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Cases of Note - Horton hears a ...?

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LEGAL ISSUES

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Cases of Note

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DR. SEUSS ENTERPRISES, L.P., v. PENGUIN BOOKS USA, INC., Dove, Inc., Dove II Inc., Michael Viner, Alan Katz, and Chris Wrinn, 924 F.Supp. 1559 (April 29, 1996).

DR. SEUSS ENTERPRISES, L.P., v. PENGUIN BOOKS USA, INC., and Dove Audio, Inc., 109 F.3d 1394 (Argued and Submitted Oct. 10, 1996. Decided March 27, 1997).

Horton Hears a ... What the ## % \$\$\$\$\$\$S!!!

Because of a previous engagement (my job) I was unable to watch the O.J. Simpson criminal trial; however, as much as I hate to admit it, I did tune in to Geraldo Rivera most evenings during the ongoing spectacle to hear assessments by experts of each day's court proceedings. Eventually, I tired of the travesty and (although I watched Marsha Clark's recent "don't blame me" interview with BaBa WaWa on 20/20) I promise I never purchased one of the over 50 books subsequently published on the subject. With that many printed pages in circulation, it is not surprising that at some point in time the issue of copyright infringement surfaced. What is amazing, actually absurd, is that it in-

volves one of my favorite authors, Theodor Geisel, or as he is better known, Dr. Seuss.

Although the authors of the proposed publication may (and that's a big may) have used a bit more creativity than the rest of the O.J. book bandwagon, they could not have been using good sense when they prepared a manuscript entitled "**The Cat NOT in the Hat! A Parody by Dr. Juice**", a rhyming summary of highlights from the double murder trial. As a result, **Dr. Seuss Enterprises, L.P. ("Seuss")**, a California limited partnership which owns most of the copyrights and trademarks to the works of the late Theodor S. Geisel, filed a complaint for copyright and trademark infringement, an application for a temporary restraining order and a preliminary injunction after seeing an advertisement promoting the book prior to its publication. The advertisement read:

Wickedly clever author "Dr. Juice" gives the O.J. Simpson trial a very fresh new look. From Brentwood to the Los Angeles County Courthouse to Marcia Clark and the Dream Team. The Cat Not in the Hat tells the whole story in rhyming verse and sketches as witty as Theodore [sic] Geisel's best. This is one parody that really packs a punch!

As I am sure you all know, in *The Cat in the Hat*, first published in 1957, Geisel created a mischievous but well meaning character, the Cat, perhaps the most famous and well recognized of the Seuss creations. The Cat is most frequently depicted in his distinctive red and white stove-pipe hat. Seuss owns the common law trademark rights to the words "Dr. Seuss" and "Cat in the Hat," as well as the character illustration of the Cat's stove-pipe hat. It also owns the copyright registrations for the books *The Cat in the Hat*, *The Cat in the Hat Comes Back*, *The Cat in the Hat Beginner Book Dictionary*, *The Cat in the Hat Songbook*, and *The Cat's Quizzer*. Additionally, Seuss has trademark registrations for the marks cur-

rently pending with the United States Trademark Office. Seuss has licensed the Dr. Seuss marks, including those of *The Cat in the Hat* character, for use on clothing, in interactive software, and in a theme park.

In 1995, defendant Alan Katz wrote and Chris Wrinn illustrated *The Cat NOT in the Hat!* Defendants Penguin and Dove, the publishers and distributors, were not licensed or authorized to use any of the works, characters or illustrations owned by Seuss, nor did they seek permission from Seuss to use these properties.

Seuss alleged that *The Cat NOT in the Hat!* misappropriated substantial protected elements of the copyrighted works, used six unregistered and one registered Seuss trademark, and corrupted the distinctive quality of its famous marks. Thereafter Katz filed a declaration stating that *The Cat in the Hat* was the "object for [his] parody" and portions of his book derive from *The Cat in the Hat* only as "necessary to conjure up the original."

After a hearing, the district court found that Seuss had demonstrated: (1) a strong likelihood that Katz and Wrinn had taken substantial protected expression from *The Cat in the Hat*; (2) a strong likelihood of success on the copyright claim raising a presumption of irreparable harm; (3) a strong likelihood of success on the parody as fair use issue; (4) serious questions for litigation and a balance of hardships favoring Seuss on the trademark violations; and (5) a minimal likelihood of success on the federal dilution claim. Penguin and Dove subsequently appealed.

