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Cases of Note: More News from the Courts

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Cases of Note

More News From The Courts

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Pending: ProActive Media, Incorporated v. The Walt Disney Company

In a complaint filed August 9, 1995, in United States District Court for the District of Maryland, and seeking \$2.1 million in damages, plaintiff, ProActive Media (PMI), publisher of a daily electronic newsletter known as Multimedia Wire or MMWIRE, alleges copyright infringement by defendant, The Walt Disney Company. PMI claims that Disney copied and/or electronically forwarded via e-mail and facsimile, on a daily basis, a single subscription of MMWIRE to dozens of Disney employees in the United States and Canada.

MMWIRE was created by Chris Sherman in 1994 and addresses current issues and news in the field of electronic and interactive media with particular emphasis on issues with regard to gaming, online entertainment and CD-ROM technology. The publication is notable in that it provides readers with perhaps the most current news and information concerning acquisitions, sales, mergers, collaborations and other pertinent developments within the entertainment and electronics industry.

In the complaint and in a statement issued on the date suit was filed, PMI alleges deliberate copyright infringement of MMWIRE's copyrighted newsletter stating that Disney knowingly and systematically made multiple illegal photocopies of a valid subscription version of the publication. Further, the complaint states that Disney, well-known for vigorously protecting its own intellectual property, did this to avoid paying additional subscription fees. Such incidents include, according to the August 10, 1995 *Washington Post* in an article entitled "Is Mickey Mouse a Copycat?", attempting to block Snow White's appearance at the Academy Awards and forcing a Florida daycare center to remove pictures of Disney characters from its walls.

A single, daily subscription to MMWIRE costs \$445.00. Work on each issue begins at 9:00am on the day preceding publication and concludes between 11:00pm and 1:00am. Delivery is guaranteed by 7:00am. Information is gathered by PMI

staff from a network of contacts, industry professionals, press releases, industry news feeds and other news sources. PMI first became aware of the alleged violations by Disney when an anonymous Disney employee telephoned Chris Sherman and advised him of the distribution to approximately 35 executives within the company. The caller subsequently faxed to Mr. Sherman the alleged actual distribution list. The caller advised Sherman that she was informing him of these matters because she was sick of Disney's double-standard in pursuing others for copyright infringement when its own personnel often used the work of others without permission.

Further information concerning this suit,

including a copy of the complaint, the alleged Disney documents, and PMI's press release can be found by accessing the PMI website at <http://www.mmwire.com/lawsuit.html>.

Pending: ProCD, Inc. v. Zeidenberg

Another recently filed suit promises to further clarify the findings of the United States Supreme Court with regard to the publication of factual information as a compilation in *Feist v. Rural Telephone Service Co.*, 499 U.S. 340 (1991). The current case, cited above, came to our attention via the CNI-Copyright listserv when the Defendant, Matt Zeidenberg, posted a message describing a hearing for injunctive relief which took place in United States District Court in Madison, Wisconsin on September

22, 1995. However, ProCD differs from Feist in that it involves factual information published in an electronic format.

The facts, as we understand them from the posts on the listserv, are that the plaintiff, ProCD, publishes telephone listings in CD-ROM format which it apparently extracts from printed telephone listings and to which it adds additional information which enhances their product sold as SelectPhone. Mr. Zeidenberg, a graduate student in Computer Science and Sociology at the University of Wisconsin, formed a company known as Silken Mountain Web Services (SMWS) for the purpose of providing telephone listings on the World Wide Web. SMWS extracted those phone listings from copies of the SelectPhone and from another product, Phonedisc, both of which products SMWS purchased prior to extraction. Then, Zeidenberg and SMWS formed a union of the information located on both discs and, with regard to five specific states, made the listings available at an Internet website searchable by utilizing a search engine designed by Mr. Zeidenberg. Mr. Zeidenberg claims that the site was accessed by up to 15,000 queries per day.

At the hearing, Judge Barbara Crabb ordered Mr. Zeidenberg to stop providing access to telephone numbers on the Internet until such time as a trial can be held on the matter. The trial date was set for January 8, 1996.

A subsequent post by an attorney who attended the hearing but who has no interest in the case other than its effect on current copyright law further described the proceedings. The purpose of the hearing stemmed from a motion by the plaintiff to stop defendant from further dissemination of ProCD's data and, therefore, did not address the issue of the copyrightability of the data compiled and distributed by ProCD. Plaintiff did, however, lay the groundwork for a future argument that ProCD's product constituted a protected compilation according to current United States copyright law and that further, Mr. Zeidenberg's use of the compilation violated the terms of ProCD's license. Most of the hearing focused on the issue of copyrighted software and 17 U.S.C. sec.

