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RECENT COPYRIGHT CASE LAW DEVELOPMENTS

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\*294 A group of interesting, closely-watched copyright cases were decided during the last half of 1996. In a surprise to many practitioners, the Seventh Circuit held that shrink-wrap license agreements are enforceable,<sup>1</sup> casting doubt on a series of district court decisions where the opposite conclusion had been reached. The Eighth Circuit joined a growing minority of federal appellate courts that have held that defendants in copyright infringement actions are entitled to a trial by jury even though only statutory damages are demanded by the plaintiff.<sup>2</sup> These and other selected copyright cases reported in Volumes 39 and 40 of the United States Patents Quarterly, Second Series are summarized below.

### I. Computer Software Rental Amendments Act

In *Adobe Systems Inc. v. Brenengen*,<sup>3</sup> a software rental business accused of unlawfully renting Adobe's copyrighted software products argued that such rentals were grand-fathered under the Computer Software Rental Amendments Act of 1990<sup>4</sup> (hereinafter the Amendments Act).<sup>5</sup> The Amendments Act amended Section 109(b) of the 1976 Copyright Act to exclude computer programs from the application of the first sale doctrine embodied in Section 109(a).<sup>6</sup> The defendant, owner of the Software Exchange, argued that Section 804(b) of the Amendments Act provided an exclusion for software rental businesses established before the effective date of the Act.<sup>7</sup>

The district court disagreed and determined that Section 804(b) of the Amendments Act only applied to *copies* of software acquired before the effective date of the Act (December 1, 1991), and not to entire rental businesses.<sup>8</sup> The court found that the defendant engaged in renting software purchased after the effective date of the Amendments Act, and granted plaintiff's preliminary injunction motion \*295 enjoining the defendant from the rental, lease, or lending of Adobe's software products.<sup>9</sup> Interestingly, the court did not determine whether the copies of Adobe's software found in the defendant's possession were acquired before or after the effective date of the Amendments Act, only that the defendant engaged in the rental of software acquired after the effective date of the Amendments Act.

## II. Infringement

### A. Importation—Gray Market Goods

In *L'anza Research International Inc. v. Quality King Distributors, Inc.*,<sup>10</sup> the Ninth Circuit addressed the issue of whether the first sale doctrine embodied in section 109(a) of the 1976 Copyright Act bars an action under section 602(a) involving the exportation and reimportation into the United States of copyrighted goods originally manufactured in the United States.<sup>11</sup> In a series of prior decisions, the court held that the first sale doctrine does not bar an action under Section 602(a) where there has been a lawful sale abroad of *foreign* manufactured U.S. copyrighted goods.<sup>12</sup>

The *L'anza* decision is significant to the issue of "gray market" imports. Section 602(a) of the 1976 Copyright Act provides that the unauthorized importation of copies or phonorecords of a work that have been acquired outside the United States constitutes an infringement of the distribution right.<sup>13</sup> The importation right can prove potent for manufacturers of a wide array of goods. A multi-billion dollar industry has emerged around the parallel importation of foreign manufactured merchandise bearing U.S. trademarks.<sup>14</sup> This "gray market" hurts American trademark owners because they cannot reap the exclusive benefit of the U.S. market for their marks. Trademark law, which seemed to offer the best chance for stemming the flood of gray market imports, has proven much less potent than trademark owners had hoped.<sup>15</sup> However, given that a great number of manufactured goods incorporate labels, designs, instruction sheets, or other materials \*296 that are subject to copyright protection, section 602(a) (which bars importation of certain copyrighted works) frequently reaches gray market importation.<sup>16</sup>

The plaintiff in this case, L'anza, owns copyrights for packaging labels included on certain hair care products that it manufactures and distributes to vendors in the United States and abroad.<sup>17</sup> Foreign vendors pay approximately 40% less for L'anza products because they do not directly receive the benefits of the extensive advertising conducted by L'anza within the United States.<sup>18</sup>

The defendant, Quality King, purchased some of the labeled products from one of L'anza's foreign distributors, who was only authorized to distribute the products outside the United States.<sup>19</sup> Quality King then reimported the products into the United States for subsequent sale.<sup>20</sup> The district court concluded that the reimportation and sale of the L'anza products violated section 602(a) of the 1976 Copyright Act, and that the first sale doctrine embodied in section 109(a) did not apply as a defense.<sup>21</sup>

On appeal, the Ninth Circuit upheld the district court's decision, reasoning that section 602(a) would be rendered meaningless if section 109(a) were found to supersede the prohibition on importation.<sup>22</sup> In so doing, the court declined to follow the Third Circuit's decision in *Sebastian International Inc. v. Consumer Contacts Ltd.*,<sup>23</sup> in which the court held that the first sale doctrine bars an action under section 602(a) even if the goods in issue were sold outside of the United States, provided that they were manufactured in the United States and sold by the copyright owner.<sup>24,25</sup>

The *L'anza* court reviewed the legislative history of the 1976 Copyright Act and found no explicit reference to the interaction between sections 602(a) and 109(a).<sup>26</sup> However, the court was sympathetic to concerns that the importation of copies from outside the United States was undermining the right guaranteed to U.S. \*297 copyright holders in section 106(3)—namely, the right to “control the distribution (including the price and quantity) of copies through authorized channels *within* the United States.”<sup>27</sup> As a result, “copyright owners were deprived of the ‘full value’ to which they were entitled for the copies sold within the United States even though the imported copies may have been the subject of a valid first sale.”<sup>28</sup>

The court cited *Parfums Givenchy, Inc. v. C & C Beauty Sales, Inc.*<sup>29</sup> for the proposition that the “‘full value’—the price at which the copyright owner is willing to sell copies of his work—depends on market conditions that, in today's global market economy, varies from country to country.”<sup>30</sup> L'anza's interest in obtaining full value from the U.S. market was undercut by the unauthorized importation of its goods, even though the imported products were manufactured in the U.S. and sold by L'anza.<sup>31</sup> The court distinguished *Sebastian* along these lines:

The *Sebastian* court arrived at a contrary conclusion because it found that the copyright owner received the full value for the products that it sold to the South African distributor, in the form of the purchase price.... It may be that in *Sebastian*, the hair care products were not sold at a substantial discount, as they were in this case. Nonetheless, the *Sebastian* court appears to have missed the crucial point that unauthorized imports cause copyright owners to lose control over domestic distribution, thus driving down prices for goods sold through authorized channels in the U.S. market. This is just the evil that Congress sought to prevent in adopting Section 602(a).<sup>32</sup>

Professor Nimmer appears uneasy with this treatment of the difficult juxtaposition between sections 602(a) and 109(a). The problem, according to Nimmer, is that denying application of the first sale doctrine in situations involving the exportation and reimportation of goods made in the United States effectively ignores the language of section 602(a), which expressly limits application to “copies ... acquired outside the United States.”<sup>33</sup>

## B. Proof of Copying

In *Grubb v. KMS Patriots, L.P.*,<sup>34</sup> the First Circuit examined (in the context of a summary judgment motion) the proof required to establish that the defendant \*298 actually copied the plaintiff's work.<sup>35</sup> The work involved in this case was the new logo design used by the New England Patriots' football team.<sup>36</sup> The new Patriots' logo was created by Loh, an artist employed by a creative agency hired by NFL Properties.<sup>37</sup> Loh testified at his deposition that he began working on the new logo on January 28, 1993, after receiving a prior logo that the Patriots had considered but rejected.<sup>38</sup> Relying on computer-generated timesheets (that the parties stipulated could not be backdated), Loh testified that he substantially finished his work on February 4, 1993.<sup>39</sup>

It was undisputed that the plaintiff, Grubb, submitted an unsolicited logo to the Patriots on February 9, 1996.<sup>40</sup> Grubb contended that the Patriots provided Loh with Grubb's logo and that Loh then copied the essential elements.<sup>41</sup> Grubb submitted a declaration detailing similarities which, in Grubb's opinion, proved that Loh had copied his logo.<sup>42</sup>