The Court of Appeals for the Ninth Circuit first set out to determine whether *The Cat NOT in the Hat!* infringes on Seuss' rights under the Copyright Act of 1976, 17 U.S.C. s 106. Seuss owns the exclusive rights (1) to reproduce the copyrighted work; (2) to prepare derivative works based on the copyrighted work; (3) to distribute copies or phonorecords of the copyrighted work to the public; (4) to per-

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form the work publicly; and (5) to display the copyrighted work publicly. Seuss, as plaintiff, alleged that Penguin and Dove made an unauthorized derivative work of the copyrighted works *The Cat in the Hat*, *The Cat in the Hat Comes Back*, *The Cat's Quizzer*, and *The Cat in the Hat Beginner Books Dictionary*. The Court agreed that Seuss is the owner of the Dr. Seuss copyrights and holds valid copyright registration certificates. And, Katz admitted that the "style of the illustrations and lettering used in [*The Cat NOT in the Hat*] were inspired by [*The Cat in the Hat*]. ..." To satisfy the infringement test, it was necessary for Seuss to demonstrate "substantial similarity" between the copyrighted work and the allegedly infringing work. "Substantial similarity" refers to similarity of expression, not merely similarity of ideas or concepts. See 17 U.S.C. s 102(b).

In its earlier opinion, the district court observed: "Dr. Seuss has produced evidence that protected elements of three copyrighted works were incorporated into Penguin's book. Penguin responded that none of these examples of use could constitute infringement. Citing Professor Nimmer, Penguin argued that copyright infringement exists only in two forms: 'comprehensive non-literal similarity' and 'fragmented literal similarity.' Comprehensive non-literal similarity would be a paraphrasing of an entire work; fragmented literal similarity would be a verbatim or near-verbatim copying of a small part of a work. Only these types of takings, Penguin argued, warranted a finding of infringement. The court declined to follow Professor Nimmer's categories and concluded: 'In the Ninth Circuit, the issue is whether the works are substantially similar. Substantial similarity may be found whenever the works share significant similarity in protected expression both on an objective, analytical level and a subjective, audience-response level.' The Court of Appeals found district court to have correctly portrayed the state of Ninth Circuit law on this issue and decided that substantial similarity was found to exist on both an objective and subjective level.

Penguin and Dove next argued that even if Seuss were to establish a strong showing of copyright infringement on these facts, the taking would be excused as a parody under the fair use doctrine. Fair use is an "equitable rule of reason," *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 448, 104 S.Ct. 774, 792, 78 L.Ed.2d 574 (1984), requiring careful balancing of multiple factors "in light of the purposes of copyright." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578, 114 S.Ct. 1164, 1171, 127 L.Ed.2d 500 (1994).

In section 107 of the 1976 Copyright Act, Congress laid down the four factors to be considered and weighed by the courts in determining if a fair use defense exists in a given case: (1) the purpose and character of the accused use; (2) the nature of the copyrighted work; (3) the importance of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the accused use on the potential market for or value of the copyrighted work. 17 U.S.C. s 107. As stated by the Court of Appeals, Congress viewed these four criteria as guidelines for "balancing the equities," not as "definitive or determinative" tests. H.R.Rep. No. 94-1476, 94th Cong., 2d Sess. 65 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5679.

I. The Court of Appeals thereafter examined each factor and its relationship to plaintiff's claim:

A. The first factor in a fair use inquiry is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes" s 107(1). Under this factor, the question is whether "*The Cat NOT in the Hat*!" merely supersedes the Dr. Seuss creations, or whether and to what extent the new work is 'transformative', i.e., altering *The Cat in the Hat* with new expression, meaning or message."

Parody is regarded as a form of social and literary criticism, having a socially significant value as free speech under the First Amendment. According to *Highet, The Anatomy of Satire 13-14 (1962)*, parody is one of four types of satire: diatribe, narrative, parody and burlesque. In the case at hand, the parties disagreed over the appropriate interpretation of the *Acuff-Rose* holding with respect to the definition of parody under the fair use exception. The Supreme Court therein found that a rap group's version of Roy Orbison's song "*Oh, Pretty Woman*" was a candidate for a parody fair use defense. Justice Souter, the opinion's author, defined parody:

The heart of any parodist's claim to quote from existing material, is the use of some elements of a prior author's composition to create a new one that, at least in part, comments on that author's works.... If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger. Id. at 580, 114 S.Ct. at 1172 (citations omitted).

