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## Questions and Answers: Copyright Column

Laura Gassaway

*University of North Carolina- Chapel Hill School of Law, [laura\\_gasaway@unc.edu](mailto:laura_gasaway@unc.edu)*

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# LEGAL ISSUES



Section Editors: **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>  
**Bryan M. Carson, J.D., M.I.L.S.** (Western Kentucky University) <bryan.carson@wku.edu>  
**Jack Montgomery** (Western Kentucky University) <jack.montgomery@wku.edu>

## Cases of Note — Sometimes It's Not a Federal Action #2

Column Editor: **Bruce Strauch** (The Citadel) <strauchb@citadel.edu>

**LARRY MONTZ V. PILGRIM FILMS & TELEVISION ET AL.**, UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT, 649 F.3d 975; 2011 U.S. App. LEXIS 9099.

Yes, it's the old how do you pitch an idea and not have it stolen? Well, it depends on trust, which is in short supply in Hollywood. A copyrighted script is protected, but the core concept can be ripped off and handed to word processor galley slaves to write anew.

The Supreme Court of California tried to do the honorable thing in 1956 and recognize an implied contractual right to compensation. **Desny v. Wilder**, 46 Cal.2d 715, 299 P.2d 257 (Cal. 1956). The "Desny claim" has remained alive for over fifty years. **Grosso v. Miramax Film Corp.**, 383 F.3d 965 (9th Cir. 2004). Of course, it requires an expectation on both sides that compensation will flow if a concept is used. But it's hardly likely the author intended it as a gift. And most importantly, it is not preempted by federal copyright law.

### So, Let's Go to the Facts of the Case

Yes, it's the old paranormal field investigator shtick. Is there nothing original in Hollywood?

Parapsychologist **Larry Montz** dreamed up a TV show that would follow his crack team on field investigations. You know, temperature drops in a room without reason. Photos of ghosts. **Jack Nicholson** smashes down hotel doors with an axe. Well, not that extreme. But you get the idea.

And they would have all kinds of cool gear. Magnetometers and infrared cameras. That kind of stuff to really add to the pseudo-scientific vibe.

From 1996 to 2003, **Montz** tirelessly pitched the idea to studios, producers and other suits. Took meetings. Held discussions. Included in this was **NBC** and the **Sci-Fi Channel**. Meh. No interest.

Then in 2006, **Ghost Hunters** appeared produced by a partnership of **NBC** and **Craig Pilgrim** as **Pilgrim Films**. **Joseph Conrad Hawes** and his crack team, armed with cool gear, travel America on paranormal field investigations.

**Montz** understandably felt ripped off, and so he sued. And **Montz'** lawyer had read up on **Desny** and specifically alleged breach of an

implied-in-fact contract. Plus, the ideas were pitched with the understanding that they were confidential and would not be used or disclosed without compensation.

*You can see where under copyright law there would be an issue of whether there was anything the least bit original about ghost hunters with cool gear.*

### Procedural fol-de-rol

**Montz** lost based on copyright law preempting state-law claims. He appealed and lost again before a three-judge panel. The Ninth Circuit ordered a rehearing *en banc*. Woo. All the black robes crowd in to consider the issue.

### Getting on all Fours with the Industry

Writers pitch scripts to the movies and TV all the time. Ideas are not protected under copyright, but a studio can violate an implied contract to pay the writer. In **Desny** — a writer — **Victor Desny** — entered into an implied contract with the famed director **Billy Wilder** (*Sunset Boulevard*, *Witness for the Prosecution*, *The Lost Weekend*). **Wilder** produced **Ace in the Hole** about a man trapped in a cave. The California Supreme Court held that **Desny** had sufficiently pled breach of an implied contract.

