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Cases of Note-Sundeman v. The Seajay Society, Inc., Shoptalk, Ltd. V. Concorde-New Horizons Corp.

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LEGAL ISSUES

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Cases of Note

Sundeman v. The Seajay Society, Inc., Shoptalk, Ltd. v. Concorde-New Horizons Corp.

by Bruce Strauch (the Citadel) <strauchb@citadel.edu>

Physical Ownership Can Pass Separate From Copyright

Sundeman v. The Seajay Society, Inc., 142 F.3d 194, *197 (4th Cir. 1998).

Now here's a peek at some real literary history.

Marjorie Kinnan Rawlings Baskin died in 1953 and appointed her husband Baskin as executor of her estate.

Not a one of you knew her married name. Admit it.

A Pulitzer Prize winner and noted author of *Sojourner*, *Cross Creek* and *The Yearling*, Rawlings designated Julia Scribner Bigham as her literary executrix. Bigham was the daughter of Charles Scribner who had published all of Rawlings' works. Bigham was never appointed a fiduciary by the Probate Court, but served Baskin as an advisor.

Apparently — but this is hard to tell from the obtuse writing of the case — the **University of Florida Library** got all of Rawlings' papers under the will. It was contemplated that some of this would be packaged commercially and the **University of Florida Foundation** (the Foundation) would get the royalties from it. And the **University of Florida Press** comes in because they would be the likely publisher.

Under the will, Bigham was given broad powers including the power to destroy any documents she chose to destroy. And she could keep papers as long as she wished while she prepared them for publication.

No, she didn't destroy anything — at least that we know of. But it's an interesting insight into the power of a literary executor and the commercial art of keeping an artist big.

Bigham had been a personal friend of Rawlings and something of a keeper of the flame. She scrupulously attended to the provisions of the will by gathering correspondence, papers, and manuscripts from Baskin and from Scribners. Baskin never asked for an inventory.

Bigham published *The Secret River* and

The Marjorie Rawlings Reader and properly sent the manuscripts to the University of Florida Library, the royalties to the Foundation.

Bigham died in 1961. Baskin took over the full duties of literary executor but worked sloppily. Although knowing Bigham had manuscripts in her home, he never requested them. The Probate Court closed administration of the estate without commenting upon those documents.

The court didn't know they existed because Baskin never listed them as part of the estate.

Bigham's widower allowed the manuscripts to sit around his house until he moved residences and was cleaning out. Figuring they were his, he hired a dealer of rare books and manuscripts to sell them. Among them were various letters, rough drafts and Rawlings' first unpublished novel *Blood of My Blood*, written in 1928.

Seajay, a non-profit dedicated to South Carolina culture — yes, we are hellaciously cultured down here — purchased *Blood of My Blood*. Dr. Anne Blythe, an officer of Seajay, made a copy of the fragile manuscript and sent it to the University of Florida Press inquiring about publishability. A second copy was sent to the Univ of Fla Library. She also presented a paper at a meeting of the Rawlings Society at the U of Fla quoting about four to six percent of the text.

Baskin claimed the manuscript and the Foundation charged Seajay with copyright violation.

Seajay argued it was a good faith purchaser from a dealer in goods of the kind in question. S.C. Code Ann. § 36-2-403(2).

This is actually kind of interesting commercial law. A thief has no title to stolen goods. So when you buy that super bargain out of the trunk of some dude's car in a park-

ing lot, you are getting no title. The true owner can always reclaim the goods. Goods are a synonym for personal property which is all things moveable (i.e. different) from real property — land and buildings — which just sit still. So manuscripts are goods.

A tricky little problem arises, however, if the owner of a rare book were to place it with a dealer for safe keeping, storage, appraisal, whatever. That dealer, running an ordinary place of business for the sale of rare books, could easily sell the book to an unsuspecting customer who walked through the door.