The Patriots moved for summary judgment.<sup>43</sup> They contended that Grubb had not satisfied the burden of producing evidence from which a reasonable fact finder could infer that Loh had a reasonable opportunity to copy Grubb's work.<sup>44</sup> Grubb, citing *Flag Fables, Inc. v. Jean Ann's Country Flags and Crafts, Inc.*,<sup>45</sup> argued that when the designs in dispute are “so similar that

one must have been copied from the other, proof of access may not be required, because no explanation other than copying is reasonably possible.<sup>746</sup>

The district court granted the Patriots' motion,<sup>47</sup> stating that Loh's testimony as to "independent prior creation" rebutted a finding of access.<sup>48</sup> On appeal, the First \*299 Circuit declined to "consider whether 'independent prior creation' is a separate showing ... or whether any showing of access must, as a logical matter, necessarily be access *prior* to the creation of a defendant's work."<sup>49</sup> Instead, the First Circuit concluded that Grubb's declaration was not in direct conflict with Loh's testimony, inasmuch as "s imilarity cannot substitute for access."<sup>50</sup>

The Court dismissed Grubb's citation to *Flag Fables* as a mischaracterization of the holding of that case.<sup>51</sup> It should be noted, however, that the Fifth Circuit as well as other courts have held that where the similarities between the works in question are so striking as to preclude the possibility that the defendant independently arrived at the same result, no access need be shown.<sup>52</sup>

### C. Public Performances of Board Games

The Ninth Circuit found in *Allen v. Academic Games League of America, Inc.*<sup>53</sup> that the playing of copyrighted board games in an academic tournament does not constitute an infringing public performance within the meaning of section 106(4) of the 1976 Copyright Act.<sup>54</sup> In this case, the plaintiff, Allen, owned the copyrights in a variety of academic board games that he developed for classroom settings and student competitions.<sup>55</sup> The plaintiff also conducted national tournaments where his games were played by students.<sup>56</sup> The plaintiff commenced an infringement action against the defendant, Academic Games League of America (AGLOA), and its principals (his former coworkers) when they permitted some of his games to be played at an academic tournament held simultaneously with a similar tournament offered by Allen.<sup>57</sup>

Allen argued that purchasers of his board games only obtain the right to play the games in non-public settings.<sup>58</sup> In rejecting such a broad interpretation of the performance right, the court stated that although the definition of the word "perform" in section 101 of the 1976 Copyright Act includes the term "play," the \*300 word "perform" has not been extended to the "playing" of board games.<sup>59</sup> Rather, it has been generally limited to the "playing" of music or records.<sup>60</sup>

The court further indicated an unwillingness to extend the performance right to board games since to do so would "allow the owner of a copyright in a game to control when and where purchasers of games may play the games."<sup>61</sup> The court was unwilling to place such an undue restraint on consumers stating: "Whether privately in one's home or publicly in a park, it is understood that games are meant to be 'played.'"<sup>62</sup> The court made a clear choice not to create the same restrictive environment for board games as exists for the performance of musical compositions.

The court further found that even if the playing of games were a performance within the meaning of section 106(4) of the 1976 Copyright Act, such a performance would be a fair use of Allen's copyrighted works under section 107.<sup>63</sup> The court directly addressed the first and fourth factors in section 107,<sup>64</sup> reiterating that the purpose of the nonprofit AGLOA tournaments was to encourage education, and that the effect of the academic tournaments on the potential market for the games was likely to be an increase in the overall demand for the games.<sup>65</sup>

### D. Right to Jury Trial

In *Cass County Music Co. v. C.H.L.R., Inc.*,<sup>66</sup> the Eighth Circuit joined the Fourth and Seventh Circuits<sup>67</sup> in holding that defendants in copyright infringement actions are entitled to a trial by jury even though only statutory damages are demanded by the plaintiff.<sup>68</sup> Despite the decision by the Eighth Circuit, the majority rule amongst circuit courts, including the Fifth Circuit, remains that jury trials are \*301 not available to defendants when the plaintiff seeks only statutory damages as opposed to actual damages.<sup>69</sup>

*Cass County Music* was a garden-variety infringement action brought by two publishing company members of the American Society of Composers, Authors & Publishers (ASCAP).<sup>70</sup> The action was brought by the plaintiffs after the defendants repeatedly performed the plaintiffs' musical compositions at the defendants' comedy club without obtaining a license from the plaintiffs or ASCAP.<sup>71</sup>

The district court denied the defendants' demand for a jury trial.<sup>72</sup> Moreover, upon the plaintiffs' motion for summary judgment, the district court: (1) found the defendants jointly and severally liable as a matter of law for the infringing performances of plaintiffs' musical compositions; (2) enjoined them from further infringing performances; and (3) awarded the plaintiffs statutory damages, attorney's fees, and costs.<sup>73</sup>

On appeal, the Eighth Circuit affirmed the district court's determination regarding liability—stating that in view of the defendants' conduct, the plaintiffs gave defendants “a break” by not seeking statutory damages in the range permitted for willful infringements.<sup>74</sup> However, the Eighth Circuit concluded that the defendants were entitled to a jury trial on the issue of the amount of the statutory damages to be awarded against them, and remanded the case to the district court on this basis alone.<sup>75</sup>

Upon reviewing section 504(c) and its legislative history, the court was unable to ascertain whether Congress intended to provide for a right to jury trial.<sup>76</sup> Thus, the court turned to the question of whether the Seventh Amendment mandated the defendants' entitlement to a jury trial.<sup>77</sup> The court applied the two prong test set forth by the Supreme Court in *Granfinanciera, S.A. v. Nordberg*.<sup>78</sup> Under the first prong of the *Granfinanciera* test, the court held that in copyright infringement actions, legal rather than equitable rights are involved.<sup>79</sup> The court noted that the recent Supreme Court case *Markman v. Westview* held that patent infringement suits adjudicate legal rather than equitable rights.<sup>80</sup> The court further reasoned that since patent rights arise from the same constitutional provision,<sup>81</sup> require similar elements of proof, and have been treated similarly by the Supreme Court, copyright infringement cases should also adjudicate legal as opposed to equitable rights.<sup>82</sup>

In applying the second prong of the *Granfinanciera* test, the court held that the determination of statutory damages is necessary to preserve the substance of the common-law right of a jury trial.<sup>83</sup> In reaching this conclusion, the court opined that the assessment of statutory damages is easily performed by a jury.<sup>84</sup> The court further stated that while statutory damages have long been considered restitutionary in nature (a common factor tending to indicate their equitable nature), they do not, on balance, have the attributes of equitable relief because, *inter alia*, they have been long used to punish copyright infringers.<sup>85</sup> Punitive damages, according to the Eighth Circuit are issued by courts of law, not courts of equity.<sup>86</sup>

## E. Substantial Similarity

In *Harbor Software, Inc. v. Applied Systems, Inc.*,<sup>87</sup> the Southern District Court of New York held that the “substantial similarity” test applies to non-literal protectable elements of a computer program—*e.g.*, selection and organization of database fields, data flow aspects of software modules, and source code descriptions of software modules—while the “trivial difference” test applies to compilations embodied in the computer program, such as screen displays and reports.<sup>88</sup>

\*303 Harbor Software accused Applied Systems of copying portions of its business software.<sup>89</sup> In a previous decision, the court applied the abstraction-filtration-comparison test set forth in *Computer Associates International, Inc. v. Altai, Inc.*<sup>90</sup> and found the selection, arrangement, and organization of the non-literal elements of Harbor Software's computer program protectable under the 1976 Copyright Act.<sup>91</sup>