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117 which allows one to copy or adapt a computer program provided (1) that the copy or adaptation is essential in the utilization of the program; or (2) that it is for archival purposes. As stated above, the Judge found in favor of the Plaintiff and granted the preliminary injunction.

The outcome of this case, whether at trial or, as suggested by the commenting attorney, as a result of summary judgment, should prove most interesting and perhaps even significant in light of *Feist*, wherein the Court held that simply selecting, coordinating and/or arranging information obtained from a garden-variety white pages directory, devoid of even the slightest trace of creativity failed to satisfy the minimum constitutional standards for copyright protection. These are the issues which will most likely provide the greatest discussion in the case at hand; i.e. whether *ProCD* produced a copyrightable product versus the garden-variety directory, or whether the *SelectPhone* qualifies as an original, creative product containing uncopyrightable facts. The determination regarding that issue will then effect the claim against Zeidenberg.

Decided: *Religious Technology Center v. Arnaldo Pagliarina Lerma, Digital Gateway Systems, The Washington Post, Marc Fisher and Richard Leiby*, ____ F. Supp. ____ (1995).

This Memorandum Opinion, issued on August 30, 1995, results from a motion filed by Plaintiff, the alleged owner of the copyrights of the writings of **L. Ron Hubbard**, founder of the Church of Scientology. In the motion, Plaintiff sought to enjoin the *Washington Post* defendants; i.e. the *Post*, Fisher and Leiby, "from copying, disclosing, using, displaying, or reproducing" Advanced Technology ("AT") documents.

The history of this case involves allegations made by Plaintiff in its complaint filed in U.S.D.C. for the Central District of California against defendant **Lerma**, a former Church of Scientology member, who had been posting AT documents on the Internet. Defendant **Digital Gateway Systems** is Lerma's Internet provider. The subject documents had been given by Lerma to the *Post*. Subsequently, on August 11, 1995, the California Court ordered a writ of seizure for Lerma's personal computer and all equipment and disks relative to the Hubbard documents. When it learned that the *Post* had copies, Plaintiff confronted the newspaper and demanded the return of the "stolen prop-

erty." The *Post* acquiesced but, on August 14, 1995, it sent a reporter to the Clerk of Court's office and he made copies of what were, at that time, public documents. The documents were later sealed. On August 19th, **Marc Fisher** published an article in the *Post* regarding the lawsuit wherein he used several brief quotations from the AT materials.

On August 22, 1995, Plaintiff filed an Amended Complaint for Injunctive Relief and damages for copyright infringement and trade secret misappropriation and added the *Post*, Fisher and Leiby as defendants. Plaintiff also filed a Motion for a Temporary Restraining Order and a Preliminary Injunction; for Impoundment of Infringing Articles; and for Expedited Discovery against the *Post* defendants. On August 25, 1995 a hearing on the Motion was held in U.S.D.C. for the Eastern District of Virginia resulting in this Opinion written by Judge **Brinkema**.

The Court began by stating that its decision would be "determined by the 'flexible interplay' of four factors" as decided in ***Blackwelder Furniture Co. of Statesville v. Seilig Manufacturing Co.***, 550 F.2d 189 (4th Circuit, 1977), which are: (1). The risk of irreparable harm to the Plaintiff if the Motion is denied; (2). The risk of harm to the Defendant if relief is granted; (3). The likelihood of Plaintiff's success on the merits; and (4). The interest of the public. The Court ruled in favor of the Defendant as to all factors. A discussion outlining their findings follows.

Plaintiff's sole justification for irreparable harm is future copyright infringement and trade secret misappropriation. The Court described this argument by Plaintiff as being "woefully inadequate" and referred to ***New York Times Co. v. The United States*** wherein it was found that a threat to National Security was not sufficient to warrant a restraint. However, the *Post* defendants who are professional newspaper publishers, have a duty to report newsworthy information. The relief sought by Plaintiff would prohibit them from utilizing the documents at issue and, the Court found, "such limitations ... would clearly work a profound harm on these defendants."

The test for the likelihood of success on the merits is described as being "determinative" as opposed to "possible" irreparable injury. Again, the issues are copyright infringement and trade secret misappropriation. Defendants argue that their use of the AT documents was within the "fair use" exceptions under 17 U.S.C. sec. 107. The Court determined that the AT documents, which the Court was unable to review prior to delivering their Opinion, were more informational than creative and elected to apply the broader view of the Fair Use Doc-

trine as it applies to factual information. The Court then reviewed the four fair use factors and applied them to the matter before them. Relying on the Supreme Court's findings in ***Harper & Row v. Nation Enterprises***, 105 S.Ct. 2218 (1985), they found: Defendants use was not meant to usurp or "scoop" Plaintiff's use of the material; the unpublished nature of the AT documents did not deprive Plaintiff of the right to first publication; the amount of work used by the *Post* was "scant"; and they stated that it was doubtful Defendants' publication of any of the AT materials would have any effect on the document's market value.

