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Copyright & Patent Law

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COPYRIGHT & PATENT LAW

I. A “NEW” DIMENSION TO COPYRIGHT INFRINGEMENT*

A. INTRODUCTION

In *Sid and Marty Krofft Television v. McDonald’s Corp.*,¹ the Ninth Circuit introduced a “new dimension” in the development and meaning of the concept of “similarity” in the area of copyright infringement.

The plaintiff had created an animated television program designed for children’s viewing titled the “H.R. Pufnstuf” show. It became successful and generated a line of products endorsements and licensing agreements with other businesses for use of “Pufenstuf” characters. The defendant sought the plaintiff’s assistance in preparing an advertising campaign for its chain restaurant business.² After months of discussion, the defendant informed plaintiff that the campaign was cancelled. Nevertheless, the defendant continued the project, creating “McDonaldland” television commercials and generating its own products, endorsements and licensing arrangements.³

Plaintiff sued, alleging defendant’s “McDonaldland” infringed plaintiff’s copyright in “H.R. Pufnstuf.” At trial, the jury viewed samples of both works and concluded, on the basis of their similarity, that defendant had infringed plaintiff’s copyright.⁴

On appeal, the Ninth Circuit affirmed the judgment with respect to infringement.⁵ The court stated that infringement requires that the plaintiff show that the works in question are substantially similar to one another in both the general *ideas* of the

* The author wishes to acknowledge the indispensable contribution of Norman H. Stone, San Francisco attorney, in developing and articulating the ideas expressed in this note.

1. 562 F.2d 1157 (9th Cir. Oct., 1977) (per Carter, J.; the other panel members were Goodwin and Sneed, JJ.).

2. Defendant Needham, Harper, and Steers, Inc., an advertising firm, initiated and carried on all talks with plaintiff. There were no direct communications between plaintiff and defendant McDonald. 562 F.2d at 1161.

3. Defendant’s products and endorsements competed directly with plaintiff’s, causing a drastic loss of business for plaintiff. 562 F.2d at 1161.

4. 562 F.2d at 1162.

5. *Id.* at 1179. The court’s decision as to damages is discussed in part II of this note.

works and in the *expression* of those ideas. The court declared that it added a new dimension to infringement actions by articulating two tests for these similarities. The court held that an "intrinsic" test, alone, based on comparison by ordinary, reasonable persons, is appropriate in determining whether there is substantial similarity of expression. The court reasoned that an "extrinsic" test, based on contrast by analysis, while appropriate in determining if there is similarity of *ideas*, is not appropriate in determining if there is substantial similarity of the *expression* of the ideas.

B. BACKGROUND: SCOPE OF PROTECTION AND "SIMILARITY"

In order to prove infringement a plaintiff must show: (1) that the work in which he or she claims an interest is copyrightable,⁶ (2) that he or she owns the copyright to that work,⁷ (3) that the defendant actually copied from that work,⁸ and (4) that the material copied was within the scope of protection afforded by copyright law.⁹

6. *Rehyer v. Children's Television Workshop*, 533 F.2d 87, 89 (2d Cir. 1976). *Heim v. Universal Pictures, Inc.*, 154 F.2d 480, 487 (2d Cir. 1946). The Copyright Act of 1909, 17 U.S.C. § 4 (1909), granted copyright protection to "all writings of an author." Court decisions interpreted this to mean that a work was copyrightable where; (1) The work was fixed in some tangible form from which the work could be reproduced, see *M. Nimmer on Copyright*, § 1.08(c)(2) (1978) [hereinafter *Nimmer*], and (2) the work was the original product of the author's intellectual and creative effort. *Harold Lloyd v. Witwer*, 65 F.2d 1, 23 (2d Cir. 1933). The Copyright Revision Act of 1976, 17 U.S.C. § 102 (1976) [hereinafter *Revision Act*] provides protection for "original works of authorship fixed in any tangible medium of expression." This retains the requirement of original, creative authorship and of fixation while permitting protection for new forms of expression.

7. See *Revision Act*, 17 U.S.C. § 501(b); *Rehyer*, 533 F.2d at 90. Under both the Act of 1909 and the Revision Act, ownership initially vests in the author (or authors) of a work and is freely transferable. Act of 1909, § 28; *Revision Act*, at § 201. The Revision Act made significant changes in providing for: (1) transfer of any part of the copyright as well as the whole. § 201(d)(1), (2) duration of copyright equaling the life of the author plus fifty years. § 302(d)(1), (3) termination of transfer unilaterally by the author (or her heirs) at times specified by the statute. Sections 304(c), and (4) reduced emphasis on the formalities of registration and deposit incidental to ownership or actions for infringement. Sections 402-07.

8. *Rehyer*, 533 F.2d at 90; *Universal Athletic Sales Co. v. Sulkeld*, 511 F.2d 904, 907 (3d Cir. 1975); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (3d Cir. 1936).

9. *Baker v. Selden*, 101 U.S. 99, 103-04 (1879); *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931). In several cases the requirement of original and creative authorship is discussed in terms of scope of protection. See, e.g., *Heim*, 154 F.2d at 488 (plaintiff-composer's copyright did not extend to a passage of musical notes judged too commonplace to be original); *Lloyd*, 65 F.2d at 23 (elements of plaintiff's story were not sufficiently original to be protected by copyright). The requirement of original, creative authorship is best understood as a requirement separate from the requirements relating to scope of protection. The issue of scope refers to the requirement that although a copyright may be a work of original and creative authorship, there are certain aspects of the work that cannot be protected.

