starting in 2028, we will also see this new willing buyer, willing seller standard applied to uses under the Section 114 sound recording statutory license for satellite and digital audio radio services.

Meanwhile, there's certain other adjustments to the ASCAP [and] BMI Consent Decree rate courts, which haven't been tested yet and if that happens, we'll see if that also shakes out some of the judgments and considerations that are happening there. I will talk more about consent decrees at the end just to provide an update of news for those who might not be aware, but first turning to just other regulatory and legislative developments that we have.

I want to talk about an initiative the Copyright Office has been working on, and that is to create a new registration option for works that are listed on an album. We proposed in 2019 to create a new group registration option for musical works, sound recordings, artwork, any other material contained on a digital album, and it will be called GRAM, Group Registration of works from an Album of Music.

As many of you know, but I think there's also been some questions of "How many places do I need to register?" and "What is the relationship of this to that?" To clarify, registration with the Copyright Office is a statutory prerequisite to bringing litigation based on US works in federal court. Timely registration is necessary to be eligible to recover statutory damages or attorney's fees.

Currently, the fee to register one work on the "standard application," our most common application, is \$65. That can add up, we know. A group registration offers a more economical way to register multiple works with the office on one application. We recognize that creators' ability to protect their works at a time when revenue streams are significantly disrupted makes this option, perhaps, even more important now.

The group registration option will permit an applicant to register up to 20 musical works or up to 20 sound recordings contained on an album, provided they were created by the same author, [or] had at least one common author, and the claimant for each work in the group must be the same. In an update, this option will cover albums that are distributed either in physical or digital media for the first time, and it will also provide an option to register multiple compositions that have been published in one application, even if the claimant doesn't also have the right to register the associated sound recording. That is a new update that I think will make it more economical for registration on the publishing side.

After considering everyone's comments, the office decided to develop a custom online application specifically created for this type of group registration, rather than using the standard application. It's currently in the testing phase, and we hope to be able to deploy it in the spring.

The next big, big piece of copyright legislation, at least as far as the Copyright Office is concerned, is the CASE Act. In December [2020], Congress passed two laws. One, addressing copyright small claims and the other felony streaming. The Copyright Office is charged with implementing the CASE Act, which creates a voluntary tribunal in the Copyright Office to decide lower value copyright claims called the Copyright Claims Board, or CCB. Under this framework, statutory damages will be capped at \$15,000 per work or 1/10th of the damages that can be awarded in federal court. Total damages are also capped at \$30,000. We have a year to stand it up, so that would be next December. Although the Register, for good cause, can extend the implementation up to 180 days, which would be June 2022. Participation in this board is a voluntary process, but respondents must opt out of the proceedings if they do not wish to participate. This stems from almost a decade of consideration. In October 2011, Congress asked the Copyright Office to study this issue, which resulted in a



2013 report called "Copyright Small Claims." That report revealed that the existing federal court structure was not well suited to address claims of lower monetary value. Lawyers are expensive, litigation could take a long time, and plaintiffs must navigate various statutory requirements.

While larger copyright owners may have the resources to pursue federal litigation, small businesses and individual copyright owners with lower value claims reported being shut out from enforcement in court. The report concluded that in effect the copyright owners had a right, but no effective remedy. The same was true for potential declaratory judgment claims brought by users of works who might find litigation costs prohibitive to adjudicate the right to make fair use or avail themselves of other defenses in response to a cease-and-desist letter that they might have thought didn't hold water.

The report contained a draft of proposed legislation to implement a small claims board with two alternate provisions, either an opt-out or opt-in basis. Ultimately, Congress looked to the office's recommendations to form the basis of the CASE Act and selected the opt-out system. Before being enacted last year, the CASE Act was passed out of the House with 410 votes and passed out of the Senate Judiciary Committee with all members in attendance in support.

This spring, the office will be issuing a notification of inquiries addressing the various regulations that we'll need to implement before the CASE Act is up and running. We would like to hear from you. We are committed to making it a success, and we look forward to your input. I will say, if anyone wishes right now to get in touch and come share their views of things you think we should be thinking about as we begin to get this set up, again, we are an open door and would be happy to take a meeting.