The Second Circuit in *Rogers v. Koons*, 960 F.2d 301, 310 (2d Cir.1992), also emphasized that unless the plaintiff's copyrighted work is at least in part the target of the defendant's satire, then the defendant's work is not a "parody" in the legal sense:

"It is the rule in this Circuit that though the satire need not be only of the copied work and may ... also be a parody of modern society, the copied work must be, at least in part, an object of the parody, otherwise there would be no need to conjure up the original work.... By requiring that the copied work be an object of the parody, we merely insist that the audience be aware that underlying the parody there is an original and separate expression, attributable to a different artist." Similarly, the *American Heritage Dictionary* defines "parody" as a "literary or artistic work that broadly mimics an author's characteristic style. In *The Cat NOT in the Hat*! Katz writes about Simpson's trip to Chicago, the noise outside Kato Kaelin's room, the bloody glove found by Mark Fuhrman, the Bronco chase, the booking, the hiring of lawyers, the assignment of Judge Ito, the talk show interest, the comment on DNA, and the selection of a jury. On the hiring of lawyers for Simpson, Katz writes: A plea went out to Rob Shapiro Can you save the fallen hero? And Marcia Clark, hooray, hooray Was called in with a justice play. A man this famous Never hires Lawyers like Jacoby-Meyers. When you're accused of a killing scheme You need to build a real Dream Team. Cochran! Cochran! Doodle-doo Johnnie, won't you join the crew? Cochran! Cochran! Deedle-dee The Dream Team needs a victory.

These stanzas and the illustrations simply retell the Simpson tale. While Simpson is depicted 13 times in the Cat's distinctively scrunched and somewhat shabby red and white stove-pipe hat, the substance and content of *The Cat in the Hat* is not conjured up by the focus on the Brown-Goldman murders or the O.J. Simpson trial. Because there was no effort to create a transformative work with "new expression, meaning, or message," the Court found that the infringing work's commercial use further cut against the fair use defense.

B. The second statutory factor, "the nature of the copyrighted work," s 107(2), recognizes that creative works are "closer to the core of intended copyright protection" than informational and functional works, "with the consequence that fair use is more difficult to establish when the former works are copied." *Acuff-Rose*, 510 U.S. at 586, 114 S.Ct. at 1175. While this factor has not been terribly significant in the overall fair use balancing, the creativity, imagination and originality embodied in *The Cat in the Hat* and its central character tilted the scale against fair use.

C. The third factor asks whether "the
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amount and substantiality of the portion used in relation to the copyrighted work as a whole," s 107(3), is reasonable in relation to the purpose of the copying. This factor raises the question of substantial similarity discussed in the preceding section, rather than whether the use is "fair." The district court concluded that "*The Cat in the Hat*" is the central character, appearing in nearly every image of Seuss' original work. Penguin and Dove appropriated the Cat's image, copying the Cat's Hat and using the image on the front and back covers and in the text (13 times). The court expressed no doubt that the Cat's image is the highly expressive core of Dr. Seuss' work.

As a result, the Court of Appeals turned their attention "to the persuasiveness of a parodist's justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use." *Acuff-Rose*, 510 U.S. at 586, 114 S.Ct. at 1175. Katz and Wrinn insisted that they selected *The Cat in the Hat* as the vehicle for their parody because of the similarities between the two stories: Nicole Brown and Ronald Goldman were surprised by a "Cat" (O.J. Simpson) who committed acts contrary to moral and legal authority. The prosecution of Simpson created a horrible mess, in which the defense team seemed to impose "tricks" on an unwilling public, resulting in a verdict that a substantial segment of the public regarded as astonishing. Just as *The Cat in the Hat* ends with the moral dilemma of whether the children should tell their mother about their visitor that afternoon, Katz and Wrinn maintain that *The Cat NOT in the Hat!* ends with a similar moral dilemma: JUICE + ST = JUSTICE. "Hmm ... take the word JUICE. Then add ST. Between the U and I, you see. And then you have JUSTICE. Or maybe you don't. Maybe we will. And maybe we won't. 'Cause if the Cat didn't do it? Then who? Then who? Was it him? Was it her? Was it me? Was it you? Oh me! Oh my! Oh my! Oh me! The murderer is running free."

