
Copyright Protection for Computer Programs and Databases in the United States

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Part 3

31. **Religious Technology Center v Lerma** 897 F Supp 260 (ED Va 1995).

The court denied plaintiff's motion for a preliminary injunction against The Washington Post on the ground that it had copied some of plaintiff's works contained in an unsealed court file, and used quotations from those works in a news article. It rejected plaintiff's claim that the Post had obtained the materials improperly. (It had obtained them from a court file that was subsequently sealed; earlier, it had copies obtained from Lerma, but returned them to RTC when informed that they might have been stolen.) The court concluded that plaintiff was unlikely to succeed on the merits of its copyright claim, since the Post's use was a fair use. Although the Post copied 103 pages from the court file, the article quoted "only a minute portion" of those documents.

On rehearing, 908 F Supp 1353 (ED Va 1995), the court rejected plaintiff's claim that its earlier ruling would violate the Free Exercise clause and result in "cataclysmic spiritual hard". It also denied plaintiff's motion for a preliminary injunction against Lerma on the ground of "unclean hands".

32. **Religious Technology Centre v Netcom On-Line Communications Services**, 907 F Supp 1361 (ND Cal 1995).

Plaintiff sued an individual named Erlich for posting to a BBS on the Internet material from published and unpublished works of L Ron Hubbard in which plaintiff owned the copyrights. The BBS operator (Klemesrud) and the Internet access

provider (Netcom) were also named defendants. The court granted in part and denied in part Netcom's and Klemesrud's motions for summary judgement and judgement on the pleadings, and denied plaintiff's motion for a preliminary injunction.

Direct Infringement - The court found that Betcom wasn't liable for direct infringement and granted summary judgement to Netcom on this claim. Although the postings resulted in the creation of copies on its storage devices, the creation of the copies - and their distribution and display - was done without any violational act or intervention on Netcom's part. According to the court, if Netcom were liable, so too would be every single Usenet server that transmitted Erlich's message. The court stated: "Although the Internet consists of many different computers networked together, some of which may contain infringing files, it does not make sense to hold the operator of each company liable as an infringer merely because his or her computer is linked to a computer with an infringing file".

Contributory Infringement - On the question of contributory infringement, the court held that there was a question of fact as to whether Netcom should be held up to "knowledge" of the infringing acts, even after receipt of notice from RTC. According to the court: "Where a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defence, the lack of copyright notices on the copies, or the copyright holder's failure to provide the necessary documentation to show that there is likely infringement, the operator's lack of knowledge will be found reasonable and there will be

no liability for contributory infringement for allowing the continued distribution of the works on its system".

The court denied summary judgement on the contributory infringement claim.

Vicarious Liability - The court found that there was a genuine issue of fact as to Netcom's right and ability to control, in view of evidence that Netcom had acted to suspend subscribers' accounts on more than a thousand occasions, and evidence that it has the ability to delete specific postings. However, it found Netcom got no direct financial benefit from the infringing activities of its users but merely received a fixed fee, so it dismissed the vicarious liability claim.

Fair Use - The court found there was a genuine issue of fact as to whether Netcom was entitled to a fair use defence.

The court analysed the claims against Klemesrud similarly.

The court denied plaintiff's motion for a preliminary injunction against Netcom and Klemesrud.

33. **Secure Services technology, Inc. v Time and Space Processing, Inc.**, 772 F Supp 1354 (ED Va 1989).

On cross-motions for summary judgement, the court held in favour of defendant on copyright and trade secret claims.

Plaintiff manufactures TEMPEST fax machines, specially equipped for secure transmission of classified documents. Interoperability between such machines is achieved by means of a "handshake protocol" (the "CCITT T.30"), which governs the content, order and timing of the signals transmitted between the fax

machines. The T.30 protocol permits a slight variation in specific signals to allow for flexibility on more complex communications, it permits the use of some entirely optional signals. Plaintiff SST used these opportunities for variation to vary the content and timing of signals, within the constraints of the protocol.

After TSP attached a protocol analyser to an SST machine and achieved interoperability, SST sued for copyright infringement and misappropriation of trade secrets.

(The court rejected SST's copyright claim. It found that the protocol variations lacked even a "faint trace" of originality. According to the court: "At most SST can only claim copyright protection for the minor content variations it has made in the T.30 protocol. But the form, timing, order and content of SST's handshake protocol are dictated largely by the requirements of the T.30 protocol". The court noted that the constraints of the protocol sharply limit variations and when they can occur. "Such minor reordering or variance of binary signals does not rise to the level of copyrightable material".

(The court held that there were genuine issues of fact on the question of whether the protocol analyser created a "fixation" of more than "transitory duration" that could qualify as an infringing copy.)

On the trade secret issue, the court held that SST, by selling its machines to the government without any notice or reservation of proprietary rights, had effectively disclosed its protocol variations.

