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Cases of Note-Copyright and Trade Secrets or What? Tasini vs. The New York Times and John Canter vs. West Publishing Co., Inc.

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LEGAL ISSUES

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Cases of Note — Copyright - Après Tasini le Déluge

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

Tasini v. The New York Times et al On Appeal (read the opinion at www.tourolaw.edu/2ndCircuit/September99/97-9181.html)

As you may recall, **free-lance writers** sued the *NY Times* and other publishers of collective works for placing their articles in electronic databases and on CD-ROMs without writer permission. The District Court for the Southern District of NY granted summary judgment for the *Times*. On appeal, the **Second Circuit** has reversed.

The *Times* and other defendants are periodical publishers who create "collective works" that include free-lance articles as well as works-for-hire and by employees. The latter two are not at issue because the publisher owns the copyright *in toto*.

Rights in Collective Works:

Collective works are bundles of articles that have sufficient originality for copyright due to selection and arrangement. The publishers first put out the print issue and then licensed the articles to electronic database providers like Nexis. Articles could be retrieved individually or in any combination of what was in the database. 17 U.S.C. §201(c) gives the owner of the collective work the right to reproduce the articles in revisions of the work. The issue before the Court was whether the databases were **revisions** as intended by the Copyright Act.

"In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as **part of that particular collective work**, any **revision** of that collective work, and any **later collective work in the same series**."

As noted in Volume 11-1 of *ATG* (see page 51 ff), the contracts under which the authors worked were very casual. The primary result of this case and the parallel *CARL* one is publishers tightening up their contracts. A footnote to the case says *The Times* has already done this. So any feeling of "frabious joy" in the author community is probably misplaced.

And I have to admit, the Second Circuit wrote a very lucid opinion.

"[A]s part of that collective work" means a **specific edition** or issue of a periodical. A "revision of that collective work" means a revision of a **particular edition** of a specific periodical.

As publishers cannot sell a hardcopy of an article along with selling the collective work, there is no reason for them to be able to sell the articles individually through NEXIS. The database has many, many articles from many, many periodicals. This big electronic mess of articles cannot be a revision of each edition that's dumped into it.

Publisher's copyright is derived from it being an original work of authorship due to **selection, coordination and arrangement** of the preexisting materials. see *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991). Admittedly, the minimal creativity of *Feist* is an extremely low standard to achieve. Nonetheless, NEXIS obliterates what made the collective work copyrightable. And neither *NYTimes* nor NEXIS attempts to make the buyer retrieve a **facsimile** of the original collective work. The *Times* contract in fact forbids "facsimile reproductions."

I dunno:

This is truly a "I dunno, whadda ya think?" kind of case. At the District Court level, the publishers successfully argued that the articles were fed into NEXIS in their entirety. There was not a second selection, which would make them still part of the original collective work.

A revision is a change, but the original work is still recognizable. The tagging of the articles by issue, date, page etc. prevented them from being lost in an electronic sea. Selection was retained, while part of the layout arrangement was lost.

CARL argued (in its losing case before

the District Court) (see *ATG*, February 1999, p.51 ff) that individual article delivery was not a revision. They were simply ripping out one article from a collective work and delivering it in lieu of the entire weighty journal.

Pensées visionnaires:

No one in academe is particularly concerned about the loss of a travel article from *The NY Times*. Of course *The Times* will now have to dip into its treasury and pay to extract all the free-lance articles from databases and settle niggling claims with authors. But that's their problem.

To us, the real issue lurking out there is what happens to academic journals where the only valuable consideration under the contract flowing to the author was the privilege of being published? Will authors now be destructive enough to start demanding payment for electronic sales of all those back issues when no one thought about databases? And what a whale of a class action suit that would be with all those desperate Baby-boomer profs scrambling for bucks to supplement their pathetic retirement packages.

In my *VISIONARY* college professor doomster mode I sometimes enjoy speculating that "college" as we know it may not long survive. One scenario grows out of library budget crises exacerbated by Tasini.

Once upon a time, in the 1950s, small colleges were happy villages where profs and students danced in the warm sunshine to the music of lutes and lyres. Looking down from their lofty administrative heights, evil academic deans frowned upon this innocent, leisured lifestyle and plotted its destruction. Every college must be a clone of a big research campus, they declaimed in unison. The resultant division and stress among the faculty will wreak havoc on prof/student contact and utterly destroy any interest in teaching. All this indeed came to pass, and the Deans greeted it with glee.

Publish-or-perish and its attendant savagery crept through the state university campuses in the '60s and into every small college be it podunk or classy by the '70s. And that begat the weird circular food chain between publishers, faculty and libraries. Which begat the library serials crisis.

I am convinced you could track rising
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publisher profits with the 30-year shaping of that inelastic demand curve for journals across five thousand U.S. colleges and universities. And this will spread to private high schools as soon as someone can figure out how to get the brighter kids to do journal articles as a prerequisite to Ivy League admission.

