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# Copying Cheap Novelty Items is not a Novel Idea

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## COPYING CHEAP NOVELTY ITEMS IS NOT A NOVEL IDEA

*[Copyright] is a force in life because it represents a liberty for those who live under it. For liberty, as a force, presses persistently within man, no matter what forces press against him from without. The traitor to the human spirit may seek to bar it by protective prejudices, but eventually, in the world-wide exchange of ideas, it will move in. The world is always listening for it; is always moving toward it; or away from a lack of it. There may be dispute about the road to it: but there is no dispute about the goal.*<sup>1</sup>

The notion encompassed by the law of copyright that an author's work, as a liberty, should be protected from infringement by others, was first recognized in 1557 when King Philip and Queen Mary of Great Britain granted a Charter for a Stationers' Company to "provide a suitable remedy against the seditious and heretical books which were daily printed and published."<sup>2</sup>

In the United States the framers of the Constitution also recognized the necessity of a national system of copyright and so empowered Congress "[t]o 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."<sup>3</sup> In the United States, however, an author's protections have derived from both federal copyright law and state created causes of action against unfair competition, misrepresentation and defamation.

The Copyright Act of 1976<sup>4</sup> (the "Act") is the uniform federal law governing the disposition of literary and artistic works. The statute implements the copyright clause of the Constitution, the purpose of which is to promote authorship through the grant of a limited-term monopoly over literary and artistic works.<sup>5</sup> The Constitution accords this monop-

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1. Address by Bernard Grossman, *Proceedings to Commemorate the 150th Anniversary of the Napoleonic Code* (April 30, 1954).

2. 31 C. BLAGDEN, *THE STATIONERS COMPANY* 21 (1960).

3. U.S. CONST. art. I, § 8, cl. 8.

4. 17 U.S.C. §§ 101-810 (1986).

5. "The Congress shall have 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.

oly control in order to assure an economic return to the artist and encourage creation and dissemination.<sup>6</sup>

The Act has expanded the scope of federal protection of artistic works and has enhanced an author's ability to invoke that protection. Specifically, the Act was improved by eliminating most copyright formalities<sup>7</sup> and by clarifying the scope of the author's rights.<sup>8</sup> The validity of a copyright is no longer dependent upon formalities such as notice, deposit or registration; and failure to comply with them does not result in the forfeiture of the author's rights.<sup>9</sup> While the statutory protection has far more clarity than the former copyright act,<sup>10</sup> ambiguities still exist which have led to inconsistent judgments in cases which are factually analogous.

Section 106 of the Act defines the scope of the author's rights in the work.<sup>11</sup> It grants the author exclusive rights to reproduce, to prepare derivative versions, to disseminate, to display and to perform publicly the copyrighted work. The Act defines a derivative work as a work based on one or more preexisting works.<sup>12</sup> Examples of derivative works include translations, cut reproductions or any form of work which may be recast,

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6. See *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975); *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

7. 17 U.S.C. § 106 (1986).

8. 17 U.S.C. §§ 401-12 (1986).

9. 17 U.S.C. § 106 (1986).

10. 17 U.S.C. §§ 1-32 (1909).

11. 17 U.S.C. § 106 (1986). Section 106 provides:

[t]he owner of copyright under this title has the exclusive rights to do and to authorize the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based on the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomines, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomines, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

*Id.*

12. 17 U.S.C. § 101 (1986). Section 101 defines a derivative work as:

[A] work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, cut reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed or adapted. A work consisting of editorial revisions, annotations, elaborations, or any other modifications which, as a whole, represent an original work of authorship is a derivative work.

*Id.*

transformed or adopted.<sup>13</sup> The statute further states, "a work consisting of editorial revisions, annotations, elaborations or other modifications which as a whole, represent an original work of authorship is a 'derivative work.'"<sup>14</sup> Derivative works are entitled to copyright protection under the Act; yet, there are specific limitations on the copyright protection that such works will enjoy, as well as limitations on when they are entitled to copyright protection.

In order to qualify for copyright protection, the derivative work must add something original to the preexisting work.<sup>15</sup> The copyright in the derivative work extends only to the original contributions by the author of the derivative work, as distinguished from the preexisting work. The original changes or additions by the author of a derivative work must meet the same standards for copyrightability as any other work.<sup>16</sup>

While the law of copyright clearly extends protection to the original expression of the work, the standard for copyright protection of derivative works is still imprecisely defined by the Act. As a result, the courts have interpreted the standards for protection inconsistently, some enforcing strict standards, while others are more lenient. In *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*<sup>17</sup> ("*Peter Pan*"), the Second Circuit Court of Appeals emphasized that the test for infringement is necessarily vague because no bright line can be drawn as to when an imitator has gone beyond copying the idea and has borrowed its expression, stating, "decisions must therefore inevitably be ad hoc."<sup>18</sup> This imprecise standard has led to difficulty determining when a derivative work is sufficiently original to be eligible for copyright protection.

