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SECOND CIRCUIT REVIEW

COPYRIGHT LAW: THE 'HYPERLAW' TRILOGY

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In this column, we mark what may well be the final Second Circuit chapter in the controversial “*HyperLaw*” cases, which examined, and limited, the copyright protection available to publishers of legal opinions. The rulings carry significant implications for all publishers of compilations that organize and present government documents or other public information.

In *Matthew Bender & Company, Inc. v. West Publishing Co.*<sup>1</sup> (“*HyperLaw I*”) and *Matthew Bender & Company, Inc. v. West Publishing Co.*<sup>2</sup> (“*HyperLaw II*”), in opinions written by Judge Dennis Jacobs and joined by Judge Richard A. Cardamone, over the dissent of District Judge Robert W. Sweet (United States District Judge, Southern District of New York, sitting by designation), the Second Circuit affirmed the district court’s grant of declaratory judgment in favor of plaintiffs Matthew Bender & Co. and HyperLaw Inc. against defendants West Publishing Co. and West Publishing Corp. (collectively, “West”) concerning allegedly copyrighted elements of West’s case reporter system.

In *HyperLaw I*, the court held that West could not copyright certain factual information it added to the texts of judicial opinions in its compilations, including parallel or alternative citations to cases, attorney information, and data concerning subsequent procedural history. In *HyperLaw II*, the court affirmed the district court’s summary judgment ruling in favor of plaintiffs, holding that the insertion of citations within plaintiffs’ versions of judicial opinions to show the location of the particular text in West’s printed version (so-called “star pagination”) does not infringe West’s copyrights in its compilations. Recently, in *HyperLaw Inc. v. West Publishing Co.*<sup>3</sup> (“*HyperLaw III*”), the Second Circuit, in an opinion by Judge Chester J. Straub, and joined by Judge Sonia Sotomayor and District Judge Arthur D. Spatt (United States District Judge, Eastern District of New York, sitting by designation), ruled that the district court had exceeded its discretion in awarding attorneys’ fees based on West’s alleged “violations” of 17 U.S.C. § 403 and its alleged bad faith in its conduct of the *HyperLaw* litigation. Together, the *HyperLaw* cases impose stringent standards for establishing copyright protection for publication of judicial opinions, and clarify the standards under which a prevailing party may seek attorneys’ fees under the Copyright Act.

## Legal Publishing Background

Plaintiffs Matthew Bender & Co. and HyperLaw Inc. manufacture and market compilations of judicial opinions stored on compact disc-read only memory (CD-ROM) discs. As most attorneys know, West publishes compilations of reports of judicial opinions (“case reports”), consisting of opinions issued by all state and federal courts in

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the United States. Each case report contains the “official” text of the judicial opinion along with West’s own enhancements, which can be placed in two broad categories: i) independently composed features, such as syllabi (which summarize the opinion’s general holdings), headnotes (which summarize the specific points of law recited in each opinion), and key numbers (which categorize points of law into different legal topics and subtopics), and ii) additions of certain factual information to the text of the opinions, including parallel or alternative citations to cases, attorney information, and data on subsequent procedural history.

West obtains the text of judicial opinions directly from courts; it then alters these texts as described above to create a case report, and then publishes these case reports (first in advance sheets, then in bound volumes) in different series of “case reporters.” These case reporters cover all state and federal courts and collectively are known as West’s “National Reporter System.”

Two series of case reporters are at issue in the *HyperLaw* cases: the *Supreme Court Reporter*, which contains all Supreme Court opinions and memorandum decisions, and the *Federal Reporter*, which contains all United States Court of Appeals opinions designated for publication, as well as tables showing the disposition of unpublished cases. Both Matthew Bender and HyperLaw market compilations that cover approximately the same ground: for example, in 1998 HyperLaw published “Supreme Court on Disc,” a CD-ROM disc containing opinions of each United States Supreme Court Term, starting in 1990, and “Federal Appeals on Disc,” a CD-ROM disc, issued quarterly, containing nearly all opinions (published and unpublished) of the United States Courts of Appeals from January 1993 on.

While plaintiffs also obtain the text of the opinions directly from the courts or from rival services such as LEXIS, they intended to expand their CD-ROM products to include recent cases they could not obtain directly from the courts (and attorney information that is omitted from slip opinions by certain circuits), as well as pre-1990 Supreme Court cases and pre-1993 courts of appeals cases that are cited in recent Supreme Court and Court of Appeals cases, so that users could, by clicking on a hypertext link, easily “jump” to those cases. Plaintiffs intended to achieve this expansion by copying West’s case reports (after redacting the syllabi, headnotes and key numbers) from West’s *Supreme Court Reporter* and *Federal Reporter*.

