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Cases of Note-Copyright - A Desny Implied-in-Fact Contract

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LEGAL ISSUES



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Cases of Note — Copyright

A *Desny* Implied-in-Fact Contract

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GUNTHER-WAHL PRODUCTIONS, INC. ET AL V. MATTEL INC. COURT OF APPEAL OF CALIFORNIA, SECOND APPELLATE DISTRICT, DIVISION EIGHT, 104 Cal. App. 4th 27; 2002 Cal. App. LEXIS 5097

Michael Wahl was an attorney become animation exec with his company **Gunther-Wahl**. And it's the age of girl-oriented entertainment/consumer projects. Circa 1993, with his wife, **Candy Wahl** came up with "Flutter Faeries" and put together a presentation package.

At a NYC industry show, he met **Debra Gallinni** of **Mattel** who invited him to come in and show what they had. **Wahl** saw her as a gatekeeper and believed she wanted him to pitch cartoon ideas with toy applications.

Yes, *Hasbro's My Little Pony* had just had a successful decade of lapping up money from little girls and crazed adult collectors via toys, movies and TV. And is still going strong. Indeed there's the male fan base (age 13-35) called bronies from bro and pony.

Hasbro also had *Transformers* and *G.I. Joe* which **Mattel** countered with *He-Man* and *Masters of the Universe*. The last got a nod in *Tom Wolfe's "Bonfire of the Vanities."*

Gunther-Wahl and **Mattel** had their meeting in June of 1993. **Wahl** quite logically assumed **Mattel** knew he owned Flutter Faeries and would have to compensate him if it took them. Otherwise no one would show anything for fear of theft.

And **Wahl** sho' nuff laid on a concept. Segmented caterpillars hatch into half-butterly — hence flutter — half-human with magic powers — hence faerie. Each represented a season for the environmentally conscious angle.

And the spin-off products were consumerist heaven. Dolls, fashion, hair play, books shaped like each character, wands, fairy dust, costumes of wings and tiaras, a wasp coach. Woo. Fantasy, collectability, empowerment, romance. Ka-ching goes the cash register.

Wahl was not a newbie to this kind of thing. Industry custom was to stop you immediately if the toy company had a similar product under development.

Instead, he was told to leave his work for evaluation by **Mattel**. Compensation was not discussed, but this was an early stage. And no one had ever stolen anything from him before. He didn't see the need for a written contract to protect what he owned.

So how much would he make? **Harriet Beck**, an attorney and expert witness for **Wahl** testified that if materials are taken without negotiation, the normal industry standard is 8 percent of production cost.

Wahl had a subsequent lunch meeting with **Mattel** where the Faeries were discussed. **Mattel** pronounced the idea charming, "thought something was there," and asked if any animation had been done. **Wahl** sent them an animation reel. It was August, 1993 by then.

In October, **Mattel** announced they were going to pass on the project. **Wahl** asked for his materials back, but didn't get them until December. And he only got part of them.

Can you feel it building?

Yes, next **Wahl** learned **Mattel** had trademarked the name "Flutter Fairies" and in 1995 put out an animated TV series and lavish fairy products line. And of course there was litigation based on breach of an implied-in-fact contract.

And you spotted Fairies vs. Faeries. I personally prefer the Elizabethan look. Spenser's "Faerie Queen" and all that.

At trial **Mattel** presented evidence that fairies are not a unique idea and **Mattel** developed its product on its own. See *Teich v. General Mills* (1959) 170 Cal. App. 2d 791, 803-804 which holds independent conception and development lets you evade liability.

And the jury bought that and held for **Mattel**. Or was that their reasoning?

The Appeal

Wahl argued that the trial judge erred by instructing the jury that **Wahl** had had the obligation to condition his pitch disclosure on **Mattel's** agreement to pay. The judge completely ignored the basis of the suit — the notion that an invited pitch implies a promise to pay.

Declarations from jurors showed they didn't get the implied-in-fact contract idea and were baffled by the judge's instructions.