Applied Systems moved for summary judgment of non-infringement of those protectable elements.<sup>92</sup> Applied Systems argued that the trivial difference test set out in *Kregos v. Associated Press*<sup>93</sup> (a blank forms case) should be applied to exhibits protected due to the selection, arrangement, and organization.<sup>94</sup> Although it is not entirely clear from the opinion, it appears that Applied Systems argued that the selection, arrangement, and organization involved in the work at issue required only minimal creativity.<sup>95</sup> Since the trivial difference test is applied to works in which minimal creativity was contributed by the author (such as compilations), Applied Systems argued that the trivial difference test should apply to those elements.<sup>96</sup> The trivial difference test permits the defendant to avoid a finding of infringement if the defendant can demonstrate that his work “differs in more than a trivial degree” from the plaintiff's work.<sup>97</sup>

Harbor Software countered that the traditional “substantial similarities” test is appropriate.<sup>98</sup> Under this test, the court determines whether the protectable elements of the plaintiff's work, standing alone, are substantially similar to the same elements in the defendant's work.<sup>99</sup> The court acknowledged that the substantial similarity test is applied where the copyrighted work contains both protectable and unprotectable elements.<sup>100</sup>

Upon review, the court held that the substantial similarity test is the appropriate standard for determining whether the

defendant's software exhibits "infringing similarity" to the non-literal elements of the plaintiff's computer \*304 programs.<sup>101</sup> The court also held: "The terms selection, arrangement, and organization are the stock language copyright law uses to refer to the creative contributions an author makes in the development of the protectable elements of a work that contains both protectable and unprotectable elements."<sup>102</sup> The court previously found the screen displays and reports of the computer program protectable as compilations of factual information.<sup>103</sup> As such, the screen displays and reports, according to the court, required minimal creativity to create, and should therefore be scrutinized under the trivial difference test.<sup>104</sup>

### III. Jurisdiction

#### A. Subject Matter Jurisdiction—Acts Outside the United States

In *Kolbe v. Trudel*,<sup>105</sup> the plaintiff, Kolbe (a U.S. resident), licensed the defendants, Trudel (a Canadian citizen) and his closely-held company (a Canadian corporation), to use in Canada certain textual "test instruments" Kolbe had developed.<sup>106</sup> Kolbe claimed that Trudel had exceeded the scope of the license by translating the materials from English into French in Canada.<sup>107</sup> Kolbe did not allege that Trudel committed any infringing acts within the United States.<sup>108</sup> Instead, Kolbe argued that her license with Trudel contained: (1) a choice of law clause requiring application of Arizona law; and (2) a choice of forum clause providing for Arizona jurisdiction for of all disputes arising under the license.<sup>109</sup> This, Kolbe contended, was sufficient for the court to exercise subject matter jurisdiction over the dispute.<sup>110</sup>

However, the district court disagreed.<sup>111</sup> Relying on a Ninth Circuit decision, *Subafilms, Ltd. v. MGM-Pathe Communications Co.*,<sup>112</sup> the court found that it lacked subject matter jurisdiction under the 1976 Copyright Act to decide the issue of \*305 infringement, notwithstanding the license, because the alleged acts of infringement occurred outside the United States.<sup>113</sup> The court further noted that " t he parties cannot agree to invest this Court with subject matter jurisdiction."<sup>114</sup> However, the court did leave open the possibility that Kolbe might bring an action in the United States under the copyright laws of another country.<sup>115</sup>

### IV. Ownership

#### A. Joint Authorship

In an issue of first impression in the Fifth Circuit, the Western District Court of Texas held in *Clogston v. American Academy of Orthopaedic Surgeons*<sup>116</sup> that the intent of putative joint authors to be "joint authors," as that term is commonly understood, is dispositive as to whether a work is a "joint work" under the 1976 Copyright Act.<sup>117</sup> The court observed that finding a joint work when the parties intended merely "to create a unitary finished work was simplistic, and would 'extend joint author status to many persons who are not likely to have been within the contemplation of Congress."<sup>118</sup>

Section 101 of the 1976 Copyright Act defines a joint work as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."<sup>119</sup> Relying upon the interpretation of joint authorship within the Second and Seventh Circuits,<sup>120</sup> the court defined the following test for joint authorship: (1) the collaborators each intended to be a joint author of the work; (2) each author's work was independently copyrightable; and (3) the authors intended that their works be merged into inseparable or interdependent parts of the whole.<sup>121</sup>

\*306 In the case at bar, the American Academy of Orthopaedic Surgeons (AAOS) published a textbook and accompanying slide set on emergency care.<sup>122</sup> Heckman, the chairman of the Board of Editors for the textbook, was a professor at the University of Texas Health Science Center at San Antonio.<sup>123</sup> He suggested that Clogston, an employee in his department, supply photographs for the fourth edition of AAOS's textbook. Clogston did so and was paid a fee for the photographs he submitted.<sup>124</sup> The photographs were used in the fourth edition of the textbook and, without Clogston's authorization, some of the photographs were used in the fifth edition as well.<sup>125</sup>

Clogston claimed that AAOS infringed his rights by publishing the photographs in the fifth edition of the textbook.<sup>126</sup> He further claimed, somewhat inconsistently, that he was a joint author of the copyright in the fourth edition and was therefore entitled to half the profits from both the sales of the fifth and sixth editions of the textbook and the accompanying slide set.<sup>127</sup>

In reviewing the case, the court focused on the intent requirement of the joint authorship test.<sup>128</sup> It was undisputed that Clogston was listed on the credits page of the text as a photographer; moreover, Clogston never complained about a lack of credit with regard to editorship.<sup>129</sup> The court also examined the work relationship between Clogston and Heckman and found that although they would meet and discuss chapters of the text, that behavior alone did not manifest an intent on the part of either Heckman or AAOS that Clogston be a co-author of the fourth edition.<sup>130</sup> Further, upon reviewing Clogston's deposition testimony, the court failed to find the requisite intent at the time Clogston requested credit as a photographer.<sup>131</sup> Finding no evidence of joint authorship intent by either Clogston or AAOS, the court granted summary judgment for the defendants.<sup>132</sup>

### **\*307 B. Live Events**

The Southern District Court of New York was called upon in *The Big Fights, Inc. v. Ficara*,<sup>133</sup> to decide who owns the copyrights in films of boxing matches—the filmmakers or the boxers themselves.<sup>134</sup> In this case, the plaintiff, Big Fights, asserted a claim of copyright infringement against the defendant, Ficara.<sup>135</sup> Big Fights alleged, and the court found, that Big Fights had purchased the copyrights to the film footage in issue from the fight promoters.<sup>136</sup> Big Fights charged Ficara with distributing videotapes containing footage from those films in violation of Big Fights's copyrights.<sup>137</sup>

Ficara sought a summary judgment determination that Big Fights did not own the copyrights in the film footage because the fight promoters never owned the original copyrights.<sup>138</sup> Specifically, Ficara argued that it was the fighters who created the fights and that there was “nothing to film but the fights.”<sup>139</sup>

The court denied Ficara's summary judgment motion.<sup>140</sup> In so doing, the court, citing *Baltimore Orioles, Inc. v. Major League Baseball Players Ass'n.*,<sup>141</sup> opined that the contribution to the films made by the cameramen, including decisions on camera angles, supplied the creativity required for copyrightability.<sup>142</sup> Since the films are copyrightable, the court found that the authorized filmmaker, not the boxers, owned the copyrights to the films.<sup>143</sup>

### **C. Works Made for Hire**

In *Maness v. Heavrin*,<sup>144</sup> the Eighth Circuit explored the “work made for hire” doctrine in the context of movie-making. In this case, the court affirmed the district court's ruling that Maness was an employee of Heavrin's, even though there was no \*308 written agreement, and Maness was to collect 27% of the movie's revenues.<sup>145</sup> The court held that the trial judge did not clearly err in finding an employer-employee relationship since the definition of “employee” is flexible under the “work for hire” doctrine.<sup>146</sup>