Another significant change made under the Act is a preemption section which eliminates state rights equivalent to the rights under a copy-

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13. *Id.*

14. *Id.*

15. 17 U.S.C. § 103(b) (1986). Section 103(b) provides:

The copyright in a compilation of derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

*Id.*

16. *Id.*

17. 274 F.2d 487 (2d Cir. 1960). The court granted the plaintiff a preliminary injunction forbidding the defendant from infringing the plaintiff's "Byzantium" cloth designs. The designs were not identical, but were the same general color, and had similar symbols. Thus, the ordinary observer, unless he set out to detect the disparities would be disposed to overlook them and regard their aesthetic appeal as the same. *Id.* at 489.

18. *Id.*

right, but preserves state rights against activities violating legal or equitable "rights within the general scope of copyright as specified by section 106."<sup>19</sup> Thus, with respect to works within the scope of the Act, protection equivalent to copyright is governed exclusively by the Act and state law that affords such protection is abrogated. The preemption section has had a significant narrowing effect on state law actions in areas, such as misappropriation or unfair competition.

#### *PAST PLUTO: AN EXAMPLE OF AN UNORIGINAL DERIVATIVE WORK?*

In *Past Pluto Productions Corp. v. Dana*<sup>20</sup> ("*Past Pluto*"), the United States District Court for the Southern District of New York, dismissed a copyright infringement action after it determined that plaintiff's foam novelty hats based on the Statue of Liberty lacked sufficient originality to be copyrightable.<sup>21</sup> At issue was the validity of a copyright. Specifically, when is a derivative work<sup>22</sup> a sufficiently original expression of an idea to be copyrightable?

The plaintiff, Past Pluto Productions, brought an action seeking a temporary injunction against the defendants, David L. Dana and Dana International, under federal copyright law for the alleged infringement of plaintiff's foam novelty hats.<sup>23</sup> Plaintiff alleged that its novelty hat, the "Crown of Liberty," had been copied by the creation of and manufacture of the defendant's "Liberty Lid."<sup>24</sup>

The district court dismissed the plaintiff's case after concluding that the transposition of the Statue of Liberty into the medium of flat foam was not sufficiently original for copyright protection.<sup>25</sup> Although the court found the copyright invalid, it still addressed the infringement issues. According to the court, there was no proof of actual copying or substantial similarity between the two products and thus, there was also no infringement. The court did suggest that the plaintiff might have been able to succeed on the theory of misappropriation, as the defendant had

19. 17 U.S.C. § 301(b)(3) (1986). Section 301(b)(3) provides in relevant part:

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

*Id.*

20. 627 F. Supp. 1435 (S.D.N.Y. 1986).

21. *Id.* at 1443.

22. 17 U.S.C. § 101 (1986). See *supra* note 9 for text of section 101.

23. *Past Pluto*, 627 F. Supp. at 1437.

24. *Id.*

25. *Id.* at 1443.

unfairly benefitted from Past Pluto's business advantage.<sup>26</sup> The court, however, did not advise the plaintiff on how to proceed on the misappropriation theory in light of federal copyright preemption of state created causes of action.

The dispute which gave rise to the suit in *Past Pluto* began when the plaintiff secured a copyright for its "Crown of Liberty," a foam novelty hat depicting the crown of the Statue of Liberty. The hat was designed and manufactured to memorialize the celebration of the Statue's centennial and restoration.<sup>27</sup>

The defendant purchased five hundred crowns from Past Pluto on consignment. After selling approximately one hundred and fifty of the hats, he returned the others to Past Pluto. Dana then entered into negotiations with Past Pluto for the purchase of five thousand hats for resale. The business transaction was never consummated because Dana refused to pay the price offered by Past Pluto. Instead, Dana decided to manufacture his own line of novelty hats.<sup>28</sup>

Soon after the negotiations between the two parties ended, Dana prepared a sketch of a foam hat and contacted foam manufacturers.<sup>29</sup> Dana first contacted the manufacturer who worked with Past Pluto, but an agreement was never reached because the manufacturer refused to make the foam the same color as that used by Past Pluto. Dana reached an agreement with another foam manufacturer, Durafoam, for the manufacture of the hats in the same color foam as Past Pluto's. An artist was then secured to complete the artwork for the crown's design.<sup>30</sup> Dana began marketing his foam hat, the "Liberty Lid," in July of 1985. After selling approximately 1,200 hats, he created a second version that varied slightly from the first. On July 18, 1985, the United States Copyright Office issued a certificate of copyright registration for Dana's "Liberty Lid."<sup>31</sup>

The crown of the actual Statue of Liberty is a three-dimensional coppercoated, iron framework sculpture. Seven spikes, non-uniform in size, radiate from the crown and large vertical windows are depicted

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26. *Id.* at 1445.