### **Procedural History**

Following the commencement of suit by Matthew Bender & Co. (Bender) in the United States District Court for the Southern District of New York seeking a judgment declaring that Bender’s insertion of star pagination to West’s case reporters in its CD-ROM version of judicial opinions did not infringe West’s copyright, HyperLaw intervened and requested the same relief. In addition, HyperLaw sought a declaration that its redacted version of West’s case reports contained no copyrightable material and could be copied without infringement.

On the star pagination issue, the district court granted summary judgment in favor of Bender and HyperLaw, and entered final judgment pursuant to Fed. R. Civ. P.54(b). The district court denied summary judgment on HyperLaw's claimed right to copy redacted versions of West's case reports and conducted a bench trial on this issue that resulted in the court granting a declaratory judgment in favor of Bender and HyperLaw.<sup>4</sup> The district court ruled that West's selection and arrangement of information could reasonably be viewed as obvious, typical and lacking even minimal creativity. West's revisions to judicial opinions, the court ruled, were merely trivial variations from the public domain works; West's case reports therefore were not copyrightable as derivative works.<sup>5</sup> In reaching this conclusion, the district court reviewed each type of alteration and found in each instance that "West does not have a protectible interest in any of the portions of the opinions that HyperLaw copies or intends to copy."<sup>6</sup>

### **Derivative Works**

**Copyright Protection of Compilations and Derivative Works.** Works of the federal government are not subject to copyright protection; the text of judicial decisions may be copied at will. U.S.C. § 105. Federal judicial opinions, however, may form part of a "compilation." The Copyright Act defines "compilation" as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." 17 U.S.C. § 101. West filed a certificate of copyright registration for every paperbacked advance sheet and bound permanent volume of the *Supreme Court Reporter* and *Federal Reporter*, and each certificate characterized the copyrighted work as a "compilation." Under *Feist Publications, Inc. v. Rural Telephone Serv. Co.*, 499 U.S. 340 (1991), an infringement claim for a compilation has two elements: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Id.* at 361.

On appeal, HyperLaw contended that each case report should be analyzed as a "derivative work," which is defined under the Copyright Act as "[a] work consisting of editorial revisions, annotations, elaborations or other modifications which, as a whole, represent an original work of authorship." 17 U.S.C. § 101. The district court adopted plaintiffs' view and analyzed each individual case report as a derivative work; thus viewed, the individual reports were found to lack the requisite originality to merit protection under 17 U.S.C. § 101. West contended, however, that each case report was itself a compilation; that is, a collection of facts that had been distinctively selected and arranged.

The Second Circuit in *HyperLaw I* observed that West's case reports shared elements of both a derivative work and a compilation. While West compiles (and selects) the factual information it includes in each case report, much like a compilation, West also rearranges prefatory and citation information included in judicial opinions, steps that "tend toward the making of a derivative work rather than a compilation."

Ultimately, however, the court regarded this as a distinction without a difference, noting that copyright protection is available for both derivative works and compilations

alike only when, analyzed as a whole, they display sufficient originality so as to amount to an “original work of authorship.”<sup>7</sup>

In *Feist*, the Supreme Court held that “[o]riginality requires only that the author make the selection or arrangement independently and that it display some minimal level of creativity,”<sup>8</sup> while in *L. Batlin & Son, Inc. v. Snyder*, 536 F.2d 486 (2d Cir. 1976), the Second Circuit, sitting en banc, reasoned that, “[w]hile a copy of something in the public domain will not, if it be merely a copy, support a copyright, a distinguishable variation will . . . . To support a copyright there must be at least some substantial variation, not merely a trivial variation such as might occur in the translation to a different medium.”<sup>9</sup>

The question presented, therefore, was not whether the reports were derivative works or compilations; in either case, the crucial issue was whether West’s alterations to the case reports, considered collectively, demonstrated sufficient originality and creativity to be copyrightable.