In *Krofft*, only the element of scope was involved.¹⁰ The court drew on the concept of substantial similarity to resolve this issue.¹¹

Protection for every aspect of a validly owned, copyrightable work does not extend to ideas, but is limited, in scope, to the *expression* of ideas.¹² A copy that is identical, or nearly identical, to plaintiff's work is self-evidently a copy of the expression.¹³ A work that is derived, that is, actually copied, from plaintiff's work,¹⁴ but not identical to it, is only a copy of the expression where there is sufficient, concrete or substantial "similarity" between the two.¹⁵ Infringement requires that copying be substantial, that is, something of material or substantial value must be taken from plaintiff's work.¹⁶ The expression of ideas in the origi-

10. 562 F.2d at 1165.

11. *Id.* at 1162-63.

12. See Revision Act, 17 U.S.C. § 102(b). This concept was established in decisional law prior to the Revision Act. See, e.g., *Baker v. Selden*, 101 U.S. 99 (1879) (the copyright in a book describing an original system of bookkeeping was not infringed by a second book using the original's idea, but not the original's particular arrangement of columns and headings); *Nichols*, 45 F.2d at 121-23 (the court, assuming for the sake of argument that plaintiff's drama was a work of original authorship, found that defendant's motion picture copied only plaintiff's ideas, and that such copying did not constitute infringement). The Revision Act incorporated this concept in providing that copyright protection for an original work not extend "to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated or embodied." Revision Act, 17 U.S.C. § 102(b). See generally *Nimmer, supra* note 6; *Wasserstrom, An Analysis of the Infringement Sections of the Copyright Code and Chapter 5 of S. 22, COMPLETE GUIDE TO THE NEW COPYRIGHT LAW* (1977).

13. See, e.g., *Overman v. Loesser*, 205 F.2d 521 (9th Cir. 1953) (infringement found where defendant copied musical passages from plaintiff's composition); *Couleur International Ltd. v. Opulent Fabrics, Inc.*, 330 F. Supp. 152 (S.D.N.Y. 1971) (infringement found where differences between two works were so small as to be insignificant). See also *Nimmer, supra* note 6 at § 13.03(A), which states that where two works are literally identical, the only issues remaining in determining infringement are originality and actual copying.

14. See Revision Act, 17 U.S.C. § 101, which defines "derivative work" as one based on one or more "preexisting works." The owner of a copyright has the exclusive right to prepare derivatives as well as to reproduce copies of the original. *Id.* at § 106.

15. See, e.g., *Bradbury v. Columbia Broadcasting System, Inc.*, 287 F.2d 478 (9th Cir. 1961) (defendant's television drama was found to have infringed on plaintiff's copyright in a short story); *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960) (defendant's fabric design infringed plaintiff's copyright in a similar design, despite a number of variations). A copy has been defined as "that which comes so near the original as to give to every person seeing it the idea created by the original." *White-Smith Music Publishing v. Apollo Co.*, 209 U.S. 1, 17 (1908).

16. *Bradbury*, 287 F.2d at 485 (scenes, characters, and dialogue taken from plaintiff's short story and used in defendant's television drama was sufficient to show infringement); *Twentieth Century-Fox Film Corp. v. Stonesifer*, 140 F.2d 579 (9th Cir. 1944) (common dialogue, characters, plot, and sequence of events was sufficient to show defendant's motion picture infringed plaintiff's copyright in a novel). Cf. *Reyher*, 533 F.2d 87 (2d Cir. 1971) (similarity of events in two children's stories was not sufficiently concrete to find infringement).

nal work is that aspect of the work with material or substantial value.

Historically, this substantial similarity was found where ordinary reasonable persons could find the works in question similar.¹⁷ This determination was made by the trier of fact, without aid of expert testimony and analysis of the works' elements.¹⁸

The "ordinary observer" standard is viewed as consistent with the purpose of copyright law of protecting the copyright owner's economic interest,¹⁹ since that interest lies in the public appeal of the work.²⁰ The ability of the public to recognize the similar appeal of two works upon direct observation, unaided by analytical concepts, insures that the similar appeal lies in the expression of the works, not just in the ideas.²¹ Any technical analysis would obscure this issue by focusing on trivial differences and overlooking a work's total concept and feel.²²

However, the concept of "substantial similarity" becomes confused when, although not required, some level of similarity may also be used as a factor in determining actual copying.²³ Although actual copying can be proved by direct evidence,²⁴ evidence that the defendant had access to plaintiff's work, taken together with similarities between the works, may provide circumstantial evidence of actual copying.²⁵ Even without evidence

17. See Lloyd, 65 F.2d at 19 (court stated that a copy that infringed was one that *ordinary observation* would cause to be recognized as having been taken from another); Nichols, 56 F.2d at 123 (court found no need for analysis by experts to determine if plaintiff's drama and defendant's motion picture were substantially similar).

18. Lloyd, 65 F.2d at 18; Nichols, 45 F.2d at 123.

19. See Arnstein v. Porter, 154 F.2d 464, 472-73 (2d Cir. 1946), *cert. denied*, 330 U.S. 851 (1931) (plaintiff's legally protected interest is equated with his potential financial return from the public's approbation of his creative effort in producing a musical composition).

20. See Arnstein, 154 F.2d at 473 (the issue was stated as "whether defendant took from plaintiff's works so much of what is pleasing to the ears of lay listeners . . . that defendant wrongfully appropriated something which belongs to that plaintiff.>").

21. See Nichols, 45 F.2d at 122 (court argues against the use of expert analysis).

22. *Id.* at 123. The court states that analysis "cumbers the case and tends to confusion, for the more the court is led into the intricacies of dramatic craftsmanship, the less likely it is to stand upon the firmer, if more naive ground of its considered impressions upon its own perusal.

23. See generally, Sherman, *Music Copyright Infringement: The Requirement of Substantial Similarity*, 22 COPYRIGHT L. SYMP. 81 (1977).