27. *Id.* at 1437. The Statue of Liberty was completed in France in 1884 by sculptor, Frederic Auguste Bartholdi and was unveiled in America in 1886. In 1986, the year of the Statue's centennial, a nation-wide fundraising drive was devoted to the restoration of the Statue. Numerous entrepreneurs manufactured and sold Statue of Liberty memorabilia and novelty items based on the Statue. *Id.*

28. *Id.* at 1438.

29. *Id.*

30. *Id.* at 1439.

31. *Id.*

above the spikes.<sup>32</sup> The plaintiff's "Crown of Liberty," inspired by the Statute of Liberty, was a soft planar sculpture, approximately three-eighths of an inch thick, made of green foam. Seven evenly spaced spikes radiated from the hat's perimeter. A circular hole cut in the foam enabled the purchaser to wear it as a hat. A silk-screen design decorated the hat beneath the spikes with the words, "Statute of Liberty 1886-1986," appearing below a series of window-like silhouettes. A copyright notice, "© 1984 Past Pluto Productions Corp. N.Y. Pat. Pend.," was silk-screened on the base of the hat.<sup>33</sup>

The defendant's "Liberty Lid" was made of approximately the same type of foam and was approximately the same height, weight and color as the plaintiff's hat. The silk-screen on the "Liberty Lid" had the word "Liberty" and the dates "1886" and "1986" on the artwork beneath the windows surrounded on either side by stars.<sup>34</sup>

The court stated that there are two necessary elements that must be established in a copyright infringement case. The plaintiff must show ownership of a valid copyright and copying by the defendant.<sup>35</sup> Because Past Pluto had registered its "Liberty Lid" with the United States Copyright Office, there was prima facie evidence of the validity of the copyright. The defendant, however, was able to rebut that presumption.<sup>36</sup>

In analyzing the validity of Past Pluto's copyright, the court stated that a mass-produced derivative work is entitled to copyright protection, but must be the author's original expression of his ideas.<sup>37</sup> The copyright only protects the original expression of the idea taken from the original work. The copyright in a derivative work does not extend to the underlying work. Thus, a novelty item based on the Statue of Liberty is copyrightable only if the design is itself original.<sup>38</sup>

The court relied on the sufficient originality test, first expounded in *L. Batlin & Son, Inc. v. Snyder*<sup>39</sup> ("*L. Batlin*"), to analyze the

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32. *Past Pluto*, 627 F. Supp. at 1438.

33. *Id.* at 1437.

34. *Id.* at 1439.

35. *Id.* at 1440.

36. *Id.* The court stated that the validity of the copyright is merely an inference and cannot be considered conclusive. The copyright certificate shifts the burden of proof to the defendant to prove the validity of the copyright. *Id.*

37. *Id.* at 1441 (citing *Mazer v. Stein*, 347 U.S. 201, 214 (1954)).

38. *Id.*

39. 536 F.2d 486 (2d Cir.) (en banc) cert. denied, 429 U.S. 857 (1976). An importer of mechanical toy "Uncle Sam" banks brought an action to restrain an importer of similar banks from importing the banks which he claimed infringed his copyright. The court held that the plaintiff's copyright was invalid because it did not represent a substantial variation from the original antique bank which had long been in the public domain. *Id.*

copyrightability of the hat's design. In *L. Batlin*, the court held that to support a copyright "[a]ll that is needed . . . is that the 'author' contributed something more than a 'merely trivial' variation, something recognizably his own."<sup>40</sup> The standard can be applied very strictly if a court chooses to do so, making it very difficult to succeed in an action for copyright infringement.

The *Past Pluto* court, in applying the *L. Batlin* "sufficient originality test," seemed to adopt not only the court's strict standards, but also its negative attitude towards inexpensively manufactured novelty items. For instance, the *Past Pluto* court found that the design of the hat was composed of elemental symmetry, which was most likely promoted by convenience in manufacture.<sup>41</sup> The court then found that there was nothing copyrightable about the choice of green foam (as opposed to another color) or the purely functional hole in the hat for the purchaser's head. Also, the seven spikes of the plaintiff's crown were directly proportional to the number of spikes of the actual Statue, and were therefore not original, even though the spikes on the Statue are uniquely non-uniform in size. The court attributed that difference to simple ease of manufacturing and refused to consider it original. Next, the court stated that the phrase "Statute of Liberty 1886-1986" on the crown was not unique because it was historical data, clearly in the public domain. The court concluded its analysis of sufficient originality by stating that the requirement of originality must be satisfied by demonstration of true artistic skill, rather than the mere demonstration of physical skill or special training.<sup>42</sup>