*So how interesting is that as a plot? Not terribly. So Wilder made Kirk Douglas into an unscrupulous, drunken reporter who bribes a sheriff to go slow on the rescue to maintain a media feeding frenzy. And Douglas has an affair with the caveman's wife, Jan Sterling, who wants out of their shabby trading post/café in the middle*

*of Nowheresville, New Mexico, thus lending a film noir allure to it. The caveman dies due to laggardly rescue. Jan stabs Kirk to death with pair of scissors.*

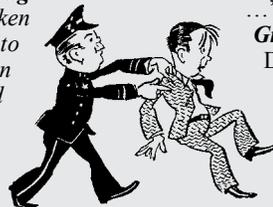
*Yes, it was a flop. Wilder made \$250,000. This was 1951, when the dollar bought something. Desny settled for \$14,350.*

### Copyright Preemption

The **Copyright Act of 1976** expressly preempts state claims if the work falls within the subject matter of copyright and state law provides rights that are equivalent. 17 U.S.C. § 301(a). But, of course, copyright does not apply to ideas not in a fixed medium. § 301(b). If the idea is in a fixed medium, then it's preempted. See **NIMMER**, **NIMMER ON COPYRIGHT** § 19D.03[A][3] (rev. ed. 2010).

To escape preemption, state law must provide rights that are qualitatively different from copyright. With implied-contract, there is an extra element — payment for use of an idea. See **Rokos v. Peck**, 182 Cal. App. 3d 604, 617 (1986). Further, copyright is a public monopoly while implied-in-fact contracts are between two parties. **Rokos**, 182 Cal. App. 3d at 617.

"The whole purpose of the contract was to protect Plaintiff's rights to his ideas beyond those already protected by the **Copyright Act ...**" **Groubert v. Spyglass Entm't Group**, No. CV 02-01803, 2002 U.S. Dist LEXIS 17769, 2002. And by golly, **Nimmer** expressly said this was a sound ruling because otherwise there would be a gap between copyright protection and industry custom. 🐾



## Questions & Answers — Copyright Column

Column Editor: **Laura N. Gasaway** (Associate Dean for Academic Affairs, University of North Carolina-Chapel Hill School of Law, Chapel Hill, NC 27599; Phone: 919-962-2295; Fax: 919-962-1193) <laura\_gasaway@unc.edu>  
[www.unc.edu/~unclng/gasaway.htm](http://www.unc.edu/~unclng/gasaway.htm)

**QUESTION:** *What does the 11th Circuit ruling in the Georgia State University case mean for libraries?*

**ANSWER:** The **GSU** case is not over but continues to work its way through the judicial

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system. This case has been discussed in several earlier columns, but on October 17, 2014, the U.S. Court of Appeals for the Eleventh Circuit reversed the decision of the federal district court and remanded the case to that court for reconsideration in light of its opinion. (See [www.media.ca11.uscourts.gov/opinions/pub/files/201214676.pdf](http://www.media.ca11.uscourts.gov/opinions/pub/files/201214676.pdf)). This case began in 2008 when three publishers sued GSU for copyright infringement for reproducing portions of their books for e-reserves, for its course management system, and in electronic course packs without permission or paying royalties. For a useful timeline of the case see the **Georgia State University Library** Website at <http://libguides.law.gsu.edu/gsucopyrightcase>.

The 11th Circuit affirmed the district court's holding on the first fair use factor (purpose and character of the use) and held that course reserves are not transformative use but that nonprofit educational uses are favored under fair use. The court found that the second factor (nature of the copyrighted work) was not of much value in this case but it did reverse the district court's holding on this factor, saying that it required a closer examination of the original work and of the composition of the analysis data. It found that the district court erred by establishing a strict quantitative test for the third factor (amount and substantiality used) and said that per se rules were not appropriate. On the fourth factor (market effect) the court agreed with the district court that small excerpts taken did not substitute for the book. The court also found error on the part of the district court by giving all four factors equal weight. It vacated the injunction, declaratory relief, and the award of attorney's fees and costs.

So, the case is not over. It is possible that there could be a settlement at this point, but it is also possible that the case will proceed to reconsideration by the district court in accordance with the 11th Circuit ruling. Thus, it is difficult to predict exactly what the case ultimately will mean for libraries. It is pretty clear that the old classroom guidelines are not much of a guide since they are clearly minimum and not maximum guidelines; that the course pack cases which involved commercial copy shops are not applicable to nonprofit educational institutions; and that putting portions of works in an e-reserve system is not transformative use.

**QUESTION:** *A corporate librarian asks a question about his photographs which have been published in a book and are already copyrighted by publisher. If the librarian posts the photographs on Facebook, does Facebook then own the copyright?*

**ANSWER:** According to the information provided, the publisher actually owns the copyright in the photographs as well as the book. Facebook does not own the copyright in photographs that users post.