Granted, the dealer is a scoundrel. But when you sue scoundrels, you seldom get any money out of them. Scoundrels are usually up to their eyebrows in debt. Or are real good at hiding their assets.

If you can't get blood out of scoundrel type turnips, then we have two innocent parties, one of whom has to take the loss. Owner left the book in a good faith belief it would not be sold behind his back. Customer bought the book and paid value in good faith.

It's a perplexing question, but the Uniform Commercial Code comes down on the side of the customer. The public policy theory is that the owner of the book was more likely to have some kind of insurance if this were an object of significant value. The buyer would never think to buy an insurance policy to ensure title to goods, if anyone even wrote such a policy. You do that on real estate, of course, but we're talking really big bucks then. If this issue had gone to trial, the issue would have been whether Seajay was really a good faith purchaser. This is to say, did Seajay buy in honest ignorance of the true ownership of the manuscript?

HOWEVER, that is off the point, because Baskin's claim was decided on a statute of limitations question. S.C. had a six-year limitation in which to begin "an action for the specific recovery of personal property." The six years began to run at the point when Baskin "knew, or by the exercise of reasonable diligence should have known, he had a cause of action." S.C. Code Ann. § 15-3-535. Baskin always knew that manuscripts were in Bigham's possession. He should have gotten busy and claimed them at the time of her death in 1961. Instead, he sat around and did

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Questions and Answers — Copyright Column

by **Laura N. Gasaway** (Director of the Law Library & Professor of Law, CB # 3385, University of North Carolina, Chapel Hill, NC 27599; phone: 919-962-1049; fax: 919-962-1193) <laura_gasaway@unc.edu> <http://www.unc.edu/~uncnlg/gasaway.htm>

QUESTION: *My former director wrote a "bibliographic/research guide, in "binder" form with another business reference librarian from another university. The guide is used on both campuses. The information needs to be updated for new addresses, URLs and the like. Additionally, in some places the text is a bit confusing. The librarian at the other university has given me permission to do this updating, but I have not been able to get an answer from my former director who emigrated from another country several years ago and may no longer be in this country. I have written three letters seeking permission and have had no answer. The last letter said that if I did not hear from her, I would assume the answer was yes. What are the risks if I go ahead and do the update?*

ANSWER: Your question raises several issues, three of which I will discuss. The short answer is that you may go ahead whenever you and your institution are willing to assume the risk. In my estimation, however, the risk of copyright infringement problems is very slight in this situation. Although assuming the guide was produced after 1-1-78, the effective date of the Copyright Act, it was copyrighted and there is no requirement that it be registered with the U.S. Copyright Office. The important question is who owned the copyright? If the guide was produced by the director within the scope of her employment, then the university owns the copyright. As the copyright owner, the university can have the work updated, etc.

If the director was the copyright owner, she would jointly own the copyright with the

librarian from the other university. If they are true joint owners, then either party may give you permission to update the work. If they are not joint owners, then there would have to be a written agreement between them specifying who owned what.

To deal with the other issue, let's assume that the director was the sole owner of the copyright. You have written her three times to seek permission to update the work. There is not requirement that she answer you at all. Your third letter that indicated that you would proceed with the update if you did not hear from her really has no legal effect. You cannot unilaterally bind her to an agreement. On the other hand, the risk to your institution is slight. She has shown little interest in the project and the university may actually be the copyright owner.

QUESTION: *My library would like to distribute the public domain chart from your Website to users on our campus. May we have your permission to do so? However, we would like to change the "published before 1923" to "published more than 75 years ago. This will obviate the need to change the chart every year.*

ANSWER: I always grant permission to use my public domain chart if you will do two things: (1) Use my name with it and (2) include the Website address so that the user would have a source for any changes.

Apparently, now I need to add a third requirement. No, you may not change the chart. The "published more than 75 years ago" was correct until October 27, 1998 when the Sonny Bono Term Extension Act was signed into law. Now, it will be 2019 before anything

else goes into the public domain. So, the "published before 1923" will remain in effect for the next 20 years (until 2019) when we can then begin to say "published more than 95 years ago."

