

# **ENTM'T RESEARCH GROUP v. GENESIS CREATIVE GROUP**

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**United States Court of Appeals for the Ninth Circuit, 1997  
122 F.3d 1211**

REA, District Judge:

Entertainment Research Group, Inc. ("ERG") appeals from two separate orders by the district court granting partial summary judgment in favor of defendants Genesis Creative Group, Inc. ("Genesis") and Aerostar International, Inc. ("Aerostar") and from a third order awarding attorney's fees to defendant Genesis.<sup>1</sup> We have jurisdiction pursuant to 28 U.S.C. § 1291 and 17 U.S.C. § 505. We affirm the district court's orders granting partial summary judgment, but we vacate and remand the award of attorney's fees.

## *BACKGROUND*

ERG designs and manufactures three-dimensional inflatable costumes that are used in publicity events, such as shopping mall openings. The costumes are approximately eight feet tall and are worn by a person who remains inside the costume. Various companies purchase and use these costumes to promote their products. The costumes are based upon these companies' cartoon characters.<sup>2</sup>

ERG has manufactured and sold these walk-around inflatable costumes for the past sixteen years. Over this time, ERG has developed techniques and designs that have resulted in high-quality, attractive, durable and comfortable inflatable costumes. Up until the Spring of 1991, ERG was allegedly the only manufacturer utilizing these techniques. ERG is owned by Allen Edward "Ed" Breed. Mr. Breed is also ERG's president and sole shareholder.

Appellee/defendant Genesis is in the business of marketing promotional and advertising devices to various companies, including Kraft, General Mills, Quaker Oats and Pillsbury. Appellee/defendant Aerostar is a manufacturer of hot air balloons, cold air inflatable products and cold air walk-around costumes.

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<sup>1</sup> ERG filed two separate appeals--one from the district court's orders regarding summary judgment and one from the district court's award of attorneys' fees. These two appeals were consolidated and heard together.

<sup>2</sup> For example, Pillsbury purchased "Pillsbury Doughboy" costumes, Toys "R" Us purchased "Geoffrey the Giraffe" costumes, and Quaker Oats Company purchased "Cap'n Crunch" costumes.

In 1989, ERG and Genesis began a business relationship--a relationship that has evolved into this lawsuit. Genesis describes the relationship as that of manufacturer (ERG) and wholesaler (Genesis). ERG describes it as a principal (ERG)-agent (Genesis) relationship that was created by an oral contract under which Genesis was to sell exclusively ERG's products and related repair and maintenance services on a commission basis.

Although the parties dispute who contacted whom first, we know that on February 27, 1989, Mr. Breed sent a letter to Genesis's vice-president of sales, Glenn Bodien, outlining Mr. Breed's proposed structure for the relationship. Soon after, ERG's inflatable costumes were being sold to Genesis's customers. By September, 1990, more than forty-eight ERG-manufactured costumes had apparently been sold and distributed by Genesis to at least nine different companies, representing thirteen different cartoon characters.

On September 18, 1990, ERG and Genesis entered into and signed a "Confidential Disclosure Agreement." This agreement states that Genesis shall not disclose "valuable and proprietary technical information" and that Genesis shall not duplicate any of ERG's costumes.

Up until August, 1991, Genesis apparently continued to solicit customers for ERG-manufactured costumes. The parties disagree on how their business relationship came to an end. ERG claims that Genesis secretly entered into an agreement with Aerostar while the ERG-Genesis relationship was still alive and that Genesis supplied Aerostar with ERG-made costumes and ERG's proprietary information so that Aerostar could enter into the inflatable costume industry and so that Genesis could get itself a better deal through Aerostar. On its part, Genesis contends that it was forced to end the relationship due to ERG's failure to produce and service costumes in the timely manner required by Genesis's customers. In any event, on August 23, 1991, Genesis gave ERG written notice of the termination of all future business relations.

Shortly thereafter, Genesis apparently entered into a formal business relationship with Aerostar to sell inflatable walk-around costumes manufactured by Aerostar to Genesis's customers. ERG claims that Genesis and Aerostar had been meeting prior to the August, 1991 termination of the ERG-Genesis relationship. Genesis and Aerostar deny the existence of any such secret meetings and plans.

