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False and Fraudulent Material Is Entitled to Copyright Protection.

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COPYRIGHTS—Infringement—False and Fraudulent Material Is Entitled to Copyright Protection

Belcher v. Tarbox, 486 F.2d 1087 (9th Cir. 1973).

Plaintiff Belcher and defendant Tarbox were engaged in the business of publishing handicapping systems on horse races. The defendant's business operation differed from the plaintiff's in that the defendant periodically published a book or magazine containing reprints of handicapping systems while the plaintiff published his handicapping systems separately. When the defendant reprinted six of the plaintiff's systems, the plaintiff brought suit in federal district court for infringement of his copyrights, trademarks, and tradenames. The trial court held that the copyrights of five of the six systems had been infringed and awarded the plaintiff injunctive relief and damages. In finding that the authenticity and origin of the sixth system were fraudulently misrepresented, the court held that it was not entitled to copyright or trademark protection. Both parties appealed to the United States Court of Appeals for the Ninth Circuit. Held—*Affirmed in part and reversed and remanded in part.*[1] A copyrighted work is entitled to judicial protection from copyright infringement even though its content may be fraudulent and misleading.[2]

A copyright is an author's exclusive right to publish his literary property.[3] Although the copyright laws arose from both common law and statutory origins,[4] copyright law in the United States has evolved primarily through federal statutory enactments.[5] In granting authors and inventors a limited economic monopoly over their works, Congress intended to benefit society as

1. The district court's decision as to the sixth copyright was reversed, and the case was remanded solely to determine the plaintiff's damages which resulted from the sixth infringement. Belcher v. Tarbox, 486 F.2d 1087, 1089 (9th Cir. 1973).

2. *Id.* at 1088.

3. Keene v. Wheatley, 14 F. Cas. 180, 185 (No. 7644) (C.C.E.D. Pa. 1861). " 'Literary property' is a general term which is used either to describe the interest of an author . . . in his works . . . or to denote the corporeal property in which an intellectual production is embodied." Desny v. Wilder, 299 P.2d 257, 271 (Cal. 1956). For other definitions of literary property see Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 662 (2d Cir. 1955); Carpenter Foundation v. Oakes, 103 Cal. Rptr. 368, 375 (Dist. Ct. App. 1972).

4. For the distinction between a common law copyright and a statutory copyright, see Caliga v. Inter Ocean Newspaper Co., 215 U.S. 182, 188 (1909); Smith v. Paul, 345 P.2d 546, 554 (Cal. Dist. Ct. App. 1959).

5. 17 U.S.C. §§ 1-215 (1970). Article I, Section 8, clause 8 of the United States Constitution empowers Congress to grant copyrights and patents to authors and inventors. Pursuant to its constitutionally delegated power, Congress enacted the Copyright Act of 1790. Since then there have been four revisions of the federal copyright laws. The present copyright laws are codified in Title 17 of the *United States Code*.

a whole through the encouragement of science and the useful arts.[6] This Congressional intent was so evident that the courts have had little difficulty in construing the copyright laws so as to conform with this beneficial purpose.[7]

The procedural requirements for procuring a copyright are prescribed in Title 17 of the *United States Code*. The first, and the most important step is the publication of the copyrightable work containing notice of the copyright.[8] The author then must deposit and register two copies of his work containing the copyright notice with the Copyright Office[9] which will then issue the author a certificate of copyright.[10] Since the copyright laws do not require an inspection of the contents of a work,[11] a copyright can be obtained for almost any original material,[12] but the mere fact of its possession will not automatically entitle the holder to protection against copyright infringement. The federal courts are the only means through which a federal copyright can be enforced.[13]

The basic issue presented in the instant case is whether a copyrighted work whose subject is fraudulent and misleading is entitled to copyright pro-

6. The public purpose underlying the creation of the copyright law is distinctly expressed in the Constitution. "Congress shall have the power . . . to promote the progress of Science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries . . . ." U.S. CONST. art. I, § 8, cl. 8. And described in the preamble of the original copyright act, "*An act for the encouragement of learning* . . . ." Act of May 31, 1790, ch. 15, 1 stat. 124.

7. Goldstein v. California, 412 U.S. 546, —, 93 S. Ct. 2303, 2309, 37 L. Ed. 2d 163, 173 (1973); Mazer v. Stein, 347 U.S. 201, 219 (1954); Washingtonian Publishing Co. v. Pearson, 306 U.S. 30, 36 (1939); Fox Film Corp. v. Doyal, 286 U.S. 123, 127-28 (1932).