34. Sega Enterprises Ltd v Accolade, Inc., 977 F 2d 1510 (9th Cir 1992), amended, 1993 US App LEXIS 78 (9th Cir 1993).

The court reversed the district court's grant of preliminary injunction against defendant, holding that although intermediate copying is proscribed by the Copyright Act, disassembly of object code is a fair use where it is the only way to gain access to unprotected elements of the

computer program and there is a legitimate reason for seeking such access.

Sega produces the "Genesis III" video game console which includes a security system that "reads" a game program for specific computer code ("initialisation code"). If the game program lacks that code, it cannot operate with the console. If it includes the code, it prompts a visual display on the monitor which states: "Produced by or under licence from Sega Enterprises Ltd" (the "Sega message").

When Accolade's game programs (which had run on earlier versions of Sega's console as a result of Accolade's having previously disassembled the program code in the Sega game cartridges) failed to operate with Sega's new Genesis III by disassembling the object code in Sega's copyrighted video games (i.e., translating it into assembly language), making "intermediate" copies and writing new game programs including the new initialisation code from Sega's programs.

The district court held that Sega was likely to succeed on the merits of its claim that Accolade's intermediate copying of its programs in the course of disassembly infringed Sega's copyrights and was not justified by fair use. It also held that Accolade had violated Sega's trademark rights, since its inclusion of the initialisation code prompted the Sega message when Accolade's programs were run. It entered an injunction against Accolade, and Accolade appealed.

The Ninth Circuit reversed. It rejected the first three of Accolade's arguments, holding: (i) that intermediate copying is not lawful per se (the court concluded that intermediate copying of computer object code can infringe copyright "regardless of whether the end product of the copying also infringes those rights", 977 F 2d at 1519); (ii) disassembly of object code is not permitted by s 102(b) of the Copyright Act; and (iii) s 117 does not authorise disassembly.

However the court upheld Accolade's fourth claim: that its disassembly was fair use under s 107 of the Copyright Act. The court concluded that the first fair use factor favoured Accolade despite the commercial nature of its use, since the commercial exploitation was merely "indirect or derivative" and "of minimal significance". Id. at 1552, 1523. It concluded that public policy favoured Accolade, since the public benefited from the increased number of independently designed videogame programs for use with the Genesis console.

The court found that the second fair use factor also favoured Accolade. It drew on the Second Circuit's discussion in *Computer Associates v Altai*, which criticized the Whelan "rule" for separating idea from expression. Focusing on the utilitarian nature of software, the court said that computer programs are entitled to a lower level of protection than other "more traditional" literary works. Id. at 1524-26.

The court observed that where there are many possible ways of accomplishing a given task, "the programmer's choice of program structure and design may be highly creative and idiosyncratic". Id. at 1524. However, it observed that many logical, functional and display elements of programs are dictated by function, considerations of efficiency or external factors. Id.

In an amendment to its decision adding to a new footnote 7, the court contrasted the ONES security system at issue in *Atari v Nintendo* (which it characterised as having "creativity and originality") with Sega's security code. It said Sega's key "appears to be functional" and is "of such de minimis length that it is probably unprotected under the words and short phrases doctrine".

Recognising that disassembly is wholesale copying, the court nevertheless concluded that programs are "unique" among copyrighted works in that they must

be disassembled to "gain access to the unprotected ideas and functional concepts contained in object code". *Id.* at 1525. It overturned the district court's factual finding that Accolade had alternative means of obtaining information.

The court found that the third use factor - the amount and substantially of the portion used - favoured Sega, but that Accolade's copying of Sega's entire work did not preclude a fair use finding.

Finally, the court found the fourth fair use factor - the effect on the potential market for or value of the copyrighted work - favoured Accolade, although it recognised Sega might suffer "minor economic loss" as a result of Accolade's conduct. It minimized the impact of Accolade's entry into Sega's market, suggesting that because consumers usually purchase more than one videogame, there was not evidence Sega would be harmed.

Thus, the court concluded that disassembly was fair use because it was the only means of gaining access to unprotected aspects of Sega's program, and Accolade had a legitimate interest in gaining such access (to determine how to make its games compatible with the Genesis console). *Id.* at 1520.

The court also overturned the district court's trademark ruling, holding that Accolade had not infringed by using code that produced the Sega message.

35. Sega Enterprises Ltd v MAPHIA, 857 F Supp 679 (ND Cal 1994).

The court issued a preliminary injunction and confirmed a seizure order against defendant. The court concluded plaintiff was likely to succeed on the merits of its copyright and trademark infringement claims against defendants, who operated an electronic bulletin board and encouraged and facilitated its use for uploading and downloading Sega videogame programs.

The bulletin board was open to the public and the evidence indicated that

defendants "specifically solicited this copying and expressed the desire that these video game programs be placed on the MAPHIA bulletin board for downloading purposes". *Id.* at 683. Among other things, defendants apparently provided downloading privileges for Sega games to users in exchange for uploading Sega games or other programs or information.