Anyone can see that electronic access is not going to make the cost crisis go away. It's just coming at us in new and more confusing

bundles of data and search engines. Soon, small college libraries will have minimal permanent collections. But all that data that is being leased vanishes with a flip of the switch if you don't pay the bill. Publishers still have a high-priced product as long as the whole basis of academe depends upon their role as scholarship referee coordinators.

But, publishers, being profit-minded, are not going to risk that class action suit that is now facing CARL. So they will simply blot out an enormous mass of "knowledge" through not selling it electronically. And this

at the same time that libraries have been cheerfully heaving out hard copy journals.

Published information in most cases will begin with a new dawn Anno-Tasini. Will that be an admission by academe that everything done Before-Tasini was an exercise in building pyramids and tearing them down again? Can we simply blink our eyes in dazed wonder and vaguely speculate on what is missing? Like the dotty profs at the end of Beerbohm's *Zuleika Dobson* when all the students had drowned? Something was different, but they couldn't quite put a finger on it.

Copyright, Trade Secrets or What?

John Canter v. West Publishing Company, Inc., 31 F.Supp.2d 1193-1207; 1999 WL 11701 (N.D.Cal.).

Except you won't find it in F.Supp.2d. A note says it was withdrawn from the bound volume at request of the court. (?wha ...?)

Canter was a Westlaw user who had a big idea. He had a casual relationship with a West Assistant Credit Manager and made a pitch for financing for his project. The concept paper outlined a program that automatically suggested alternative keywords and appropriate databases within the CALR (WESTLAW) to query.

The concept paper had a copyright notice, but Canter never discussed confidentiality with anyone at West.

Dum-dah-dum-dum. Can you see it coming?

West asked for a copy of Canter's demonstration program on diskette. Said diskette (called **QueryMate**) had a copyright notice and said it was for "demonstration and discussion purposes only."

West asked for answers to five questions. Canter responded to them in a "Proposal for Development" document. Canter wanted a joint venture with West footing the bill and paying him monthly royalties once sales began.

Again, there was no discussion of confidentiality or of West paying Canter if it used his ideas.

West rejected Canter's proposal saying "there was a large gap between the proposal and a viable product." It then hired a research team which came up with WIN in 1992 and patented it in 1993. WIN essentially did the functions Canter had proposed doing.

At this point of course you get that knee-jerk reaction on picking the villain. Evil overbearing West that takes advantage of a naïf. Or educated and informed inventor who ought to abide by the reasonable man standard and get some legal advice before he starts blabbing his ideas all over the terrain.

West heavily marketed WIN which was also discussed in specialized and general distribution media. Canter learned of WIN at the latest in 1994.

Canter sued in 1996. West moved for summary judgment and won.

Breach of Contract:

There was no contract. Was there an implied-in-fact contract?

"Huh?" you're saying. Either there's a contract or not. Outward actions viewed objectively determine whether there was an offer and acceptance. Well, that's basically it. Carter's position was he put forward an offer and West behaved as though there was a contract.

But West sent that rejection letter about the gap between theory and reality. Canter was really proposing to develop a product and then license it to West, not license West the information in his proposal. And Canter had no evidence that West used any of his materials in developing WIN or even kept copies of it.

Statute of Limitations:

And anyhow, the statute of limitations had run. In torts, the limitation period only begins to run when the plaintiff discovers he has a cause of action. Until those scissors the doctor sewed up in your gut begin to bother you, you don't know you have a malpractice suit. But this rule doesn't apply in breach of contract. Ignorance does not toll the statute. See, *Neel v. Magana, Olney, Levy, Cathcart and Gelfand*, 6 Cal.3d 176, 187, 98 Cal.Rptr. 837, 491 P.2d 421 (1971). The only exception is a fiduciary or confidential relationship where one party is entitled to rely on the team loyalty of the other. See, *id.* at 187-88, 98 Cal.Rptr. 837, 491 P.2d 421.

Canter never met anyone at West other than the assistant credit manager and no one led him to believe it was anything other than an arm's length transaction.

Statute of Frauds:

Canter was also tripped up by the Statute of Frauds, that nasty boobytrap rule requiring written evidence of important contracts. Among that menu of contracts that must be in writing are agreements that will run longer than one year.

The history here is actually kind of interesting. Back in merry old medieval England, contracts often had clever rituals to impress the agreement upon the minds of witnesses — exchanging symbolic sheathes of wheat, roasting of the pig and celebratory peasant dances in the village. Since these things did come around with some regularity, one year's festivities could get muddled with the next. So if memories had to run more than a year, you had to get a written agreement.

And if you need a further impetus to get your contracts in writing, current jury studies have shown that most folks can't recall anything beyond two days!

Canter had proposed 18 monthly installments of funding from West. Whoops.

Copyright Preemption:

Canter said he had visibly shown his claim to copyright and federal law should preempt state law on this action. But here he lost because he was not claiming a right to the "specific expression" of QueryMate — how he wrote it up—but in the underlying concepts, processes and procedures. And those things are not copyrightable. See, 17 U.S.C. §102(b).

Yes indeed, Canter had a big idea. But we know ideas are not covered by copyright.

