Against the Grain

Volume 12 | Issue 2 Article 24

April 2000

Cases of Note-Cynthia Maurizio v. Olivia Goldsmith aka Justine Rendal and Hearst Business Publishings, Inc. v. W.G. Nichols, Inc.

Bruce Strauch
The Citadel, strauchb@earthlink.net

Jack G. Montgomery
Western Kentucky University Libraries, jack.montgomery@wkyu.edu

Anne F. Jennings
A. Jennings Legal Research and Information, a.jennings@mindspring.com

Cases of Note

Cynthia Maurizio v. Olivia Goldsmith aka Justine Rendal, Hearst Business Publishing, Inc. v. W.G. Nichols, Inc.

by **Bruce Strauch** (the Citadel) <strauchb@earthlink.net>

Copyright - Rights of a Joint Author

From Husband Bashing to Bashing Female Partner

The road to the silver screen is long and littered with the bodies of jettisoned co-authors.

Cynthia Maurizio v. Olivia Goldsmith aka Justine Rendal, (S.D.N.Y.2000) 2000 U.S. Dist. LEXIS 788.

Olivia Goldsmith is the pen name of Justine Randal, but we'll call her Goldsmith because that's how you know the author of the famous ***First Wives' Club.***

The Facts According to Maurizio

Goldsmith and **Maurizio** were two wanna-be novelists who met at a movie production company party and became pals for a time. In June of 1989, Goldsmith started writing *First Wives' Club* (**FWC**) as a screenplay but shifted to a novel. She landed an agent based on a hundred pages, but the agent (as they always do) said he couldn't sell it without a completed manuscript—or the partial manuscript and promo outline of the entire book.

Goldsmith asked Maurizio to write the outline but was turned down twice. Goldsmith "got down on her hands and knees and begged" Maurizio who finally relented.

This case is on a motion for summary judgment brought by Goldsmith, so everything Maurizio claims as fact is taken as true for the purpose of the motion. Yes, you knew that. It's construed in the light most favorable to Maurizio. And if there's any question of fact, then Goldsmith loses.

Goldsmith agreed to pay Maurizio $10,000 to outline a plot whether it sold or not. Goldsmith gave Maurizio an orchid and told her if the book sold, they would both make a lot of money.

Remember, this is Maurizio's claim of the facts. I know. I just told you one paragraph ago. But I'm hammering it in. Imagine if you were a Citadel cadet and had to put up with me.

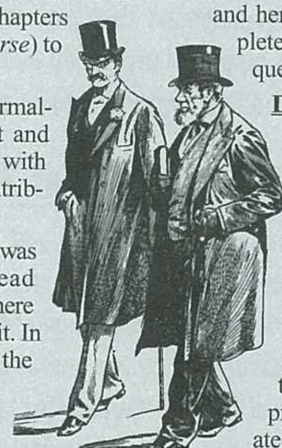
They met at Maurizio's home and brainstormed. Goldsmith wrote an "Outline for the Outline." It was April, 1990. They kept meeting and Maurizio advanced the outline. When it was finished, Goldsmith submitted the complete outline to the agent. The meeting went well, and Goldsmith proposed to Maurizio that they co-write the novel. Maurizio assumed she would be credited as co-author.

They kept working on the outline. Maurizio messed up and blotted the entire thing from her computer (*gack!*) but reconstructed it.

In May, Goldsmith submitted the outline plus 250 pages of **FWC** text to the agent. The agent decided he wanted a more active involvement in the project.

Goldsmith gave a $1,000 check to Maurizio with the notation "for typing services." Maurizio objected. Goldsmith rewrote the check with the notation "loan." They agreed on this. *I know. It's a "huh?" moment.*

And every draft of the outline was captioned "FWC, by Justine Rendal." Maurizio says she wrote two draft chapters and was praised by Goldsmith. She says Goldsmith said they would divide up the chapters and go to the Hamptons (*of course*) to finish it during the summer.



In May, Maurizio tried to formalize a co-authorship agreement and Goldsmith "freaked out." Along with that, she refused. Maurizio contributed nothing more to the book.