### **Originality, Creativity**

The district court had found that the elements of the West case reports for which West sought copyright protection lacked sufficient originality or creativity to be protectible, whether considered separately or together. The only elements of a work that are entitled to copyright protection are those that are “original”; this “originality” standard requires that the work result from “independent creation” and that the author demonstrate that such creation entails a “modicum of creativity.” According to West, the required originality and creativity could be found in four elements of the case reports that HyperLaw intended to copy: i) the arrangement of information specifying the parties, court, and date of decision; ii) the selection and arrangement of the attorney information; iii) the arrangement of information relating to subsequent procedural developments, such as amendments and denials of rehearing; and iv) the selection of parallel and alternative citations.

The Copyright Act protects original and minimally creative selection of pre-existing, unprotected materials (such as facts) for inclusion in a work, as well as original and creative arrangement of those materials. Therefore, each of the four elements of the case reports, all of which involve West either adding or rearranging preexisting facts that are themselves unprotectible, would only be protectible insofar as they demonstrated creativity in the selection or arrangement of those facts.

That being said, not every such compilation or decision on selection or arrangement is sufficiently creative to be protected. The Second Circuit in *HyperLaw I* observed that the “creative spark” would be missing, for example, where: i) industry conventions or other external factors so dictate selection that any person composing a compilation of the type at issue would necessarily select the same categories of information, or ii) the author made obvious, garden-variety, or routine selections. Thus, with respect to the selection or arrangement of information, creativity inheres in making non-obvious choices from among more than a few options; mere selection from among two or three options, or of options that have been selected countless times before and have

become typical, is insufficient, for the protection of such choices would enable a copyright holder to “monopolize widely used expression and upset the balance of copyright law.”<sup>10</sup> Creativity in selection and arrangement therefore is a function of: i) the total number of options available; ii) external factors that limit the viability of certain options and render others non-creative; and iii) prior uses that render certain selections “garden variety.”

#### **Four Elements**

**Four ‘Original’ Elements of the West Case Reports.** Having thus established a framework for determining originality in a compilation, the Second Circuit then evaluated each of the allegedly creative and original elements of the West case reports. The court first rejected West’s claim that its resetting of captions, party names, and dates of decision in a standardized format was sufficiently creative; reference to a case by the names of the first plaintiff and first defendant, the court noted, was a garden variety decision endorsed by the “Bluebook,” among other standard legal sources. Similarly, West’s manner of shortening long case names also was embodied in the Bluebook and elsewhere; and even if the choice regarding which words to capitalize and shorten to form the West digest title was an original inspiration, the court expressed doubt that such a decision would be copyrightable. Nor did West’s overall choice concerning which procedural facts to include at the start of the case report demonstrate the requisite originality or creativity: the names of the parties, the deciding court, and the dates of argument and decision are elementary items, the court held, and their inclusion is a function of their importance rather than West’s independent judgment.

The second allegedly creative element, West’s selection and arrangement of attorney information, involves listing the arguing counsel and the lawyer’s city and state of practice in the Supreme Court reporters; for court of appeals decisions, West lists the names of briefing attorneys as well as arguing attorneys, and specifies each lawyer’s city and state of practice and law-firm or agency affiliation.

Here again, the Second Circuit agreed with the district court that West’s decisions lacked the requisite creativity. Like the name, town and telephone number included in a telephone directory (which was the subject of *Feist*), the attorney information West included was deemed entirely “typical” and “garden-variety.” In fact, most courts provide the very same information in their slip opinions. Nor did West’s decision to provide more information about counsel in the court of appeals case reports, and less in the Supreme Court case reports, constitute creativity because the options available to a publisher are simply too limited: there are two or three realistic options for such lists, the Court noted, and if both West’s method and that of publications such as *United States Law Week* were protected, publishers of judicial opinions would effectively be prevented from providing any useful arrangement of attorney information for Supreme Court decisions that was not substantially similar to a copyrighted arrangement. The Court refused to endorse such a view, writing that “West’s claim illustrates the danger of setting too low a threshold for creativity or protecting selection” where there are only a few realistic options for categorizing such information.<sup>11</sup>

## Options Limited

West's case reports reflect certain subsequent procedural developments, such as orders amending an opinion or denying rehearing, which the district court found did not reflect an exercise of originality or creativity, in part because West's realistic options are limited as discussed above. In most appeals, the Court noted, the only subsequent development is a denial of rehearing; only two options exist for presenting such information. Neither this choice between two formats, nor the actual language used to reflect the denials ("rehearing denied" followed by the date), was deemed sufficiently creative, or required sufficient independent judgment, so as to render the district court's ruling clearly erroneous.

