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LEGAL ISSUES

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Legally Speaking — How Recent Litigation Has Impacted the West Publishing Group and the Entire Legal Publishing Industry

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The legal community in the United States is dependent on published information to be able to do what it is designed to do. Lawyers on a daily basis need access to the information, cases, and statutes that are created by the legal publishing industry. As a system based on legal precedent and *stare decisis*, judges and lawyers need to refer to published cases and statutes to do their jobs. Legal publishers make these cases and statutes available on a timely basis. How legal publishers operate, in actuality effects the actual practice of law in this country. This explains the importance of observing and understanding the changes or lack of changes that are happening with the legal publishing industry. Most people in the legal field are aware that the legal publishers have been busy acquiring and divesting themselves. Recently, the **West Publishing Company**, a giant in the field, was purchased by the **Thomson Corporation**, the significant thing about this purchase being that most of the competition in the legal field was between West Publishing and subsidiaries of Thomson publishing.

When the two companies merged much of the competition that previously existed between these two publishing giants disappeared as a result. Thomson was required by the Justice Department to divest itself of some of those titles that had previously been in competition. Whether competition has actually been restored is one issue that will be examined. We will look at what the companies actually gained or lost by these mergers. The major focus of this paper is going to look at who the major players in the field are now and how they are positioning themselves to compete now that the mergers and acquisitions have finished. The last topic will be how changes in the information technology could also cause another shake up in the market and how the new publishing interest are working to ensure that another major upheaval

does not reoccur in the future.

Before the Mergers

The current mergers that consolidated large parts of the legal publishing market were not the first major wave of change. Before Thomson acquired West, West controlled most of the legal publishing in the U.S., at least in regards to case law. It was the possible loss of this control over case law and citation that was one of the reasons West decided to sell to Thomson. "According to published reports, its management came to the conclusion that the time was right to sell, given the volatility of the marketplace and West's somewhat precarious position in it. West was already facing competition from established and smaller niche publishers in the area of CD-ROM sales. Today West continues to fend off the efforts of competitors who challenge its copyright claims to its famed star pagination. Star pagination in the West case reporters have given West an editorial advantage over its competitors."¹

The FTC Guidelines

Unlike other parts of the publishing industry, legal publishing actually has Federal guidelines for how the publishers conduct their daily business. These guidelines were created because of abuses by legal publishers that were happening prior to the guidelines. The reality is that the abuses have not completely stopped. Awareness that these guidelines exist are important as legal publishers continue to merge and their monopoly power grows. Some abuses that the legal publishers engaged in included spurious practices such as putting new titles on old books. Instead of creating new content the publisher would reprint a book and give it a new title. Consumers, unaware that they already owned the book under another title, would purchase the book. Other practices included putting the same book in two different sets and overpricing the supplementation. By putting the same book

in two different sets the publisher could sell two copies of a book to the unaware consumer. For the overpricing of supplementation, legal publishers were taking advantage of how quickly legal information was going out of date. When a consumer has purchased a legal resource they need to keep it updated or it quickly becomes useless. Legal publishers, in an attempt to take advantage of this situation, would charge high amounts for frequent supplementation, knowing that if the consumer did not purchase it the information that they had already purchased would also become useless. It is interesting to note that most printed supplementation is three to six months old when it is filed. No legal researcher can, therefore, make it their last source on a topic.

On August 8, 1975 the **Federal Trade Commission** issued a set of guidelines for the law book industry. These guidelines can be found in their entirety in Title 16 Part 256 of the **Code of Federal Regulations**. The guidelines provide a common set of definitions for the industry and consumers to structure their business practices. An example would be, giving a definition of series or set. The guides also cover content disclosures that the legal publishing industry should make when selling legal materials. For example Section 256.1(f) of Title 16 of the **CFR** states that whether or not the book is part of a series should be disclosed. The guidelines also discuss disclosures in relation to frequency and content of supplementation. The guidelines also cover important areas such as billing practices and the disclosure of previous year's supplementation cost. **Kendall Svengalis**, in his book titled *Legal Information Buyers Guide*, points out that "revealingly, the law book industry was, and remains, the only segment of the publishing business, and one of only a handful of industries of any kind, covered by the FTC guides."² Yet this comment should not be taken as a total baring of the

