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Cases of Note -- BIG MUSIC Owns the US Congress

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Cases of Note — BIG MUSIC Owns the US Congress

Copyright & Trademark — First Sale Doctrine

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

Brilliance Audio, Inc. v. Hights Cross Communications, Inc., United States Court of Appeals for the Sixth Circuit, 474 F.3d 365; 2007 U.S. App. LEXIS 1706 (2007).

Does the first sale doctrine apply to all sound recordings or only musical works? By gosh, an issue never heretofore decided. So let's get right into the excitement.

Brilliance Audio makes audiobooks for the retail market and for libraries. It has exclusive contracts with numerous publishers and copyright in the sound recordings. **Hights Cross Communications** is a direct competitor. **Brilliance** claimed **Hights** was buying retail editions and repackaging them as library editions and selling them under the trademarked **Brilliance** name.

Admittedly, library and retail were packaged differently, but the court, much as I, was stumped as to what if any differences there were in the recordings.

Brilliance sued for copyright infringement under 17 U.S.C. § 109 and trademark infringement under 15 U.S.C. § 1114. **Hights** moved for dismissal for failure to state a claim under which relief can be

granted and won the motion. **Brilliance** appealed to the Sixth Circuit. It was reviewed de novo.

First Sale Exception In Trademark

Trademark law permits the "first sale" exception as an infringement defense. **Pre-stonettes, Inc. v. Coty**, 264 U.S. 359, 368-69 (1924). Trademark law is designed to prevent consumer confusion over the origin of a product. This doesn't exist if the mark is the real deal. **NEC Elecs. v. CAL Circuit Abco**, 810 F.2d 1506, 1509(9th Cir. 1987).

This exception does not apply under two circumstances, one being where the repackaging is inadequate. See **Enesco Corp. v. Price/Costco Inc.**, 146 F.3d 1083, 1085-86 (9th Cir. 1998). In **Coty**, the defendant repackaged

Coty perfume into smaller containers and sold them under the **Coty** name.

This was not an infringement.

The trademark is designed to protect the owner's good will by maintaining product quality. As long

as the rebottling of the perfume did not cause deterioration, then there was no injury to **Coty**. **Coty**, 264 U.S. at 368-69; see also **Enesco**, 146 F.3d at 1086.

The second exception occurs when materially different goods are sold under the trademark. **Davidoff & CIE, S.A. v. PLD Int'l Corp.**, 263 F.3d 1297, 1302 (11th Cir. 2001). Here we're protecting the owner's good will against a lousy knock-off. A material difference goes to matters a consumer considers relevant to the purchase. But consumer choice being the subtle thing that it is, even subtle differences may be material. See **Davidoff**, 263 F.3d at 1302.

Brilliance said both exceptions apply. The repackaging and relabeling of retail audios as library creates a misrepresentation that **Hights** have a long-standing relationship with **Brilliance** and that this action is sponsored and authorized. As to material difference, **Brilliance** said the library and retail editions were packaged and marketed differently.

Of course you're asking how did Hights make any money on this. They had to mark it up to gain a profit. Are libraries so daft they didn't realize they could get a cheaper product from Brilliance?

Anyhow, this creates a question of fact. So **Brilliance** gets a trial on this one.

What about Copyright?

Copyright likewise has a first sale doctrine. The copyright owner has rights to the underlying work, but a purchaser of a particular copy can dispose of it as he wishes. 17 U.S.C. § 109(a).

But there's an exception in the Record Rental Amendment of 1984.

For years now, the Tort Kings have been subjecting us to the term "BIG TOBACCO." Well here we find the lobbying hand of BIG MUSIC.

"... unless authorized by the owners of a copyright in the sound recording[,] ... and ... in the musical works embodied therein, the owner of a particular phonorecord ... may [not], for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord ... by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending." *Id.* § 109(b)(1)(A).

Yes, they don't want you buying music and renting it out. Although why that should be different from renting a novel, only the lobbyists can explain. Which is to say, BIG MUSIC wants the money and you can't have it.

Brilliance said this applied to audiobooks; **Hights** contended it was only music.

§ 109(b); Ambiguous or Clear?

Well, the language of the statute does say "musical works."

Duh. I mean who was lobbying for the "Record Rental Amendment" after all?

But go back to the language of the statute and focus on the words "sound recording." **Brilliance** said there were two permissions required if you want to rent audios: one for the copyright owner in the sound recording; and the second for the music copyright owner if music was in the recording. And sound recordings include musical and non-musical. 17 U.S.C. § 101.