The court also found contributory infringement based on defendants' sale of videogame copiers (sold with downloading privileges that allowed the purchaser to duplicate Sega game programs). According to the court, the only "substantial use" of the copiers was to copy videogames to avoid having to buy them. *Id.* at 685. It found there was no need to make archival copies of ROM game cartridges "because the ROM cartridge format is not susceptible to breakdown and because defective cartridges are replaced by Sega". *Id.*

The court rejected defendants' fair use defence.

36. S.O.S., Inc. v Payday, Inc., 886 F 2d. 1081 (9th Cir 1989).

The Ninth Circuit reversed the district court's grant of summary judgement in favour of defendant on copyright infringement claims. Plaintiff licensed from a third party a payroll processing program call "Brown Tank"; the licence included the right to create derivative works. S.O.S programmers developed a series of payroll programs for Payday, many of which were derived from "Brown Tank". Payday's controller described Payday's need but did not participate in writing the program. Two S.O.S employees who had done programming work for Payday left S.O.S. to work directly for Payday, and made an unauthorised copy translation of the programs developed for Payday. S.O.S. sued.

At the outset, the Ninth Circuit rejected Payday's challenge to the validity of S.O.S.'s copyright registrations, concluding that (I) S.O.S.'s failure to disclose the underlying work, Brown Tank,

wasn't fatal unless the omission was intentional; and (ii) S.O.S.'s registration was not fraudulent for failing to list Payday's controller as joint author. According to the court, she "did nothing more than describe the sort of program Payday wanted S.O.S. to write". She did no coding and did not understand computer language. The court concluded that her contribution only of ideas was insufficient to support a claim of joint authorship.

The Ninth Circuit rejected the district court's holding that since Payday had a licence to use the payroll programs, it could not infringe S.O.S.'s copyrights. According to the court: "A licensee infringes the owner's copyright if its use exceeds the scope of the licence...The critical question is not the existence but the scope of the licence". In this case, the court found that Payday exceeded the scope of its licence when it copied and modified the programs without authorisation.

The court remanded on these and other issues (including S.O.S. that excused Payday's unauthorised copying; and (ii) whether Payday's licence entitled it to have an unprotected copy of the software, thus shielding it from trade secret liability).

37. Telerate Systems, Inc v Caro, 689 F Supp 221 (SDNY 1988).

The court entered a preliminary injunction against defendants on the grounds of contributory infringement. Plaintiff provides a computerised financial information service to its subscribers and leases to them computers to access the information. Defendants developed "Excel-A-Rate" software that allowed subscribers to plaintiff's service to access the service through their own PC's, copy data onto disks, and otherwise enhance use of plaintiff's database.

The court held defendants contributorily liable for infringement, since use of the software would infringe plaintiff's database and the software had not substantial non-infringing uses. It rejected

defendants' fair use defence on the grounds, inter alia, of the commercial nature of the use by Telerate customers; the qualitative substantiality of the copying; and the adverse effects on the market for Telerate's own enhanced service.

38. *Trandes Corp. v Guy F Atkinson Co.*, 996 F 2d 655 (4th Cir) cert. denied, 114 S Ct 443 (1993).

The court held that Trandes' trade secret claim, which alleged that defendants improperly acquired, disclosed and used Trandes' "Tunnel System" software, was not preempted by copyright law. The district court found trade secret misappropriation but had not ruled on the preemption issue, concluding that plaintiff's failure to register the copyright meant that 17 USC s 301 did not apply. The Fourth Circuit affirmed the judgement of trade secret misappropriation, not because of plaintiff's failure to register, but because it found that the claim wasn't preempted under a s301 analysis.

The court stated: "To determine whether a particular cause of action involves rights equivalent to those set forth in s106 [and are thus preempted], the elements of the causes of action should be compared, not the facts pled to prove them". *Id.* at 659. Because the state law cause of action involved an "extra element" - proof of a breach of trust or confidence - it was not preempted.

On the question whether Trandes had maintained the secrecy of the object code, the court stated that "[i]n the ordinary case, the owner of trade secret computer software will maintain the secrecy of the source code but freely distribute the object code". The court found in this case that Trandes had maintained the secrecy of both the source code and the object code, the court stated: "Although Trandes may not have achieved absolute secrecy, '[a]bsolute secrecy is not essential'. It is enough that Trandes made it difficult for others to acquire copies of the Tunnel System software through proper means". *Id.* at 664.

39. *Triad Systems Corp. v Southeastern Express Co.*, 64 F 3d 1330 (9th Cir 1995), cert denied, 116 S Ct 1015 (1996).

The Ninth Circuit affirmed a preliminary injunction substantially prohibiting Southeastern from servicing Triad computer systems. Triad manufactures computers for use by automotive parts stores, and operating systems, applications, and diagnostic programs for use on those computers. It sued Southeastern, and ISO, on the ground that Southeastern was making infringing copies of its software in RAM in servicing Triad computers, and sometimes also copying Triad programs onto hard drives or tapes for customers.