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legal publishing industry. Svengalis goes on to point out that a study of the industry has shown that most of the problems with the legal publishing industry derive from a failure of communication between publisher and consumer and not from evil intent. However, violations still continue to exist.³

One of the big things to remember is that the FTC guidelines are only a suggestion of proper conduct. The guides do not criminalize any particular activity conducted by the legal publishing industry. They do provide something of authority for consumers of legal information as a reference point when consumers feel legal publishers may have acted improperly. There is also at least one area within the guidelines that gives the legal information consumer some redress. The guides contain a note where the FTC states that this act will be enforced in accordance with Section 3009 of the Postal Reorganization Act which designates that unordered merchandise can be kept as a gift. This was in response to the old practice of shipping "related titles" without consumer consent. The guides can also be important because, if the legal publishing industry blatantly violates the guides, the next step for the FTC would be to make illegal these practices, not just have guidelines on them. With no real force of law in the FTC guidelines, the FTC does not have anyone actively enforcing them.

The American Association of Law Libraries (AALL) has historically stepped in to fill this consumer advocate position, creating a place where complaints can be voiced and some resolution to problems can be examined. In the 1970's AALL formed the Committee on Relations with Information Vendors or CRIV. This committee receives and investigates complaints from librarians and other consumers about legal information. CRIV looks into the complaint and publishes a newsletter insert entitled the *CRIV Sheet* to inform consumers of problems and solutions that occur in the acquisitions and utilization of legal information. Understandably, publishers have not always been terribly fond of the Committee and its advocate function as well as its practice of airing problems in a public forum. In a 1996 interview with Brian Hall, the President and CEO of Thomson Legal Publishing he was asked whether the Committee on Relations with Information Vendors (CRIV) has been an effective mechanism in his experience. Hall's response was, "I don't think it's ineffective; it's an interesting way of communicating with publishers, in my mind. Historically it's been an area where concerns about publisher practices have been publicly aired in the *CRIV Sheet*, and that certainly brings pressure on publishers. It's a pretty poignant way to get the message across, but in some cases that I've been involved in, the information published in a letter to CRIV

wasn't entirely accurate. I'm not sure that it's the best vehicle and the best mechanism for publishers and librarians to work together. It doesn't have a major focus on identifying gaps in information coverage or delivery. It seems to have focused more on what a publisher has done that has caused a problem."⁴

Mr. Hall does have a point when he states that the *CRIV Sheet* may not be the best forum for libraries and publishers to work together. AALL may want to consider different forums to deal with publishers. One forum would be one where problems could be discussed and publishers and librarians could create new ways to solve problems, which the committee is currently developing. Another forum should probably be a continuation of the *CRIV Sheet* to publicly air when publishers are engaged in practices that are outside the FTC guidelines. Even if the publishers are doing a great job, it would still be useful to have a forum where publishers and legal information consumers can communicate effectively. Yet discussing new ways of communicating is not the forum for times when publishers are engaged in behaviors in violation of the FTC guidelines. That is where the Committee and the *CRIV Sheet* is involved and should continue to be involved as a consumer advocacy group.

Recent changes in online technology, though, may have provided a way around the *CRIV Sheet* for publishers. Many law librarians use as a forum of discussion the **law-lib listserv**. This list-serv is an email based discussion group where people can pose questions, air problems, and pass on information to other members of the profession. Many law librarians have begun airing problems on the **law-lib** and **law-acq** listservs instead of sending the complaint to CRIV. Publishers who are aware of the law-lib listserv have begun eavesdropping on the list. When publishers see problems that are aired against them, they contact the source of the message and attempt to work out a solution so there is no more mention of the problem on the list. The problem with this tactic is that it removes CRIV's role in passing on important consumer information to other librarians about problems and solutions. Problems, as a result, may be obscured from public view.

As the legal environment continues to change, legal consumers still need a way to communicate among themselves about how they are able to obtain and utilize legal information. By reducing their numbers, the publishers have created their own means of communication and ability to work together because most of them are owned by the same parent company, either **Thomson International** or **Reed Elsevier** or **Wolters Kluwer**. As competition decreases in the legal publishing world, consumers need a way to protect themselves from the possible threat of predatory pricing practices and other monopolistic behavior by legal publishers.