The trial court found that Maness was paid a salary of \$200 per week and that Heavrin was in the ongoing business of making videos and movies.<sup>147</sup> The trial court also found that Heavrin had the right to control the manner by which the movie was made, the equipment was supplied, and the workers were paid.<sup>148</sup> The district court compared these factors with those found in *Community for Creative Non-Violence v. Reid*,<sup>149</sup> leading the court to conclude that Maness was an employee of Heavrin.<sup>150</sup> Consequently, the Eighth Circuit held that the trial court's findings were supported by the record and not in conflict with the fact that Maness collected a percentage of the revenues.<sup>151</sup>

### **D. Registration**

In an interesting case, the Southern District Court of New York granted the defendant's motion for summary judgment based upon the invalidity of the plaintiff's copyright registration in *Fonar Corp. v. Magnetic Resonance Plus, Inc.*<sup>152</sup> In this case, the plaintiff, Fonar, failed to set forth the specific elements of its computer software that were allegedly copied by the defendant, Magnetic Resonance Plus, Inc. (MRP).<sup>153</sup> Fonar had registered the software as a collection under 37 C.F.R. § 202.3(b)(3), which provides that elements of a copyrightable work are considered a “collection” if the elements are assembled in an orderly form, have the same title identifying the collection, have the same copyright owner, and have at least one author in common.<sup>154</sup> As a collection, Fonar had deposited the first twenty-five pages of the first source code module and the last twenty-five pages of the last source code module without sufficient identifying materials.<sup>155</sup>

\*309 The court held that, in registering the software as a collection, Fonar had failed to identify the works that were the subject of the copyright.<sup>156</sup> The court also doubted whether a computer software system composed of a group of modules was

capable of being registered as a collection.<sup>157</sup> Thus, MRP successfully shifted the burden of proof on the issue of validity back onto Fonar's shoulders.<sup>158</sup>

When pressed for a definition of its software, Fonar provided vague definitions containing both internal inconsistencies and uncopyrighted elements.<sup>159</sup> The court, quoting an earlier decision against Fonar, stated: "Fonar has adhered to the most elusive of definitions and has refused repeatedly to provide the documents that would narrow and clarify the issue."<sup>160</sup>

Therefore, Fonar failed to provide a concise definition of the software and also failed to show how the work was copyrightable. Because Fonar failed to show that the work contained copyrightable elements, it naturally could not show that the defendant copied protectable elements from its software.<sup>161</sup>

## V. Subject Matter

### A. Copyrightability—Blank Forms

In *Hollister, Inc. v. Uarco, Inc.*,<sup>162</sup> the Northern District Court of Illinois clarified the "blank form doctrine" that originated in the seminal Supreme Court case, *Baker v. Selden*.<sup>163</sup> In *Baker*, the Supreme Court held that "blank account-books are not the subject of copyright."<sup>164</sup> The blank form doctrine has since been codified in regulations issued by the United States Copyright Office (hereinafter Copyright Office).<sup>165</sup> The current regulation precludes copyright protection for "blank forms, such as time cards, graph paper, account books, diaries, bank checks, \*310 scorecards, ... and the like, which are designed for recording information and do not in themselves convey information."<sup>166</sup>

The defendant, Uarco, publishes medical reporting forms.<sup>167</sup> The plaintiff, Hollister, alleged that Uarco's forms were virtually identical to Hollister's own medical reporting forms.<sup>168</sup> The court, *sua sponte*, requested that the parties brief the application of the blank forms doctrine to the case.<sup>169</sup> Uarco argued that Hollister's forms were not entitled to copyright protection inasmuch as they were filled out in connection with a system of recordkeeping.<sup>170</sup> The court held that "whether or not a form is part of a larger system of recordkeeping is irrelevant" for purposes of determining whether the forms are copyrightable.<sup>171</sup> Instead, the court opined that the pertinent inquiry is whether the information sought by the form is unique and whether the arrangement of headings and categories display sufficient creativity to warrant copyright protection.<sup>172</sup> Based upon its own review, the court determined that the plaintiff's form seemed to employ obvious headings and categories, but ordered further factual inquiry to resolve the issue.<sup>173</sup>

### B. Derivative Works

In *Lee v. Deck the Walls, Inc.*,<sup>174</sup> the Northern District Court of Illinois confronted an issue of first impression in the Seventh Circuit related to derivative works. The court was called upon to decide whether an authorized copy of a copyrighted work of visual art may be physically incorporated into a separate article (*e.g.*, a ceramic tile) for subsequent resale without violating the copyright owner's exclusive right to prepare derivative works.<sup>175</sup>

In this case, the plaintiff, Lee, was an artist who sold 430 of her copyrighted note cards to the defendant, Deck the Walls.<sup>176</sup> Each note card was subsequently trimmed, glued to a ceramic tile, covered with a clear epoxy resin, and sold by Deck the Walls to third parties.<sup>177</sup> Lee claimed that Deck the Walls infringed her copyrights, arguing that the ceramic tiles incorporating her note cards constituted unauthorized derivative works.<sup>178</sup> The district court granted summary judgment in favor of Deck the Walls, finding that the ceramic tiles were mere mediums of display, not derivative works.<sup>179</sup>

In reaching its decision, the court focused on the art work itself instead of focusing on the mounting material or the ultimate use for the tiles (*i.e.*, whether the ceramic tiles were to be used as wall decorations, trivets, or floor tiles).<sup>180</sup> The court noted that Deck the Walls's incorporation of the copyrighted note cards onto ceramic tiles did not transform, adapt, or recast the original works into new and different works.<sup>181</sup> The court noted that its conclusion hinged on whether the alleged new "work" contains sufficient originality, as required by the Constitution and 1976 Copyright Act, for it merit "derivative work" status.<sup>182</sup> To this end, the court was persuaded that the Copyright Office refused the defendant's copyright application for the ceramic tile mounted note card because the "work does not contain any original artistic expression ...."<sup>183</sup>

In so holding, the court refused to follow the Ninth Circuit in *Mirage Additions, Inc. v. Albuquerque Art Co.*<sup>184</sup> Although



*Mirage Additions* also involved Deck The Walls and the same ceramic tile mounting process, the Ninth Circuit found that the mounting process and distribution of the resulting ceramic tiles constituted copyright infringement.<sup>185</sup> That case is widely viewed to be a “high water mark” with regard to the protection of visual art works against unauthorized derivative use.

## VI. Preemption

In *ProCD Inc. v. Zeidenberg*,<sup>186</sup> the Seventh Circuit held that conduct-based license agreements (commonly referred to as “shrinkwrap” agreements) are **\*312** enforceable.<sup>187</sup> This was the first decision by a federal appeals court validating shrinkwrap license agreements. The decision may extend beyond consumer software transactions and could validate many types of agreements formed on-line and accepted by conduct.<sup>188</sup>

ProCD produced a computer database, SelectPhone, which contained more than 95 million residential and commercial telephone listings from more than 3,000 telephone directories.<sup>189</sup> The database was distributed on CD-ROM and was also available through America Online™ (for a fee).<sup>190</sup> ProCD had spent more than \$10 million developing and maintaining the product.<sup>191</sup> They offered two versions: (1) a consumer version (at a price of \$150) that permitted only personal use of the product; and (2) a more expensive commercial version that permitted users to create customized searches and to develop marketing and direct mailing lists in accordance with the terms in the shrinkwrap license agreement.<sup>192</sup> The outside of the SelectPhone box contained a notice that use of the software was restricted by a license agreement.<sup>193</sup> The specific terms of the license were detailed in a manual contained in the box and also appeared on the user’s screen each time the user ran the software program.<sup>194</sup> The consumer could not see the terms of the license agreement until after they purchased the product and opened the box.<sup>195</sup>