ERG also claims that Genesis and Aerostar conspired to divert former and potential customers away from ERG to themselves both for costume purchases and for maintenance and repair services. ERG specifically alleges that Genesis made misrepresentations about ERG's prices and ability to provide requested services and that Genesis engaged in a variety of other schemes designed to disrupt ERG's business relationships and to create a demand for Aerostar-manufactured costumes.

ERG further claims that Genesis provided Aerostar with examples of ERG-manufactured costumes so that Aerostar could learn how to manufacture the complicated and intricate costumes and so that Aerostar could copy the costumes. In addition, ERG alleges that Aerostar employees ripped out and pasted over ERG's copyright labels in ERG-manufactured costumes without the approval and/or knowledge of ERG. Finally, ERG claims that Genesis and Aerostar distributed advertising materials depicting ERG-manufactured costumes without ERG's approval.

On June 30, 1992, ERG initiated this action by filing a complaint in the United States District Court for the Northern District of California against defendants Genesis and Aerostar. A second amended complaint was filed on September 29, 1993. The second amended complaint contained the following twelve causes of action: (1) copyright infringement against Genesis for infringing ERG's "Inflatimation Elf" costume; (2) copyright infringement against Genesis for infringing ERG's "Inflatimation Soldier" costume; (3) breach of written contract against Genesis; (4) breach of oral contract against Genesis; (5) copyright infringement against Aerostar for infringing ERG's derivative works; (6) intentional interference with contract against both defendants; (7) negligent interference with contract against both defendants; (8) intentional interference with prospective economic advantage against both defendants; (9) negligent interference with prospective economic advantage against both defendants; (10) false designation of origin (Lanham Act) against both defendants; (11) unfair business practices/unfair competition against both defendants; and (12) civil conspiracy against both defendants.

On May 2, 1994, the district court granted partial summary judgment for Genesis and Aerostar on ERG's derivative copyright infringement claim (ERG's fifth cause of action).<sup>3</sup> See Entertainment Research Group, Inc. v. Genesis Creative Group, Inc., 853 F. Supp. 319 (N.D. Cal. 1994). The district court did so on the ground that ERG did not possess valid copyrights in its three-dimensional inflatable costumes that ERG designed and manufactured based upon the preexisting copyrighted two-dimensional cartoon characters.

Genesis and Aerostar thereafter filed motions for partial summary judgment as to ERG's eleven remaining causes of action. At that hearing, ERG stipulated that it did not have any evidence to support its first and second causes of action for copyright infringement involving the Inflatimation Elf and Inflatimation Soldier costumes (the "Inflatimation" claims). On September 6,

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<sup>3</sup> Although this cause of action was solely brought against Aerostar, by virtue of ERG's catch-all twelfth cause of action for conspiracy, the second amended complaint made it so that each defendant is potentially liable for each cause of action.

1995, the district court issued an order granting Genesis and Aerostar's motions for partial summary judgment, finding that ERG had not established a genuine issue of material fact as to any of its remaining causes of action.<sup>4</sup>

Pursuant to 17 U.S.C. § 505, Genesis and Aerostar subsequently filed separate motions to recover attorney's fees incurred in defending against ERG's copyright causes of action--claims 1 and 2 (the Inflatimation claims) and claim 5 (the derivative copyright claim). The district court denied Aerostar's request for attorney's fees in its entirety and denied Genesis's request for attorney's fees with regard to the derivative copyright claim. However, the district court awarded attorney's fees to Genesis in the amount of \$ 195,759.00 for having to defend against ERG's Inflatimation claims.

The district court's calculation of attorney's fees was soon determined to be erroneous by the parties. Apparently, the amount of the award included the attorney's fees that Genesis had incurred in defending against the derivative copyright claim. Accordingly, ERG filed a motion to amend. On October 2, 1996, the district court issued an amended order which lowered the award of attorney's fees to Genesis to \$ 95,075.75.<sup>5</sup>

#### **STANDARD OF REVIEW**

The district court's decision to grant summary judgment is reviewed de novo. See, e.g., *Warren v. City of Carlsbad*, 58 F.3d 439, 441 (9th Cir. 1995), cert. denied, 516 U.S. 1171, 134 L. Ed. 2d 209, 116 S. Ct. 1261 (1996). Viewing the evidence in the light most favorable to the non-moving party, we must determine whether there are any genuine issues of material fact and whether the district court correctly applied the relative substantive law. *Id.* The district court's interpretation of state law is reviewed under the same de novo standard that is used to review questions of federal law. See, e.g., *Salve Regina College v. Russell*, 499 U.S. 225, 231, 113 L. Ed. 2d 190, 111 S. Ct. 1217 (1991).