In following this strict line of analysis, the court concluded that the only aspect of the hat's design that could possibly qualify for copyright protection was the silhouette design of its windows. The court found, however, that the design was not copyrightable because, in the court's view, anyone who created a hat based on the Statue of Liberty would probably come up with a similar design. Also, the mechanical skill used in its creation could not be equated with originality for the purpose of the copyright law.<sup>43</sup>

The court observed that it was not required to go further in its analysis before dismissing the case. Because *Past Pluto*'s copyright was invalid for lack of originality, it was irrelevant whether the defendant had

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40. *Id.* at 490.

41. *Past Pluto*, 627 F. Supp. at 1441.

42. *Id.* at 1443 (quoting *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491 (2d Cir.) (en banc) cert. denied, 429 U.S. 857 (1976)).

43. *Id.*

copied Past Pluto's copyright. Nevertheless, the court chose to consider the other necessary element of copyright infringement: copying.<sup>44</sup> According to the court, even if there was a valid copyright, Past Pluto would not be entitled to protection because there was no proof of copying.<sup>45</sup>

In absence of direct proof, copying may be inferred where a plaintiff establishes that the defendant had access to the copyrighted work, and that substantial similarities exist between the works.<sup>46</sup> It was undisputed that the defendant had access to the plaintiff's work and the court recognized that it would be impossible to find that the defendant did not picture the plaintiff's hat in describing the hat which he wanted manufactured.<sup>47</sup> Thus, the court chose to equate substantial similarity between the two products as indirect proof of copying. That is, because the defendant had access to the plaintiff's work, copying would be implied if the two items were substantially similar.<sup>48</sup>

The court stated that the proper test for determining whether the items were substantially similar was the "ordinary observer test," frequently used by the Second Circuit Court of Appeals. The test is whether "an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work."<sup>49</sup> In *Past Pluto*, however, the court never analyzed how an ordinary observer would view the two works. Instead, the court applied the principle of "idea-expression unity," adopted in *Atari, Inc. v. North American Philips Consumer Electronics Corp.*<sup>50</sup> ("*Atari*") by the Seventh Circuit Court of Appeals.

In *Atari*, the court's analysis of substantial similarity focused on whether a distinction could be made between the idea of the work and its expression. When the idea and its expression are inseparable, copying the expression will not be barred.<sup>51</sup> The court stated that the copyright laws only preclude appropriation of those elements that are protected by the copyright. Thus, the analysis of the similarities must focus on only the original aspects of the work. If the only similarity between the works is the abstract idea, there is no substantial similarity and therefore no

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44. *Id.*

45. *Id.*

46. *Past Pluto*, 627 F. Supp. at 1443 (citing *Walker v. Time Life Films*, 784 F.2d 44, 48 (2d Cir. 1986)).

47. *Id.* at 1438.

48. *Id.*

49. *Id.* at 1443 (citing *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1977)).

50. 672 F.2d 607 (7th Cir.), *cert. denied*, 459 U.S. 808 (1982).

51. *Atari*, 672 F.2d at 616 (citing *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738 (9th Cir. 1971)).

infringement.<sup>52</sup> In applying its idea-expression unity test, the court stated that, “[t]here is no litmus paper test by which to apply the idea-expression distinction; the determination is necessarily subjective.”<sup>53</sup>

In applying the idea-expression unity test adopted in *Atari*, the court in *Past Pluto* based its determination of substantial similarity on the same factors it employed to determine whether there was a valid copyright. The court considered only whether there existed “limited modes of expression which [were] available, as a practical matter, to makers of flat foam hats based on the Statue of Liberty,”<sup>54</sup> and not whether an ordinary observer would have found them to be similar. It looked at the cost of the manufacturing process used and the level of skill used in creating the design. The court found that manufacturers of novelty items have difficulty in sustaining a claim for infringement because “an idea and its expression are more likely to coincide when an inexpensive manufacturing process is used.”<sup>55</sup> The court stated that because an inexpensive manufacturing process was used, “any similarities between plaintiff’s and defendant’s hats are most accurately viewed as an inevitable consequence, rather than indicia of copying.”<sup>56</sup> The similarities between the works could be viewed as a simple coincidence because there are limited forms of expression when an inexpensive manufacturing process is used. Thus, there was no indirect proof of copying.