A more important question is whether the librarian has the right to post those photographs on Facebook since he has transferred the copyright to the publisher of the book. The answer

depends on the transfer agreement he signed when he transferred the copyright to the publisher. If the librarian reserved any rights or did not specifically transfer the electronic rights, he would have the right to use the photographs that he "authored" by posting them.

**QUESTION:** *An editor of academic journals asks about situations in which authors "resubmit" papers based on research that has appeared in some form in another association's conference proceedings. What are the copyright implications when one version of a paper serves as a "launching point" for a new version? For example, a submitted article might draw from the authors' same core research and demonstrate overlap in its foundational discussion but present findings and implications that are unique to the new article and are targeted and, to some extent, rewritten to appeal to a particular journal's interests. (1) What are the general copyright concerns in this situation? (2) What burden is on the respective publishers? (3) What burdens fall on the author or authors? (4) If a journal wants to publish papers from conferences it sponsors and it holds the copyright in the proceedings, what if an author wants to adapt a paper and rework it into a new article?*

**ANSWER:** (1) Assuming that the author retained the copyright from the first paper, then publishing a later version with the editor's journal is no problem. The author owns the derivative right which includes the right to prepare new versions. A new version has a new copyright in the new material added, but anything used from the earlier version retains the copyright from the earlier version. If the journal owns the copyright, then the author can request that it grant back the derivative right to produce a later version.

(2) The publisher should make sure that the author actually did not transfer the copyright to a previous version to someone else. Typically, just presenting a paper at a conference does not require a transfer of copyright, so the author likely still owns it. Unfortunately, in my experience, authors often have no idea whether they transferred the copyright. In that situation, the publisher might require the author to indemnify the journal should someone else own the copyright and complain.

(3) Authors should be aware whether they own their own copyrights. If the author transferred the copyright to another publisher, then the author who creates a new version is infringing the copyright (which he or she no longer owns) by creating a derivative work. That is one of the reasons that I encourage publishers to take only the rights they need — reproduction and distribution plus the electronic rights, but not the derivative right.

(4) The first determination for the journal that published the conference proceedings is whether the journal actually owns the copy-

right in each individual paper or only in the compilation of the papers that is published as proceedings. To own each article, each author must execute a signed agreement to the journal which transfers the copyright to the journal for the individual paper. It is common for authors to adapt papers and turn them into another article. Many publishers understand this and are not so rigid about requiring individual authors to transfer the entire copyright. It is the compilation (the conference proceedings) that the publisher typically sells and in which it claims copyright. If it is important for the journal to

own the copyright in the individual article, it still can permit individual authors to retain their derivative rights so there is no confusion over whether the author can adapt a conference paper for publication as a later article.

**QUESTION:** *An academic librarian queries if permission to paraphrase a work is required.*

**ANSWER:** Not generally. Permission may be required to reproduce a work or a substantial portion of that work. If the paraphrase is of a lengthy section of work, it may be prudent to seek permission. Assume that the portion someone wants to use is several pages long and thus comprises a pretty substantial portion of the work. The paraphrase will be a bit shorter, but still relatively substantial (maybe half the length of the original). In all likelihood, permission for the long direct quote (reproduction) is needed, but it is a judgment call as to whether to seek permission for the paraphrase. On the other hand, if it is a short quote or paraphrase, no permission would be needed. Including a citation to the source is important, however.

**QUESTION:** *On the Liblicense discussion list, there has been some question about the meaning of "perpetual access" in library licenses for access to materials. What does perpetual access actually mean?*

**ANSWER:** Oddly enough, perpetual access may not actually mean forever. At the time the license agreement is executed, both parties mean that access will be guaranteed into the far distant future, hopefully forever. But what the copyright holder cannot guarantee is that it will continue to stay in business. Typically, when a business is sold, the buyer honors the contractual agreements entered into by the original owner prior to the transfer of ownership. But what happens if the company goes into bankruptcy? A court is not likely to order the company to continue to provide access when it is going out of business. So, perhaps what perpetual access means is that as long as the copyright owner is in business it guarantees access to its materials to libraries with which it has contracted. 🐼