The district court's decision to award attorney's fees under the Copyright Act, 17 U.S.C. §§ 101-1101, is reviewed for an abuse of discretion. See, e.g., *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 556 (9th Cir. 1996). However, "Any elements of legal analysis and statutory interpretation which figure in the district court's decision are reviewable *de novo*." *Hall v. Bolger*, 768 F.2d 1148, 1150 (9th Cir. 1985). A district court's award of attorney's fees "does not constitute an abuse of discretion unless it is based on an inaccurate view of the law or a clearly erroneous finding of fact." *Fantasy*, 94 F.3d at 556.

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<sup>4</sup> An amended order was issued by the district court on September 11, 1995.

<sup>5</sup> The district court arrived at this amount by excluding any fees incurred after September 29, 1993--the date when the derivative copyright claim was first brought.

## *DISCUSSION*

The district court granted summary judgment against ERG on all twelve of ERG's causes of action. ERG has not appealed the district court's grant of summary judgment as to claims 1 and 2—the Inflatimation claims. ERG's opening brief failed to make any mention of the following causes of action: (1) intentional interference with contractual relations; (2) negligent interference with contractual relations; (3) intentional interference with prospective economic advantage; and (4) negligent interference with prospective economic advantage. In addition, ERG's opening brief provided only cursory mention, with virtually no discussion, of ERG's Lanham Act and unfair competition/unfair business practices causes of action.

We will not consider any claims that were not actually argued in ERG's opening brief. As we stated in *Greenwood v. FAA*, 28 F.3d 971, 977 (9th Cir. 1994):

We review only issues which are argued specifically and distinctly in a party's opening brief. We will not manufacture arguments for an appellant, and a bare assertion does not preserve a claim, particularly when, as here, a host of other issues are presented for review. As the Seventh Circuit in *Dunkel* stated aptly: "judges are not like pigs, hunting for truffles buried in briefs." *Id.* (citations omitted). Accordingly, because ERG failed to "present a specific, cogent argument for our consideration" with regard to these causes of action, we will not discuss them. *Id.* As a result, the only issues to be addressed are: (1) ERG's derivative copyright claim; (2) ERG's breach of contract claims; (3) ERG's civil conspiracy claim; and (4) the award of attorney's fees. We address each of these claims independently.

### *I. Derivative Copyright Infringement Cause of Action*

ERG alleges that Aerostar copied and infringed ERG's copyrights in the inflatable costumes that ERG designed and manufactured based on the underlying copyrighted characters. To establish copyright infringement, the holder of the copyright must prove both valid ownership of the copyright and infringement of that copyright by the alleged infringer. *See, e.g., North Coast Indus. v. Maxwell*, 972 F.2d 1031, 1033 (9th Cir. 1992); *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1162 (9th Cir. 1977). If the plaintiff copyright holder survives the first step by establishing that he or she owns a valid copyright, the plaintiff must then establish infringement by showing both access to the copyrighted material on the part of the alleged infringer and substantial similarity between the copyrighted work and the alleged infringing work. *North Coast*, 972 F.2d at 1033.

In the instant case, the district court granted the motions for summary judgment on the infringement claim on the ground that ERG failed to establish

that it had a valid copyright in its costumes. *See Entertainment Research Group*, 853 F. Supp. at 324. We agree.

#### A. Copyright Registration Certificates

Under the copyright laws, the registration of a copyright certificate constitutes *prima facie* evidence of the validity of a copyright in a judicial proceeding commenced within five years of the copyright's first publication.<sup>17</sup> U.S.C. § 410(c); *see also North Coast*, 972 F.2d at 1033; *Masquerade Novelty, Inc. v. Unique Indus., Inc.*, 912 F.2d 663, 668 (3rd Cir. 1990); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085-86 (9th Cir. 1989). A certificate of copyright registration, therefore, "shifts to the defendant the burden to prove the invalidity of the plaintiff's copyrights." *Masquerade Novelty*, 912 F.2d at 668; *see also Gates Rubber Co. v. Bando Chemical Industries, Ltd.*, 9 F.3d 823, 832 (10th Cir. 1993). An accused infringer can rebut this presumption of validity, however. *See, e.g.*, *North Coast*, 972 F.2d at 1033; *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 908 (2d Cir. 1980). To rebut the presumption, an infringement defendant must simply offer some evidence or proof to dispute or deny the plaintiff's *prima facie* case of infringement. *See, e.g.*, *North Coast*, 972 F.2d at 1033; *Folio Impressions, Inc. v. Byer California*, 937 F.2d 759, 763 (2d Cir. 1991).