8. 17 U.S.C. § 10 (1970). Publication with notice is essential since this act creates the copyright. The proper form of the notice is set out in 17 U.S.C. § 19 (1970).

9. 17 U.S.C. §§ 11, 13 (1970). This section also requires that all requirements concerning deposit and registration of the material to be copyrighted must be completed prior to the maintaining of any action for copyright infringement.

10. 17 U.S.C. § 209 (1970).

11. 41 OP. ATT'Y GEN. 396, 399 (1958).

12. Originality of material is a prerequisite for obtaining a copyright. Gardenia Flowers, Inc. v. Joseph Markovits, Inc., 280 F. Supp. 776, 782 (S.D.N.Y. 1968); Stuff v. La Budde Feed & Grain Co., 42 F. Supp. 493, 495 (E.D. Wis. 1941). For cases construing the requirement of originality see Chamberlin v. Uris Sales Corp., 150 F.2d 512, 513 (2d Cir. 1945); Dorsey v. Old Surety Life Ins. Co., 98 F.2d 872, 873 (10th Cir. 1938); Jones Brothers Co. v. Underkoffler, 16 F. Supp. 729, 731 (M.D. Pa. 1936).

13. 28 U.S.C. §§ 1338 and 1400 (1970) respectively provide for federal jurisdiction and venue over all violations of the federal copyright laws. 17 U.S.C. § 112 (1970) prescribes the manner in which the federal courts are to protect rights under the copyright laws. Until recently, it had been generally assumed that the federal government had pre-empted the field of copyright protection pursuant to Title 17 of the *United States Code* and the Supremacy Clause of the United States Constitution. However, the Supreme Court has recently created a limited state role in that field. In Goldstein v. California, 412 U.S. 546 (1973), it was held that states may provide copyright protection for intellectual property not covered under federal law since copyright protection is not solely a federal function. *Id.* at —, 93 S. Ct. at 2311, 37 L. Ed. 2d at 176.

tection. In affirmatively resolving the issue, the Court of Appeals for the Ninth Circuit noted that the Copyright Act imposes no duty upon the courts to examine the contents of copyrighted works prior to granting copyright protection and stated that the assumption of such a duty would only create problems of judicial interpretation on both the practical and theoretical levels.[14] In arriving at this decision, the court summarily dismissed the idea that public policy was involved and declared that it failed to see what public policy would be furthered by denying copyright protection to fraudulent material.[15] In his dissenting opinion, Judge Wallace maintained that the issue should have been decided under principles of equity as mandated by Section 112, Title 17 of the *United States Code*.[16] To refute the contention that courts should not deny protection to a copyrighted work because of its subject matter, he pointed out that courts in the past have denied copyright protection to obscene or immoral works.[17] Implying that the same rules should be applicable to cases involving fraudulent material, Judge Wallace concluded that to do otherwise would constitute a legal condonation of fraud and the contravention of the public policy which established the copyright laws.[18]

If *Belcher* is viewed solely from its own perspective, it appears to be a confusing decision based exclusively on practical considerations unsubstantiated by legal precedent and made without any consideration for the formulation of an adequate legal rationale to guide future litigation. These weaknesses are partially attributable to the prior cases which have dealt with the same issue, but which, because of their contradictoriness, have failed to clarify this area of copyright law. In *Stone & McCarrick, Inc. v. Dugan Piano Co.*[19] the plaintiff brought suit for infringement of the copyright on his piano advertising booklet. Applying the equitable doctrine of "clean hands," the Court of Appeals for the Fifth Circuit denied the plaintiff relief because the advertising booklet tended to deceive the public.[20] In *Advisers, Inc. v. Wiesen-Hart, Inc.*[21] an opposite conclusion was reached although the factual situation was identical. Here the plaintiff brought suit for copyright infringement on his discount coupon booklet. The District Court for the Southern District of Ohio held that although the booklet was fraudulent in that its value was misrepresented to the public, it nevertheless was entitled