24. See, e.g., *Int'l Luggage Registry v. Avery Products Corp.*, 541 F.2d 830 (9th Cir. 1976) (evidence was offered that proved defendant intentionally printed luggage labels identical to labels printed by plaintiff).

25. See, e.g., *Caddy-Imler Creations, Inc. v. Caddy*, 299 F.2d 79 (9th Cir. 1962)

of access, similarities alone may be sufficiently striking to preclude any explanation for themselves other than actual copying.²⁶

In the landmark case of *Arnstein v. Porter*,²⁷ the Second Circuit distinguished the similarity required to prove copying and the similarity required to prove improper copying.²⁸ The court stated that where similarity alone is used to show, by inference, that defendant's work was copied from plaintiff's, analysis and expert testimony are appropriate,²⁹ as well as the immediate impressions of ordinary observation.³⁰ This issue of copying is settled apart from a determination of improper copying which is determined by the traditional substantial similarity test.³¹

C. THE KROFFT OPINION

The *Krofft* court spoke of adding a "new dimension" to the *Arnstein* analysis. "Copying" becomes copying the idea while "improper copying" becomes copying the expression of the idea.³² The test for similarity of *ideas* is "extrinsic," based on analysis, dissection and expert testimony.³³ The test for similarity of *expression* is "intrinsic," based on recognition of similarity by ordinary observation.³⁴

(access based on evidence of negotiations and interchange between plaintiff and defendant coupled with specific similarities was sufficient to show actual copying); *Twentieth Century-Fox*, 140 F.2d 579 (access based on widespread distribution of plaintiff's work coupled with specific similarities was sufficient to show defendant's motion picture was actually copied from plaintiff's novel).

26. See, e.g., *Overman*, 205 F.2d 521 (exact replication of particular musical passages was sufficient to show actual copying). Cf. *Heim*, 154 F.2d 480 (identical musical passages were evidence of copying, but defendant prevailed where the material copied was not judged a work of original authorship).

27. *Arnstein*, 154 F.2d 464 (2d Cir. 1946).

28. *Id.* at 468-69.

29. *Id.* at 468. Although the court in *Arnstein* states that such evidence is relevant, the case was remanded to the district court to determine the issue of access as related to actual copying. Cf. *Polk and Co. v. Musser*, 105 F. Supp. 351 (E.D. Pa.) *aff'd* 196 F.2d 1020 (3d Cir. 1952) (analysis and expert testimony as to similar errors in, or departures from, the normal rules of musical composition and harmony is appropriate to prove defendant actually copied from plaintiff's musical composition).

30. 154 F.2d at 468.

31. *Id.* at 472.

32. 562 F.2d at 1164.

33. *Id.*

34. Here, the intended audience for both works included children. The trier of fact is allowed to base its evaluation on the response of children as well as adults. 562 F.2d at 1166.

35. *Id.* at 1165 (the court describes the idea as a fantasyland filled with various imaginative characters).

Defendant conceded copying plaintiff's idea³⁵ but argued that it had not copied the expression. However, defendant's approach, which would have relied on analysis and dissection, was not appropriate for demonstrating this argument,³⁶ since comparison, based on ordinary observation, is the sole test for similarity of the expressions. The court, after making its own observation, was satisfied with the determination of the jury on this issue.

In analyzing *Arnstein*, the court reasoned that the distinction made between copying and improper copying is the equivalent to a distinction between permissible copying and improper copying.³⁷ Assuming valid ownership and copyrightability, permissible copying could only be copying of the ideas. This leaves copying of the expression of the ideas as the equivalent of improper copying. The court concluded that the distinction between copying and improper copying parallels a dichotomy between copying of the ideas and copying of the expression of the ideas.³⁸ The court justified its use of an intrinsic test to determine whether there is substantial similarity of the expression by reiterating the policies underlying use of the ordinary observer standard.³⁹

Equating improper copying with copying of the expression of

36. *Id.* Defendant's attempt to introduce extrinsic analysis would be appropriate if actual copying were at issue. Here, however, copying (of the idea) is conceded by defendant, leaving the court with the question of whether that aspect of the original copied by defendant is included with the scope of plaintiff's copyright protection. To illustrate this mistaken approach, the court quotes defendant as pointing out:

"'Pufnstuf' wears what can only be described as a yellow and green dragon suit with a blue cummerband from which hangs a medal which says 'mayor.' 'McCheese' wears a version of pink formal dress—'tails'— with knicker trousers. He has a typical diplomat's sash on which is written 'mayor,' the 'M' consisting of the McDonalds trademark of an 'M' made of golden arches."

562 F.2d at 1166. The court added:

So not only do defendants remove the characters from the setting, but dissect further to analyze the clothing, colors, features, and mannerisms of each character. We do not believe that the ordinary reasonable person, let alone a child, viewing these works will ever notice that Pufnstuf is wearing a cummerband while Mayor McCheese is wearing a diplomat's sash.

Id. at 1166-67.

37. *Id.* at 1165.

38. *Id.*

39. See text accompanying notes 19-22 *supra*. The court went on to reject the defendant's argument that near-identity is the proper standard in this case. Such a standard is appropriate only where the idea and the expression of the idea are indistinguishable. In that circumstance extending protection beyond near-identity would, in effect, protect the ideas as well as the expression. In the instant case, the expression goes far beyond the idea. *Id.* at 1167-69.

ideas is really at the heart of any infringement action where the alleged copying is not a literal, or near-literal, reproduction.⁴⁰ A non-identical copy is always, in varying degrees, both like and unlike, the original. The idea-expression dichotomy is the conceptual tool courts have used to determine how similar to the original a non-identical copy must be for infringement to lie.⁴¹ Applying this dichotomy, courts have determined that infringement lies where a non-identical copy is sufficiently like the original that, upon ordinary observation, reasonable persons can see, hear or otherwise perceive the similarities. In other words, where non-literal similarity has a demonstrable concrete basis, that similarity is actionable.⁴² There are no hard and fast rules for making this determination, and it is done on a case by case basis.⁴³ This determination is what the *Krofft* court labels the “intrinsic” test.

