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## Current Case

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## CURRENT CASE

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*Forry, Inc. v. Neundorfer, Inc.*, 837 F.2d 259 (6th Cir. 1988)

In *FORRY*, the Court of Appeals for the Sixth Circuit interprets the requirement of “reasonable efforts” to cure lack of notice under 17 U.S.C. § 405(a)(2) of the Copyright Act which can prevent forfeiture of a copyright. The court held that the copyright owner of a computer program used in an automatic voltage control device complied with the reasonable efforts requirement by adding notice to all copies which were subsequently distributed to the public after the lack of notice was discovered. *FORRY* represents an adoption of the Ninth<sup>1</sup> and Fourth Circuits<sup>2</sup> interpretations of “reasonable efforts” and a rejection of the Fifth Circuit’s<sup>3</sup> interpretation which requires owners to locate and add notice to copies already distributed to the public. As it affirmed the lower court’s grant of a preliminary injunction, the court in *FORRY* also ruled that whether “(c)” is sufficient notice under 17 U.S.C. § 401(b)(1) of the Copyright Act, instead of “©,” is an issue to be determined at trial and not a per se bar to a copyright infringement action. The president of the plaintiff company, Elliot Drysdale, had designed a rapper control<sup>4</sup> for the defendants in the mid-1970’s. The parties had an arrangement where Drysdale would manufacture the rapper control devices and the defendant would sell them to its customers. Drysdale later incorporated as Drysdale, Inc. and entered into an agreement where Neundorfer, Inc. would act as exclusive sales agent for the rapper devices.

In 1984, Neundorfer sued Drysdale, Inc. for breach of contract and other state unfair competition claims. Drysdale, Inc. responded with a similar countersuit. However, the parties signed a Settlement Agreement on October 30, 1984, which provided for a mutual release “from any and all claims” between the parties. In April 1985, *Forry Inc.*, another Drysdale corporation, was merged

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1. *Lifshitz v. Walter Drake & Sons, Inc.*, 806 F.2d 1426, 1433 (9th Cir. 1986).

2. *M. Kramer Mfg. Co. v. Andrews*, 783 F.2d 441, 444 (4th Cir. 1986).

3. *Canfield v. Ponchatoula Times*, 759 F.2d 493 (5th Cir. 1983).

4. “A rapper control is a device used to dislodge dust particles from the collecting places in an electrostatic precipitator (ESP). ESP’s are used in industries where fossil fuels are burned, utilities, cement factories and upper industries, to collect potential pollutants (dust particles) before they are emitted into the atmosphere.” 837 F.2d 259, 261 n.1.

into Drysdale, Inc., the surviving corporation which changed its name to Forry, Inc.

In 1980 or 1981, Drysdale and a microprocessor specialist, Mecklenburg, had developed an automatic voltage control ("AVC") which was used in the rapper control. The computer program for the AVC, the subject of this lawsuit, was finished in 1983 and registered in 1984.

Neundorfer, Inc. began to market its own AVC just before the settlement was reached in 1984. Drysdale discovered this after the settlement was finalized. Drysdale filed this suit after he obtained and examined a Neundorfer AVC and concluded that Neundorfer, Inc.'s AVC was infringing the plaintiff's copyright.

On appeal, Neundorfer, Inc. challenged the preliminary injunction granted by the district court on four grounds. The first issue raised was whether the district court had subject matter jurisdiction over this case. Neundorfer, Inc. argued that the district court did not have subject matter jurisdiction because the plaintiff failed to record the transfer of the copyright between Drysdale, Inc. and Forry, Inc. The court of appeals did acknowledge that 17 U.S.C. § 205(d) requires the owner of a copyright to record the transfer of the copyright as a jurisdictional prerequisite to an infringement suit. However, since Drysdale, Inc. was the registered owner of the copyright before the merger and also was the surviving corporation according to the merger agreement, a transfer of the copyright had not taken place and recordation of the copyright was not required.

The court next dealt with the defendant's argument that the Settlement Agreement signed by the parties barred this action. The agreement contained a mutual release which referred to "any and all claims, demands or course of action of any nature whatsoever, whether or not known. . . ." The court of appeals held that the general language of the release was not a bar to the plaintiff's present suit because Drysdale did not know that Neundorfer, Inc. was manufacturing AVCs. Furthermore, the court noted that the state litigation had not involved the same claims as the present suit.

The defendant's third argument challenged the sufficiency of the plaintiff's copyright notice on the microprocessor chip. The defendant challenged three aspects of the plaintiff's notice.

The defendant asserted that the plaintiff failed to meet the second requirement of 17 U.S.C. § 405(a)(2) in order to cure lack of notice since the plaintiff did not add notice to the copies of the program already distributed to the public when the missing notice was

discovered. The statute states that the lack of notice does not invalidate the copyright if (1) the work is registered within five years after publication without notice and (2) "a reasonable effort is made to add notice to all copies or phonorecords that are distributed to the public in the United States after the omission has been discovered." The court of appeals in *Forry* rejected the defendant's assertion and held that a requirement of adding notice to copies already distributed would be inconsistent with the plain meaning of the statute, its legislative history, and holdings in the Fifth and Ninth Circuits.

The defendant next challenged the form of the plaintiff's notice. The plaintiff had used the symbol "C" in parentheses instead of "C" in a circle. The statute, 17 U.S.C. § 401(b)(1), indicates that notice "shall consist" of the symbol "©" (the letter C in a circle), or the word "Copyright", or the abbreviation "Copr." The district court held that the plaintiff's form of notice "substantially complied" with the statute and was adequate to give notice to the plaintiff.

The court of appeals in *Forry* held that since "C" in a hexagon has been held to be sufficient,<sup>5</sup> this issue was a matter which was more appropriate to determine at trial. It was also noted that since the plaintiff switched to "C" in a circle, the plaintiff may still be able to rely on 17 U.S.C. § 405(a)(2) if the "C" in parentheses is held not to be sufficient notice.

The defendant's final challenge to the sufficiency of the plaintiff's notice focused on whether the manner and location of the notice gave "reasonable notice" of the copyright as required by 17 U.S.C. § 401(c). The plaintiff had placed the copyright notice on the underside of the microprocessor chip so that it was between the chip and the circuit board. The court of appeals held that the plaintiff has a likelihood of success on the issue of reasonable placement of the notice given the existence of liberal rulings that notice in any location is sufficient if a would-be infringer would see the notice prior to copying. In this case, the parties had agreed that copying of the program could not occur without removal of the chip and that once the chip was removed, the notice would be visible.

The decision of the Sixth Circuit in *Forry* is reassuring in that it furthers a trend of consistency and agreement on the meaning of "reasonable efforts" to cure lack of notice on a copyrightable work under 17 U.S.C. § 405(a)(2) of the Copyright Act of 1976. The

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5. *Videotronics, Inc. v. Bend Electronics*, 586 F. Supp. 478, 481 (D. Nev. 1984).

*Forry* decision does inject an element of uncertainty into the required form of a copyright notice in the Sixth Circuit. This is contrary to dicta of the Ninth Circuit in *Lifshitz* which indicated that allowing defective notice to cure omission of a copyright notice would go against the legislative intent to encourage the "use of proper copyright notice"<sup>6</sup> and that the concept of substantial compliance was no longer relevant under the Copyright Act of 1976.<sup>6</sup> Regardless of how the issue of sufficiency of form is resolved, this decision highlights the critical need for adherence to the mechanics of the Copyright Act of 1976 in order to reduce the risk of uncertainty in copyright litigation.

*Donna Jones*

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6. *Lifshitz*, 806 F.2d at 1432-35.