14. Belcher v. Tarbox, 486 F.2d 1087, 1088 (9th Cir. 1973).
15. *Id.* at 1088.
16. Belcher v. Tarbox, 486 F.2d 1087, 1089 (9th Cir. 1973). Judge Wallace also implied that the court should have followed Stone & McCarrick, Inc. v. Dugan Piano Co., 220 F. 837 (5th Cir. 1915) and Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1942) as controlling case law.
17. Belcher v. Tarbox, 486 F.2d 1087, 1091 (9th Cir. 1973) (dissenting opinion).
18. *Id.* at 1090.
19. 220 F. 837 (5th Cir. 1915).
20. *Id.* at 843.
21. 161 F. Supp. 831 (S.D. Ohio 1958).

to copyright protection.[22] In a more recent decision, *International Biotical Corp. v. Associated Mills, Inc.*,[23] a federal district court followed the rationale used in *Stone & McCarrick*. By invoking the "clean hands" doctrine, the court declined to enforce the plaintiff's design patent and copyright because the plaintiff had made misrepresentations to the court, the Copyright Office, and the general public.[24] Since the prior cases exhibit no logical progression in theoretical development, it is not surprising that the *Belcher* case suffers from the same infirmity.

The reasons for the absence of legal theory in the relevant case law can be imputed to the use of equitable remedies to resolve the issue and to the fact that the courts have applied equitable remedies without giving sufficient consideration to whether the results of their decisions would conform to the legislative intent behind the copyright laws. Ideally, equitable principles are to be uniformly applied by the courts. In actuality, however, the subjective opinion of a trial judge tends to determine what is inequitable conduct, and this fact combined with the unique situation presented by each case has produced varying results from apparently identical circumstances.[25] Additionally, the courts' neglect in considering copyright policy in conjunction with their dispensing of equity probably has been a major factor responsible for retarding the development of any controlling standard.[26] In all four of the cases in point, the copyright policy of "promoting the progress of science and the useful arts"[27] was given little, or no, consideration. If any legal continuity is to emerge in this area of copyright law, a combination of copyright policy and equity must be used to resolve future litigation.

An excellent illustration of how those elements were used to effectively resolve a sensitive issue similar to the one presented can be seen in *Martinetti v. Maguire*.[28] *Martinetti* was the first United States case to decide the question of whether an allegedly obscene copyrighted work was entitled to copyright protection.[29] The plaintiff filed suit alleging the copyright in-

22. *Id.* at 834. It should be noted that the court did not substantiate its opinion with any legal precedent. The conclusions of law were drawn solely from the factual circumstances of the case.

23. 239 F. Supp. 511 (N.D. Ill. 1964).

24. *Id.* at 516.

25. *Compare* Stone & McCarrick, Inc. v. Dugan Piano Co., 220 F. 837 (5th Cir. 1915), *with* Advisers Inc. v. Wiesen-Hart, Inc., 161 F. Supp. 831 (S.D. Ohio 1958).

26. *See* Belcher v. Tarbox, 486 F.2d 1087 (9th Cir. 1973); Advisers Inc. v. Wiesen-Hart, Inc., 161 F. Supp. 831 (S.D. Ohio 1958).

27. U.S. CONST. art. I, § 8, cl. 8.

28. 16 F. Cas. 920, 922 (No. 9173) (C.C. Cal. 1867).

29. The first case in which it was conclusively established that an immoral work was not entitled to equitable protection from infringement was Stockdale v. Onwhyn, 108 Eng. Rep. 65 (K.B. 1826). The rule in that case was established upon common sense and the proposition that it was beneath the dignity of the law to protect an obscene work. *Id.* at 66.

fringement of his dramatic composition. In denying the plaintiff relief, the court held that since the dramatic work was merely a gorgeous spectacle, it was not entitled to be copyrighted.[30] The court further held that even if the plaintiff's play were assumed to be copyrightable, it would not be entitled to copyright protection because of its obscene and immoral content.[31] In reaching this conclusion, the court reasoned that since immoral or obscene works neither contribute to the progress of science and the useful arts nor advance the public welfare, they certainly should not receive the protection of a court of equity.[32] The rationale in *Martinetti* was so persusaive that it has been recognized as controlling precedent in all subsequent cases where obscene works were denied copyright protection.[33]

