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Cases of Note

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LEGAL ISSUES

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Cases of Note

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First sale doctrine — Sale of smuggled goods

Denbicare U.S.A. Inc. v. Toys R Us, Inc.,
(84 F.3d 1143, 39 USPQ2d 1865):

Importation of copies of works acquired outside the United States and without the copyright owner's permission did not violate section 602 of the Copyright Act. Briefly, the court held that plaintiff's exclusive right to distribute copies of a copyrighted work (diaper boxes!?!), was not violated by defendant retailer's distribution of copies which defendant acquired from the foreign trade zone located within the United States. The diapers were acquired through a sale by the bankruptcy trustee for a firm that had sold its U.S. and Canadian patents on diapers, its copyrights in diaper packaging, and its trademarks to plaintiff. The bankruptcy trustee's sale of the diapers to defendant retailer triggered the "first sale" doctrine set forth in Section 109 (a), which permits the owner of articles to sell or otherwise dispose of such articles, without copyright owner's permission, after they have been the subject of prior sale in the United States. Although the copyright owner consented to bankruptcy trustee's sale only on the condition that buyers not resell the diapers in the United States or Canada, buyers' subsequent disregard of such condition does not negate copyright owner's consent, which is requisite component of "first sale." The bankruptcy trustee's sale also qualified as "first sale" for purposes of trademark infringement claims. Plaintiff failed to raise any issue of material fact that would bring case within an exception to "first sale" doctrine such as a showing that the diapers deteriorated in the distribution chain after bankruptcy trustee's sale or that they were the were type of product subject to deterioration. (65 USLW 2011)

Matter Copyrightable ("A Fish Story")

Hart v. Dan Chase Taxidermy Supply Co.

In a case involving the originality of expression in plastic forms used for mounting fish skins for permanent display, the Second Circuit Court of Appeals ruled that such mannequins are protected as sculptural works under the Copyright Act. The plaintiffs are designers of taxidermy mannequins used to mount animal skins and, as such, have registered their creations with the Copyright Office. They claim that the defendant, also a taxidermist, infringed on their

copyrights by selling exact duplicates of their products. A ruling by the district court concluded that the fish mannequins were void of meaningful detail and held that the fish exemplified the merger of idea and expression and were not copyrightable. On appeal, the circuit court found that the Copyright Act covers "[p]ictorial, graphic, and sculptural works", 17 USC 101, but does not protect "...useful articles, articles ... having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. A useful article will ... be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing

independently of, the utilitarian aspects of the article." As such, mannequins "straddle the line between utilitarian and sculptural works" although testimony supported the plaintiff's view that the mannequins are artistic expressions that qualify as protectable "...sculptural works." The taxidermist argues that fish mannequins are "... useful articles" and hence are not entitled to copyright protection and relies primarily on the Second Circuit decision in **Carol Barnhart Inc. v. Economy Cover Corp., 773 F.2d 411 (CA1985)**, which held that styrene human torsos used to display blouses and sweaters were not copyrightable. In that case, the parties had stipulated that the "torsos were ... useful articles that were designed ... to display clothes." In the matter at hand, the court agreed that the mannequins indisputably serve a very practical purpose: a mount for animal skin, and that this characteristic suggests they may be no more than "useful articles" and, therefore, not copyrightable. However, many objects are both useful and works of artistic craftsmanship. Even useful articles, moreover, can "gain copyright protection for any ... physically or conceptually separable" artistic features. The question then is whether all realistic fish mannequins, no matter how artistic they might be, will necessarily be "substantially similar." And only if this is so, is there no unique expression to protect under the copyright laws. In **Barnhart**, the headless, armless, backless styrene torsos were found to be "little more than glorified coat racks used to display clothing in stores. The torsos were designed to present the clothing, not their own forms. In taxidermy, by contrast, people look for more than a fish skin; they wish to see a complete fish." That the fish mannequin is meant to be viewed clothed by a fish skin makes no difference. The function of

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ers would have to pay to use West's page numbering system. This aspect of the proposed settlement was one of several terms that had been criticized. The original proposal set the license fee at 9 cents per 1,000 characters in the first year, rising to 13 cents after three years, but small CD-ROM publishers said the rates were prohibitive and would not encourage new competitors. Under the new proposal, the first-year rate would be cut by more than half to 4 cents per 1,000 characters, rising to a maximum of 9 cents over seven years.