**\*313** The defendant, Zeidenberg, purchased the consumer version of the SelectPhone software product, copied data from its database, and distributed the data over the Internet through Silken Mountain Web Services Inc., a corporation founded and controlled by the defendant.<sup>196</sup> Zeidenberg purchased two updates to the database (subject to identical shrinkwrap license restrictions) and distributed them in a similar manner, violating the terms of the shrinkwrap license agreement contained in the consumer version of the product.<sup>197</sup>

The district court held that the shrinkwrap license was not a binding contract because: (1) the license terms were not visible to the consumer at the time of purchase;<sup>198</sup> and (2) federal copyright law preempted enforcement of the license.<sup>199</sup> On the issue of contract formation, the district court held that the contract was formed at the time of purchase and, therefore, the purchaser could not be bound by terms that were unknown at that time.<sup>200</sup> The Seventh Circuit, however, reasoned that by opening and using the software, the defendant agreed to be bound by the terms of the license.<sup>201</sup> It is important to reiterate, however, that only a reference to the license agreement was printed on the outside of the box—the defendant was unable to read the actual license agreement until after the software was purchased.<sup>202</sup>

The district court analyzed the license terms that were unknown to Zeidenberg at the time of purchase under sections 2-207 and 2-209 of the Uniform Commercial Code (UCC).<sup>203</sup> Section 2-207 treats additional written terms sent after acceptance as “proposals for addition to the contract.”<sup>204</sup> Section 2-209 controls proposed modifications to an already formed contract.<sup>205</sup> Under either clause, the new terms of the license agreement would not become a binding part of the agreement unless Zeidenberg expressly agreed to them. Since acceptance by conduct fails to satisfy the **\*314** requirement of express consent, the district court concluded that the shrinkwrap license was unenforceable.<sup>206</sup>

In contrast, the Seventh Circuit relied upon an analysis of section 2-204 of the UCC, which allows a contract to be “made in any manner” including conduct.<sup>207</sup> According to the Seventh Circuit, ProCD was entitled to define how its offer could be accepted.<sup>208</sup> The court also relied upon section 2-606 of the UCC, which provides that a buyer has accepted goods if, having had an opportunity to inspect the goods, the buyer fails to reject them.<sup>209</sup> Under the license agreement, ProCD offered Zeidenberg a full refund if he rejected the terms of the shrinkwrap license and returned the SelectPhone product.<sup>210</sup> Zeidenberg did not take this option. The Seventh Circuit held that he thereby accepted the license terms.<sup>211</sup> This reasoning suggests that the terms of a shrinkwrap license are an element of the goods, rather than a separate agreement relating to the goods.

On the issue of preemption,<sup>212</sup> the district court held that section 301 of the 1976 Copyright Act prevents enforcement of shrinkwrap licenses.<sup>213</sup> This section preempts any legal or equitable rights under state law that are equivalent to any of the exclusive rights contained in section 106 of the 1976 Copyright Act, and that are within the subject matter of copyright, as

defined by sections 102 and 103 of the Act.<sup>214</sup> The Seventh Circuit found that “courts usually read preemption clauses to leave private contracts unaffected.”<sup>215</sup> The court added that regardless of how restrictive a license \*315 agreement is, “a simple two-party contract is not ‘equivalent to any of the exclusive rights within the general scope of copyright’ and therefore may be enforced.”<sup>216</sup>

The Seventh Circuit further noted the economic benefit derived from ProCD’s engagement in “price discrimination.” By charging different prices to different groups of users, software vendors were allowed to expand the overall market. The enforceability of the shrinkwrap license agreements is key to separating customers into “consumer” and “commercial” groups. The Court concluded that consumers benefit from the enforceability of the shrinkwrap license terms by getting the product at a reduced cost.<sup>217</sup>

## VII. Remedies

### A. Statutory Damages

The Eleventh Circuit in *MCA Television, Ltd. v. Feltner*<sup>218</sup> held that each episode of a television series is a separate “work” for the purposes of calculating statutory damages under section 504(c) of the 1976 Copyright Act.<sup>219</sup> In this case, Feltner broadcasted at least 900 unauthorized episodes of certain television series, such as *Kojak* and *The A Team*.<sup>220</sup> The statutory damages provision of the Copyright Act provides that “the copyright owner may elect ... an award of statutory damages for all infringements involved in the action, with respect to any one work.”<sup>221</sup> In attempting to define the term “work,” the First, Second, and D.C. Circuits have held that “separate copyrights are not distinct ‘works’ unless they can ‘live their own copyright life.’”<sup>222</sup> This test focuses on the independent economic value and the independent viability of the copyrighted work.<sup>223</sup>

Feltner argued that it is an industry practice to license television series, not episodes thereof. Consequently, individual episodes are not commercially viable in and of themselves.<sup>224</sup> The court rejected this argument and found that a decision by \*316 a distributor of television programs to license series rather than individual episodes “in no way indicates that each episode of a series is unable to stand alone.”<sup>225</sup> The court held that each episode is an individual work because each episode was produced independently, aired independently, and copyrighted individually.<sup>226</sup>

Feltner’s argument that the episodes were part of a collective work was also rejected.<sup>227</sup> The 1976 Copyright Act provides that “all the parts of a compilation or derivative work constitute one work,”<sup>228</sup> and defines “compilation” to include collective works, such as anthologies.<sup>229</sup> Feltner argued that each television series was an anthology and, thus, one work.<sup>230</sup> In rejecting this argument, the Eleventh Circuit cited the Second Circuit’s *Twin Peaks* decision, wherein a similar argument was rejected with respect to a serial television show with a continuing plot.<sup>231</sup> The Second Circuit held that the copyright owner is not limited to one award of statutory damages “just because he or she can continue the plot line from one episode to the next.”<sup>232</sup>

In *MCA Television*, the Eleventh Circuit found Feltner’s argument weaker than the argument rejected by the Second Circuit in *Twin Peaks* because the series at issue had individual plots for each episode.<sup>233</sup> Therefore, the court affirmed the district court’s decision that each unauthorized episode broadcast by Feltner constituted one work.<sup>234</sup>

As noted above, the fact that each episode was individually copyrighted was one factor the court considered in determining that each television episode was an individual work. The court specifically stated that “[e]ach episode was produced independently from the other episodes and each was aired independently from preceding and subsequent episodes. Moreover, each episode, and not each series, was individually copyrighted by MCA.”<sup>235</sup> Although the court did not appear to put primary emphasis on individual copyrights, it did consider this factor. Based on this \*317 holding, it may be wise to individually copyright works that are part of a series or collection.

## Footnotes

<sup>a1</sup> Conley, Rose & Tayon, P.C., Austin, Texas. Contributors: Darryl J. Adams, Lila B. Glaser, Eric A. Stephenson, and Joseph T. Van Leeuwen all with Conley, Rose & Tayon, P.C., Austin, Texas.

1 ProCD Inc. v. Zeidenberg, 86 F.3d 1447, 1455, 39 U.S.P.Q.2d (BNA) 1161, 1167 (7th Cir. 1996) (Easterbrook, J.).

2 Cass County Music Co. v. C.H.L.R., Inc., 88 F.3d 635, 644, 39 U.S.P.Q.2d (BNA) 1429, 1437 (8th Cir. 1996).

3 928 F.Supp. 616, 40 U.S.P.Q.2d (BNA) 1063 (E.D.N.C. 1996).

4 17 U.S.C. § 109(b) (1976), *amended by* Computer Software Rental Amendments Act, Pub. L. No. 101-650, 104 Stat. 5134, 5135 § 804(b) (1990). Section 804(b) states:  
Prospective Application—Section 109(b) of title 17, United States Code, as amended by Section 802 of this Act, shall not affect the right of a person in possession of a particular copy of a computer program, who acquired such copy before the date of the enactment of this Act, to dispose of the possession of that copy on or after such date of enactment in any manner permitted by Section 109 of title 17, United States Code, as in effect on the day before such date of enactment.