The court, citing *MAI v Peak*, held that Southeastern's activities constitute copying under the Copyright Act. Southeastern asserted a fair use defence, relying on *Sega v Accolade*. However, the Ninth Circuit distinguished *Sega* and held Southeastern's activities did not qualify as fair use. It concluded Southeastern did not make "minimal" use of Triad's programs, nor was its use of them creative or transformative. Also, the court found Southeastern's use would have a significant adverse effect on Triad's licensing and service revenues.

40. *US v LaMacchia*, 871 F Supp 535, 1994 US Dist LEXIS 18692 (D Mass 1994).

The court granted defendant's motion to dismiss an indictment under the wire fraud statute, 18 USC a 1343. LaMacchia was an MIT student who set up an electronic bulletin board accessible on the Internet and encouraged users to upload and download popular applications programs and computer games, allegedly resulting in losses to copyright proprietors of over one million dollars. The government sought an indictment under the wire fraud act, presumably because there was no evidence that the infringement was done "wilfully and for purposes of commercial

advantage or private financial gain", which is required for criminal copyright infringement under 17 USC s 506(a).

The court, relying on *Dowling v United States*, 473 US 207 (1985), concluded that copyright rights were distinguishable from the broad range of property interests protected by the mail and wire fraud statutes. According to the court, the civil remedies in the Copyright Act, together with the "'studiously graded penalties' in those instances where Congress has concluded that the deterrent effect of criminal sanctions are required, 'indicates that Congress did not intend to make the wire fraud statute applicable to LaMacchia's conduct.

C. Other Recent Copyright Decisions: Compilations and Databases

41. *Bellsouth Advertising & Publishing Corp. v Donnelly Information Publishing, Inc.*, 999.F.2d 1436 (11th Cir. en banc 1993).

The Eleventh Circuit, sitting en banc, held that Donnelley had not infringed BAPCO's copyrighted yellow pages directory in preparing and publishing its own directory. (An earlier Eleventh Circuit panel had affirmed the district court's grant of summary judgment to BAPCO on its copyright infringement claim, but that decision was vacated when rehearing en banc was granted. 993 F.2d 952 (11th Cir. 1991), vacated and reh'g en banc granted, 977 F.2d 1435 (11th Cir. 1992).)

In preparing a "yellow pages" directory for the Miami area to compete with BAPCO's, Donnelley entered each of the listings from BAPCO's directory into its database, together with numerical docs representing information about each listing (e.g., size and type of ad, type of business, etc.). From the database, Donnelley prepared sales lead sheets to be used to contact prospective customers, ultimately publishing its

own directory. BAPCO claimed that these activities infringed its copyrights.

The court rejected BAPCO's claim that determining the geographic boundaries, selecting a closing date, and other decisions concerning the directory were original selection and thus protectible authorship.

It also rejected BAPCO's claim that its yellow pages demonstrated protectible coordination and arrangement. It found BAPCO's arrangement entirely typical for a business directory, concluding that there were so few ways of arranging a business directory that the arrangement was uncopyrightable under the merger doctrine.

The court held that BAPCO had introduced insufficient evidence to prove Donnelley had copied BAPCO's particular heading structure, or that the heading structure, even if it had been copied, was entitled to copyright protection. The court said that selecting headings such as "Banks" or "Attorneys" lacked sufficient originality. Moreover, "any expressive act in including a category such as 'Banks' or in dividing 'Attorneys' into categories such as 'Bankruptcy' or 'Criminal law' would lose copyright protection because it would merge with the idea of listing such entities as a class of businesses in a business directory." 999 F.2d at 1444.

The court also found a lack of originality since the subscriber selects the heading(s) under which its business appears, albeit from listings BAPCO offers. It concluded that similarities in appearance related primarily to similarities in unprotectible elements.

42. *CCC Information Services, Inc. v MacLean Hunter Market Reports, Inc.*, 44 F.3d 61, 33 U.S.P.Q. 2d (BNA) 1183 (2d Cir. 1994), cert. denied, 116 S. Ct. 72 (1995).

MacLean Hunter publishes used car valuation guides known as the "Red Book". CCC copied a substantial portion of MacLean Hunter's guides

into its database. CCC offers valuation services to its clients, who can obtain from CCC an average of the two leading valuations (NADA and the Red Book) or either valuation individually. (The combined average serves a market because some state laws require using an average for insurance payments.)

CCC sought a declaratory judgment that its use was permissible; MacLean Hunter counterclaimed for infringement. The district court granted CCC's motion for summary judgment. It adopted the Magistrate's conclusion that the Red Book had no protectible selection, coordination and arrangement; that its values were unprotectible facts; that even if they weren't facts, the merger doctrine precluded protection for them; and that the Red Book is in the public domain because it's incorporated into government regulations. 33 USPQ2d at 1185.