Due to the impact of the *Martinetti* decision, it would appear that the same rationale would be readily adaptable to works which are fraudulent. This approach would not be novel because the courts have previously borrowed theories from other related areas to resolve issues with which the statutory copyright laws have been unable to cope. The "misuse" defense used in copyright infringement litigation is a prime example of such adaptation. The "misuse" defense essentially is the assertion that the holder of an exclusive government-granted privilege should not receive governmental protection when he uses it to subvert the public policy under which the privilege was granted. The defense was initially accorded judicial recognition in the area of patent law and was indirectly applied to copyright litigation through dicta in *Morton Salt Co. v. G.S. Suppiger Co.*[34] In *Morton Salt* the plaintiff brought suit alleging that the patent on its salt tablet dispensing machine had been infringed. The defendant, Morton Salt, admitted the infringement, but contended that the plaintiff was not entitled to equitable relief because it leased its patented machines only if the prospective lessee agreed to exclusively use salt tablets manufactured by the plaintiff's subsidiary. The Court accepted the defense explaining that the public policy responsible for creating the patent laws likewise prohibited any unlawful patent extension because of its adverse effect upon the public interest.[35] One year later in *Leo Feist, Inc. v. Young*,[36] the "misuse" defense was again recognized as a valid defense to a suit of copyright infringement, but was

30. Martinetti v. Maguire, 16 F. Cas. 920, 922 (No. 9173) (C.C. Cal. 1867).
31. *Id.* at 922.
32. *Id.* at 922-23.
33. *See* Bullard v. Esper, 72 F. Supp. 548 (N.D. Tex. 1947); Barnes v. Miner, 122 F. 480, 490 (C.C.S.D.N.Y. 1903); Broder v. Zeno Mauvais Music Co., 88 F. 174 (C.C. N.D. Cal. 1898). M. NIMMER, COPYRIGHTS § 36, at 146.28 n.654 (10th ed. 1973).
34. 314 U.S. 488 (1942).
35. *Id.* at 492. The Court was so concerned with restricting patent misuse that it did not require injury attributable to patent misuse as a prerequisite to asserting this defense. *Id.* at 494.
36. 138 F.2d 972 (7th Cir. 1943).

disallowed because the plaintiff's conduct was held not to constitute a misuse of his copyright.[37] It was not long thereafter that the defense received complete acceptance through its successful assertion in *M. Witmark & Sons v. Jensen*[38] in which it was held that the plaintiffs had illegally formed a monopoly by combining their copyrighted musical compositions.[39]

One obvious consequence of applying the rationale used in *Martinetti v. Maguire*[40] to copyright cases involving fraudulent misrepresentation would be the creation of another defense to a copyright infringement. However, because this defense would be merely a variation of the "misuse" doctrine formulated in *Morton Salt*, giving it legal recognition would not be overly extreme.[41] The distinction between the wrongs which the two defenses are designed to prohibit is only one of degree. It is incongruous for the courts to prohibit a copyright holder from illegally extending his copyright and yet permit him copyright protection for fraudulent products and advertising methods because both acts contravene the public interest. As the dissenting opinion in *Belcher* clearly indicates, the toleration of such an anomaly is tantamount to a condonation of fraud by our legal system.[42] If a vendor uses his copyrighted product to defraud the public, he deserves to lose his exclusive privilege to sell it.[43] In an era when fraudulent misrepresentation is all too common, the American consumer needs all the protection that the law will afford.[44]

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37. *Id.* at 976. For a discussion of this area, see Comment, *The Defense of Misuse in Copyright Actions*, 41 DENVER L.J. 30, 34 (1964).

38. 80 F. Supp. 843 (D. Minn. 1948), *appeal dismissed*, 177 F.2d 515 (8th Cir. 1949).

39. *Id.* at 850.

40. 16 F. Cas. 920 (No. 9173) (C.C. Cal. 1867).

41. Morton Salt Co. v. G.S. Suppiger, 314 U.S. 488 (1942). The scope of this defense would naturally have to be confined to situations where the copyrighted work was intentionally misrepresented or fraudulently created. Failure to narrow its application would result in possible first amendment violations, insurmountable problems of interpretation, and contravention of the public policy which engendered the copyright laws.

42. Belcher v. Tarbox, 486 F.2d 1087, 1090 (9th Cir. 1973) (dissenting opinion).

43. The practical advantages of this defense should also be considered. Any product deprived of copyright protection under this defense would return to the public domain. Thus another opportunity for its improvement or proper application would be provided, and the progress of science and the public interest would be furthered.

44. This defense is not intended to supplant the regular tort remedies for fraudulent misrepresentation. In many cases of fraudulent misrepresentation, however, the consumer's loss is small enough to make utilization of the tort remedies impractical due to the high cost of litigation. Thus this defense would act as a deterrent in such situations.