5 *Adobe*, 928 F.Supp. at 618, 40 U.S.P.Q.2d at 1064.

6 17 U.S.C. § 109(b) (1976), *amended by* Computer Software Rental Amendments Act, Pub. L. No. 101-650, 104 Stat. 5134, 5135 § 802(2) (1990).

7 *Adobe*, 928 F.Supp. at 618, 40 U.S.P.Q.2d at 1064.

8 *Id.*

9 *Id.*

10 98 F.3d 1109, 40 U.S.P.Q.2d (BNA) 1385 (9th Cir. 1996).

11 *Id.* at 1111, 40 U.S.P.Q.2d at 1386.

12 *Id.* at 1113, 40 U.S.P.Q.2d at 1388; *see* Parfums Givenchy v. Drug Emporium, 38 F.3d 477, 480-81, 32 U.S.P.Q.2d (BNA) 1512, 1515 (9th Cir. 1994), *cert. denied*, 115 S.Ct. 1315 (1995); BMG Music v. Perez, 952 F.2d 318, 319, 21 U.S.P.Q.2d (BNA) 1315, 1318 (9th Cir. 1991).

13 17 U.S.C. § 602(a) (1994).

14 *See* 2 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT, § 8.11 [B], at 8-139 (1996).

15 *Id.* at 8-140.

16 *Id.* at 8-141.

17 *L'anza*, 98 F.3d at 1111-12, 40 U.S.P.Q.2d at 1386.

18 *Id.* at 1111, 40 U.S.P.Q.2d at 1386.

19 *Id.*

20 *Id.*

21 *Id.* at 1113-14, 40 U.S.P.Q.2d at 1388.

22 *Id.* at 1115, 40 U.S.P.Q.2d at 1389.

23 847 F.2d 1093, 7 U.S.P.Q.2d (BNA) 1077 (3d Cir. 1988).

24 *Id.* at 1098, 7 U.S.P.Q.2d at 1082.

25 *L'anza*, 98 F.2d at 114, 40 U.S.P.Q.2d at 1388-89 (declining to follow *Sebastian Int'l Inc. v. Consumer Contacts Ltd.*, 847 F.2d 1093, 7 U.S.P.Q.2d (BNA) 1077 (3d Cir. 1988)).

26 *Id.* at 1116, 40 U.S.P.Q.2d at 1390.

27 *Id.*

28 *Id.*

29 832 F.Supp. 1378, 29 U.S.P.Q.2d (BNA) 1026 (C.D. Cal. 1993).

30 *L'anza*, 98 F.3d at 1116, 40 U.S.P.Q.2d at 1390.

31 *Id.* at 1117, 40 U.S.P.Q.2d at 1391.

32 *Id.* at 1117, 40 U.S.P.Q.2d at 1391 (citations omitted).

33 NIMMER, *supra* note 14, § 8.12 [B] [6], at 8-158 n.101.

34 88 F.3d 1, 39 U.S.P.Q.2d (BNA) 1187 (1st Cir. 1996).

35 *Id.* at 3, 39 U.S.P.Q.2d at 1188-89.

36 *Id.* at 2, 39 U.S.P.Q.2d at 1188.

37 *Id.*

38 *Id.* at 4, 39 U.S.P.Q.2d at 1190.

39 *Id.* at 2, 39 U.S.P.Q.2d at 1188. Loh testified during his deposition that he had done some “tracings” in the creation of his design, but it is unclear, at least from the opinion, what Loh traced. *Id.* at 5, 39 U.S.P.Q.2d at 1191.

40 *Id.* at 4, 39 U.S.P.Q.2d at 1189.

41 *Id.* at 2, 39 U.S.P.Q.2d at 1188.

42 *Id.*

43 *Id.*

44 *Id.* at 3, 39 U.S.P.Q.2d at 1189.

45 730 F.Supp. 1165 (D. Mass. 1989).

46 *Grubb*, 88 F.3d at 5-6, 39 U.S.P.Q.2d at 1191.

47 *Id.* at 2, 39 U.S.P.Q.2d at 1188.

48 *Id.* at 3-4, 39 U.S.P.Q.2d at 1189-90.

49 89 F.3d at 4, 39 U.S.P.Q.2d at 1189, n.2.

50 *Id.* at 5, 39 U.S.P.Q.2d at 1191.

51 *Id.* at 6, 39 U.S.P.Q.2d at 1191.

52 *See, e.g.*, *Ferguson v. National Broad. Co.*, 584 F.2d 111, 113, 200 U.S.P.Q. (BNA) 65, 66 (5th Cir. 1978); *see also* NIMMER, *supra* note 14, § 13.02[B], 13-23 n.19 (1996) (citing cases from other circuits).

53 89 F.3d 614, 39 U.S.P.Q.2d (BNA) 1470 (9th Cir. 1996).

54 *Id.* at 616, 39 U.S.P.Q.2d at 1472.

55 *Id.* at 615, 39 U.S.P.Q.2d at 1471-72.

56 *Id.*, 39 U.S.P.Q.2d at 1472.

57 *Id.* at 616, 39 U.S.P.Q.2d at 1472.

58 *Id.*

59 *Id.*

60 *Id.*

61 *Id.*, 39 U.S.P.Q.2d at 1473.

62 *Id.*

63 *Id.* at 617, 39 U.S.P.Q.2d at 1473.

64 The fair use factors of section 107 are:

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. § 107.

65 *Allen*, 89 F.3d at 617, 39 U.S.P.Q.2d at 1473.

66 88 F.3d 635, 39 U.S.P.Q.2d (BNA) 1429 (8th Cir. 1996).

67 *See Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1016, 17 U.S.P.Q.2d (BNA) 1753,1757 (7th Cir. 1991) (right to jury trial on question of infringement, but court to decide appropriate award of statutory damages); *Gnossos Music v. Mitken, Inc.*, 653 F.2d 117, 119, 211 U.S.P.Q. (BNA) 841 (4th Cir. 1981).

68 *Cass County Music*, 88 F.3d at 642, 39 U.S.P.Q.2d at 1435.

69 The circuit court cases dealing with this issue are: *Chappell & Co. v. Palermo Cafe Co.*, 249 F.2d 77, 79, 115 U.S.P.Q. (BNA) 205, 206 (1st Cir. 1959) (decided before the Supreme Court's seminal right to jury trial decision in *Beacon Theaters, Inc. v. Westover*, 359 U.S. 500 (1959)); *Oboler v. Goldin*, 714 F.2d 211, 213, 220 U.S.P.Q. (BNA) 166, 167 (2d Cir. 1983); *Twentieth Century Music Corp. v. Frith*, 645 F.2d 6, 7 (5th Cir. 1981) (per curiam); *Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1177, 196 U.S.P.Q. 97, 114 (9th Cir. 1977); *Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 853, 15 U.S.P.Q.2d 1001, 1018 (11th Cir. 1990).

70 *Cass County Music*, 88 F.3d at 636, 39 U.S.P.Q.2d at 1430.

71 *Id.* at 636-37, 39 U.S.P.Q.2d at 1430-31.

72 *Id.* at 637, 39 U.S.P.Q.2d at 1431.

73 *Id.*

74 *Id.* at 638, 39 U.S.P.Q.2d at 1432.

75 *Id.* at 641-43, 39 U.S.P.Q.2d at 1434-36.

76 *Id.* at 641, 39 U.S.P.Q.2d at 1434.

77 *Id.*, 39 U.S.P.Q.2d at 1434-35.

78 492 U.S. 33, 41 (1989).

79 *Cass County Music*, 88 F.3d at 642, 39 U.S.P.Q.2d at 1435.