The Second Circuit reversed.

Concerning originality, the court stressed that the requirement was quite modest. It said the district court was "simply mistaken" in analogizing the valuations in the Red Book to the phone numbers in *Feist*. Id. at 1987. The Red Book valuations were not facts, but predictions by the Red Book editors of future prices, based on numerous data sources, as well as their professional judgment and expertise. The valuations themselves are original creations.

It found the selection and arrangement of data showed sufficient originality to be protectible, e.g. the division of the market into geographic regions, the selection of optional features for inclusion, adjustment for mileage in 5000 mile increments, the selection of number of years models for inclusion, etc. Id. at 1188.

Concerning merger, the court seemed to find some merit in the argument that each entry in the Red Book represented the authors' *idea* of the value, which can be expressed in only one way. The court observed that in one sense, the original

contribution of a compiler to a compilation will be ideas for the selection, coordination or arrangement. But if protection could be denied by merger, then copyright protection for compilations would be illusory.

The court distinguished ideas involving understanding phenomena or solving problems, from those that "merely represent the author's taste or opinion and therefore do not materially assist the understanding of future thinkers." Id. at 1191. For the latter, according to the court, there's no serious risk that withholding the merger doctrine "would inflict serious injury on the policy underlying the rule that forbids granting protection to an idea." Id.

The court concluded that the valuations in the Red Book fell into this latter category — they were opinions of the editors. The court also concluded that the consequences of giving CCC the benefit of the merger doctrine were too destructive of copyright protection for compilations. It pointed out that CCC had taken virtually the entire work. Id. at 1192.

The court also disagreed with the district court's conclusion that the Red Book was in the public domain because insurance statutes and regulations establish Red Book values as a valuation standard. The court stated: "We are not prepared to hold that a state's reference to a copyrighted work as a legal standard for valuation results in loss of the copyright." Id. at 1193. It noted that a rule that adoption of such a reference by a state legislature deprived a copyright owner of its property would raise "very substantial problems under the Takings Clause of the Constitution." Id.

43. *Illinois Bell Telephone Co v Haines and Co*, 932 F.2d 610 (7th Cir 1991).

In a white pages telephone directory case similar to *Feist*, the court reversed its earlier decision which

had been vacated by the Supreme Court (111 S Ct 1408 (1991)), and held that Illinois Bell's directory was not copyrightable.

44. **Key Publications Inc v Chinatown Today Publishing Enterprises Inc, 945 F2d 509 (2d Cir 1991).**

The court upheld copyright protection for the yellow pages portion of plaintiff's business directory for New York's Chinese-American community, but reversed the district court's finding of infringement. The court held that while copyright protection in a compilation is thin, "we do not believe it is anorexic." Nevertheless, the court found that defendant's directory did not infringe plaintiff's, even though defendant had copied 1500 listings (75% of defendant's 2000 listings). The court reasoned that some overlap was inevitable; that defendant had not copied all of plaintiff's listings in any particular category (defendant had taken 1500 of plaintiff's 9000 listings); and defendant's directory was organized differently: it had only 28 categories, in contrast to the 260 categories in plaintiff's directory, and only three were duplicates.

45. **Kregos v Associated Press, 937 F2d 700 (2d Cir 1991).**

The court reversed the district court's decision that baseball pitching forms showing nine categories of information about the starting pitcher's past performance were unprotectible by copyright as a matter of law. The court held that Kregos's selection of these statistics from the universe of available pitching statistics could satisfy the requirement of minimal creativity for copyright protection. The court rejected the arguments (i) that Kregos's form expressed a system of predicting pitching performance in which expression and idea have merged, and (ii) that Kregos's form was an uncopyrightable "blank form." However, the court observed that Kregos's form would be entitled only to limited copyright protection.

46. **Practice Management Information Corp v American Medical Association, 877 F Supp 1386 (CS Cal 1994).**

Practice Management sought a declaratory judgment that the copyright in the AMA's Physicians' Current Procedural Terminology (the "CPT") was invalid and unenforceable. The CPT lists numerical codes and procedures, and certain federal and state statutes and regulations require that physicians use CPT codes to obtain reimbursement from the government or private insurers. AMA had licensed the appropriate HHS agency (royalty-free) to use the CPT coding system.

PMIC had been selling the AMA CPT volume, but wanted to start selling its own reference book incorporating the CPT coding system, so it brought the declaratory judgment action.

In an earlier decision, the court had found that the CPT was sufficiently original to be entitled to copyright protection. Here, it addressed PMIC's argument that the CPT was a "law" and therefore unprotectible because it was incorporated in various statutes and regulations. The court rejected PMIC's argument. It found, first, that PMIC's position "would undermine the official policies of the federal government to utilize private works ... whenever practicable and appropriate" to eliminate costs to the government. It cited OMB policy, which provides:

"Voluntary standards adopted by Federal agencies should be referenced, along with their dates of insurance and sources of availability, in appropriate publications, regulatory orders, and related in-house documents. Such adoption should take into account the requirements of copyright and other similar restrictions."