Goldsmith told Maurizio she was shelving the book, but instead slipped away to the Hamptons where someone else helped her finish it. In January, 1991, Maurizio opened the *New York Post* to find Goldsmith had sold **FWC** to Paramount. Now it was her turn to freak out. She demanded 25% of the bucks plus co-authorship. Goldsmith refused.

Maurizio registered a claim for copyright and sued Goldsmith for infringement.

Joint Authorship

"Joint Work" as per the Copyright Act: "[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." 17 U.S.C. §101.

The two part test is (1) each author intended to be a co-author at the time of the creation, and (2) each made copyrightable contributions. *Childress v. Taylor;* 945 F.2d 500, 507-08 (2d Cir. 1991). Goldsmith said there was no question of fact, and she was entitled to summary judgment. But she loses as you will see.

Goldsmith was indisputably the dominant author, but Maurizio's story of the orchid-bearing Goldsmith asking her to co-write the book creates a question of fact. Maurizio did not begin work on the outline and draft chapters until promised (she says) co-authorship.

Another Case

Goldsmith cites an interesting case as authority for her position, but the Court distinguishes it. In *Thomson v. Larson,* 147 F.3d 195 200 (2d Cir. 1998) Thomson, a dramaturge, claimed joint authorship of the Broadway music **Rent**. The author Larson had said he would "always acknowledge [Thomson's] contribution" and "would never say that [he] wrote what [Thomson] did." *Id.* at 205. *Yes, if you were Larson, you'd have no trouble weaseling your way out of those bloopers.*

Copyrightable Contribution

Copyright protection only extends to "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102(a). "Ideas, refinements, and suggestions, standing alone, are not the subjects of copyrights." *Erickson v. Trinity Theatre, Inc.,* 13 F.3d 1061, 1072 (7th Cir. 1994). Which is another way of saying your ideas are not protected, only the tangible expression of them.

Maurizio says she didn't just contribute ideas; she wrote an outline and draft chapters and her language appears in the completed book. And all that creates a question of fact.

Derivative Work?

Goldsmith argued even if the pair were co-authors of the outline and draft chapters, Goldsmith was the sole author of **FWC**, a derivative work of the earlier one. "[E]ven though one co-author has the right to revise a joint work in order to create an individual derivative work, the other co-author acquires no property rights in the newly created work prepared without his involvement." *Weissmann v. Freeman,* 868 F.2d 1313, 1318 (1989). *I don't get the "even though" part of that quote. So let's go with:* "[J]oint authorship in a prior work is insufficient to make one a joint author of a derivative work." *Ashton-Tate v. Ross,* 916 F.2d 516, 522 (9th Cir. 1990).

Goldsmith lost on this one because there was a question of fact as to whether Maurizio intended her work to be step one of a two-step process or figured some of her work would end up in the final draft.

Remember, Maurizio by her account was first hired to do an outline. If it had stopped there, I could see the derivative work argument. But in doing the outline she developed character profiles. And then, because the partnership clicked, she was drawn into writing chapters.

continued on page 58

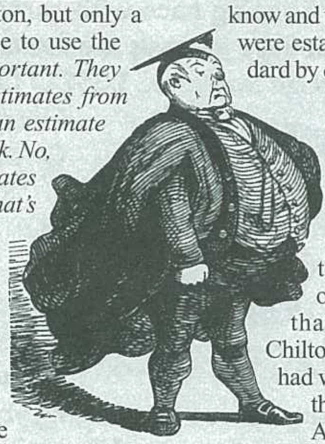
Cases of Note
from page 56

Lanham Act - False Advertising

Hearst Business Publishing, Inc. v. W.G. Nichols, Inc., 76 F.Supp.2d 459 (S.D.N.Y. 1999).

Founded in 1922, the **Chilton Company** over the years published a bunch of automotive and repair books and magazines for both professionals and do-it-yourself consumers. Most importantly, it put together estimates of time for thousands of automotive repair and maintenance operations. "Chilton time" for auto repair folks is an industry standard and a basis for labor charge across the USA.