There is compelling logic for this test. If experts alone can perceive a similarity, or if academic scholarship is necessary before ordinary persons are able to, it is clear that the perception (of similarity) rests on an intellectual basis. Thus, this suggests that the content of the perception is drawn from the underlying ideas of the materials, not from the works’ concrete expressions.

The court stated that it is the idea-expression dichotomy, not the analysis of past cases, that is the foundation of its “new dimension.”⁴⁴ Whether one characterizes the dimension pre-

40. See, e.g., *Bradbury*, 287 F.2d at 478 (the ordinary observer test was sufficient to show defendant’s television drama infringed plaintiff’s copyright in a short story); *Peter Pan*, 274 F.2d 487 (despite variations, two works were found substantially similar where the court found that the aesthetic appeal of both works was the same to ordinary persons judging two fabric designs without the aid of expert analysis or dissection); *Nichols*, 45 F.2d 119 (the test for similarity between plaintiff’s drama and defendant’s motion picture was whether defendant had copied plaintiff’s expression of ideas rather than the ideas alone).

41. See, e.g., *Nichols*, 45 F.2d at 121, stating that without such a concept, literal identity would be the sole test for infringement, leaving plagiarists free from liability. Judge Learned Hand, author of the *Nichols* opinion continues at this point with his oft-quoted “abstraction test”:

Upon any work . . . a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and . . . might consist of only its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his “ideas,” to which apart from their expression, his property is never extended.

42. See *Nimmer*, *supra* note 6 at § 13.03(A)(1), describing this concreteness as patterns of the works.

43. See *Peter Pan*, 274 F.2d at 489.

44. See 562 F.2d at 1165 n.7.

sented as “new,”⁴⁵ or not, the dimension clearly has a strong and justifiable basis.

D. ACTUAL COPYING AND COPYING OF IDEAS

The court’s equating of copying of ideas with the concept of copying, as used in *Arnstein*, requires separate evaluation. The court analyzes *Arnstein* as distinguishing permissible copying (therefore, copying of ideas) from improper copying.⁴⁶ However, copying in *Arnstein*, is not necessarily permissible. A determination of copying only refers to the determination that plaintiff’s work was the source of defendant’s, that is, defendant’s work was not created independently.⁴⁷ The determination of whether the copying was permissible or improper is separate from this determination of actual copying.

The “extrinsic” test to which *Krofft* refers is the equivalent of *Arnstein*’s test to determine the issue of actual copying.⁴⁸ The determination does not exclude an “intrinsic” test but merely allows “extrinsic” analysis and dissection to also be considered. Where the issue of actual copying can be settled by direct evidence, extrinsic analysis has no basis for application.⁴⁹ Without direct evidence of actual copying, strong, direct evidence of access allows the intrinsic test to fulfill both functions of the use of “similarity,” that is, proof of copying by inference and proof of improper copying by ordinary comparison.⁵⁰ It is only where there is little or no evidence of access that extrinsic criteria becomes necessary to show “striking” similarities that preclude all explan-

45. *Nichols* presents the same basic approach when the court there argued: (1) that the question of substantial similarity is resolved by determining whether defendant copied plaintiff’s expression of ideas rather than the ideas, alone (at 121), and (2) that the test for this determination was one of ordinary observation without aid of expert testimony or analysis 45 F.2d at 123. *Nichols*’ use of the term “fair use” (at 121) to describe defendant’s permissible copying of plaintiff’s ideas creates confusion. Fair use should be limited to those special cases where substantial similarity (copying of the expression) is excused. See *Nimmer*, *supra* note 6 at § 13.05.

46. See note 37 *supra*.

47. See, e.g., *Universal*, 511 F.2d at 907; *Bradbury*, 287 F.2d at 479; *Arnstein*, 154 F.2d at 468-89.

48. Compare *Arnstein*, 154 F.2d at 468 (where the test for actual copying, analysis and expert testimony, is nearly identical to *Krofft*’s “extrinsic” test) with *Krofft*, 562 F.2d at 1164.

49. See, e.g., *Universal Athletic*, 511 F.2d 904 (copying was proved by direct evidence, alone).

50. See, e.g., *Caddy-Imler*, 299 F.2d 79 (access was sufficiently clear and direct to require little evidence of similarity to show actual copying). See also *Nimmer*, *supra* note 6 at 13.03(E).

ations other than actual copying.⁵¹ In proving actual copying by inference, literal reproduction of the original expression is as relevant as similarity of ideas.⁵²

In two separate discussions the opinion implicitly dealt with actual copying. At one point, the court discussed the defendant's concession that it copied plaintiff's idea.⁵³ This could be taken as sufficient direct evidence of actual copying, although the court did not explicitly make this argument. In a separate discussion, the court linked access with similarity,⁵⁴ clearly alluding to the formulation that actual copying may be shown by proof of access coupled with similarity.⁵⁵

These two discussions suggest that extrinsic analysis has relevance apart from the issue of actual copying. However, the court clearly could not have intended to suggest this. If substantial similarity (copying of the expression) is established by intrinsic comparison (ordinary observation), the remaining issue is whether defendant actually copied from the plaintiff's work. Extrinsic analysis, including but not limited to examining similarities and differences of ideas, may be relevant to this remaining issue.⁵⁶ If this remaining issue of actual copying is decided without reference to similarity,⁵⁷ extrinsic analysis of such similarity of ideas adds nothing to plaintiff's case. If, on the other hand, substantial similarity is not established by intrinsic comparison, no amount of extrinsic evidence of copying of ideas will revive plaintiff's case. An "extrinsic" test for similarity of ideas does not stand apart from the issue of actual copying. Extrinsic analysis becomes relevant to the issue of actual copying only in the absence of direct evidence or of strong evidence of access.⁵⁸

51. See *Arnstein*, 154 F.2d at 468, stating, "if evidence of access is absent, the similarities must be so striking as to preclude the possibility that plaintiff and defendant independently arrived at the same result."