Declarations from jurors? Do they get to do that in California? And aren't all jurors everywhere baffled by judges' instructions?

And even though ideas can't be owned, 4 Nimmer on Copyright (1963) The Law of Ideas, section 1605.[D], pages 16-40 to 16-41 says an invitation to disclose ideas implies a promise to pay for the disclosure if the idea if used.

And that brings us to *Desny v. Wilder* (1956) 46 Cal.2d 715 which the trial judge should have been only too familiar with.

Now Who the Heck was Desny?

Screenwriter **Desny** sent a 65-page script to a movie studio about the rescue of a man trapped in a cave — a real event of the moment. Gatekeeper couldn't bother to read, wanted an elevator pitch. **Desny** phoned it in.

Desny is shocked (or not) to find his work made into a movie without him getting paid. Movie contained fictional add-ons **Desny** had invented. Also in **Desny's** favor, he had clearly stated that he expected to get paid if the idea was used.

A *Desny Implied-in-fact Contract* is now used as short-hand for these type issues.

Just to confuse you, one of the more widely used quotes from the case is: "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." *Id.* P.738-739.

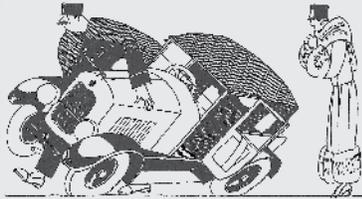
So how useful is that? He's drunk in a bar blurting ideas? Movie studio answers phone and he blurts his ideas?

I think you really need to look beyond a simple idea — how about some fairy dolls for little girls to collect? — to the complete product design and animation pilot Wahl presented.

Minnear v. Tors (1968) 266 Cal. App. 2d 495 is a nice **Desny** contract example. Author wrote and filmed a TV pilot entitled *Sea Divers*. Studio helped edit the film, gave a private showing, discussed the next steps (vaguely).

Writer outlined an entire season. Studio began production of *Sea Hunt*, hired writer's underwater photographer, tried to hire the leading man.

continued on page 52



Questions & Answers — Copyright Column

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QUESTION: *An academic librarian asks whether she may make a copy of a published work to use that while the original is being conserved.*

ANSWER: The *Copyright Act of 1976* permits libraries to reproduce works for the library itself when the reason for that is either to preserve an unpublished work or to replace a lost, damaged, stolen, deteriorating or obsolete copy. This question seems to assume that the library's copy of the work is deteriorating. Section 108(c) requires that a copy of the published work be currently in the collection and that the library make a reasonable effort to determine that an unused copy cannot be obtained at a fair price. If the work is deteriorating, and the other conditions are met, then the library may reproduce the work for its collection as a replacement copy.

Making a temporary copy for use during the time when the original copy is being conserved is not mentioned in the statute. It makes sense, however, that this would not be problematic since the purpose of that reproduction is to replace the original because it has deteriorated and the library is conserving it to ensure that it can continue to be available to users. After conservation, the temporary copy should be destroyed.

QUESTION: *A library blogger asks whether embedding a photograph in a tweet is copyright infringement.*

ANSWER: Everyone thought the answer to this was clear based on an earlier 9th Circuit U.S. Court of Appeals decision. A recent case from the Southern District of New York has decided a case involving embedding a photograph in a tweet, and that decision disagrees with the 9th Circuit holding. In *Goldman v. Breitbart News*, 2018 U.S. Dist. LEXIS 25215 (S.D.N.Y. Feb 15, 2018), the plaintiff took a photo of New

England Quarterback, **Tom Brady**, walking down the street and then uploaded it to Snapchat. It was copied from Snapchat and posted to Reddit and Twitter by others. Then news outlets and blogs picked up the story and embedded the tweet with their photograph in their online articles. **Goldman** sued for copyright infringement of his photograph.