It is undisputed that on September 23, 1993, the United States Copyright Office issued certificates of copyright registration to ERG for its "Toucan Sam," "Dino," "Dough Boy," "Little Sprout," "Cap'n Crunch," "Geoffrey the Giraffe," and "Oatis Oat Square" costumes. ERG argues that the district court committed a clear error of law requiring reversal by failing to give anything but "lip service" to the presumption of validity for these copyrights. We disagree. ERG's argument is based on the district court's statement that, "Since Aerostar has put ERG's copyrights in dispute, ERG must prove the validity of its copyright as a threshold issue." *Entertainment Research Group*, 853 F. Supp. at 321. Although a literal reading of the district court's statement could lead one to conclude that the district court erroneously shifted the burden of proving copyright validity back to ERG before any evidence had been considered by erroneously requiring ERG to prove validity as a "threshold issue," a reading of the entire district court order makes clear that the district court did not improperly deny ERG of the statutory presumption of validity.

Aerostar--the alleged infringer--presented photographs and artwork of the original copyrighted figures to the district court. These materials raised a serious question as to whether ERG's costumes based on those copyrighted characters were sufficiently "original" to merit copyright protection. Such a showing is critical given our holding in *North Coast* that the statutory presumption of validity can be rebutted if the alleged infringer demonstrates that the plaintiff's work "is not original but copied from another's work." *North Coast*, 972 F.2d at 1033; *see also Masquerade Novelty*, 912 F.2d at 668-69 (stating that, "Where, for example, the issue is whether the copyrighted article is 'original,' the presumption will not be

overcome unless the defendant offers proof that the plaintiff's product was copied from other works or similarly probative evidence as to originality."). These photographs and artwork reveal that ERG's costumes are quite similar in appearance to the copyrighted characters the costumes are based on. Accordingly, because Aerostar had offered evidence that ERG's costumes were "not original but copied from another's work," the district court properly held that Aerostar had rebutted the statutory presumption, and the district court properly shifted the burden of proving validity--the threshold issue for copyright infringement lawsuits--back to ERG. See, e.g., *Masquerade Novelty*, 912 F.2d at 668-69; *Carol Barnhart Inc. v. Economy Cover Corp.*, 773 F.2d 411, 414 (2d Cir. 1985); *Durham*, 630 F.2d at 908-09 (holding that the presumption of validity was rebutted where "one look" at the plaintiff's allegedly copyrightable figures revealed a complete absence of any originality).

### B. Copyrights in Derivative Works

Having discussed this initial "threshold" issue, we will now evaluate whether ERG's costumes are actually copyrightable. It is undisputed that ERG's costumes are based upon two-dimensional characters that are copyrighted and owned by the purchasers of the costumes. The Copyright Act defines a derivative work as:

[A] work based upon one or more pre-existing works, such as an . . . art reproduction . . . or any other form in which a work may be recast, transformed, or adapted. 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." 17 U.S.C. § 101. Given this definition, it is clear that ERG's costumes are derivative works for purposes of the Copyright Act.<sup>6</sup>

That ERG's costumes are derivative works is not a bar to their copyrightability, however. Section 103(a) of the Copyright Act explicitly provides that the subject matter of copyright, as specified by Section 102, includes "derivative works." 17 U.S.C. § 103(a). Nevertheless, the copyright protection afforded to derivative works is more limited than it is for original works of authorship. Specifically, Section 103(b) provides that the copyright in a derivative work "extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work." 17 U.S.C. § 103(b); see also *Russell v. Price*, 612 F.2d 1123, 1128 (9th Cir. 1979). Accordingly, we will now examine whether ERG's costumes are copyrightable as derivative works.

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<sup>6</sup> ERG even registered its copyrights in its costumes as derivative works based on the two-dimensional copyrighted characters.