QUESTION: *Can someone re-draw a painting from the library collection and use their drawing for a brochure advertising the library's special collections without infringing copyright? The drawing would not be an exact replica, just similar. The original painting is still under copyright.*

ANSWER: A reproduction in any medium is still a reproduction. While librarians understand that a photocopy or a digital copy is a reproduction, sometimes we forget that a drawing of a painting is also a reproduction. If, when the library obtained the copyrighted painting it also obtained the copyright in the work, then no permission would be needed except from the library. However, the library would have had to receive a document specifically transferring the copyright since physical ownership of the painting does not presume ownership of the copyright. If the painting was produced before 1978 and was not protected by federal copyright, some courts held that transfer of the physical object also included transfer of the copyright.

Since the question stated that the painting was still under copyright, we should assume that it was a registered work under the 1909 Act or that it was produced after 1-1-78. Therefore, in order to use a drawing of a copyrighted painting on a brochure, unless the library owns the copyright, the library should seek permission to use the drawing of the copyrighted painting. 🖍

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nothing for almost thirty years.

HOWEVER No. 2. The **Foundation** claimed copyright in *Blood of My Blood* and copyright violation by Seajay for making two photocopies of the manuscript and allowing Blythe to quote from it in her paper.

Confused? Baskin was suing on behalf of the estate. He had no personal right to the manuscript because it had been left under the will to the **Library**. The estate (and of course the **Library**) has now lost its claim to the physical manuscript. Physical ownership of documents and copyright — the literary rights can be separately transferred. 17 U.S.C.A. § 202 (West 1996). Rawlings had apparently left all copyright

in her works to the **Foundation** — although the case does not say this with any clarity.

So if true, Seajay could take out *Blood of My Blood* and have a good read on any evening. Or maybe put it on display as Southern culture. But without copyright, it could not publish and market it.

Baskin had nothing to gain from the publication of the manuscript which is probably why he ignored it for thirty years. But once he realized he'd goofed, he had to try to recover the manuscript because the Library will be suing him for being a lousy fiduciary to the estate. They have lost the dollar value of the rare manuscript as a physical object. So we're back to the Foundation and copyright.

Fair Use Analysis: Character and Purpose of the Use

Blythe's paper was a scholarly appraisal of Rawlings' development as a writer. As such, she added something new to Rawlings' work, created a work of a different character, was transformative. This fits it into the criticism, comment, scholarship, and literary research of fair use. Seajay had no exploitative motive in giving copies to Blythe and the Univ of Fla Press. It was merely trying to preserve the seventy-year-old original. Seajay's objective was to authenticate *Blood of My Blood* as a Rawlings work and to assess its worthiness for publication. Seajay always understood that publication could not be done without permission of the copyright holder.

The Court *incredibly* (!!) stated Blythe might have had a potential commercial moti-

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vation in that she might receive royalties if her paper were published. Are we all laughing out loud? Or perhaps more of a sharp, scornful bark. Are judges truly that ignorant of academe? If you want to really get spooked, think of that coming scenario where a thug-gish state legislature has stripped all the faculty of tenure. And you're in court suing. And you're being viciously cross-examined about what you do in all those hours you aren't teaching those "bright young minds." Well, it's obvious, isn't it? You're pulling down big bucks selling scholarly papers! And it's high time the state Senate gave you a good, solid kick in the keister and got you back in that classroom where you belong!

Be that as it may, the sum total was the copying and scholarly paper served the "public benefit" and "the development of art." The uses were non commercial and educational. Whatever commercial motivation existed, there was no attempt to exploit the manuscript and deprive the Foundation of any income or supplant the Foundation's right of first publication.

Nature of Copyrighted Work

Copyright law recognizes a higher need to disseminate factual works than works of fiction. So fiction is closer to "the core" of what copyright intends to protect. Unpublished works are even closer to that core protection. *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 563, 105 S.Ct. 2218, 2232 (1985).