Changes in Technology and the State of Legal Publishing

Information technology has been changing and growing very quickly in recent years. With the advent of networked technology such as the Internet, the definition of publisher of information is and will continue to change. This integrated online technology has played a role in the past in creating competition in the legal publishing market. One of West's major competitors, and in some areas of legal publishing its only competitor, has been the Lexis-Nexis corporation of Dayton, Ohio. Lexis-Nexis was not competing in the high entry barrier area of print but was competing with an alternative electronic service to Westlaw. In the 70's and 80's Lexis was getting established, the barriers into the electronic publishing market were controlled by the limitations of hardware and telecommunications. For Lexis to be able to transmit legal information, the customer needed to have access to the computer hardware necessary to receive and store that electronic information. In fact, the initial attractiveness of Lexis-Nexis was not lower cost, but the ability to do types of electronic search strategies that were impossible in print resources. Now the Internet and the personal computer were creating a cost efficient environment where the old barriers of cost and equipment are eliminated. The consequences of these changes in legal publishing can be very dramatic, especially in an industry where two companies basically control the market. If a new electronic publisher, such as LOIS or Hyperlaw, is able to have a serious impact on the West Group, for example, they have impacted a publisher that controls a little over 50% of the legal market. The economic stakes have been raised to that point.

West's Copyright Fight

With the advent of electronic publishing, West was also faced with a situation where competitors could join the market because of the low entry barriers to electronic publishing. The problem for any competitor that wanted to enter the market was that for proper citing of case law in the established format you need to be able to cite the case. A case that cannot be cited is useless to include in a brief or to refer to in court. By their online format, electronically accessed cases do not have pages, so it is not possible to cite to a page in the traditional volume, title, page form. To get around this problem a system called "Star Pagination" is used. "Star Pagination" is the process of marking in the electronic document the location of page breaks in West's printed case reporter. West claims a copyright on the page numbering of its reporters and claimed that using "star pagination" is a violation of West's copyright. West first used this defense against Lexis-Nexis when Lexis was attempting to compile cases to create an online database of federal and state cases. In the ensuing litigation, West claimed copyright infringement while Lexis

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claimed antitrust violations, unfair competition and fraudulent copyright claims against West. There was no court decision in this case because Lexis settled for a "substantial amount" and West granted Lexis a license to use star pagination in its online service.⁵

The most advantageous aspect of the settlement for West in its case with Lexis was that they had one case in 1986, *Mead vs. West* (799 F.2d 1219), that supported their copyright claim. So by settling with Lexis, they did not have the risk of going to court and possibly being overturned, and secondly they had a case they could employ as precedent in case they ever would have to go to court again.

West has gone to court again in regards to this copyright issue. In a 1996 case the publisher Matthew Bender and the CD-ROM publisher Hyperlaw brought suit against West to be able to use the West page numbers. This case took place in U.S. District Court in New York. In this case the judgment was against West. The judge held that generating page numbers is an automatic consequence of publishing books, not a copyrightable creative process.⁶ West made what many legal observers called a brilliant legal move when they settled a case before the court gave its decision in the case of *Oasis Publishing vs. West*. The *Oasis* case was heard in the Minnesota District Court and was appealed to the eighth circuit. The docket number was 96-2887. By settling with *Oasis*, West avoided a lose-lose situation of going to trial. The *Bender-HyperLaw* pagination case is currently pending before the U.S. Court of Appeals for the 2nd Circuit. "West is very afraid of getting an adverse appellate decision, or even a split in the Circuit Courts. They don't want the Supreme Court to decide this issue against them," says **Paul J. Heald**, a copyright professor at the **University of Georgia School of Law**.⁷ If West had not settled and lost the case in court, there would then be additional negative precedence against them. In this case, particularly, there was no advantage to winning the case either for West, as the appeals process would force the issue to the Supreme Court.

West's next tactic: H.R. 2652 the "Collections of Information Anti-Piracy Act"

On October 9, 1997, the Collections of Information Anti-Piracy Act was introduced in the House of Representatives. The bill has already passed the House May 20, 1998 and is at this point in the Senate. This bill prohibits the misappropriation of online or printed information with the following language, "Any person who extracts, or uses in commerce, all or a substantial part of a collection of information gathered, organized, or maintained by another person through the investment of substantial monetary or other resources, so as to harm that other person's actual or potential market for a product or ser-

vice that incorporates that collection of information and is offered by that other person in commerce, shall be liable to that person for the remedies set forth in section 1206."