We have not previously had occasion to provide much guidance with regard to the copyrightability of derivative works.) See *Moore Pub., Inc. v. Big Sky Marketing, Inc.*, 756 F. Supp. 1371, 1374 (D. Idaho 1990) (looking to cases from the Second Circuit and the Seventh Circuit for guidance on the standards to be employed in determining whether derivative works are copyrightable). Faced with this lack of guidance, the district court turned to the Second Circuit's decision in *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980), as a model for determining whether ERG's derivative works were copyrightable. See *Entertainment Research Group*, 853 F. Supp. at 321-22. ERG argues that the district court should not have relied on that test since the *Durham* test is not the controlling law of the Ninth Circuit and since the *Durham* analysis is premised on an erroneous interpretation of copyright law.

Instead of the *Durham* test, ERG contends that the district court should have applied the test created by a district court in the Central District of California. *Doran v. Sunset House Distributing Corp.*, 197 F. Supp. 940 (S.D. Cal. 1961), *aff'd*, *Sunset House Distributing Corp. v. Doran*, 304 F.2d 251 (9th Cir. 1962). In *Doran*, we affirmed the district court's decision that a three-dimensional, inflatable representation of Santa Claus was original and copyrightable. The district court in that case reached its decision based on its belief that the "test of copyrightability must be the form which the author has used to express the figure, idea, or theme." *Id.* at 944. In other words, under the *Doran* district court's test, if the form of the derivative work and the form of the underlying work--three-dimensional, two-dimensional, plastic, etc.--are sufficiently different, then the derivative work is original enough to be copyrightable.

ERG argues that the *Doran* test should apply to the instant case since it has never been overturned and is, therefore, the controlling law in this Circuit on the copyrightability of three-dimensional representations of preexisting two-dimensional works. We disagree. In the first place, the *Doran* test is inapplicable to the instant circumstances since *Doran* involved the copyrightability of a derivative work where the preexisting work was taken from the public domain and not copyrighted itself. Here, on the other hand, ERG's costumes were based on preexisting works that were copyrighted and owned by the ultimate purchasers. This difference is critical because in deciding whether to grant copyright protection to a derivative work, courts must be concerned about the impact such a derivative copyright will have on the copyright privileges and rights of the owner of the underlying work. See 17 U.S.C. § 103(b). Indeed, the body of law regarding derivative copyrights is designed to strike a balance between the holder of a copyright in the underlying work and the creator of a work that is made by copying that underlying work. See, e.g., *Durham*, 630 F.2d at 910-11. Accordingly, because the *Doran* test completely fails to take into account the rights of the holder of the copyright for the underlying work, the *Doran* test should not be applied to determine the copyrightability of a derivative work that is based on a preexisting work that is itself copyrighted.

In addition, it is not clear that we ever adopted the *Doran* test since our opinion affirming the district court's decision really focused on the similarity between the Santa Claus products at issue, rather than on the different "forms" of the products. See Melville B. Nimmer, *Nimmer on Copyright*, § 2.08[C] at 2-111, 2-112 n. 136 (commenting that the Ninth Circuit "apparently relied upon the originality inherent in the graphic elements of the plaintiff's Santa Claus, rather than on the grounds for originality stated by the district court."). In this respect, it is notable that although we quoted *Doran* in *Runge v. Lee*, 441 F.2d 579, 581 (9th Cir. 1971), for the standard for "originality" in copyrights, the portion of *Doran* that was quoted had nothing to do with the district's court's language indicating that a change in "form" is sufficient for originality purposes. *Id.*

In direct contrast, we are satisfied that the test developed by the Second Circuit in *Durham* is the proper approach for us to apply in the instant circumstances to determine whether ERG's costumes are copyrightable as derivative works. This test contains two prongs:

First, to support a copyright the original aspects of a derivative work must be more than trivial. Second, the original aspects of a derivative work must reflect the degree to which it relies on preexisting material and must not in any way affect the scope of any copyright protection in that preexisting material. *Durham*, 630 F.2d at 909.

The first prong of the *Durham* test is in harmony with numerous decisions of this Circuit which establish that the original aspects of a work must be "more than trivial" to warrant copyright protection. See, e.g., *North Coast*, 972 F.2d at 1033 (stating that "originality is the indispensable prerequisite for copyrightability"); *Kamar Int'l, Inc. v. Russ Berrie & Co.*, 657 F.2d 1059, 1061 (9th Cir. 1981) (holding that "originality is the sine qua non of copyrightability").