"The idea man who blurts out his idea without having first made his bargain has no one but himself to blame for the loss of his bargaining power." *Desny v. Wilder*, 46 Cal.2d 715, 739, 299 P.2d 257 (1956).

Which is cute in theory, but in practice can be a real burner. How can you have bargaining power without revealing the idea?

We all know, for example, that Hollywood runs on ideas. Legions of highly paid folks are employed in developing projects based on an idea that never makes it to the silver screen. Specialists in pitching ideas — which

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Questions and Answers — Copyright Column

by **Laura 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/~uncclng/gasaway.htm>

QUESTION: *A faculty member says "I don't want the students to have to pay" and wants to put a copy of the required textbook for his course on reserve. If one cannot make copies of "consumable items" how does a library deal with the textbook on reserve?*

ANSWER: According to the legislative history that accompanied the Copyright Act of 1976, a textbook is not defined as a consumable item. Consumables are those works that are "used up" when one person uses them. Congress gave as examples standardized tests, workbooks, answer keys, and the like. The school is supposed to purchase copies for everyone taking the test. Textbooks, on the other hand, are not used up by a single student. In fact, there is a thriving second-hand market for used textbooks, and according to the first sale doctrine, one can resell a textbook.

That same first sale doctrine also permits libraries to loan materials including textbooks. There are some practical reasons that an assigned textbook on reserve is unlikely to be problematic. First, there is a legitimate reason to put a copy of an assigned textbook on reserve: a student may have failed to bring her copy that day and needs to read the assignment after she arrives at the school. Second, as opposed to a standardized test, the user is unlikely to photocopy the entire textbook. It is just too time intensive, the final copy is messy and most people would prefer to own the book.

Perhaps the faculty member might be reminded that library reserves are not intended to substitute for a student's purchase of a textbook. However, the library can put

one copy on reserve as a backup copy.

QUESTION: *The Classroom Guidelines state that they are minimum standards. If no maximum standards exist, how do libraries know where to draw the line? The campus attorneys have advised the strictest possible interpretation, e.g., no more than nine instances of multiple copying for the students in a class per term without permission from the copyright holder.*

ANSWER: University counsel are basically doing what content providers hoped would happen. They are converting minimum guidelines into maximums. The few courts that have cited and discussed the guidelines have tended to do the same. Yet, the guidelines clearly were intended to state the bare minimum of what constitutes fair use. Many other institutions refer faculty members to the four fair use factors to assist the individual faculty member with making the decision about the maximum use and recognize that the numerical limits and portion limitations are indeed minimum guidelines.

QUESTION: *If the library gets full-text articles through OVID or Dialog on the Web, are copyright royalties included in the price? Or, must articles be tracked like interlibrary loan copies and the library pay royalties through the CCC or directly to the publisher when the suggestion of five is reached?*

ANSWER: When a library subscribes to an online service, the royalty payments are included in the license fee. Whether you can provide copies of articles obtained through OVID or Dialog to outside users

will depend on the terms of the license agreement executed by the library. Many licenses restrict use to within the institution, so check it carefully. Should providing articles to outside users not be permitted, and delivery of those articles be important to the library, contact the copyright holder and see if the contract can be renegotiated to include the desired activity.

QUESTION: *May a library make backup copies of audiovisual works and CD-ROMs in order to preserve them? They are quickly out of print, and replacing them often is impossible.*

ANSWER: While the practice of making backup copies makes absolute sense to a librarian, the Copyright Act does not permit it except in very narrow circumstances. For CD-ROMs one must look at the underlying work that is on the CD. If the CD-ROM contains a computer program, section 117 allows the owner of a copy of a computer program to make a backup copy. Unfortunately, this permission does not exist for audiovisual works, music, etc.

The only other time a library may make a copy of a work is under section 108(c) to replace a lost, damaged, deteriorating, stolen or obsolete copy. This is after the work has become damaged or lost, not before. Even then, the library must first try to purchase an unused replacement copy at a fair price before it can duplicate the work.

QUESTION: *Is it legally permissible for an instructor to include one chapter from a book on her Web page for her students to read as a class assignment?*

ANSWER: If an instructor wants to include something on a Web page for students to read, he should follow the classroom guidelines and treat it as if he were photocopying the chapter for every student in the class. This means that the faculty member's Website should be restricted to members in the class (or at least the part that contains the book chapter). Additionally, the guidelines contain word limitations, a one-term limitation without permission from the copyright holder and the reproduction must contain the notice of copyright.

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may be nothing more than "Picture it — Waterworld meets Heaven's Gate meets Ishtar!" can make millions. And any wannabe who goes knocking on the studio doors simply has his idea filched by a smiling "nice-you-to-death" producer who never returns his calls.

Trade secret:

So what's an idea guy to do? You could go the trade secret route.

California Civil Code section 3426.1(d) defines trade secrets as:

"... information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

Canter had already told a number of people about his invention including professors at a university who more than had the ability to make use of his ideas. He never made any agreement with West as to secrecy.

And that won't help you in Hollywood when you pitch American Pie meets Godzilla. Yes, just as you've long suspected, the rich always win.