Arguably, this bill would again protect West's claim to its pagination and protect West against its competition from electronically scanning cases from West Reporters and republishing them in another venue. An example of this activity is the case of *Matthew Bender and Hyperlaw vs. West* (1997 U.S. Dist. LEXIS 6915; 42 U.S.P.Q.2D (BNA) 1930; 25 Media L. Rep. 1856) where the court held that Hyperlaw could scan West cases into a computer to be put onto a Hyperlaw CD. The court reasoned that the actual text of the case was in the public domain because it was initially written by a court. In addition, no matter how many cases that Hyperlaw scanned into their databases, they would not be getting any of West's copyrighted material. H.R. 2652 has the potential to change that. The bill would arguably protect compilations of facts that taken as individual pieces have no protection but when compiled would be protected. Facts cannot be copyrighted. The fact that Augusta is the capitol of Maine cannot be copyrighted. If I create a compilation of facts, say all the states and their capitals, this bill would preclude you from copying the information that I had compiled. The bill is in theory protecting the work I did to compile all the information. You could create a compilation identical to mine that did not violate copyright. If you used my compilation of the information as a source you could be in violation of HR 2562.

While West is not openly lobbying for this bill there is some evidence that they are supporting its passage. On February 12 of 1998 **Robert Aber**, Senior Vice President and General Counsel, The Nasdaq Stock Market, Inc., on behalf of the **Information Industries Association**, spoke in front of the **House Subcommittee on Courts and Intellectual Property**. West is a member of the Information Industry Association.⁸ Also another of the witnesses for the bill was **Laura D'Andrea Tyson** who is a paid consultant of the **Thomson Corporation** which owns West.

An interesting issue was brought up by Mr. Aber who was testifying on behalf of the Information Industry Association. Mr. Aber brings up the issue of whether HR 2562 needs to have language in regards to special collections of information. The real question is what should be done if there is unique information that cannot be obtained anywhere else. HR 2562 is trying to protect the work it takes to collect a large mass of information. So it requires competitors to go to the original source of the information instead of copying the database. But what if the database is the only source for the information, for example, if a database was created from government publications and then the government proceeded to throw away all the originals? Mr. Aber brings up the following reason why HR 2652

does not need language to protect unique collections, "This legislation need not create any special rules for databases that are — or that users may consider to be — unique collections of information. Antitrust law already provides safeguards against anti-competitive licensing practices. Under appropriate circumstances and well-settled Sherman Act precedent, if a monopolist controls an "essential facility" that cannot practically be duplicated, the monopolist may not unreasonably deny the use of that facility to a competitor who is economically and technically capable of using it. Under the appropriate circumstances, information under the exclusive control of one party can be treated as an essential facility for the purposes of the Sherman Act. The essential facilities doctrine is firmly established in our antitrust law, and as proposed Section 1205(a) makes indisputably clear, enactment of HR 2652 would not change antitrust law in any way. Thus, a special provision undercutting the rights of proprietors of unique collections of information is unnecessary as well as unwise."⁹

If Mr. Aber is correct then West may not be able to use this law to protect their reporters from copying and citing their page numbers if they are unable to argue copyright. For many cases the only practical source is the West Reporters. With that being the case, this law may not protect West like they think.

Conclusion

One is reminded of the old Chinese curse "may you live in interesting times." With the ever-changing nature of legal information in this country, while it is interesting, one cannot, at this time, do much about the volatile nature of the legal publishing industry. One only hopes that the needs of the consumer and public access to court decisions are not compromised as this new world of legal information unfolds before us.

Endnotes

- 1 Svengalis, Kendall, "Legal Information Buyers Guide and Reference Manual, 1997, p. 511.
- 2 Svengalis, p. 16.
- 3 Ibid.
- 4 Interview with Brian Hall, "American Association of Law Libraries Newsletter, June 1996, p. 40.
- 5 Blodgett, Nancy, WEST, Mead Data Central Settle: Agreement ends three-year copyright dispute, 74 ABAJ, 36.
- 6 Scheffey, Thomas, "The Cagney Move," The Connecticut Law Tribune, August 11, 1997.
- 7 Ibid.
- 8 <http://www.infoindustry.org>
- 9 Aber, Robert, "Testimony before the Subcommittee on Courts and Intellectual Property in regards to HR 2652," February 12, 1998.

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