We will also be moving forward on a recruitment process for the Register to recommend appointment of three Copyright Claims Officers to the Librarian of Congress who will make these appointments. Shortly, our Office of Public Information and Education will be launching a website with FAQs that will also include a status tracker that updates the public about our progress implementing this new piece of copyright legislation, so stay tuned.

I did mention felony streaming. The second law that Congress passed provides the DOJ with the authority to bring felony charges against digital transmission services offered to the public for financial gain that are designed, provided, or marketed for the purpose of streaming copyrighted works without authorization and that have no other commercially significant purpose or use. The enacted version was the result of a negotiated process that included both consumer and industry groups and avoids the criminal prosecution of individual users.

It was a good example of how public-performing rights perhaps are rising in importance in a world that has moved increasingly to access-based economic models. At least from my perspective, 2020 was very active in copyright legislation in the regulatory space. What could be next, coming up?

A quick note on the public performance right issue for terrestrial radio, which I think was mentioned earlier. As was said, the Copyright Act has an incomplete performance right for sound recordings. Section 1066 limits the public performance right for sound recordings to digital audio transmission. That means while streaming services and satellite and cable radio pay sound recording owners for performance of their works, terrestrial or over the air radio does not pay on the songwriter side.

Last month, our new Register of copyrights, Register Perlmuter joined by then-director Iancu of the United States Patent and Trademark Office, recently renewed the call to amend the Copyright Act to require radio stations to provide fair compensation to copyright owners and performers when their song recordings are broadcast over the air. In doing so, in sending this letter, which you can find on our website, it noted that the United States stands alone among industrial nations in not recognizing a public performance right in the broadcasting of sound recordings.

American performers and producers do not benefit from the protection afforded to such broadcast in most other countries because of the lack of a reciprocal right in US copyright law. As a result, they noted an estimation that substantial royalties for the public performance of US recordings abroad estimated at \$200 million per year were being lost. That issue has been percolating for a while.

Other areas of discussion for potential copyright reform are emerging. Of course, the big topic is the DMCA. There're signals that Congress is beginning to consider the functioning of the 1998 Digital Millennium Copyright Act. The DMCA has been an important part of the framework of digital copyright law, and in particular, Sections 512 and 1201. Those sections are more commonly known as the rules governing service providers, including the notice and takedown provisions, and the rules governing the circumvention of technological protection measures, respectively.

Last year, the chairman of the Senate Judiciary IP subcommittee held six hearings, as well as two staff briefings, and the House Judiciary Committee also held a hearing on the functioning of Section 512. There was some level of bicameral interest. In December, the former chairman of the subcommittee released the discussion draft called the "Digital Copyright Act of 2021."

One quick note on Section 12.01, that graph did incorporate some past Copyright Office recommendations from its policy study on Section 12.01 to expand the scope of the statutory exemptions to the prohibition on circumvention of technological protection measures, and to update the office's regulatory authority with the librarian's adoption, to adopt additional regulatory exemptions as we recommended.

Perhaps more notably, it also addressed amending Section 512. For those who are unfamiliar, the law contains the copyright limitations on liability for online service providers who act as a mere conduit or engage in what is broadly called caching, hosting, or linking to copyrighted content. To qualify for the statutory liability of limitations, a service provider must comply with various statutory requirements.

If you would like to take a deeper dive into Section 512, I know in 2020 the Copyright Office's Office of Policy and International Affairs issued a report on the operation and functioning of Section 512, which concluded that the balance Congress had intended was no longer being realized.

The discussion draft doesn't alter the statutes four function-based categories of eligible service providers, but it would make some

palpable changes, including vesting the Register of Copyrights, as well as the National Telecommunications and Information Administration, or NTIA, with additional regulatory authority.

In one of the biggest changes, the discussion draft would replace the current "notice-and-takedown" provisions with the "notice-and-stay-down" system, which was not, I think, part of the office's consideration, but certainly is discussed in the report if you're interested in reading it. Now that the Senate has switched majority control, it remains to be seen how this conversation will continue, but it does appear likely that it will continue to evolve.