The Page Numbering Issue

To put this issue into perspective, we need to take a step back and understand the issue of page numbering. West, for a number of years, has claimed that other publishers infringe on West's compilation copyright if they show where West's page breaks fall in the text of court opinions. Even though the court opinion itself is not copyrighted, West's claim is that its choice of pagination is protectible. The federal appellate court in St. Paul, Minnesota (West's hometown) so ruled back in 1987 in a suit brought by West against Mead (which owned Lexis-Nexis at the time). Some argue that this holding is now wrong in light of the Supreme Court's 1991 decision in Feist Publications, Inc. v. Rural Telephone Service Company.

To end the Minnesota suit, Lexis entered into a settlement with West in 1988 to pay a license fee to include the West pagination on its computerized case service — which competes with West's own computerized service. Other publishers that wish to reprint cases with the West pagination must either pay a license fee or risk being sued. A case raising this copyright issue is currently pending in New York: Matthew Bender & Co. and Hyperlaw, Inc. v. West Publishing Co., 94 Civ. 0589 (S.D.N.Y.). (See *ATG*, this issue, p. 43.)

Surprisingly, on August 5th, the U.S. Department of Justice announced that it intended to file an *amicus curiae* brief on behalf of Matthew Bender and HyperLaw, arguing that West's page numbering is not copyrightable. The *amicus* brief — which has now been filed — states "that Bender's star pagination to West's National Reporter System does not infringe any copyright interest West may have in the arrangement of the Nation Reporter System volumes."

The "Public Interest" Hearing

On September 30th, Judge Friedman held a hearing on the proposed consent decree. Curiously, despite the many global criticisms of the settlement, there was virtually no discussion during the two-and-a-half-hour hearing of the overall impact of the merger or the adequacy of the divestitures required by the consent decree. Rather, discussion focused on one aspect of the page license agreement and the mechanics of the divestiture of Auto-Cite.

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the fish form is to portray its own appearance, and that fact is enough to bring it within the scope of the Copyright Act. (65 USLW 2033)

West Publishing Company was back in court recently and below are synopses of two cases involving, first, copyright of its page numbering system and, second, whether the publisher of a product (Hyperlaw, Inc.) containing star pagination references to West's reporters, had a reasonable expectation of suit by West against Hyperlaw. Think you are confused now? Read on ...

Judge Friedman expressed discomfort approving the mandatory license agreement for West's pagination because of the clause that requires licensees to waive any challenge to West's copyright claim during the period of the license. He noted his doubts that West had a viable copyright claim to its pagination after the Supreme Court's Feist decision (the issue raised in the Matthew Bender/HyperLaw case). At the end of the hearing, Thomson's lawyer said that Thomson would drop the waiver clause.

Lexis-Nexis's lawyer argued that Thomson is violating both the proposed consent decree and an agreement with Lexis because it is not fully divesting the Auto-Cite case history database. Thomson says it must keep a copy of the database because it is used for other internal editing purposes, so Lexis argued that Thomson is only granting a license rather than making a full divestiture. Lexis' attorney also contended that Thomson had agreed earlier this year to sell off the ALR series along with Auto-Cite if it sold the latter.

The judge held off on ruling to give Thomson and the government time to propose several changes to the agreement. Subsequently, briefs on various issues were filed by all parties, including Lexis. At the time of this writing (November 30th), the court has still not ruled on the proposed consent decree.