With regard to the trade secret misappropriation claim, the Court stated that Plaintiff "must prove that the AT documents are indeed trade secrets." The Court found that in spite of Plaintiff's efforts to protect the secrecy of the documents by employing elaborate security measures, the documents managed to "escape" into the public domain and onto various sites on the Internet other than that established by Defendant Lerma. As a result, Plaintiff failed in its requirement under Virginia trade secret law to establish that the AT documents are "not generally known."

The last of the four determinative factors, Public Interest, "weighs heavily in favor of denying Plaintiff's Motion." According to the Court, "public interest lies with the unfettered ability of the *Post* to report on the news."

Therefore, as stated above, the Court found in favor of the Defendants as to all issues. It did, however, prohibit Defendants from making additional copies of the AT documents and distributing or transferring the same. Any use of the AT documents as a part of this lawsuit must be done under seal.

Decided: *Chavez v. Arte Publico Press, et. al.*, 59 F.3d 539 (1995).

On August 1, 1995, the United States Court of Appeals for the Fifth Circuit, rendered its decision with regard to this matter wherein the Plaintiff, Denise Chavez, brought action against ***Arte Publico Press, the University of Houston and its employee, Nicolas Kanellos***. The appeal in this matter resulted from a District Court ruling wherein the Defendants' Motion to Dismiss on grounds of sovereign immunity and qualified immunity (as to Kanellos) were denied.

The facts of this case are that in 1984 the Plaintiff, a nationally recognized author, and the Defendant University entered into an agreement for the University to publish her books. In 1985, the University agreed to

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release a first printing of a book of short stories by the Plaintiff entitled *The Last of the Menu Girls*. The book was published in 1986 and Chavez retained the copyrights. In subsequent years, the University and the author agreed to two additional publishing contracts for said book, both of which allowed for a specific number of copies to be printed. Kanellos represented the University in these agreements and signed the contracts on its behalf. In late 1991 Chavez attempted to dissolve her agreement allowing for further printings but the University, stating that the 1991 contract did not limit the number of printings, refused to comply and declared its intention to print 5000 more copies. In fact, the 1991 contract states that "the University shall have the exclusive right to publish the book for a term of five years and that only the University may terminate the contract during that term." The addendum to the contract specifies that the number of copies to be published is 2000 trade paperbacks. Also, during the same time-period, the University published an anthology of plays entitled *Shattering the Myth* and identified Chavez in a catalog of Uni-

versity Press publications as the compiler of the dramas selected for publication. Chavez filed suit alleging that: (1). The University and Kanellos infringed upon her copyright privileges with regard to her book. (2). The University and Kanellos violated the terms of the Lanham Act by naming Chavez as the selector without her permission. (3). That the University and Kanellos violated her "state law right to publicity."

Defendants responded by alleging that Plaintiff failed to state a claim as allowed under the State's Eleventh Amendment sovereign immunity provision. Kanellos also asserted his own qualified immunity as a government official performing a discretionary function.

Language denying State immunity was not added to the Copyright Act until November 15, 1990. The contract between Chavez and the University allowing additional publications of *The Last of the Menu Girls* was not agreed upon until early 1991 and the University did not notify Chavez until October 1992 of its intention to publish more copies of the book. Therefore, the Court found that Plaintiff could proceed against the University and Kanellos as its agent for alleged copyright violations.

With regard to Plaintiff's claim that the

Defendant violated her state law "right to publicity" when it published the catalog advertisement without her consent, Chavez conceded in her oral argument that denial of immunity in the Copyright Act and Lanham Act does not extend to state law causes of action. Thus, the Plaintiff was barred from pursuing her "right to publicity" cause of action.

Finally, Kanellos contends that in his capacity as a government official performing discretionary functions, he is qualifiedly immune from not only liability but also from suit. Qualified immunity protects "all but the plainly incompetent or those who knowingly violate the law." The question one must ask is "whether an objectively reasonable official would understand that the alleged improper actions were unlawful." *Del A. v. Edwards*, 855 F.2d 1148 (5th Circuit, 1988). Kanellos's alleged unlawful act was authorizing additional printings of Chavez's book. However, even Plaintiff concedes that the portion of the contract detailing the duration of the publishing license is ambiguous. Therefore, the Court found that as the license agreement was reasonably susceptible to two interpretations, one of which favors Kanellos, he is entitled to be qualifiedly immune.

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