Part of what is protected here is the author's right to "control the first public appearance" of the work and the "choice whether to publish at all ... " *Id.* 471 U.S. at 555, 564.

And in the case of a writer's estate, this ties to that commercial art of keeping the flame burning brightly. You've doubtless all noticed the critical groans that greet each new "discovery" of a heretofore unpublished Hemingway. Yes, *Islands In the Stream* should have been deep-sixed, although I adored *A Moveable Feast*.

The Court found, however, that Seajay was not supplanting the Foundation's right to decide whether to publish. Neither the two copies nor the scholarly paper were a "first publication." *Which is a little strange because Blythe certainly did let the cat out of the bag in front of the Rawlings Society. The Foundation could not bury the manuscript and pretend it never existed which is their choice under copyright law. Through Blythe's choice of which bits to read aloud, she was teasing a rabid society of Rawlings fans into demanding or not demanding the publication of the work.*

But I guess like so much of fair use analysis, the Court is saying "Nature of the Work" while its brain is really leaping ahead to "Market Effect." Because the whole fair use analysis is a mucky mélange without any math formula to tell you the right answer. And the

public policy logic of Market Effect is that she didn't diminish the value of other Rawlings' works nor deprive the Foundation of any income.

Market Effect - a. Impair Marketability

The Univ of Fla Press was hot to publish the manuscript and the Blythe paper presentation did not cool their ardor in the least. So no negative impact on the market.

b. Market Substitute

Was Blythe's paper a market substitute? Well, of course not. But there's a good quote here. "[T]he role of the courts in determining fair use is to distinguish between '[b]iting criticism [that merely] suppresses demand

[and] copyright infringement [, which] usurps it.'" *Campbell v. Acuff-Rose*, 510 U.S. 569, 592 (1994) (quoting *Fisher v. Dees*, 794 F.2d 432, 438 (9th Cir.1986)).

**"Little Shop of Horrors" —
Registration Devours the
Common Law**

Shoptalk, Ltd. v. Concorde-New Horizons Corp., —F.3d—, 49 U.S.P.Q.2d 1599, 1999 WL 73980 (2nd Cir.(N.Y.) 1999).

Initially, "The Little Shop of Horrors" — that tacky horror masterpiece — caught my

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Handling Medusa — The Impact of Publisher Mergers on Journal Prices: An Update

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The Impact of Publisher Mergers on Journal Prices: An Update

by **Mark J. McCabe** (Assistant Professor of Economics, Georgia Institute of Technology)
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In the first of a spell-binding two part series, **Medusa** casts her baleful gaze on mergers, acquisitions and anti-trust law. A reputable professor of business administration informs her that, traditionally, economists have not paid a great deal of attention to the publishing industry. This may change as practitioners and scholars like **Prof. Mark McCabe** begin to address the peculiar characteristics of this rapidly-changing business.

Mark J. McCabe received his Ph.D. in Applied Economics from the Sloan School of Management, MIT. After MIT he served for seven years as an economist in the Antitrust Division at the U.S. Department of Justice. At Justice his responsibilities included analysis of anti-competitive practices, mergers and federal economic regulation; he has also served as an expert witness. He has taught microeconomics and game theory at American University. Currently Prof. McCabe teaches industrial organization and advanced microeconomics at the Georgia Institute of Technology. Recently he has addressed the Ameri-

can Library Association, the Medical Library Association and the American Association of Law Libraries. You will find a list of his other research-in-progress at his Web site, <http://www.econ.gatech.edu/~mmccabe/index.html>.

Professor McCabe's recent work caught Medusa's eye when he introduced it in "The Impact of Publisher Mergers on Journal Prices: A Preliminary Report." *ARL, the Newsletter of the Association of Research Libraries*, October, 1998. Below he reports his latest findings.—LD

Near the end of 1997, Reed-Elsevier and Wolters-Kluwer proposed a merger of their operations that upset more than a few librarians. Elsevier's publishing "empire" was about to grow even larger. The fear of runaway academic journal prices was palpable in places where the mere mention of the company's name causes people to grab for their wallets.