80 *Id.* at 641, 39 U.S.P.Q.2d at 1435 (referring to *Markman v. Westview Instruments, Inc.*, 116 S.Ct. 1384, 1389, 38 U.S.P.Q. (BNA) 1461, 1465 (1996)).

81 U.S. Const. Art. I, § 8, cl. 8.

82 *Cass County Music*, 88 F.3d at 642, 39 U.S.P.Q.2d at 1435.

83 *Id.*

84 *Id.* at 643, 39 U.S.P.Q.2d at 1436.

85 *Id.*

86 *Id.*

87 936 F.Supp. 167, 40 U.S.P.Q.2d (BNA) 1277 (S.D.N.Y. 1996) (hereinafter *Harbor Software II*).

88 *Id.* at 171, 40 U.S.P.Q.2d at 1279-80.

89 *Id.* at 169, 40 U.S.P.Q.2d at 1278.

90 982 F.2d 693, 706 (2d Cir. 1992).

91 *Harbor Software, Inc. v. Applied Sys., Inc.*, 925 F.Supp. 1042, 1046-52, 39 U.S.P.Q.2d (BNA) 1651, 1655-58 (S.D.N.Y. 1996) (hereinafter *Harbor Software I*).

92 *Harbor Software II*, 936 F.Supp. at 169, 40 U.S.P.Q.2d at 1278.

93 937 F.2d 700, 710, 19 U.S.P.Q.2d (BNA) 1161, 1168 (2d Cir. 1991).

94 *Harbor Software II*, 936 F.Supp. at 170, 40 U.S.P.Q.2d at 1279.

95 *Id.*

96 *Id.*

97 *Id.* (citing *Kregos*, 937 F.2d at 710, 19 U.S.P.Q.2d at 1168.)

98 *Id.*

99 *Id.*

100 *Id.*

101 *Id.*

102 *Id.*

103 *Id.* at 171, 40 U.S.P.Q.2d at 1280 (citing *Harbor Software I*, 925 F.Supp. at 1042, 39 U.S.P.Q.2d at 1651).

104 *Id.*

105 39 U.S.P.Q.2d (BNA) 1537 (D. Ariz. 1996).

106 *Id.* at 1538.

107 *Id.*

108 *Id.*

109 *Id.*

110 *Id.* at 1538-39.

111 *Id.* at 1539.

112 24 F.3d 1088, 30 U.S.P.Q.2d (BNA) 1746 (9th Cir. 1994).



113 *Kolbe*, 39 U.S.P.Q.2d at 1539.

114 *Id.*

115 *Id.* The court noted that in *London Firm Prods. Ltd. v. Intercontinental Communications, Inc.*, 580 F. Supp. 47, 48-50, 223 U.S.P.Q. (BNA) 381, 381-82 (S.D.N.Y. 1984), the district court allowed the plaintiff to bring a copyright infringement action under the law of another country. *Id.*

116 930 F. Supp. 1156 (W.D. Tex. July 9, 1996) (reported separately 40 U.S.P.Q.2d (BNA) 1125 (W.D. Tex. April 1, 1996)).

117 *Id.* at 1159, 40 U.S.P.Q.2d at 1127.

118 *Id.* (quoting *Childress v. Taylor*, 945 F.2d 500, 507, 20 U.S.P.Q.2d (BNA) 1191, 1196 (2d Cir. 1991)).

119 *Id.* at 1159, 40 U.S.P.Q.2d at 1126-27 (quoting 17 U.S.C. § 101).

120 *See Childress v. Taylor*, 945 F.2d 500, 20 U.S.P.Q.2d (BNA) 1191 (2d Cir. 1991); *Erickson v. Trinity Theatre Inc.*, 13 F.3d 1061, 29 U.S.P.Q.2d (BNA) 1347 (7th Cir. 1994).

121 *Clogston*, 930 F. Supp. at 1159, 40 U.S.P.Q.2d at 1127.

122 *Id.* at 1157, 40 U.S.P.Q.2d at 1126.

123 *Id.*

124 *Id.*

125 *Id.*

126 *Id.*

127 *Id.*

128 *Id.* at 1159, 40 U.S.P.Q.2d at 1128.

129 *Id.*

130 *Id.* at 1160, 40 U.S.P.Q.2d at 1128-29.

131 *Id.*, 40 U.S.P.Q.2d at 1129.

132 *Id.* at 1162, 40 U.S.P.Q.2d at 1130.

133 40 U.S.P.Q.2d (BNA) 1377 (S.D.N.Y. 1996).

134 *Id.* at 1377-78.

135 *Id.* at 1377.

136 *Id.* at 1377-78.

137 *Id.* at 1377.

138 *Id.* at 1378.

139 *Id.*

140 *Id.*

141 805 F.2d 663, 231 U.S.P.Q. (BNA) 673 (7th Cir. 1986).

142 *Big Fights*, 40 U.S.P.Q.2d at 1378.

143 *Id.*

144 97 F.3d 1457 (table), 40 U.S.P.Q.2d (BNA) 1541 (8th Cir. 1996) (unpublished opinion not included in the Federal Reporter).

145 40 U.S.P.Q.2d at 1542.

146 *Id.*

147 *Id.*

148 *Id.*

149 490 U.S. 730, 10 U.S.P.Q.2d 1985 (1989). The Supreme Court listed twelve factors “[a]mong the other factors relevant to this inquiry.” *Id.* at 751, 10 U.S.P.Q.2d at 1995.

150 40 U.S.P.Q.2d at 1542.

151 *Id.*

152 920 F. Supp. 508, 517-18, 39 U.S.P.Q.2d (BNA) 1294, 1301-02 (S.D.N.Y. 1996).

153 *Id.* at 518, 39 U.S.P.Q.2d at 1302.

154 *Id.* at 517, 39 U.S.P.Q.2d at 1301.

155 *Id.*

156 *Id.*

157 *Id.* at 517-18, 39 U.S.P.Q.2d at 1301-02 (indicating that the plaintiff failed to show how the software is “assembled in an orderly form” as required by 37 C.F.R. Section 202.3(b)(3)).

158 *Id.* at 518, 39 U.S.P.Q.2d at 1302.

159 *Id.* at 516, 39 U.S.P.Q.2d at 1300.

160 *Id.* (quoting *Fonar Corp. v. Deccaid Services, Inc.*, 983 F.2d 427 (2d Cir. 1993)).

161 *Id.* at 519, 39 U.S.P.Q.2d at 1303.

162 39 U.S.P.Q.2d (BNA) 1542 (N.D. Ill. 1996).

163 101 U.S. 99 (1879).

164 *Id.* at 107.

165 37 C.F.R. § 202.1(c) (1996).

166 *Id.*

167 *Hollister*, 39 U.S.P.Q.2d at 1543.

168 *Id.*

169 *Id.*

170 *Id.*

171 *Id.*

172 *Id.* at 1544.

173 *Id.* at 1543-44.

174 925 F. Supp. 576, 40 U.S.P.Q.2d (BNA) 1112 (N.D. Ill. 1996).

175 *Id.* at 577, 40 U.S.P.Q.2d at 1113-14.

176 *Id.* at 577, 40 U.S.P.Q.2d at 1114.

177 *Id.*

178 *Id.* at 578, 40 U.S.P.Q.2d at 1114.

179 *Id.* at 583, 40 U.S.P.Q.2d at 1118-19.

180 *Id.* at 580, 40 U.S.P.Q.2d at 1116.

181 *Id.* at 581, 40 U.S.P.Q.2d at 1117.

182 *Id.* at 580-81, 40 U.S.P.Q.2d at 1116-17.

183 *Id.* at 581, 40 U.S.P.Q.2d at 1117 (quoting the Copyright Office's rejection of defendant's copyright application).

184 856 F.2d 1341, 8 U.S.P.Q.2d (BNA) 1171 (9th Cir. 1988).