52. See notes 26-29 *supra*.

53. See 562 F.2d at 1165.

54. *Id.* at 1172-73.

55. *Id.* at 1172-73. The court stated that the interchange between the parties showed clear and convincing evidence of defendant's opportunity to view and copy plaintiff's work. Such evidence lowers the standard of similarity otherwise required to prove copying. Given this clear and convincing proof of access, the jury's finding of similarity is sufficient to find actual copying.

56. See, e.g., *Williams v. Kaag Mfrs., Inc.*, 338 F.2d 949, 951 (9th Cir. 1964) ("noteworthy similarity" provable by extrinsic analysis was required to show copying, though actual evidence that defendant had access to plaintiff's figurine trophy was offered).

57. See, e.g., *Int'l Luggage*, 541 F.2d 830 (copying is proved by direct evidence).

58. See text accompanying notes 49-51 *supra*.

A similar outcome could have been reached more directly had the court simply not allowed extrinsic analysis on the ground that it was not relevant to the issue of actual copying. The general rule supporting such a decision could be stated as follows: A defendant may not introduce extrinsic analysis except to rebut plaintiff's use of similar evidence to prove actual copying. This rule would be the corollary to the rule that a plaintiff may not introduce extrinsic analysis except to prove actual copying where no other means of proof of such copying is available.

The *Krofft* court was clearly making the proper decision in relying on ordinary observation alone to settle the case. Defendant's only purpose in attempting to introduce extrinsic analysis was to show lack of substantial similarity,⁵⁹ and this is clearly not permissible.

In labelling the test of ordinary observation as an "intrinsic" test, the court has certainly captured the essence of the use of idea-expression dichotomy that has long been an integral part of copyright infringement. If any dimension of the court's opinion is "new," it must be the identification of an "extrinsic" test with copying of ideas. In this aspect of the opinion the court did not deal explicitly with the issue of actual copying and raised a new issue, copying of the idea, that was not relevant to a disposition of the case.

II. POSTSCRIPT ON DAMAGES—THE COPYRIGHT REVISION ACT

The second part of the decision, dealing with damages, involves issues which would be resolved differently under The Copyright Revision Act of 1976.⁶⁰ The jury's award to plaintiff of fifty thousand dollars was based solely on actual damages or losses, without consideration of defendant's profits.⁶¹ The court remanded the case for an accounting of profits.⁶² At issue was whether the plaintiff was entitled to damages plus profits, or

59. 562 F.2d at 1165.

60. See Revision Act, 17 U.S.C. § 504.

61. 562 F.2d at 1177. Actual losses were measured by determining the value of use of plaintiff's work to defendant. The court defined this as the amount of money a willing buyer would pay a willing seller for plaintiff's work. This is recognized as a different measure than defendant's actual profits from the infringement which might be based on royalties from licensees or from increased profits in defendant's other businesses. *Id.* at 1173-74.

62. *Id.* at 1179.

whether he was only entitled to damages *or* profits, whichever was greater. The plaintiff argued that damages were cumulative, that is, if profits are ascertainable plaintiff is entitled to that amount in addition to the award of actual losses; if profits are not ascertainable, the court must award statutory “in lieu” damages in addition to the award of actual losses. Plaintiff’s argument was based on the language of the statute which provided for “damages . . . due to infringement as well as all the profits which infringer shall have made.”⁶³ Plaintiff’s argument justified damages as necessary to compensate the copyright owner for losses, while profits were necessary to prevent defendant from profiting from wrong-doing.

The Ninth Circuit, the leading advocate for the minority position limiting recovery to the higher of two amounts where both profits and losses were ascertainable, held that damages were *not* cumulative.⁶⁴ The court added that statutory “in lieu” damages were mandatory only if neither losses nor profits were ascertainable. The court pointed to language in the legislative history which indicated that recovery was to be in the alternative.⁶⁵ The court also argued that its broad discretion with respect to statutory “in lieu” damages was sufficient to prevent defendant’s unjust enrichment.

In line with this reasoning, the court instructed the district court to determine if defendant’s profits were ascertainable. If they were ascertainable, plaintiff would be entitled to the higher amount of either profits or damages; if they were not ascertainable, plaintiff would be entitled to actual losses alone. In either event, the district court could, within its discretion, award plaintiff statutory “in lieu” damages, but under these circumstances such an award could not be mandatory.

63. Copyright Act of 1909, 17 U.S.C. § 101(b) (1909). *Accord*, *Thomas Wilson and Co. v. Irving J. Dorfman Co.*, 433 F.2d 409, 413 (2d Cir. 1970); *Gelles-Widmer Co. v. Milton Bradley Co.*, 132 U.S.P.Q. 30, 35 (N.D. Ill. 1961), *aff’d* 313 F.2d 143 (7th Cir. 1963) (both supporting plaintiff’s position with respect to cumulation of profits and damages).