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attention on this one. As I began to read it, the lack of minimal business sense on the part of some of the players dumbfounded me. Is this why Hollywood always seems to lose money?

In 1959, Charles Byron Griffith wrote the screenplay for "The Little Shop of Horrors" which was made into a movie in 1960. *I only mention Griffith for horror movie buffs. He doesn't play a role in this otherwise.*

The screenplay was not registered for copyright, however, until 1982. And the movie was not registered until 1985. A musical stage play based on the movie was authorized in 1981.

There are a slew of parties involved along with Griffith — music book and lyric writers and movie companies that bought out each other. Boiling it down, **Shoptalk** ended up with the musical; **Concorde** with the movie. Shoptalk paid Concorde royalties for being allowed to do the musical. Under the terms of a 1983 agreement, Concorde was to renew the movie copyright before expiration.

Incredibly, **Concorde** did not renew the movie copyright which expired in 1988, and the movie flopped over into the public domain. Shoptalk stopped making royalty payments to Concorde.

Shoptalk (the musical owner) took the position that they were relieved of continuing to pay royalties because Concorde had ne-

glected to renew the copyright and that was a material breach of their agreement. Concorde owned nothing, so Shoptalk owed them nothing for doing a derivative work.

Concorde argued the agreement was not conditional on renewal of copyright. Rather, Shoptalk had promised to pay royalties for "the right to prepare ... and publicly perform ... a musical play based upon and derived from the screenplay and the original motion picture."

Concorde further claimed they still possessed a copyright in the underlying screenplay even without a copyright in the movie.

So your real question of interest here is whether a copyright in the screenplay exists independent of the movie.

The 1909 Copyright Act — repealed in 1976 — governs works published before 1978. Under the 1909 Act, published works were protected by federal law, unpublished ones by state common law. Publication occurred when the copyright owner consented to "tangible copies" being "made available to the general public." *Bartok v. Boosey & Hawkes, Inc.*, 523 F.2d 941, 945 (2d Cir. 1975) (quoting 1 M. Nimmer, *The Law of Copyright* § 49, at 194095 (1974)). Authors had a 28-year term of protection from first publication which was renewable for another 28 years. 17 U.S.C. § 24.

Before publication, the author was protected by common law. *Sanga Music, Inc. v. EMI Blackwood Music, Inc.*, 55 F.3d 756, 758 (2d Cir. 1995). This allowed author control of

first publication. Once published — or once the work was registered for copyright — common law protection ended. See, e.g., *Caliga v. Inter Ocean Newspaper Co.*, 215 U.S. 182, 188, 30 S.Ct. 38 (1909); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 347, 28 S.Ct. 722 (1908).

Remember, "Little Shop of Horrors" screenplay was made into a movie in 1960 — long before any registration was done.

Right of first publication included not just choice of publisher, but also choice of format and medium. First, however, means first. One time. There is no first publication right in every medium. See, e.g., *Batjac Productions, Inc. v. Goodtimes Home Video Corp.*, 160 F.3d 1223, 1235 (9th Cir. 1998).

When an author consents to a work being incorporated in a derivative work — screenplay — movie — the derivative work is a first publication to the extent it discloses the underlying work. See, e.g., *Roy Export Company Establishment of Valduz, Liechtenstein v. Columbia Broadcasting System, Inc.*, 672 F.2d 1095, 1102 (2d Cir.), cert. denied, 459 U.S. 826 (1982).

"The Little Shop of Horrors" movie was first published in 1960. It was a first publication of whatever portion of the screenplay was in it — *presumably the entirety*. **Concorde** effectively had no common law copyright in the screenplay separate from the movie and was not entitled to royalties.