Meanwhile, the EU member states are in the process of implementing the 2019 Digital Single Market Copyright Directive into their national laws. The Copyright Office's report recommended future analysis of those will impact changes in connection with our domestic considerations. That time is coming because the member states have until June 2021 to implement the copyright Directive.

One other big issue that was discussed last year that we didn't see a ton of evolution on were the ASCAP and BMI Consent Decrees. There has been recent news about them. As background, ASCAP and BMI, like other Performance Rights Organizations, or PROs, offer blanket musical work performance licenses for the works in their respective repertoires.

Since 1941, the PROs have been subject to consent decrees, which are agreements between each PRO respectively in the United States. They are overseen by the DOJ and enforced by judges in the Southern District of New York. The decrees are not identical, but they do share many features, including that PROs may only acquire non-exclusive rights, they must grant a license to any user who applies, licenses must be offered in non-discriminatory terms to similarly situated licensees, and the PRO must accept any qualifying songwriter or music publisher as a member.

Further, ASCAP and BMI are required to offer alternatives to the blanket license, and licensees who cannot agree on a royalty rate may seek a reasonable license fee from the respective ASCAP or BMI rate court. While there's other Performance Rights Organizations in the

United States, notably SESAC and GMR, in particular, they are not subject to a consent decree, although they are subject to antitrust law.

SESAC, for example, has entered into a settlement in [an] arbitration agreement. In the last administration, there's been a lot of discussion as to whether the consent decrees are in need of [an] update. I'm just going to provide a lay of the land of where it seems we're at here. In 2014, under the Obama administration, the Department of Justice announced it'd be evaluating both PRO consent decrees and it sought public comments. Generally, I would say at a high-level songwriters and publisher groups were hopeful that the decrees would be amended, while licensees were cautious and concerned about what amendments might bring.

In 2016, the Department of Justice closed its review without proposing any amendments. Next, in 2018, the DOJ, under the Trump administration announced that it would begin reviewing approximately 1,300 so-called "legacy antitrust judgments." Those were antitrust decrees which did not have sunset provisions to automatically terminate judgments. In 1979, DOJ adopted a practice that makes content decrees usually terminate automatically 10 years from entry, but that doesn't apply to the ASCAP and BMI decrees which are much older.

As part of that, the DOJ did open a review of those decrees, but again, this last January, the DOJ concluded its review without moving to amend or terminate the decrees. In announcing that decision, the head of the antitrust division, Assistant Attorney General, Makan Delrahim, opined that "continued review of, and stakeholder input concerning, the decrees remain necessary to ensure that decrees continue to satisfy their purpose to protect competition and do not act as impediments to innovation."

He recommended that review continue to recur every five years to assess whether the decrees continue to achieve their objectives to protect competition and look at whether modifications would be appropriate in light of changes in technology in the music industry. He also pointed out that, I think around that week, ASCAP and BMI had released a database called Songview, which provides musical work ownership and share information in each of their repertoires in the

same spot, as a dispositive example of how interested parties may be able to address issues on their own.

As we now enter the Biden administration, I think it remains to be seen whether—out of the many projects and initiatives that it may have to pick up at the Department of Justice—whether this issue will be prioritized and whether they share the views of either of the last two administrations. It's clear either way there's a large amount of interest and importance in this issue. The closure of the most recent review engendered relief in some quarters and frustration in others. In the 2015 DOJ review, the Department of Justice received 140 public comments, but in 2019, the review received 878 public comments, which again may reflect the increasing importance of the public performance right.

The Copyright Office is the advisor on copyright issues as well as our counterparts at PTO. In 2015, we described the functioning of the consent decrees in the context of the music copyright marketplace in general, while acknowledging the ongoing role of the Department of Justice in conducting the antitrust review as a separate matter. From just the point of view of the copyright policy approach, we observed some inconsistencies with respect to the government regulation of the music industry across the music licensing landscape.

In this case, we're going to continue to monitor for development, again from a copyright perspective. It's unclear whether the next Congress will be interested in addressing these issues or wants to see how the Music Modernization Act changes the overall music industry landscape.