64. *See, e.g.*, *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354 (9th Cir. 1947). *Accord*, *Gordon v. Weir*, 111 F. Supp. 117, 123 (E.D. Mich. 1953), *aff’d* 216 F.2d 508 (6th Cir. 1954).

65. H.R. REP. NO. 2222, 60th Cong. 2d Sess., at 15 (1909), which states:
The provision that the copyright proprietor may have such damages as well as the profits is substantially the same provision . . . relating to . . . patents. The courts have usually construed that to mean that the owner . . . might have one or the other, whichever is greater. As such a provision was found both in the trademark and patent laws, the committee felt that it might be properly included in the copyright laws.

In a clear attempt to end the ambiguity, the revised statute provides that recovery include "actual damages . . . and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages."⁶⁶

This scheme is justified as awarding damages to compensate the copyright owner for losses, while awarding profits to prevent unjust enrichment by the infringer.⁶⁷ However, cumulation is not absolute; if profits are included in the calculation of damages there is no further accumulation,⁶⁸ where there are profits not reflected in the award for actual losses, or where there are losses not included in measuring profits, cumulation is required to the extent that each amount is not included in the other.⁶⁹

In the case at hand, the jury's award did not include any amount attributable to profits. Under the revised statute, the case would have been remanded to the district court to ascertain profits. These profits would have been added to plaintiff's award for losses, less any amount included in profits that also represents the "value of use" calculation that was used to determine plaintiff's actual losses.⁷⁰

The scheme for statutory damages has been drastically altered by the revised statute. Statutory damages are never mandatory but may be elected by plaintiff at any time during the trial, before the court makes its final judgment.⁷¹ Election precludes all other recovery.⁷² The amount of the statutory award is within the discretion of the court, within \$250 and \$10,000.⁷³ In exceptional cases the court may raise a statutory award to as much as \$50,000, where defendant wilfully infringed, or lower a statutory award to as little as \$100, where defendant was not aware or had no reason

66. See Revision Act, 17 U.S.C. § 504(b).

67. H.R. REP. NO. 94-1476, 94th Cong., 2d Sess., at 161 (1976), S. REP. NO. 94-473, 94th Cong., 1st Sess. at 143-44 (1976).

68. See Revision Act, 17 U.S.C. § 504(b).

69. *Id.*

70. See note 61 *supra* and accompanying text for calculation of plaintiff's actual losses. Revision Act, 17 U.S.C. § 504(b), provides that in establishing profits, the copyright owner need only present proof of the infringer's gross revenue, while the infringer is required to prove deductible expenses and elements of profit attributable to factors other than the work itself.

71. See Revision Act, 17 U.S.C. § 504(c)(1). The phrase "in lieu" is no longer used when referring to statutory damages. See *id.* at § 504(c)(2).

72. *Id.* at § 504(c)(1).

73. *Id.*

to believe her acts constituted infringement.⁷⁴ In *Krofft*, the plaintiff had been awarded \$50,000 in actual damages. If the case had been heard under the new scheme plaintiff could not have received a greater amount by election of statutory damages prior to the final award. Such an election would be made based on anticipation of the damage and profit awards weighed against anticipation of the court's ideas of compensation, prevention of unjust enrichment, and penalties for wilfulness.

The changes in the revised statute were made with the aim of removing the ambiguities relating to cumulation of damages and profits and providing courts with reasonable latitude in adjusting recovery to fit circumstances.⁷⁴ Although the statute on its face satisfies these aims, any definitive conclusions regarding these changes must be made in light of future cases to be heard under the new scheme.

Steven J. Baker

III. PATENTABILITY: OBVIOUSNESS REVISITED

In last term's study of recent Ninth Circuit patent decisions, it was contended that Ninth Circuit panels approach the obviousness issue in the combination context in a consistent manner, and do apply the single statutory standard of 35 U.S.C. §103 when determining obviousness.¹ Two "103" cases, *Penn International Industries v. Pennington Corp.*² and *Photo Electronics v. England*,³ have been decided since then, and together they evidently confirm these contentions, as well as the observation that the Ninth Circuit's standard of patentability (as it relates to the obviousness issue, in any event) is "not unnecessarily strict."⁴ This conclusion is based in part on the rather remarkable fact that four out of the last five Ninth Circuit cases where patentability was an issue resulted in holdings of patent validity.⁵ The opin-

74. See *id.* at § 504(c)(2).

1. See 1977 Patent Survey, 8 GOLDEN GATE U. L. REV. 193, 194 (1977).

2. 583 F.2d 1078 (9th Cir. Sept., 1978) (per Wright, J.; the other panel members were Tang, J. and Thompson, D.J.).

3. ___ F.2d ___, 199 U.S.P.Q. 710 (9th Cir. Sept., 1978) (per Wright, J.; the other panel members were Browning, J. and Kunzig of the Court of Claims).

4. This observation is explained more fully in 8 GOLDEN GATE U. L. REV. at 194.

5. The four validity holdings are contained in the *Penn* and *Photo Electronics* cases cited at notes 2 and 3 *supra* and in *Santa Fe-Pomeroy, Inc. v. P & Z Co.*, 569 F.2d 1084 (9th Cir. 1978); *Austin v. Marco Dental Prods., Inc.*, 560 F.2d 966 (9th Cir. 1977). Only

ions in three of these validity cases, it should be added, were written by Judge Wright.⁶ In both *Penn* and *Photo Electronics*, Judge Wright spoke for the panel which decided the case.