The closest question as to creativity involved West's practice of amending citations. West inserts parallel citations when the judicial opinion does not, including citations to alternate reporters, both those published by others and by West itself; for citations to looseleaf, specialized or electronic reporters, West inserts parallel citations to West National Reporter System or Westlaw (West's on-line data base); and lastly, West amends, corrects, and even supplies citations where the opinion may not.

The district court concluded that "in most instances the determination of which parallel citations to include reflects no level of originality," and that the "selections made tend to conform to the standard of the legal profession and appear consistent with those recommended in A Uniform System of Citation."<sup>12</sup>

The Second Circuit agreed, noting that almost every one of West's decisions relating to citation alterations would be "inevitable, typical, dictated by legal convention, or at best binary."<sup>13</sup> West's decisions as to citation form and inclusion or omission of parallel citations, in the court's view, required no evaluative judgment; nor did the other elements of citation form for which West argued its "creative" judgment was required.

The court was quite cognizant of the potential effects of extending copyright protection in the manner sought by West. West's competitors, the court noted, would be faced with the choice of either omitting West's citations, which are essentially part of an industry standard and would render their product vastly inferior, or else include such information and face an infringement action based upon West's effective monopoly over the commercial publication of case reports containing supplemental citations.

## Star Pagination

The Second Circuit's decision in *HyperLaw II* addressed the related (but distinct) issue of "star pagination," the insertion of citations within versions of judicial opinions to show the location of the particular text in another version — in this case, West's published opinions. The district court had granted summary judgment to plaintiffs on the star pagination issue, concluding that the insertion of star pagination to West's volumes on plaintiffs' CD-ROMs would not reproduce any protected element of West's compilation. While West conceded both before the district court and the Second Circuit that the mere insertion of parallel citations, which identify the volume and first page numbers on which

a particular case appears, to West's case reporters in plaintiffs' products would be permissible under the fair use doctrine, West argued that embedding unprotectible volume and page numbers in a CD-ROM disc would permit a user to perceive West's arrangement of cases, which would amount to an impermissible "copy" of the compilation's "arrangement" under the terms of the Copyright Act, 17 U.S.C. § 101.

The Second Circuit rejected this argument. The court reasoned in *HyperLaw II* that no "copy" was created by insertion of star pagination; rather, the only information made available through star pagination was the location of page breaks within each judicial opinion. But since page breaks do not result from any original creation by West, the court noted that their location may lawfully be copied because they do not convey protected information, and their duplication thus does not infringe West's copyright.<sup>14</sup> As the court noted in its most stinging rebuke to West, "[West] seeks to leverage to protect its pagination (an element of its compilation that is unprotected altogether) and thereby to foreclose (or draw royalties from) CD-ROM products that might be used incidentally to replicate West's arrangement of cases, but that have substantial, predominant and noninfringing uses as tools for research and citation."<sup>15</sup>

The Second Circuit in *HyperLaw II* noted that its holding directly conflicts with the Eighth Circuit's opinion in *West Publishing Co. v. Mead Data Central, Inc.*, 799 F.2d 1219 (8th Cir. 1986). In that case, LEXIS (the rival on-line data base provider) announced plans to star paginate its on-line version of cases to West case reporters. West claimed that the use of star pagination would allow users to page through cases as if they were reading West volumes, and in that way "copy" West's arrangement of cases. The Eighth Circuit held that "West's arrangement is a copyrightable aspect of its compilation of cases, that the pagination of West's volumes reflects and expresses West's arrangement, and that [LEXIS'] intended use of West's page numbers infringes West's copyright in the arrangement." *Id.* at 1223. The Second Circuit in *HyperLaw II* rejected the Eighth Circuit's position.

### **The Dissent**

Judge Sweet's vigorous dissents in both *HyperLaw I* and *HyperLaw II* reflect his stated belief that "[s]ome of the most seminal developments in copyright law have been driven by technological change. It is necessary to reconcile technology with pre-electronic principles of law. Clearly, plaintiff's CD-ROM disks are not 'copies' in the traditional sense. Yet, plaintiffs provide the ability for a user to push a button or two and obtain West's exact selection and arrangement. This technological capacity presents a new question."<sup>16</sup> The majority's holding in *HyperLaw I* and *HyperLaw II*, Judge Sweet wrote, "threatens to eviscerate copyright protection for compilations" by allowing the wholesale copying of a system that constituted, as a whole, an original "fact" resulting from West's creativity.<sup>17</sup> The panel majority, Judge Sweet argued, imposed a standard that demands significantly more than the "modicum" of originality required by *Feist* and the "non-trivial" variation required by prior Second Circuit precedent.