An Alternative Approach

The West pagination issue which lies at the heart of much of the dispute may become a passing fancy. On August 6th, the American Bar Association overwhelmingly passed a resolution calling for state and federal courts to develop a standard, "format neutral" citation system. If adopted by the judiciary, West's pagination would become irrelevant (at least for future cases). For example, a format neutral citation for a federal court of appeals decision might read: Smith v. Jones, 1996 5Cir 15, 18. "1996" would refer to the year of the decision; "5Cir" to the U.S. Court of Appeals for the Fifth Circuit; "15" would indicate that it was the 15th decision released by the court that year; and "18" would be the paragraph number where the cited material could be found.

Conclusion

From the point-of-view of librarians and other purchasers of legal materials, it is an open question whether the concessions exacted from West/Thomson by the Department of Justice will effectively reduce the spectre of diminished competition (and consequently higher prices) in the marketplace that the merger raises. Perhaps the day of the legal encyclopedia — not to mention the print medium itself — is drawing to a close, and it hardly matters what West and Thomson do. Perhaps the future lies entirely in electronic caselaw "published" directly by courts in a neutral format. We'll just have to wait until time turns the next page of our story.

Matter Copyrightable

Oasis Publishing Co. v. West Publishing Co.

In this case, the Court determined that West Publishing's method of arranging cases in its reporter system, including its pagination, is an original creative endeavor entitled to copyright protection, and inclusion of its internal page breaks in competitor's CD-ROM product is not considered "fair use" under the Copyright Act.

Oasis Publishing Co. publishes the statutes and cases of several states, including the State of Florida, on CD-ROM. At issue is West Publishing's *Florida Cases*, a bound product which is a reprint of the Florida decisions as they appear in the *West Southern Reporter*,

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tors need to be able to monitor use of the product and enforce compliance with license agreements. While some software packages may include software to meter usage, most do not; so network administrators need to acquire additional software to control access. Some metering software programs can keep track of attempted accesses that were blocked because the maximum number of users had been reached. This utility can help determine whether to increase or decrease the number of concurrent user licenses.

Most publishers leave the responsibility of metering network access to the subscriber. However, some, like the publishers of **Computer Select**, want to enforce it themselves and will not allow using the product on a network unless they can determine that users operate the product according to the terms of the license.

Some network redirectors, like **Optinet**, have metering software built in, while others require additional software. Some packages meter only the number of users without tracking total usage. In other words, they monitor concurrent usage but do not give information needed to determine whether one should increase or decrease the number of user licenses.

The additional software may introduce problems resulting from possible memory conflicts and operational problems. The operating

system (often DOS & Windows) must work in conjunction with MSCDEX, the network operating system, the network redirector, a memory manager, etc. Demands of bloated software can exceed available RAM or run into conflicts with some of the other system components.

As librarians try to reconcile price increases with stagnating or decreasing budgets, they also need to realize what they have at the end of the license term. Do they get to keep the product or must they return it? Do they have to destroy the product or can the Reference Department keep it for instructional purposes or for a backup? Will non-renewal create gaps in the collection? Sometimes, a publisher may offer a "maintenance fee" option for continued use of an outdated product. For example, **ABC Clio** offers such an option for its databases, *America: History and Life* and *Historical Abstracts*. Such an option allows librarians to stretch their budgets by deferring purchases to a time when they can afford them or by purchasing expensive items on a two or three year cycle.

While most library schools teach little in the line of acquisitions librarianship, requirements for skills and training continue to increase. Not only do acquisitions librarians need subject specialization and language skills to supplement their business skills, they may soon need a legal background or a J.D. degree to deal with copyright issues and licensing agreements.