A. CONFUSION REGARDING "UNUSUAL OR SURPRISING RESULTS"

Despite one troublesome passage in the *Penn* case, the opinions in *Penn* and *Photo Electronics* do confirm observations made in the patent survey last term. For instance, both the *Penn* and *Photo Electronics* courts expressly began their analysis of the obviousness issue with the three-part factual inquiry mandated by the Supreme Court's decision in *Graham v. John Deere*.⁷ Secondary factors were also considered. In *Photo Electronics*, which involved "an extremely technical and complex" video analyzer for color film negatives, secondary considerations were explicitly evaluated, as they always should be in such cases. In *Penn*, which involved a "simple" waterbed design, secondary considerations which may have been assessed by the trial court were not discussed specifically, but the court made it clear that "consideration of secondary factors will often assist in ascertaining whether the alleged invention [meaning patentable invention] is obvious"⁹ Lastly, as predicted, both *Penn* and *Photo Electronics* eschew reference to such inartfully phrased early cases as *Regimbal*,¹⁰ *Hewlett-Packard*,¹¹ and *Deere & Co. v. Sperry Rand Corp.*¹² in favor of such sound decisions as *Santa Fe-Pomeroy, Inc. v. P & Z Co.*,¹³ *Reeves Instrument Corp. v. Beckman Instruments, Inc.*,¹⁴ *Saf-Gard Products, Inc. v. Service Prod-*

the brief opinion in *Astro Music, Inc. v. Eastham*, 564 F.2d 1236 (9th Cir. 1977), involved a holding of invalidity. The *Astro Music* case is discussed at 8 GOLDEN GATE U. L. REV. 193, 211 (1977).

6. In addition to the *Penn* and *Photo Electronics* cases, Judge Wright wrote the opinion in the *Austin* case, which is cited at note 5 *supra*.

7. 383 U.S. 1 (1966). A discussion of the fact that the Ninth Circuit uniformly and properly adheres to the teachings of *Graham* can be found in 8 GOLDEN GATE U. L. REV. at 198-200.

8. ___ F.2d ___, 199 U.S.P.Q. at 719.

9. 583 F.2d at 1081. It is highly likely that the trial court considered the secondary indications of nonobviousness, given the tone of the Ninth Circuit opinion. This is common trial practice, as the district court opinion in *Globe Linings, Inc. v. City of Corvallis*, 185 U.S.P.Q. 807 (D. Ore. 1975), reveals. This district Court opinion is discussed in 8 GOLDEN GATE U. L. REV. at 214 n.101.

It is also worth noting that the simplicity of the *Penn* device worked in its favor. The court observed that "the *Penn* structure is not complex, but its simplicity is one of its primary virtues." 583 F.2d at 1082.

10. 444 F.2d 333 (9th Cir. 1971).

11. 460 F.2d 625 (9th Cir. 1972).

12. 513 F.2d 1131 (9th Cir. 1975).

13. 569 F.2d 1084 (9th Cir. 1978).

14. 444 F.2d 263 (9th Cir. 1971).

ucts, Inc.,¹⁵ and *Cool-Fin Electronics Corp. v. International Electronic Research Corp.*¹⁶

As noted above, however, there is one aspect of the *Penn* case which may create difficulties. The waterbed invention at issue in *Penn* was not considered a combination device because it contained “numerous elements” not found in the prior art before the court.¹⁷ Therefore, the court would have been justified in observing that it did not have to exercise the “special care” with which section 103’s single statutory standard (*i.e.*, nonobviousness) is applied in the combination context. Instead, the court stated: “the *Penn* patent cannot be deemed a combination and need not demonstrate an unusual or surprising result to be valid.”¹⁸ First, it is clear that the court intended to say that the *Penn* invention cannot be deemed a combination of old elements, and thus need not demonstrate an unusual or surprising result in order for the *Penn* patent to be valid. Second, it is equally clear that the idea behind the language is as inapt as the language itself, and thus probably not a true reflection of the court’s viewpoint.

The phrase “unusual or surprising results” was merely one of a number of phrases used by the *A & P* Court to convey the notion that a combination invention must make a nonobvious contribution to the art.²⁰ The phrase arose in one of the rare cases where a *Graham*-like inquiry was cut short by the fact that the invention does not even embody some basic form of contribution to the art.²¹ There were no new elements, uses, functions, or results, and thus the supermarket check-out counter at issue in *A & P* was palpably obvious.²² The same was true for the barn cleaning device in *Ag Pro*²³ and the paving device in *Black Rock*,²⁴

15. 532 F.2d 1266 (9th Cir. 1976).

16. 491 F.2d 660 (9th Cir. 1974). These two groups of cases, and the relative virtues of the latter group, are discussed in 8 *GOLDEN GATE U. L. REV.* at 201-04.

17. 583 F.2d at 1081 & n.3.

18. This requirement of special care is discussed more fully in 8 *GOLDEN GATE U. L. REV.* at 197 n.21, 198 n.27.

19. 583 F.2d at 1082.

20. These observations emanate directly from the discussion in 8 *GOLDEN GATE U. L. REV.* at 204-08.

21. See note 20 *supra* and accompanying text.

22. See generally the Supreme Court’s decision in *A & P Tea v. Super-Market Equipment Corp.*, 340 U.S. 147, 152 (1950).

23. *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976).

24. *Anderson’s-Black Rock, Inc. v. Pavement Salvage Co., Inc.*, 396 U.S. 57 (1969).

where the Court decided the validity issue without formal application of the "obvious-nonobvious" standard.²⁵

In other words, if the *A & P* Court had said "make doubly sure you have a *nonobvious* combination," instead of just noting that "this case is wanting in any unusual or surprising consequences," it would not have been changing its still valid message. Thus, for the purposes of illustration, it is appropriate to substitute the phrase "nonobvious contribution" for the phrase "unusual or surprising result." When this is done, the *Penn* court's language reads as follows: "the *Penn* patent cannot be deemed a combination and need not demonstrate a nonobvious contribution to be valid." Of course, this statement is patently incorrect, but it does reveal how dangerously close the *Penn* court comes to establishing a double obviousness standard for combination devices. There are not two obviousness standards, one for combination devices and one for noncombination devices.²⁶ Both inventions and noncombination devices are subject to the same obviousness standard under section 103. Combination devices do not have to be more nonobvious than noncombination structures. It may be more difficult to invent a nonobvious structure using known elements,²⁷ but this only justified more careful analysis by the courts, not a double standard.