1994 US dist LEXIS 19642 at *14, quoting OMB Circular A-119, Notice of Implementation, 58 Fed Reg 57643, 57644-45 (Oct 26, 1993). It cited other instances of privately promulgated standards that the government had relied on.

The court also concluded that PMIC's position would amount to an unlawful taking of private property and would subject the government to millions of dollars in just compensation awards. *Id.* at *21-22.

"Under PMIC's position, the government could adopt any portion of a private copyrighted work for any purpose and at any time, and the copyright would be invalidated. Such a scenario would have a complete chilling effect upon private industry. Private industry would have no incentive to spend enormous sums on research and development knowing that the government could at any time incorporate such work. ... Under this reasoning, the public would also suffer because the government would be required to invest vast tax dollars to research areas which in the past the government has had the ability to utilize the private sector's advancements." *Id.* at *20.

47. **ProCd Inc v Zeidenberg, 908 F Supp 640 (WD Wis 1996), reversed and remanded, 86 F3d 1447 (7th Cir 1996).**

The court granted summary judgment to defendant on plaintiff's action for copyright infringement, breach of contract and misappropriation. Defendant had purchased copies of plaintiff's "Select Phone TM" CD-ROM containing a database of more than 95 million residential and commercial telephone listings, and software to access the database. The CD-ROM was marketed with a shrinkwrap license mentioned on the outside of the box, and in warnings on most screens. The terms were available in the User Guide or through a "Help" screen when running the program. Defendants copied plaintiff's database and, using their own search software, made it available over the Internet. Plaintiff sued.

Copyright Infringement. - The district court held there was no copyright infringement, since the phone listings were not copyrightable. The software was copyrightable, but the copy

defendants made in initially copying the CD-ROM to the hard drive of their computer was permissible under §117. Defendants used plaintiff's software only to download and access the data, and did not further distribute it.

Shrinkwrap License. - The district court held that the shrinkwrap license for "Select Phone TM" did not bind defendants, since they had no opportunity to review it before their purchase, or to bargain, and they had not explicitly assented to its terms after learning of them.

Copyright Preemption of Contract. - The district court further held that plaintiff's claim for breach of contract was preempted by copyright. It rejected the view of most courts that have addressed this issue, that a contractual restriction is an "extra element" that makes a breach of contract claim qualitatively different from a copyright infringement claim. It characterized plaintiff's license as "an attempt to avoid the confines of copyright law." It also held plaintiff's claim for misappropriation preempted.

The district court's decision on the contract issues was reversed and remanded by the Seventh Circuit Court of Appeals. The court held that shrinkwrap licenses are enforceable unless their terms are objectionable on grounds applicable to contracts generally. It held that ProCD's contract was valid, even though all of the terms weren't printed on the outside of the box. The court also concluded that a simple two-party contract is not the equivalent of rights under copyright, and is therefore not preempted by copyright, since contracts affect only the parties and do not create rights against the world.

48. Skinder-Strauss Assoc v Massachusetts Continuing Legal Education, 914 F Supp 665 (D Mass 1995).

Plaintiff sued MCLE for, inter alia, copyright infringement and unfair trade practices for use of material in plaintiff's Lawyer's Diary and Manual (the "Red Book") in MCLE's

competing directory (the "Blue Book"). The court denied plaintiff's motion for summary judgment, and granted in part and denied in part defendant's motion.

Plaintiff began publishing its directory in 1959; MCLE introduced its directory in 1993. Both directories contained a daily planning calendar, various other calendars and blank forms, directories of attorneys and judges, state maps, and other reference materials useful to attorneys. Plaintiff claimed MCLE appropriated the selection, coordination and arrangement in each of the individual features in the Red Book, as well as the structure of the Red Book as a whole.

The court found plaintiff's directory to be copyrightable, rejecting MCLE's argument that the idea of a legal directory is "merged" with the expression. Applying "analytic dissection," the court found that much of the material in both directories consisted of uncopyrightable blank forms and common property (eg standard calendar, list of holidays) whose selection does not evidence creativity on plaintiff's part. Although the listings of lawyers and judges were similar, they were not identical; moreover, the court pointed out, MBLC was free to copy the attorney listings (name, address, phone, firm, year of admission, fax number) in the Red Book, since they are facts. Relying on *Bellsouth*, the court concluded that plaintiff's selection of geographic boundaries (six northeastern states) for inclusion of attorneys in listings lacked sufficient creativity for copyright, as did the selection of information about each attorney.

The court granted summary judgment to MCLE on plaintiff's claim concerning copyright of the individual features of the Red Book. However, it denied summary judgment on plaintiff's claim that MCLE's compilation as a whole infringed plaintiff's, and on plaintiff's claim for unfair and deceptive trade practices.