#### ANALYSIS OF THE VALIDITY OF THE PAST PLUTO COPYRIGHT

The requirement of originality for a copyright is minimal. The law does not require novelty;<sup>57</sup> it requires only a modicum<sup>58</sup> of creativity. It is required only that an author of a derivative work add to the preexisting work.<sup>59</sup> As long as the addition is original, the contributions should be protectable, regardless of the character or status of the underlying work.

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52. *Id.* at 616.

53. *Id.* at 615.

54. *Past Pluto Productions Corp. v. Dana*, 627 F. Supp. 1435, 1444 (S.D.N.Y. 1986).

55. *Id.* (citing *Sid & Marty Krofft Television Prod., Inc. v. McDonald’s Corp.*, 562 F.2d 1157, 1168 (9th Cir. 1977)).

56. *Id.* (citing *Mattel, Inc. v. Azrak-Hamway Int’l, Inc.*, 724 F.2d 357, 360 (2d Cir. 1983)(per curiam)).

57. *Baltimore Orioles Inc. v. Major League Baseball Players Ass’n*, 805 F.2d 663, 668 n.6 (7th Cir. 1986). The court in *Baltimore* stated, “[a] work is creative if it embodies some modest amount of intellectual labor. A work is novel if it differs from existing works in some relevant respect. For a work to be copyrightable, it must be original and creative, but need not be novel.” *Id.*

58. *Id.* at 669. The court stated, “[o]nly a modicum of creativity is required for a work to be copyrightable.” *Id.*

59. *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49, 54 (2d Cir.), cert. denied, 298 U.S. 669 (1936).

Because the copyright laws require very little, whether a court finds sufficient originality in a work is subjectively determined by the standard or approach which is applied. The court in *Past Pluto* applied the strict standard of originality articulated in *L. Batlin*.<sup>60</sup> In *L. Batlin* the court held that an Uncle Sam bank was not sufficiently original, even after considering structural changes made by the author.<sup>61</sup> The *L. Batlin* court was influenced by the lack of sophistication and complexity of the work and found the copyright invalid. A more recent case which strictly construed the originality requirement was *Gracen v. Bradford*.<sup>62</sup> In *Gracen*, the court held that an oil painting of Dorothy, from the movie "Wizard of Oz," was not sufficiently original even though the painting was not based on any photographic still from the film and included background and other artistic depictions not found in the film.<sup>63</sup>

Other courts have applied a far more liberal standard of originality than the standard applied in *Past Pluto*. Under a more liberal standard, the hat in *Past Pluto* may have qualified for copyright protection. *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*<sup>64</sup> is the most frequently cited expression of the liberal standard. The court in *Alfred Bell* was willing to find sufficient originality as long as there was a "distinguishable variation" between the derivative and the underlying work.<sup>65</sup> The court recognized a "distinguishable variation" if the author contributed something recognizably his own.<sup>66</sup>

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60. *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486, 491 (2d Cir.)(en banc) cert. denied, 429 U.S. 857 (1976).

61. *Id.* at 492.

62. 698 F.2d 300 (7th Cir. 1983). In *Gracen*, an artist who made a painting of Dorothy from the movie "Wizard of Oz," submitted the painting to the copyright holder's licensee pursuant to a competition for the contract rights to produce a series of the paintings to be used on collectors' plates. The artist won the competition, but refused the contract and then displayed a photograph of the painting and other drawings to solicit artistic commissions. The author brought suit against the copyright holder and licensee for the infringement of her subsequently obtained copyright in the painting. The defendants counterclaimed, alleging that the artist's painting had infringed the copyright on the movie. The court of appeals held that the artist's painting was not an original derivative work and was not copyrightable. *Id.* at 305.

63. *Id.*

64. 191 F.2d 99 (2d Cir. 1951). In *Bell* the court held that the plaintiff's mezzotints (a manner of engraving on copper or steel by working on a surface previously roughened with a rocker or cradle and removing the roughness in places by burnishing to produce the requisite light and shade) were sufficiently distinguishable from the paintings on which they were based to entitle them to be copyrightable and that such copyrights had been infringed by the defendant's photolithograph reproductions. The court held that constitutional and statutory provisions relating to copyrights are satisfied if the author contributes something more than mere trivial variation and may be copyrighted if there is something recognizably the author's own. *Id.* at 103.

65. *Id.* at 102.

66. *Id.* at 103.