Moreover, an unusual or surprising result is not the only indication that a combination device is nonobvious. A proper three-part *Graham* inquiry and evaluation of secondary considerations may reveal other indications in any case which is distinguishable from *A & P* because there is arguably some new function for an old element (*i.e.*, it may function (operate) in a new way *or* it may serve a new function), or some new result emanating from the combination as a whole. This last point also reveals the fallacy in focussing on "results" alone. The proper focus under section 103 is "the subject matter as a whole," and the cases therefore consistently acknowledge that the nonobviousness of the combination itself, rather than any individual elements, etc., is the only appropriate scope of inquiry.²⁸

25. 396 U.S. at 63. This aspect of *Black Rock* is discussed in 8 GOLDEN GATE U. L. REV. at 206-07.

26. The fact there is but one standard is discussed in 8 GOLDEN GATE U. L. REV. at 198-99.

27. See, *e.g.*, *id.* at 198 n. 27.

28. See, *e.g.*, *id.* at 212 & n.91.

There is every reason to believe that the *Penn* court actually understood these points well. First, as already noted, *Graham* was the express touchstone of the obviousness inquiry.²⁹ Furthermore, the court also observed that: “To withstand challenge a combination patent must be synergistic; it must result ‘in an effect greater than the sum of the several effects taken separately. . . .’ *Phrased differently*, to be valid a combination patent must produce an ‘unusual or surprising result.’”³⁰ Here, the court evidences an understanding of the fact that the phrases of *A & P* (and *Black Rock*) are interchangeable and generally synonymous with the nonobviousness requirement.

Accordingly, one can now understand Judge Wright’s remark in *Photo Electronics* to the effect that a requirement for finding unusual or surprising results is “triggered” if a combination is present.³¹ This is evidently Judge Wright’s way of saying that the findings of fact must reveal careful evaluation of the obviousness issue, for the *Photo Electronics* court approved trial court findings that were not expressly linked to “unusual or surprising results,” but which did use a *Graham* inquiry and secondary considerations to clearly support its findings that the subject matter as a whole was nonobvious.³² In light of language in recent Supreme Court cases, the court apparently felt obligated to label such nonobviousness as unusual or surprising results.

B. A NEW TEST FOR WHETHER THERE IS A NEW ELEMENT?

The most interesting aspect of the *Penn* case is its treatment of the “new element” problem. As observed previously, the court found that the *Penn* device was not a combination device because it contained elements new in the art.³³ The *Penn* device was a vinyl waterbed with an inflatable air chamber around the perimeter. The air chamber spanned the top and bottom panels, and was intended to form a frame for the waterbed which was less rigid than conventional wooden waterbed frames. The relevant prior art was a waterbed-type device which was actually designed for outdoor or patio use. In essence, the prior art device used the same air chamber *qua* frame concept as the *Penn* device, although the earlier air chamber was actually two air tubes sealed

29. This point is also discussed in *id.*, at 207 & n.66.

30. 583 F.2d at 1081 (emphasis added and citations omitted).

31. ____ F.2d at ____, 199 U.S.P.Q. at 718.

32. *Id.*

33. See 583 F.2d 1081 & n.3.

together to form one top-to-bottom air chamber. The court concluded that the *Penn* device embodied several new elements, including: (1) the top and bottom vinyl sheets covered the air chambers; (2) The *Penn* device uses a three seam construction, rather than a five seam construction; (3) The *Penn* device has seams which will not allow water to leak beyond the confines of the bed; and (4) The *Penn* device has a seamless top surface.³⁴ This indicates that the court will not only carefully evaluate whether a device is new *in the art*, as Judge Wright did in *Austin v. Marco Dental Products, Inc.*,³⁵ but it will also define old elements very narrowly. Thus, alterations in the construction of earlier elements which do no more than give them new features or operating characteristics may warrant a finding that the elements are "new" (and the patented device therefore not a combination device requiring an extra careful obviousness analysis).

C. THE "INVENTIVE CONCEPT"

In most patent litigation an issue is inevitably made of the language which is used to describe and claim the invention. This is understandable; after all, the claims of the patent are the measure of the grant of the patentee.³⁶ However, this should not cause courts to lose sight of the fact that, when dealing with mere words written by mere mortals, latitude is occasionally justified.

The remarks of the *Photo Electronics* court are therefore worth repeating. "In construing patent claims, consultation of the patent specification is entirely proper . . . [T]he court's first task is to ascertain the meaning of those claims."³⁷ Trial exhibits which describe "the patent's claimed features as illuminated by the specifications, *other elements*, and the patent's *inventive concept*" are proper to consider and rely on.³⁸ Adopting a perspective such as this should insure that patents will not be read to unfairly exclude the inventor's true invention.

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34. *Id.*

35. 560 F.2d 966, 971-72 (9th Cir. 1977). This aspect of the *Austin* case is discussed briefly in 8 GOLDEN GATE U. L. REV. at 197 & n.22.

36. See, e.g., *Milcor Steel Co. v. George A. Fuller Co.*, 316 U.S. 143, 145 (1942).

37. ___ F.2d at ___, 199 U.S.P.Q. at 718.

38. *Id.* at ___, 199 U.S.P.Q. at 718 & n.14.

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