When Chilton went out of business, **Hearst** acquired the rights to "Chilton time" labor estimates from the Professional Automotive Pub Division of Chilton, but only a two-year nonexclusive license to use the name "Chilton." *This is important. They own copyright for all the estimates from 1922. Assuming you wanted an estimate on fixing a '32 Packard. Yuk-yuk. No, seriously. They own the estimates for all the recent useful stuff. That's what's important.*



Further restrictions required that the Chilton name be used only in combination with (Hearst's) ***Motor** Labor Guide and Parts Manual* with Chilton in a different color and typeface. That license expired in 1999, with Chilton retaining the ownership of the Chilton mark.

Nichols acquired the properties and assets of Chilton's Consumer Automotive Pub Division along with its trademark for two years but only in connection with consumer automotives. *And no right to "Chilton time" labor estimates.*

Nichols decided to publish its own labor guide with its own estimates of car labor repair time—which are not Chilton time because Chilton didn't do it—but titled a "Chilton" labor guide. *Yes, you can see it coming.*

Hearst's **Motor** told customers it had bought the copyrighted Chilton times and would be updating and revising them for a two-year period and then selling them under **Motor** alone. Meanwhile, Chilton — including the important trademark — was bought by **Reed Elsevier** for $447,000,000. *Yes, you read that right. $447,000,000. Who says there's no $$$ in publishing?*

Reed merged Chilton with **Cahners**, and Chilton was no longer a company. But the trademark still exists — owned by **Cahners** (Reed).

As the two years began to run out, Hearst's **Motor** tried to extend the trademark license but Cahners said no.

Hearst went forward with a *Motor Labor Guide Manual 1980-2000* with labor times labeled "Chilton time," but only for repair operations through the years of their license.

Meanwhile, Nichols was in business publishing consumer automotive repair books with the Chilton trademark. Cahners granted Nichols an exclusive ten-year worldwide license in 1999 to use that trademark for consumer and professional repair publications.

Nichols announced it was about to publish the *Chilton's Labor Guide* for the professional market. It would have a green cover with orange type—the old Chilton colors. And Nichols touted its book as "the name you know and trust" and "the manuals which were established as the industry standard by decades of reliable accuracy."

Nichols launched a telemarketing campaign with a "Chilton" information line plus tens of thousands of scripted sales phone calls using the Chilton name. The telemarketers got out of hand on some occasions, claiming that Nichols was the same Chilton company and that Nichols had won a suit against Motor over the issue of the name Chilton. All of this was false.

Hearst sued under the Lanham Act for false advertising, asking for a preliminary injunction to stop the publication of the book. Two elements would have to be shown.

1) Irreparable harm if the injunction is not granted.

This is proved by a showing that Hearst will lose sales as a result of misleading advertising. If competing products are head-to-head in the relevant market, then reasonable evidence of likelihood of harm is sufficient. *Coca-Cola v. Tropicana Products, Inc.*, 690 F.2d 312, 316-17 (2d Cir. 1982).

If advertising makes a comparison of two competing products, irreparable harm is presumed. See, e.g., *McNeilab, Inc. v. American Home Products Corp.,* 848 F.2d 34, 38 (2d Cir. 1988).

The two books were never directly compared. But the Court found a likelihood of lost sales for Hearst because of confusion by auto shops as to which book contains the true Chilton time. Evidence of this was submitted by Hearst from automotive customers saying they wanted to go with Nichols because they believed it an update of the Chilton original.

2) A likelihood of success on the merits at trial.

Hearst asserts that (a) Nichols misleads customers into believing Nichols is the same company as Chilton and that updated Chilton times will be in the new Nichols book and (b) Motor was never authorized to print Chilton time.

Section 43(a) of the Lanham Act says: "Any person who ... uses in commerce ... any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which: (A) is likely to cause confusion, or to cause mistake, or to deceive as to ... the origin, sponsorship, or approval of his or her goods [or] services ... or (B) in commercial advertising, promotion, misrepresents the nature, characteristics [or] qualities ... of his or her or another person's goods [or] services ... shall be liable in a civil action by any person who believes he or she is or is likely to be damaged by such act.