The Court of Appeals echoed the district court's assessment that Penguin and Dove's fair use defense was "pure shtick" and that their post-hoc characterization of the work was "completely unconvincing."

D. The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." s 107(4). Under this factor, the Court considered whether unrestricted and widespread dissemination of *The Cat NOT in the Hat!* would hurt the potential market for the original and derivatives of *The Cat*

in the Hat. The Second Circuit characterized this factor as calling for the striking of a balance "between the benefit the public will derive if the use is permitted and the personal gain the copyright owner will receive if the use is denied. The less adverse effect that an alleged infringing use has on the copyright owner's expectation of gain, the less public benefit need be shown to justify the use." *MCA, Inc. v. Wilson*, 677 F.2d 180, 183 (2d Cir.1981). The good will and reputation associated with Dr. Seuss' work is substantial. Because, on the facts presented, Penguin and Dove's use of *The Cat in the Hat* original was nontransformative, and admittedly commercial, it was concluded that market substitution was at least more certain, and market harm may be more readily inferred.

As a result of the above findings, the Court affirmed the earlier grant of the preliminary injunction based on the copyright or trademark infringement claims.

II. Next, the Court examined whether serious questions for litigation and a balance of hardships favoring Seuss existed on the federal trademark and unfair competition claims. They began by rejecting outright Penguin and Dove's claim that the injunction in this case constituted a prior restraint in violation of free speech guaranteed by the United States Constitution. See *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769 (8th Cir.1994).

The issue in trademark infringement actions is not the alleged appropriation of Seuss' creative expression, but rather, the likelihood of confusion in the marketplace as to the source of Penguin and Dove's *The Cat NOT in the Hat!*. "Likelihood of confusion" is the basic test for both common law trademark infringement and federal statutory trademark infringement.

"The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting consumers from confusion as to source." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157, 109 S.Ct. 971, 980, 103 L.Ed.2d 118 (1989).

The Ninth Circuit uses the eight-factor *Sleekcraft* test to analyze the confusion question in all trademark infringement cases, both competitive and non-competitive. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir.1979). The eight factors are as follows: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; (8) likelihood of expansion of the product lines.

The Court of Appeals upheld the district court's findings that under *Sleekcraft* many of the factors for analysis of trade-

mark infringement were indeterminate and posed serious questions for litigation. First, Penguin and Dove did not dispute that the Cat's stove-pipe hat, the words "Dr. Seuss," and the title "*The Cat in the Hat*" are widely recognized trademarks. Second and third, the proximity and similarity between the marks and the infringing items were substantial: figures on the front and back of the infringing work; the Cat's stove-pipe hat; the narrator ("Dr. Seuss" versus "Dr. Juice"); and the title (*The Cat in the Hat* versus *The Cat NOT in the Hat!*).

The Court then found that there was no evidence of actual confusion. Because *The Cat NOT in the Hat!* was enjoined from distribution, there had been no opportunity to prove confusion in the marketplace. Fifth, the marketing channels used were indeterminate. Sixth, the use of the Cat's stove-pipe hat or the confusingly similar title to capture initial consumer attention, even though no actual sale was finally completed as a result of the confusion, may be still an infringement. See *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 257-58 (2d Cir.1987). Seventh, Penguin and Dove's likely intent in selecting the Seuss marks was to draw consumer attention to what would have otherwise been just one more book on the O.J. Simpson murder trial. Eighth and last, the likelihood of expansion of the product lines was indeterminate.

In concluding, the Court was satisfied that the district court's determinations on the existence of serious questions for litigation and a balance of hardships favoring Seuss were not clearly erroneous. It was determined that the district court properly found that serious questions existed for litigation because many of the factors for analysis of trademark infringement (i.e. likelihood of confusion) were indeterminate. The good will and reputation associated with *The Cat in the Hat* character and title, the name "Dr. Seuss," and the Cat's Hat outweigh the \$35,500 in expenses suffered by the defendants who argued that the court should not have enjoined the entire book. It was found that they created their own all-or-nothing predicament when, even though the book had not yet been bound when Seuss initiated this action, Penguin and Dove still went forward with their production schedule and completed the stitching and binding. As a result, they can no longer alter the final product to eliminate the infringing elements. Penguin and Dove's decision left the court no choice but to enjoin the entire book. After carefully reviewing the record and considering all of the arguments on appeal, The Court of Appeals found "no reason to disturb the district court's carefully crafted and well-reasoned injunction order."