The test used in the 9th Circuit came from *Amazon v. Perfect 10*, 508 F.3d 1146 (9th Cir. 2007) and is known as the "server." It holds that copyright liability attaches only if the defendant hosted the copyrighted material on its own server. Thus, embedding the infringing material of others has usually been liability free for the embedder. The judge in *Goldman* rejected the server test finding that defendants took "active steps to embed the copyrighted material and display it to the public which made hosting the material irrelevant." The court found that defendants transmitted the material to the public and infringed the photographer's exclusive right of public display. The judge also cited a U.S. Supreme Court case of *ABC v. Aereo*, 571 U.S. 1118 (2014), which said that mere technical distinctions invisible to the user should not be the linchpin to decide whether copyright infringement exists.

Some have characterized the dispute as one between the ends and the means. The decision of the district court is currently on appeal to the Second Circuit U.S. Court of Appeals, leaving the issue unclear and with a dispute among courts.

QUESTION: *A government documents librarian asks about the recent announcement that the Government Printing Office plans to include copyright information in GPO created bibliographic records.*

ANSWER: In May 2018, the U.S. GPO developed a plan to implement a recommendation from the Depository Library Council to provide copyright information in the bibliographic records that the GPO creates to support the Federal Depository Library Program and the mandated Cataloging and Indexing Program (CGP). The general statement will be added to the records, "Works of the U.S. Government are not subject to copyright protection pursuant to 17 U.S.C. § 105. This work may contain copyrighted material used with permission of the copyright owner. Learn more at the CGP's About page."

The plan is set for implementation in October 2018. Existing previously created bibliographic records will also be updated.

QUESTION: *A middle school librarian asks whether importing information from the web into PowerPoints is a copyright issue.*

ANSWER: The short answer is that it depends on what information is imported. Many materials posted on the web are copyright free or are covered by a **Creative Commons** license that permits reuse. The second issue is how the PowerPoint presentation will be used. Only in the classroom, placed in a content management system for use by students in a course or posted on the web for all to see?

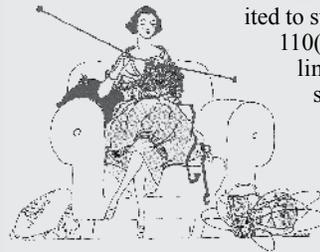
In order to display the presentation to the class in a nonprofit educational institution as a part of instruction, section 110(1) of the *Copyright Act* generally permits the display without permission of the copyright owner. If the PowerPoint presentation is posted on a course management system and its use is limited to students enrolled in a course, section 110(2) allows use of a reasonable and limited portion of work. There are some other requirements that must be met in order to take advantage of this exception.

If PowerPoint presentation is to be posted on the web with no restrictions on access, and it contains copyrighted materials, then permission should be obtained.

QUESTION: *A publisher asks why the concern about the proposed new European Union copyright law requiring mandatory filters to ensure that works are uploaded with permission.*

ANSWER: Although this is still just a draft proposal, it is moving closer to adoption in the European Union. Should it become law, there is fear that it will have a chilling effect on Internet norms such as memes and could negatively affect online freedom of expression.

The EU Parliament's legal affairs committee adopted two provisions on June 20, 2018. Article 11, "Protection of press publications concerning online uses" targets the news aggregator business models by creating a neighboring right for snippets of journalistic content that requires a license from the publisher to use this type of content. Article 13, "Use of protected content by online content sharing service providers," makes platforms directly liable for copyright infringements by their users. This pushes them to create filters that monitor all content uploads. One concern is that mandatory filters cannot distinguish between things like parody and infringing content. Small businesses may be especially negatively impacted if the EU Parliament adopts these proposals. An additional concern is that content owners can easily abuse such filtering systems. 🌿



Cases of Note from page 51

I wonder who that was. The show — a classic of the early '60s — made Lloyd Bridges famous and gave his two sons their starts in acting.

Anyhoo, getting back to our case, **Mattel** argued **Wahl** was a classic **Desny** who blurted out his ideas.

The appellate court disagreed. **Mattel** had invited him to present. The law does not require an express oral agreement on compensation for an implied contract. That's why it's implied.

The trial court had hemmed in the jury with that instruction and was reversed. 🌿