Did you catch how our dogged Congress is never too busy to take time and clean up the gender distinctions of an act that goes way back before that was an issue?

Hearst must show that the ads are either (1) literally false, or (2) while literally true, still likely to mislead. *L&F Prods. v. Procter & Gamble Co.*, 45 F.3d 709, 711 (2d Cir. 1995). And Hearst must show that Nichols "misrepresented an inherent quality or characteristic" of the books. *National Assoc. of Pharm. Mfrs. v. Ayerst Lab*, 850 F.2d 904, 917 (2d Cir. 1988).

Literally False

Incredibly, Nichols put out an ad that quoted a Hearst fax. Hearst was warning customers that Nichols' was not the same manual as Chilton's. Nichols dropped the "not."

Nichols' telemarketers made a variety of false statements including that Motor had used the Chilton name without permission and had paid money damages to Chilton for illegal conduct.

Implicitly False

Nichols advertised "the Name You Know and Trust" which is true of Chilton but misleads as to Nichols. By citing Chilton's history—*"Founded in 1922" ... "market leader"* — all of which was true— there is the likelihood of buyers thinking Nichols is a successor company. The Chilton hotline is an obvious confusion-creator. 1-887-4CHILTON. And Nichols saying Chilton was "an automotive tradition since 1925" implies that Chilton still exists. And even though the name *Chilton's Labor Guide Manual* was permitted under the Cahners-Nichols agreement, it creates the false impression that the book is published by the Chilton company. Truth is, Nichols is a new entry into the field and the data is compiled by Nichols' staff.

continued on page 66

Another IPO Flop

by **Bruce Strauch** (the Citadel)

In 1993, ***Saveur*** had $30 million in investor money and was going to re-write the rules of magazine publishing. Publisher **Chris Meigher** figured he had no need to discount the subscription price to drive up circulation and draw advertisers. His baby-boomer readers would pay top dollar for the high-end food glossy as well as ***Garden Design*** and ***Quest,*** a chronicle of Manhattan society. Investors putting up the $30 mil were drawn by the promise of lucrative stock warrants when a big public offering would be made. Then magazine sales on newsstands in general plummeted. And IPO money stampeded to dot.coms. Meigher lost a million investing in **Europe Online**, an imitation of **America Online** that flopped. Production costs were running $25 million/year. Meigher was lambasted for living lavishly out of the company. Now it's sold for $7 million plus the assumption of $8 million in debts. That's drastically down from the $60 million asking price two years ago. The original investors of the $30 million? They'll get about $2 million to divvy up. **See — Matthew Rose,** "Missteps Make a Once-Glossy Magazine Publisher Lose Its Luster," ***The Wall Street Journal***, Feb. 18, 2000, p.B1.

Fortunate Heirs

by **Bruce Strauch** (the Citadel)

Copyrights run out 70 to 90 years after the death of an author. But Trademarks go on forever if you use them. **A.A. Milne**'s heirs are making a mint through partnering with **Disney** to market **Winnie the Pooh** products. Gross sales are $6 billion a year. They've doubled in five years vs. 20% growth for **Mickey**, **Minnie** et al. Ditto although not quite so big *Curious George* ($700,000 a year) and all the **Seuss** properties (movie rights to the *Grinch* sold for $5 million). **Charles Schultz** raked in a lot during his lifetime, but with the right handling his heirs will be plutocrats. — **See: Louise Rosen,** "Don't Pooh-Pooh the Pooh Bear," ***Forbes,*** March 20, 2000, p.184.

Cases of Note
from page 58

Cases of Note from page 58

Injecting some Balance

The Court notes that the injunction seems to give Hearst by law what it could not get through negotiation with Cahners. *Well, yes, it does rather.*

Nichols could promote itself as having the exclusive right to print books bearing the Chilton name. But the books do not contain original or updated Chilton times. Hearst owns the copyright to those. Nichols had an obligation to refrain from creating confusion.