In *Alva Studios, Inc. v. Winninger*<sup>67</sup> the plaintiff reproduced three-dimensional works of art owned by several museums. Royalties were paid to the museum for the privilege of reproducing the items. The plaintiff created an eighteen and one-half inch "Hand Of God" sculpture based on a Rodin bronze sculpture owned by the Carnegie Institute. The court found that the sculpture was not an exact replica because it was reduced in size from the original Rodin. Also, the rear side of the original Rodin base was open, while the plaintiff's base was closed. The *Alva* court concluded that the plaintiff was the owner of a valid copyright as the reduction of the statue required originality.<sup>68</sup>

In *American Greetings Corp. v. Kleintab Corp.*,<sup>69</sup> a manufacturer of novelty items created a porcelain container with a depiction of a girl in front of an oval mirror. The illustration had been first published by American Greetings Corporation in a book six years earlier. When American brought suit to enjoin the infringement of the design, the *American Greetings* court found that the container was a copyrightable derivative work because the inscription, "put on a happy face," which had been added to the design, never appeared in the original work.<sup>70</sup> The court stated, "[w]ith this addition, plaintiff has created a derivative work containing additional matter, making the later work distinguishable from the underlying work alone. Such work is independently copyrightable as a new and separate creation and no inscription concerning or reference to the underlying copyrighted work need be made."<sup>71</sup>

As these cases suggest, the various decisions regarding copyrightability of derivative works are irreconcilable. Courts presented with analogous factual situations often come to opposite conclusions, depending upon whether a strict or a liberal standard of copyrightability is applied. It is impossible for any author of a derivative work to have confidence in the validity of his or her copyright and to market a derivative product without fear of irrepressible copying.

In addition to adopting the stricter standard of copyrightability, the court in *Past Pluto* was also influenced by the *L. Batlin* court's negative view towards inexpensively manufactured novelty items. In *Past Pluto*, the court suggested that because the plaintiff's foam novelty hats were inexpensively created and manufactured, they were less likely to be copyrightable. While such reasoning has been applied by various courts, it is

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67. 177 F. Supp. 265 (S.D.N.Y. 1959).

68. *Id.*

69. 400 F. Supp. 228 (S.D.N.Y. 1975).

70. *Id.* at 232.

71. *Id.*

not mandated by the law. There is no requirement that the subject of a valid copyright be expensive to create and manufacture. Rather, it has long been accepted that the originality should not hinge upon the sophistication of the claimant's work, as it did in *Past Pluto*.<sup>72</sup>

Based on the reasoning of *L. Batlin*, the court in *Past Pluto* may have accurately determined that plaintiff's foam novelty hat was not sufficiently original to be copyrightable. This result, however, could have been obtained without considering that the item was a cheaply manufactured novelty item. The tone of the case creates poor precedent for future decisions where the works in dispute might be inexpensively manufactured, but still original for the purposes of the copyright law. The court's opinion leads one to believe that inexpensive novelty items are not copyrightable. In *Past Pluto*, the plaintiff's copyright was not invalid because it was an inexpensive novelty item. Rather, the hat was not copyrightable because the design did not add enough to the preexisting work to be considered original.

*Past Pluto*'s hat was inexpensively created, but was still valuable as the original expression of the artist. As Justice Holmes once declared, "if . . . [certain works] command the interest of the public . . . it would be bold to say that they have not an aesthetic and educational value—and the taste of any public is not to be treated with contempt."<sup>73</sup>

#### SUBSTANTIAL SIMILARITY BETWEEN THE TWO WORKS

If the court had held that *Past Pluto* had a valid copyright, *Past Pluto* would then have needed to prove copying. Copyright law places the emphasis in an action for infringement on copying. Without copying, there is no infringement.<sup>74</sup> A number of courts have recognized that evidence of access and substantial similarity between two works may raise an inference of copying.

In *Past Pluto*, it was an undisputed fact that Dana had access to *Past Pluto*'s "Liberty Lid." In fact, Dana had expressed an interest in purchasing the work in order to independently market it.<sup>75</sup> When a price could not be reached, he created a hat of his own. Thus, substantial similarity was the proper test to be applied to determine whether the defendant had copied the expression of the plaintiff's work. The substantial similarity test has taken on many different forms, including the ordinary observer test, the idea-expression unity test and the test articulated

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72. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

73. *Id.*

74. 2 NIMMER, NIMMER ON COPYRIGHT § 8.02[A], at 8-22 (1978).

75. *Past Pluto Productions Corp. v. Dana*, 627 F. Supp. 1435, 1438 (S.D.N.Y. 1986).

in *Arnstein v. Porter*<sup>76</sup> (“*Arnstein*”).