185 925 F. Supp. at 578, 40 U.S.P.Q.2d at 1114-15.

186 86 F.3d 1447, 39 U.S.P.Q.2d (BNA) 1161 (7th Cir. 1996) (Easterbrook, J.) (hereinafter *ProCD II*).

187 *Id.* at 1449, 39 U.S.P.Q.2d at 1161.

188 This case is more of a contract case than a copyright infringement case. The parties focused on the enforceability of the underlying shrinkwrap agreement rather than issue of copyright infringement because the defendant copied only the plaintiff's uncopyrightable data rather than the plaintiff's copyrighted software. *See generally* Feist Publications v. Rural Tel. Co., 499 U.S. 340, 18 U.S.P.Q.2d (BNA) 1275 (1991). In *Feist*, the Supreme Court held that certain lists of information (such as directory listings in phone books) are not protected by copyright law. *Id.* at 360, 18 U.S.P.Q.2d at 1284. Although *ProCD II* also involved phone book information, the difference in outcome was due to the presence of a supplemental license agreement in *ProCD II*, 86 F.3d at 1449, 39 U.S.P.Q.2d at 1162. Whether the phone books in *Feist* could be subject to a binding shrinkwrap license agreement printed on the cover of the phone books is a question that remains unanswered. The Seventh Circuit pointed out that the effort and expense the plaintiff incurred in making the product in *ProCD II* distinguished it from the product in *Feist*. *Id.* at 1450-51, 39

U.S.P.Q.2d at 1162-63. However, it should be noted that under *Feist*, “sweat of the brow” does not make an otherwise non-copyrightable work copyrightable. *Feist*, 499 U.S. at 359-60, 18 U.S.P.Q.2d at 1283. The Seventh Circuit also differentiates *ProCD II* from *Feist* by pointing out the extra information in the ProCD product—such as SIC codes and addresses—are not available in normal phone books. *ProCD II*, 86 F.3d at 1450-51, 39 U.S.P.Q.2d at 1162-63. However, *Feist* did not limit itself to the basic information in phone books, but rather to the non-original, selection, coordination and arrangement of data. *Feist*, 499 U.S. at 356-61, 18 U.S.P.Q.2d at 1282-84. Such compilations often take little creativity, but lots of work, to arrange.

189 Pro CD, Inc. v. Zeidenberg, 908 F. Supp. 640, 644, 38 U.S.P.Q.2d (BNA) 1513, 1515 (W.D. Wis. 1996) (*reversed ProCD II*, 86 F.3d 1447, 39 U.S.P.Q.2d 1161 (7th Cir. 1996)) (hereinafter *ProCD I*).

190 *ProCD II*, 86 F.3d at 1449, 39 U.S.P.Q.2d at 1162.

191 *Id.*

192 *Id.*

193 *Id.* at 1450, 39 U.S.P.Q.2d at 1162.

194 *Id.* at 1450-51, 39 U.S.P.Q.2d 1162-63.

195 *Id.*

196 *Id.* at 1450, 39 U.S.P.Q.2d at 1163.

197 *Id.*

198 *ProCD I*, 908 F. Supp. at 654-55, 38 U.S.P.Q.2d at 1524.

199 *Id.* at 659, 38 U.S.P.Q.2d at 1528.

200 *Id.* at 651, 38 U.S.P.Q.2d at 1521.

201 *ProCD II*, 86 F.3d at 1450, 39 U.S.P.Q.2d at 1163. However, the court determined that the contract was only binding upon the person who purchased the software from the retailer. “Someone who found a copy ... on the street would not be affected by the shrinkwrap license....” *Id.* at 1454, 39 U.S.P.Q.2d at 1166. Copyright law would of course still protect the *application* program involved, but the defendant in this case copied the uncopyrightable *data*, not the program.

202 *Id.* at 1451, 39 U.S.P.Q.2d at 1163-64. The Seventh Circuit noted that standardization of contracts has become an important and common practice. *Id.* (quoting RESTATEMENT (2D) OF CONTRACTS § 211 cmt. a) Examples used by the court included airplane tickets, concert tickets, insurance policies, and consumer goods. *ProCD II* at 1451, 39 U.S.P.Q.2d at 1163.

203 U.C.C. §§ 2-207 & 2-209 (1996).

204 *ProCD I*, 908 F. Supp. at 655, 38 U.S.P.Q.2d at 1524.

205 *Id.* at 651, 38 U.S.P.Q.2d at 1521.

206 *Id.* at 655, 38 U.S.P.Q.2d at 1524.

207 *ProCD II*, 86 F.3d at 1452, 39 U.S.P.Q.2d at 1164-65.

208 *Id.*, 39 U.S.P.Q.2d at 1165.

209 *Id.*

210 *Id.* at 1452-53, 39 U.S.P.Q.2d at 1165.

211 *Id.*

212 Generally, preemption means that states cannot afford greater protection than federal copyright and patent laws provide. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 9 U.S.P.Q.2d (BNA) 1847 (1989). In *Bonito Boats*, Florida tried to make it illegal to copy boat hull designs, and the Supreme Court held that the Florida law was preempted by the patent laws because the hull was functional. *Id.* at 144, 9 U.S.P.Q.2d at 1849. Here, the Seventh Circuit tried to distance itself from *Bonito Boats* on two main grounds: (1) *ProCD* was a private action under common law, not a particular state law; and (2) other simple lists, like customer lists, are often protected by trade secret law. *ProCD II*, 86 F.3d at 1454, 38 U.S.P.Q.2d at 1166. Obviously, the copier in *Bonito Boats* needed an original boat hull to copy. Under the court's reasoning, the manufacturer could have arguably prevented copying by placing a shrinkwrap license agreement on the hull of the boat that stated: "By taking possession of this boat, you agree not to copy the hull design."

213 *ProCD II*, 86 F.3d at 1453, 39 U.S.P.Q.2d at 1165.

214 *Id.*

215 *Id.* at 1454, 39 U.S.P.Q.2d at 1166.

216 *Id.* at 1455, 39 U.S.P.Q.2d at 1167.

217 *Id.* at 1454-55, 39 U.S.P.Q.2d at 1166-67.

218 89 F.3d 766, 39 U.S.P.Q.2d (BNA) 1587 (11th Cir. 1996).

219 17 U.S.C. § 504(c) (1994).

220 *MCA Television*, 89 F.3d at 768, 39 U.S.P.Q.2d at 1587.

221 17 U.S.C. § 504(c) (1994).

222 *MCA Television*, 89 F.3d at 769, 39 U.S.P.Q.2d at 1588 (citing *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106, 1116, 29 U.S.P.Q.2d (BNA) 1257, 1266 (1st Cir. 1993); *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096, 1105, 189 U.S.P.Q. (BNA) 453, 460 (2d Cir. 1976); *Walt Disney Co. v. Powell*, 897 F.2d 565, 569, 14 U.S.P.Q.2d (BNA) 1160, 1164 (D.C. Cir. 1990)).

223 *Id.*

224 *Id.*

225 *Id.*, 39 U.S.P.Q.2d at 1589.

226 *Id.*

227 *Id.*

228 17 U.S.C. § 504(c)(1) (1994).

229 *Id.* § 101 (1994).

230 *MCA Television*, 89 F.3d at 769, 39 U.S.P.Q.2d at 1589.

231 *Twin Peaks Prod., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 27 U.S.P.Q.2d (BNA) 1001 (2d Cir. 1993).

232 *Id.* at 1381, 27 U.S.P.Q.2d at 1012.

233 *MCA Television*, 89 F.3d at 770, 39 U.S.P.Q.2d at 1589.

234 *Id.* at 771, 39 U.S.P.Q.2d at 1590.

235 *Id.* at 769, 39 U.S.P.Q.2d at 1589.