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including the same volume numbers and pagination. The printed version is recognized as the official Florida reporter and includes the text of decisions plus case synopsis, syllabi, digest key numbers, index digests, and tables of statutes. West has the right to subject the synopsis, syllabi, key number digest classifications, index digest, table of statutes construed, and arrangement of cases to copyright. While West copyrights the *Southern Reporter*, it did not, however, copyright the *Florida Cases*. "Parallel citation" in a published case is the citation to the first page of another publisher's version of the same case. "Star pagination" is a feature whereby a published case includes not only the parallel citation, but also throughout the case includes the internal page breaks from another publisher's version of the case. Oasis plans to publish Florida court decisions on CD-ROM, having both parallel citation and star pagination to *Florida Cases*, which is the same as *Southern Reporter*. While it intends to use bound volumes of *Florida Cases* to obtain the information, Oasis does not intend to use the digest material authored by West. West concedes that use of parallel citation is fair use under the Copyright Act, but objects to Oasis' planned use of star pagination to the *Florida Cases/Southern Reporter*. West does not argue it has a copyrightable interest in the internal page numbers per se, but asserts a copyright interest in the arrangement of cases in the reporters that extends to pagination. Oasis maintains that pagination does not represent any arrangement, but is instead a mere system or process not subject to copyright protection. To qualify as a copyrightable compilation, a work must embody (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, coordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, coordination, or arrangement of an original work of authorship. **Feist Publications v. Rural Telephone Service Co.**, 499 U.S. 340, 59 LW 4251 (1991). The dispute here focuses on "originality."

In **West Publishing Co. v. Mead Data Central Inc.**, 799 F.2d 1219 (1986), the Eighth Circuit found internal the pagination as part of West's arrangement was copyrightable and disallowed Mead's use of West's internal citations in its LEXIS star pagination computer research product. Oasis argues that Feist overruled Mead in that Feist rejected the "sweat-of-the-brow" standard for copyright protection holding that to be eligible for copyright protection the selection and arrangement of compiled facts must be sufficiently original. Under Feist, however, "the requisite level of creativity is extremely low." Contrary to Oasis' assertions, Mead did not utilize

the sweat-of-the-brow standard. Instead, it applied essentially the same creativity standard discussed and applied in Feist, considering the "originality and intellectual creation requirements" of the arrangements. West uses the same decision-making process today and its arrangement is followed by no other publisher. Therefore, Oasis' duplication of West's arrangement would merely be copying and not a transformation. Moreover, Oasis intends for the use of its product to become widespread and, if this were to occur, it would most likely adversely affect the potential market of the original. These factors establish that Oasis' proposed star pagination is not a fair use of West's arrangement. (64 USLW 46).

Matthew Bender & Company, Inc., Plaintiffs, and HyperLaw, Inc., Intervenor-Plaintiff, v. West Publishing Company, Defendant. No. 94 CIV. 0589.

In a Memorandum Order issued on August 5, 1996, the United States District Court for the Southern District of New York denied the motion of the defendant, West Publishing Company, to dismiss plaintiff-intervenor HyperLaw Inc.'s complaint for failure to state an actual case or controversy. Specifically, the Court found that there was a factual dispute between HyperLaw and the defendant as a result of HyperLaw's alleged intent to produce a CD-ROM product using certain features found on West's products, and that as a result, HyperLaw had a reasonable apprehension of future suit by West over that same product.

The testimony at the hearing and the documentary submissions demonstrated that: (1) HyperLaw was aware of the fact that West had sued a number of small publishers over their use of star pagination and other West features; (2) West had its librarian and its outside counsel contact HyperLaw on numerous occasions to request a copy of HyperLaw's CD-ROM product and, (3) HyperLaw was aware that West had made similar requests of other legal publishing companies that it later sued. Also, HyperLaw asserted that a senior executive and attorney for West approached Alan Sugarman, owner and CEO of HyperLaw, at a convention and stated that "Sugarman was aiding and abetting infringement of West copyrights due to Sugarman's comments on the Internet about West's settlement of another copyright case"; and finally, Sugarman was told by an attorney for the defendant that his firm wins all of its lawsuits for West. As a result, the court then found that when considered together, the facts presented at hearing were more than sufficient to support HyperLaw's claim that it was reasonable to fear the possibility of suit by West.