The first court to view substantial similarity from the eyes of the ordinary observer was the court in *Harold Lloyd Corp. v. Witwer*.<sup>77</sup> The court stated that, “[i]f we can see at first blush that there is such similarity as would impress the ordinary observer, it is unnecessary to consider the question of novelty or copyrightability of such similarities as exist.”<sup>78</sup>

The *Arnstein* test requires a two-step approach.<sup>79</sup> First, it is determined whether the defendant used the plaintiff’s work in creating the alleged copy. This step is analyzed according to whether the defendant had access to the work and whether there are similarities between the works. Second, it must be determined whether the defendant copied the expression of the idea or only the idea itself. If the expression of the idea was copied, there is infringement.

In *Sid & Marty Krofft Television Productions v. McDonald’s Corp.*,<sup>80</sup> the court revised the *Arnstein* test. The first step was modified so that the question became whether the ideas of the copyrighted work resembled those in the alleged copy. If the ideas are determined to be the same, only then is the second step of the *Arnstein* test applied.

Historically, the most frequently applied test of substantial similarity has been the ordinary observer test. In *Peter Pan*, the court granted a preliminary injunction forbidding the defendant from infringing the plaintiff’s copyright.<sup>81</sup> The court was one of the first to apply an ordinary observer standard. The patterns of the two designs in question in *Peter Pan* were not identical, but in applying an ordinary observer standard, the court found infringement. The court stated, “[t]he ordinary observer, unless he set out to detect the disparities would be disposed to

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76. *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946).

77. 65 F.2d 1 (9th Cir. 1933). Plaintiff sought to enjoin the exhibition of a silent photoplay entitled, “The Freshman,” and to recover all profits derived from its exhibition on the ground that the photoplay infringed the copyright of a story written by H.C. Witner, entitled “The Emancipation of Rodney.” In holding that there was no infringement, the court stated that the question involved in the comparison of a copyrighted story and alleged infringing play, to determine whether one is a copy of the other, is the effect of the play on the public or the average reasonable man who sees the play soon after reading the story. *Id.* at 18.

78. *Id.* at 28.

79. *Arnstein*, 154 F.2d at 468.

80. 562 F.2d 1157 (9th Cir. 1977). Sid and Marty Krofft, the creators of the H. R. Pufnstuf children’s television show, brought an action for infringement of the show by the production of the defendants’ “McDonaldland television commercials.” In finding that the plaintiff’s copyright had been infringed, the court held that the test for copyright infringement had been given a new dimension; there must be ownership of the copyright and access to the copyrighted work, but there must also be substantial similarity not only of the general ideas but of the expressions as well. *Id.* at 1164.

81. *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487 (2d Cir. 1960).

overlook them, and regard their aesthetic appeal as the same.”<sup>82</sup> The court found that that level of similarity was enough to find that the plaintiff’s copyright had been infringed.

In applying the ordinary observer test to the facts of *Past Pluto*, the similarities between the two works seem overwhelming. They were approximately the same size, weight and color, and were made of similar material. Also, both had window-like silhouette designs and a hole cut in the foam to enable the purchaser to wear the design as a hat. Because of the many similarities, if the court had analyzed the hat from the ordinary observer perspective, rather than simply reapplying standards such as expense of the product and difficulty of design and manufacture, it might have found the products to be substantially similar.

The application of the idea-expression unity test, adopted in *Atari*,<sup>83</sup> did not preclude a finding of substantial similarity. In *Atari*, the copyright owners of an audiovisual game, entitled, “Pac Man,” brought an action for infringement against a competitor who had created and marketed a similar maze-chase game. The court found that while the audiovisual work was primarily unprotectible, the copyright owner was entitled to a preliminary injunction because the alleged infringer adopted the same basic characters and portrayed them in a manner which made them appear substantially similar to the copyrighted work. The court noted that many aspects of the copyrighted work were commonly used devices in maze-chase games and were not entitled to protection.

In applying the idea-expression unity test, the court in *Past Pluto* found that because an inexpensive manufacturing process was used, *Past Pluto* would have difficulty in sustaining a cause of action for infringement. That does not mean that it is impossible to find infringement. It is possible that the idea of Statue of Liberty hats could be created in many different ways. For example, every person who created a Statue of Liberty hat would not have included a silhouette of windows in the design. If there are several different ways an idea might be expressed and the expression of the idea was substantially similar in both works, a court could conclude that an infringement occurred, as the court did in *Atari*, regardless of the cost of the work.

#### DO NOVELTY ITEM MANUFACTURERS HAVE OTHER REMEDIES?

In *Past Pluto*, the court stated that the plaintiff might have been able

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82. *Id.* at 489.

83. *Atari Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607 (7th Cir.), *cert. denied*, 459 U.S. 808 (1982).

to succeed on a theory of misappropriation, rather than copyright infringement. The court did not, however, indicate or analyze how the plaintiff would prevail on this theory in light of the federal preemption of state created remedies encompassed in the copyright law.