49. Victor Lalli Enterprises Inc v Big Red Apply Inc 936 F2d 671 (2d Cir 1991).

The court held that plaintiff's charts, used for playing "the numbers," were uncopyrightable. (The charts were organized by month on the horizontal axis and by day on the vertical axis; the data were derived from statistics concerning winnings in various horse races.) The court concluded that although some labor was involved in putting the charts together, they represented merely factual data arranged in a functional grid and lacked sufficient originality to merit copyright protection.

50. Telerate Systems Inc v Caro 689 F Supp 221 (SDNY 1988). See description in IIIB above.

51. US Payphone Inc v Executives Unlimited of Durham Inc 931 F2d 888 (table; unpublished decision), 18 USPQ2d (BNA) 2049 (4th Cir 1991).

The court held that US Payphone's reference book, which included a fifty-one page section summarising tariffs relating to operating pay telephones in every state, was copyrightable and infringed by defendant's reproduction of that part of plaintiff's work in its own manual. The court held that plaintiff's analysis and distillation of voluminous state tariff material into a "simple and readable format" demonstrated the requisite originality for copyright protection.

51. Warren Publishing Inc v Microdos Data Corp, 52 F3d (11th Cir), vacated and reh'g en banc granted, 67 F3d276 (11th Cir 1995).

The Eleventh Circuit had affirmed the district court's judgment that Warren's "Television and Cable Factbook" ("Factbook") was infringed by Microdos' computer software package "Cable Access." The Factbook provided information on cable television systems around the country. Entries were arranged alphabetically by state, and within each state, alphabetically by the name

of the "lead" or "principal" community served by the cable system. Information on each system is contained in a set of data fields. The district court had found that the selection of data fields and the information contained in them wasn't copyrightable; their arrangement was copyrightable but wasn't infringed. Those rulings were not appealed.

The district court had held, however, that Warren's selection of principal communities was copyrightable and infringed, and the court of appeals affirmed. The court of appeals had concluded that Warren exercised creativity in its selection of communities, noting that other sources of such information differed in their listing of communities. The court had observed that "Feist has been accorded very narrow scope." It also distinguished the *Bellsouth* case, since Warren — unlike *Bellsouth* — exercised creativity. Warren utilised not raw data from its files but an external universe of existing material drawn from the industry and not itself precisely contoured, and presented and listed in various forms by various compilers." Accordingly, defendant's Cable Access software, which used a nearly identical list of communities, infringed.

52. *West Publishing Co. v Mead Data Central, Inc*, 779 F 2d 1219 (8th Cir 1986), cert denied, 479 US 1070 (1987).

The court held that Mead's proposed "star pagination" for the judicial opinions in its LEXIS database infringed West's protectible compilations.

IV. Legislative Developments

A. New Legislation

The GATT implementing legislation, P.L. No 103-465, 103rd Cong, 2d Sess (Dec 8, 1995) makes a number of changes to copyright law:

53. It removes the "sunset" provision of the Computer Software Rental

Amendments Act of 1990 (17 USC s109 note). Section 511.

54. It provides civil and criminal penalties for unauthorised fixation of and trafficking in sound recordings and music videos of live musical performances, adding a new chapter 11 to Title 17 of the US Code, and a new section, 2319A, to Title 18. Sections 512, 513.

55. It restores copyright in *foreign* works that fell into the public domain in the US for failure to comply with formalities, or that never had protection here because the US lacked copyright relations with the country that is the source of the work. Section 514. The restoration takes place automatically on Jan 1 1996. The work gets the term of protection it would have been entitled to if it hadn't entered the public domain.

56. However, in order to enforce a copyright against a "reliance party" (one who is exploiting a restored work at the time of copyright restoration), the copyright owner must file or serve a "Notice of Intent to Enforce Restored Copyright". For a period of two years beginning next January, these notices may be filed in the Copyright Office, and they will serve as constructive notice to the reliance parties. Alternatively, during or after that two-year period, a copyright owner may serve a reliance party with actual notice.

A reliance party may continue to exploit the work for 12 months after actual or constructive notice, subject to conditions (e.g., no additional copies or phonorecords may be made) which are set out in the statute. A reliance party may continue to exploit an existing derivative work for the duration of the restored copyright if it pays "reasonable compensation" to the owner, the amount of such compensation to be determined by a federal district court, absent agreement between the parties.

Details of these and other provisions concerning copyright restoration can be found in 103 PL No 465, sec 514. The restoration provisions will be codified in a new section of the Copyright Act, 17 USC s 104A.

B. Pending legislation

54. HR 2441 (104th Cong 1st Sess), S 1284 (194th Cong, 1st Sess) These bills, which incorporate the legislative recommendations in the Administration's "White Paper" on "Intellectual Property and the National Information infrastructure" released in September 1995, would make several changes/clarifications to the Copyright Act relating to distribution of works by transmission: (i) an amendment to the distribution right to expressly include distribution of a copy by transmission: (ii) a change to clarify that importation can occur by transmission of a copy of a work; and (iii) a modification of the definition of "publication".