## Attorneys' Fees

After the Second Circuit issued its companion decisions in *HyperLaw I* and *II*, plaintiff HyperLaw, having prevailed on the merits, moved for attorneys' fees under 17 U.S.C. § 505, which allows a district court "in its discretion" to award reasonable attorneys' fees to the prevailing party in a Copyright Act action. The district court determined that an award of attorneys' fees against West was appropriate to promote the purposes of the Copyright Act. According to the district court, even if there was a nonfrivolous basis for West's claims, West's refusal to cooperate in HyperLaw's "efforts to obtain a judicial resolution" of the question of copyrightability, combined with West's failure to comply with the notice provision of 17 U.S.C. § 403, warranted an award of fees to HyperLaw. The court further found that West conducted the litigation in bad faith, citing West's refusal to cooperate with HyperLaw before the initiation of suit and West's filing of a motion to dismiss HyperLaw's complaint on justiciability grounds. The district court then calculated the amount of fees based on reasonable rates and hours billed during the entirety of the litigation, and ordered that West pay HyperLaw \$813,724.25.

In *HyperLaw III*, the Second Circuit ruled that the district court had exceeded its discretion in awarding attorneys' fees based on alleged "violations" of 17 U.S.C. § 403 and West's alleged bad faith in the conduct of the *HyperLaw* litigation. While noting that the standard of review of an award of attorneys' fees to is "highly deferential to the district court," the Court held that the imposition of a fee award against a copyright holder with an objectively reasonable litigation position was impermissible under § 505 and would not promote the purposes of the Copyright Act. West's arguments at trial, the Court stated, were "objectively reasonable" — a position that is corroborated both by the vigorous dissenting opinions agreeing with West's stance and the Eighth Circuit's adoption of many of those same positions in *West Publishing Co.*

Moreover, the Second Circuit rejected the district court's imposition of attorneys' fees based on an alleged "violation" of § 403 of the Copyright Act; the Court ruled that the district court had applied the "wrong legal standard," and thus exceeded its allowable discretion in awarding fees under § 403, which, the Court held, did not impose any affirmative obligation on a copyright holder on its face and thus could not be a basis for awarding attorneys' fees.

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## ENDNOTES

- <sup>1</sup> 158 F.3d 674 (2d Cir. 1998).
- <sup>2</sup> 158 F.3d 693 (2d Cir. 1998).
- <sup>3</sup> 2001 U.S. App. LEXIS 896 (2d Cir. Jan. 23, 2001).
- <sup>4</sup> See *Matthew Bender & Co. v. West Publishing Co.*, 1997 U.S. Dist. LEXIS 6915, No. 94 Civ. 0589 (S.D.N.Y. May 19, 1997).
- <sup>5</sup> See *Matthew Bender & Co.*, 1997 U.S. Dist. LEXIS 6915, at \*4.
- <sup>6</sup> *Id.*
- <sup>7</sup> See 17 U.S.C. § 101 (defining a “derivative work,” inter alia, as a work containing alterations “which, as a whole, represent an original work of authorship”); *id.* (defining a compilation as requiring that “the resulting work as a whole constitutes an original work of authorship”).
- <sup>8</sup> 499 U.S. at 358.
- <sup>9</sup> 536 F.2d at 490-91.
- <sup>10</sup> *HyperLaw I*, 158 F.2d at 682.
- <sup>11</sup> *HyperLaw I*, 158 F.2d at 684.
- <sup>12</sup> *Matthew Bender & Co.*, 1997 U.S. Dist. LEXIS 6915, at \*4.
- <sup>13</sup> *HyperLaw I*, 158 F.2d at 685, citing 1 William F. Patry, *Copyright Law and Practice* 196-97 (“Even when theoretically there is a large number of items to choose from, functional, commercial, or legal constraints may limit, or even bar, protectibility.”).
- <sup>14</sup> *HyperLaw II*, 158 F.2d at 701.
- <sup>15</sup> *Id.* at 707.
- <sup>16</sup> *Id.* at 709.
- <sup>17</sup> *Id.* at 709-710.