Misappropriation is a state law remedy and is a branch of unfair competition.<sup>84</sup> Generally, the tort of misappropriation protects against the competitive use of a valuable product or idea by the creator through the investment of time, effort, money and expertise.<sup>85</sup> "It is a fact oriented action, providing relief from all types of commercial immorality."<sup>86</sup>

When Congress revised the United States copyright law in 1976, it specifically provided for preemption of all state law rights equivalent to those within the scope of federal copyright law.<sup>87</sup> The authors of the legislation stated that "[a]s long as a work fits within the general subject matter categories of sections 102 and 103, the bill prevents the states from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify . . . ."<sup>88</sup> A state law action, however, covering "subject matter that does not come within the subject matter of copyright as defined by sections 102 and 103 of the act isn't preempted by [section] 301."<sup>89</sup> Thus, in order to succeed on a theory of misappropriation, the plaintiff must show that the subject matter of the action does not fall under federal copyright law.

In *Mayer v. Josiah Wedgewood & Sons*,<sup>90</sup> an artist brought an action for conversion and misappropriation, alleging that Wedgewood had copied one of her snowflake designs. The plaintiff's snowflake designs had been sold to museums and art houses. The works were not registered with the United States Copyright Office, although there was a copyright notice affixed to some of the designs.<sup>91</sup>

The plaintiff met with a representative of United Nations Children Fund ("UNICEF"), who agreed that the plaintiff's design would be used in a Christmas card to be issued by UNICEF. The plaintiff then contacted Mr. Polk, President of Latama, Incorporated, a plate manufacturer in an effort to have the snowflake manufactured into a Christmas

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84. See generally R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* (3d ed. 1968).

85. *Mayer v. Josiah Wedgewood & Sons, Ltd.*, 601 F. Supp. 1523 (S.D.N.Y. 1985).

86. *Id.* at 1534.

87. *Id.* at 1531.

88. H.R. REP. NO. 1476, 94th Cong., 2d Sess. 131 (1976).

89. *Mayer*, 601 F. Supp. at 1531.

90. 601 F. Supp. 1523, 1534 (S.D.N.Y. 1985).

91. *Id.* at 1526.

plate. Mr. Polk approached Mr. Fulks, Vice President of Marketing of JWS Incorporated. JWS then contacted JWS Limited, which manufactured all of Wedgewood's china. Soon after the plaintiff was informed by Wedgewood that the plan was infeasible, she discovered the snowflake design on a Wedgewood ornament. Wedgewood claimed that the design had been created in Wedgewood's design studio.<sup>92</sup>

The court in *Mayer* found that in order to succeed on a theory of misappropriation, the claim must meet an "extra element test."<sup>93</sup> The extra element must be one which changes the nature of the action so that it is qualitatively different from a copyright infringement claim. "Elements such as awareness and intent, which alter the action's scope but not its nature, will not save it from preemption under [section] 301."<sup>94</sup> The issue in *Mayer* was then whether the conversion and misappropriation claims contained an extra element which qualitatively distinguished the actions and their underlying rights from those addressed by copyright law.

In *Mayer*, the plaintiff asserted that the extra element of commercial immorality would save the action from preemption under section 301. The court did not find that commercial immorality was an extra element. Indeed, the court stated "[t]hat is precisely the type of misconduct the copyright laws are designed to guard against."<sup>95</sup> Elements which alter the scope of the action, but not its nature, such as awareness and intent, do not add an additional element for purposes of the test. Thus, the cause of action asserted in *Mayer* was not qualitatively different from one for copyright infringement.

In *Past Pluto*, the plaintiff would have had difficulty in sustaining a cause of action for misappropriation. Derivative works are specifically provided for in section 103 of the Copyright Act.<sup>96</sup> Unless the plaintiff

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92. *Id.* at 1527.

93. *Id.* at 1535.

94. *Id.*

95. *Id.*

96. 17 U.S.C. § 103 (1986). Section 103 provides:

(a) The subject matter of copyright as specified by section 102 includes compilation and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

*Id.*

could assert an “extra element,” which would distinguish the action and the underlying right of the action from those addressed by copyright law, the action, in all likelihood, would be preempted.

#### CONCLUSION

It appears that entrepreneurs who manufacture novelty items can never be sure that they have a valid copyright and can be sure that they are not guaranteed any other protection under the law. Such uncertainty encourages others to copy artwork in the hope that a court will find that the plaintiff did not have a valid copyright. The copyright law should clearly articulate standards of originality for derivative works that may be consistently applied so that manufacturers will be able to rely on the copyright protection provided for them by the law. Those standards should not provide that inexpensively manufactured items are less worthy of copyright protection.

*Lyne A. Richardson*