The court found both interpretations plausible. So the language is "not unambiguous."

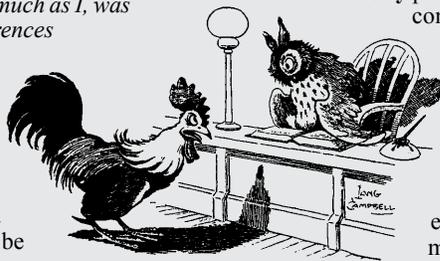
But they can't bring themselves to call it "ambiguous." Is that just an egghead way of talking, or are they timid about their position? And for the life of me, I can't see the second interpretation. It seems to mean to humble moi that a sound recording might have some narrator's blather along with the music.

So Let's Go To Legislative History

Yes, that vital question of who was in there lobbying.

Congress exclusively focused on the music industry and the need to "remove the threat

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QUESTION: *At the beginning of each semester a community college library receives many requests to borrow currently assigned textbooks. The library returns these requests and explains that it does not order textbooks that are currently being used in the college's classes nor does it borrow them through interlibrary loan. A faculty member is pressuring the library to purchase textbooks for the collection and place them on reserve for student use. Aside from the practical and policy reasons for not borrowing or purchasing currently used textbooks, is there a legal reason for not doing this?*

ANSWER: Some academic libraries do purchase current textbooks and some do not. The problem is not in providing textbooks to students who cannot afford them but in encouraging students to photocopy or scan the textbook. Any student can forget to bring her textbook one day and having a library copy as a backup is very helpful; however, faculty members should not tell students that they can reproduce from the library copies in lieu of purchasing the textbook for the course. 🐔

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that commercial record rentals pose to the health of America's musical community." S. Rep. 98-162, at 2 (1984).

Congress was all in a lather about the danger to "musical creativity" and the dire risks taken by record companies in investing in "unknown artists and songwriters" or "to experiment with innovative musical forms." *Id.* at 3.

Ah, the utter daring and profound creativity of the year 1984 will resound through the ages. How could we have lived without Electro-pop, Purple Rain, the theme song to Ghostbusters, and that deathless moment when Bob Geldorf gathered a swarm of rock giants to sing "Don't They Know It's Christmas?"

George Orwell was onto something about 1984. He just didn't realize how grisly it would be.

When Congress extended the exception in 1988, the record included the incredible: "The legislative history of the enactment of the law in 1984 reveals that the specific problem addressed then was that consumers listen repeatedly to musical works, thus giving rise to the legitimate concern about displacement of sales."

Yes, even then, BIG MUSIC was dreaming of recordings that self-destructed after one listening.

The Traditional Bargain Idea

Well that was certainly a shameful example of Congress pandering to commercial interests while in pursuit of campaign contributions. Doubtless, the court was as embarrassed as we are, because they declined to pander on their own.

The first sale doctrine began with the common law aversion to limiting the alienation of personal property. See *Melville B. Nimmer & David Nimmer, 2 Nimmer on Copyright*, § 8.12[A] (2006). Once a sale is made, a copyright owner no longer needs his monopoly because he has gotten the price he wanted. See *Parfums Givenchy, Inc. v. C&C Beauty Sales, Inc.*, 832 F. Supp. 1378, 1389 (C.D. Cal. 1993). Now the copyright owner is prevented from intruding on the rights of the purchaser to alienate his property as he wishes.

Or we'll have a whole world of rubbish in landfills.

The record rental exception alters that traditional copyright bargain and extends the monopoly of the copyright owner beyond the first sale. Computer software likewise got exempted by amendment in 1990. Without clearer direction from Congress, the court was not about to read audiobooks in as an amendment.

So **Brilliance** got to go to trial on the trademark claim, but lost on copyright. 🐼

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Newspaper Shown on 24" Monitor in Portrait Orientation

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OLA	April 3-4	Oklahoma City, OK	#21
TLA	April 11-14	San Antonio, TX	#2045
BCLA	April 19-21	Burnaby BC Canada	#14
SLA	June 3-5	Denver, CO	#861
ALA	June 23-26	Washington DC	TBA

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Speaking of which, check the **conference website** <http://www.katina.info/conference>. **Registration information** is being posted daily. The program is already filling up, so if you have a topic, panel, whatever to suggest, please **do so now** not later. You heard it here.

Sorry, but this is the final **Rumor**. If I have left you out, I'm sorry. Send me an email. Thanks to **Laura Barfield** for being my fingers. (Please note that I want to say more, but she refuses to type it.)

It's been real. See you in June.

Yr. Ed. 🐼