I think the last topic, we began with mechanical people, and I promised to bring it back to robot invasion. I wanted to say just a couple of words about artificial intelligence, and then maybe we will see if anyone has any questions. In February 2020, the Copyright Office and the World Intellectual Property Organization held an all-day symposium to discuss how artificial intelligence, or AI, is being used to create original works and how this new technology could potentially drive policy changes in the future.

For music creation, in particular, I think this is a really salient topic. We held a panel dedicated to music licensing issues, music-related

music creation issues involving artificial intelligence. From the Copyright Office's perspective, we have some background principles that are pretty well established. We only register original works of authorship created by a human being. We think this emanates from the statutory requirements and well-settled case law. We don't really think we need to have yet another webinar on the monkey selfie, although I know it was cute.

At the same time, of course, musicians and other creators do employ tools and technology to make the art, and we recognize that this doesn't affect the ability to have a copyright interest in such work. In the case of music, of course, there's widespread use for a long time of digital audio workstations to record, edit, and produce music, including tools like the MOOC creators, auto-tuning, the arpeggiators and that's all part and parcel of music creation, but AI may present a slightly different twist on those set of issues.

While many of the technologies employed by AI are new, the issues are rooted, I think, in copyright principles, and we will see how the conversation continues to evolve. The Copyright Office began thinking about some of these matters as far back as the mid-60s. The office in its 1965 annual report addressed a concern inherent in machine-generated works. It noted that "a determination of the line between human and machine authorship would be a crucial question" to establishing copyrightable authorship.

In 1965, the office said that the number of works approximately produced or written by computers, which I think is a pretty precious phrase, would raise questions in this area. Finding the line between whether a computer was merely a tool or whether a computer independently conceived and executed a work may be difficult.

In the symposium last year, in February 2020, which actually I'm now realizing was one of the last few times we could all be in one place, other panels discussed the general relationship between artificial intelligence and copyrights, how AI is evaluated with respect to the human authorship copyright requirement, generally, and the future of AI in copyright policy. We are looking forward to continuing that conversation.

That was a lot, and the day has been a lot. It's clear the future is not settled when it comes to the evolution of music copyright, that it does not end with the MMA. Although it may be useful to reconsider the landscape after the dust has settled a little bit, now that the most significant copyright legislation in 20 years has been implemented, this will not be the quota. Going back, I think to the beginning, the MMA was the result of different interests working with Congress to find common ground.

It remains to be seen how more divisive issues will be taken up. It may well be that a legacy includes the greater involvement of those representing creators and others involved in the music marketplace as well as users. Whatever issues are next, the Copyright Office is really looking forward to hearing from everyone and continuing to play a part in the conversation. Thank you.

I don't know if there are questions. We could wrap up early otherwise. Maybe someone from the Copyright Office side or someone else can let me know if there are.

**Klare Essad:** Looks like we're going to wrap up, Regan, but that was really informative, a lot to take in. This whole day has been really informative, and we all learned a lot. We want to thank all of you for tuning in and learning along with us. All of our speakers, our moderators, Belmont's administrative staff who are supporting us and supporting us with this software. The Copyright Office for pretty much guiding us through this whole symposium and the planning behind it. They were super helpful. The Entertainment Law Journal, our professor, Professor Mulraine for emceeding this event and supporting us through our planning. Of course, Matt, who will be on in a little bit if he's not having trouble, he's going to go through the logistics of submitting your CLE paperwork for credit. Matt, are you on?

**Matthew Jafari:** Yes, I'm on here. Thank you, Klare. Thank you, Professor Mulraine, and thank you to everybody that participated today, and thank you to the Copyright Office. I just wanted to reiterate if you're intending to seek CLE credits for this event, you can go to the site that you registered at—that's either the Belmont law page on the Belmont website, or [belmontentertainmentlaw.com](http://belmontentertainmentlaw.com). You'll be able to find the CLE form and there's instructions on where to submit that.



Feel free to reach out to the email address on that form if you have any questions about filling it out, and we will be in touch. Thank you.

**Klare:** Thank you all.

**Loren:** Thank you, everyone. We look forward to seeing you in future CLE events. Thank you.







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