If you think about that real hard, the result seems fair. I guess.

And it is just a preliminary injunction. They still have to go to trial.

The injunction mostly ordered Nichols to stop the outrageous telemarketing claims and ad promotions. But it left ominously undecided the issue of the title of the book and the green and orange colors.

It scheduled a conference on that.

Dum-da-dum-dum. Yes, Nichols is looking at their whole publishing schedule potentially being thrown out of whack and having to do a massive reprinting job.

It's Because I Never had the BIG BOX!

by **Pamela M. Rose** (State Univ. of New York at Buffalo)

The fascinating history of **Binney & Smith Crayola Crayons** is delightfully detailed in this piece accompanied by full color photos of the product. While the exact ingredients (including the unique signature odor) are secret, the author takes us through the manufacturing process with a liberal dose of nostalgia, including data on color name changes. **See — Beth Py-Lieberman**, "The Colors of Childhood," in ***Smithsonian***, p.32-36, Nov. 1999.

Disorganization Men

by **Bruce Strauch** (the Citadel)

Slipping in a book review here. But it is *Against the Grain*. ***Liars' Poker*** author **Michael Lewis** has another hit book, writing personality profiles as history of **Silicon Valley**. Fantastic summary of the people and events that have shaped the new economy. His style is reminiscent of **Tom Wolfe** and what was once called the "new journalism" as he describes the prima-donnas and geeks who make no pretense to seeing the future—just set off in pursuit of some technology that excites them "running down some long dark tunnel leading God knew where." Lewis devotes a lot of discussion to the venture capital sharks who steal the companies slice by slice as new infusions of capital are needed. And then put in "stuffed-suit" management types to do their darndest to ossify dynamism and make it into a corporate pyramid they can rule in the old order and hierarchy style right out of the 1950s. **Jim Clark** was and is an erratic genius. With two wives and a wrecked college professor career behind him, at age 38 he became the brains behind **Silicon Graphics** which first made possible three-dimensional imaging inside a computer. **Ed McCracken** shoved him out. And as that process took place, Ed decided all the ideas were his own and styled himself a visionary.

"Having established himself as the captain of the ship, he was doing what captains of industry have done since they were invented. He was transforming himself into an Important Person. He chaired conferences on the future of American industry. He hobnobbed with U.S. senators and testified before Congress. [He] became a regular at White House dinners." Meanwhile, **Jim Clark** jumped ship, teamed with the inventor of **Mosaic** (**Mark Andreseen**) and they formed **Netscape**. Back at the ranch, **SGI**, **TW**, **Microsoft**, **Sun**, **Oracle**, **AT&T** were dumping billions down a rathole trying to perfect interactive television. "Then, just as they all ran as a herd in one direction, he took off in another. And within six months he made them all look like fools. It was one of the great unintentional head fakes in the history of technology." **See — Michael Lewis, *The New New Thing,*** W.W. Norton, 2000, ISBN 0-393-0483-6.

Don't You Wish You Had Some Stock Options?

by **Bruce Strauch** (the Citadel)

Dot.com frenzy is doing nicely in India where **Azim Premji**, chairman of **Wipro**, India's second-biggest software exporter, is worth $30 billion. Not bad for a guy who dropped out of Stanford to take over the family cooking oil business. And of course our **Bill Gates** is now partnering with **Wipro** for software development and testing in India. What's the deal? A whole lot of investors and not a lot of stocks to chase. Plus Indian-Americans with around $50 billion to invest. And those pin-striped American venture capitalists are taking Indian companies public in Western markets awash with capital. The strangulation of autarkic government regulation makes the Indian stock market an unattractive place to launch an IPO. But brought to the Nasdaq, **Satyam Infoway**, the AOL of India got a six month price gain of 900%. **See — Chandrani Ghosh and Naazneen Karmali,** "India's $30 Billion Man," ***Forbes,*** March 20, 2000, p.144.