They would prohibit fraudulently altering or removing "copyright management information" such as the name of the copyright owner and terms and conditions of use, or fraudulently including false copyright management information. They would also prohibit importation, manufacture or distribution of devices that circumvent or bypass encryption or copyprotection mechanisms.

In addition, they would permit reproduction of certain works for the visually impaired, and library copying of works in digital form, under certain circumstances.

55. A 1122 (104th Cong 1st Sess). This bill, a response to the *LaMacchia* decision, would criminalise wilful copyright infringement by reproduction or distribution of copyrighted material with a total retail value of \$5,000 or more, even if there is no

commercial advantage or private financial gain to the infringer.

56. HR 533 (104th Cong 1st Sess) would substitute "rightful possessor" for "owner" in 17 USC sec 117.

V. International Developments

A. European Union

56. Computer Programs: See Council Directive of 14 May 1991 on the Legal Protection of Computer Programs (91/250/EEC).
57. See Amended Proposal for a Council Directive on the legal protection of databases, COM 464 final - SYN 393 (Oct 4 1993). The proposed directive cleared its second reading in the European Parliament in December 1995 and final action by the Council of Ministers is expected shortly.

B. WIPO - Possible Protocol to the Berne Convention

57. WIPO, Questions Concerning a Possible Protocol to the Berne Convention for the Protection of Literary and Artistic Works, Part I, Doc No BCP/CE/I/2 (July 18, 1991), WIPO Copyright, Feb 1992 at 30.
58. WIPO, Questions Concerning a Possible Protocol to the Berne Convention for the Protection of Literary and Artistic Works, Part II, Doc No BCP/CE/I/3 (Oct 8 1991), WIPO Copyright, Mar 1992 at 66.
59. WIPO, Report of the Committee of Experts on a Possible Protocol to the Berne Convention for the Protection of Literary and Artistic Works, First Session, Geneva, Nov 4-8 1991 Doc No BCP/CE/I/4 (Nov 8 1991), WIPO Copyright, Feb 1992 at 40.
60. WIPO, Report of the Committee of Experts on a Possible Protocol

to the Berne Convention for the Protection of Literary and Artistic Works, Second Session, Geneva, Feb 10-18, 1992 Doc No BCP/CE/II/1 (Feb 17, 1991), WIPO Copyright, Apr 1992 at 93.

61. The Questions Concerning a Possible Protocol to the Berne Convention, Third Session (Geneva, June 21-25, 1993, Part I (Introduction); Part II (Items Already Discussed); and Part III (News Items), Doc Nos BCP/CE/III/2-I, -II and -III (Mar 12, 1993). Parts I and III reprinted in WIPO Copyright, May 1993 at 72 and June 1993 at 84.
62. WIPO, Report of the Committee of Experts on a Possible Protocol to the Berne Convention Third Session, Geneva, June 21-25 1993, WIPO Copyright, Sept. 1993 at 179.
63. WIPO, Preparatory Document for the Fourth Session of the Committee of Experts on a Possible Protocol to the Berne Convention, Geneva, December 5-9, 1994, WIPO Copyright, Nov 1993 at 214.
64. WIPO, Report of the Committee of Experts on a Possible Protocol to the Berne Convention, Fourth Session, Geneva, December 5-9, 1994, Doc. No. BCP/CE/IV/3 (December 9, 1994).
65. WIPO, Preparatory Documents for the Fifth Session of the Committee of Experts on a Possible Protocol to the Berne Convention, Geneva, September 4-8, 12, 1995, Doc. No. BCP/CE/V/1-5 (July 25, 1995).
66. Report of the Committee of Experts on a Possible Protocol to the Berne Convention, Fifth Session and the Committee of Experts on a Possible Instrument for the Protection of the Rights of Performers and Producers of Phonograms, Fourth Session (Joint Session), Geneva, September 4-8, 12, 1995, Doc. No. BCP/CE/V/9-INR/CE/IV/8 (Sept. 12, 1995).

67. Report of the Committee of Experts on a Possible Protocol to the Berne Convention, Sixth Session and the Committee of Experts on a Possible Instrument for the Protection of the Rights of Performers and Producers of Phonograms, Fifth Session (Joint Session), Geneva, February 1-9, 1996, Doc. No. BCP/CE/VI/16-INR/CE/V/14 Prov. (Draft Report, Feb. 9, 1996).

C. Trade-Related Intellectual Property Rights ("TRIPS") in the GATT.

See Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, Doc. No. MTN/FA II-A1C, summarized in BNA's Patent Trademark & Copyright Journal, Vol. 47 at 185 (1993).

June M Besek is a partner in the New York law firm of Schwab Goldberg Price & Danny, and is a member of the NSW Society's sister body, the Computer Law Association, Inc. This article first appeared in Vol III of the CLA Computer Law Companion (1996).

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