ERG takes issue with the second prong of the *Durham* test, arguing that it embodies an erroneous interpretation of the copyright laws. We are not persuaded by this argument, as we believe that this prong is completely consistent with Section 103(b) of the Copyright Act and is, in fact, necessary because of Section 103(b). Section 103(b) provides that:

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.<sup>17</sup> U.S.C. § 103(b). Following the direct language of § 103(b), the second prong of the *Durham* test is designed to ensure that copyright protection is not

given to a derivative work if doing so would necessarily affect the scope of any copyright protection in the preexisting material.

Viewed from another perspective, this second prong of the *Durham* test is necessary to ensure that copyright protection is not given to derivative works whose originality is merely trivial. Section 103(b) mandates that the copyright protection for derivative works not affect the scope of any copyright protection in the underlying work. Copyright protection for underlying works would be affected--and, thus, § 103(b) would be violated--if derivative works without adequate originality were given copyright protection. See, e.g., *Gracen*, 698 F.2d 300 at 304-05; *Durham*, 630 F.2d at 910-11; *Moore Pub.*, 756 F. Supp. at 1374. This is so because if copyright protection were given to derivative works that are virtually identical to the underlying works, then the owner of the underlying copyrighted work would effectively be prevented from permitting others to copy her work since the original derivative copyright holder would have a de facto monopoly due to her "considerable power to interfere with the creation of subsequent derivative works from the same underlying work." *Gracen*, 690 F.2d at 305; see also *Durham*, 630 F.2d at 911. This conclusion finds support in our decisions in the somewhat analogous context where we have decided not to grant copyright protection to an artist's presentation of a song--even under an unfair competition theory--where doing so would undermine the rights of the song's copyright holder by exposing her licensees to potential litigation. See *Sinatra v. Goodyear Tire & Rubber*, 435 F.2d 711, 718 (9th Cir. 1970).

Our belief that the *Durham* test is the proper approach is furthered by the fact that the principles underlying this test have been followed and approved of by many other courts. See, e.g., *Gracen*, 698 F.2d at 304-05; *EFS Marketing, Inc. v. Russ Berrie & Co., Inc.*, 836 F. Supp. 128, 131, 133 (S.D. N.Y. 1993); *Moore Pub.*, 756 F. Supp. at 1374; *M.S.R. Imports, Inc. v. R.E. Greenspan Co., Inc.*, 1983 WL 1778, \*17 n. 4 (E.D. Pa. 1983).

### C. Application to the Instant Facts

Having concluded that the *Durham* analysis is the proper approach to take, we will now apply the test to the instant circumstances.

#### 1. Prong One: Originality

The first issue is whether ERG's costumes are sufficiently "original" to justify protection as derivative works. We have explained what "originality" means in the context of derivative works as follows:

All that is needed to satisfy both the Constitution and the statute is that the "author" contributed something more than a "merely trivial" variation, something recognizably "his own." Originality in this context "means little more than a prohibition of actual

copying." No matter how poor artistically the "author's" addition, it is enough if it be his own. *Sid & Marty Krofft Tel.*, 562 F.2d at 1163 n. 5 (citations omitted); see also *North Coast*, 972 F.2d at 1033.

Before assessing whether ERG contributed something more than a merely trivial variation to the underlying copyrighted characters in the creation of its costumes, one more complexity needs to be added to the mix. Although the category of costumes has rarely been dealt with in the copyright context, it seems clear that for copyright purposes, costumes would fall under the category of "pictorial, graphic and sculptural works" and would be treated as sculptural works. See 17 U.S.C. §§ 101, 103. This fact is critical to our determination, as Section 101 of the Copyright Act states that sculptural works of artistic craftsmanship receive copyright protection only

insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article [ordinarily not copyrightable] . . . shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article. 17 U.S.C. § 101.

Accordingly, any aspects of ERG's costumes that are purely functional, utilitarian or mechanical, will not be given any copyright protection. *Id.*; see also *Fabrica Inc. v. El Dorado Corp.*, 697 F.2d 890, 893 (9th Cir. 1983). Moreover, any artistic aspects of ERG's costumes will also not receive copyright protection unless they can be identified separately from, and are capable of existing independently of, the utilitarian purpose of the costumes. 17 U.S.C. § 101; see also *Fabrica*, 697 F.2d at 893.

Based on this statutory provision, the district court ruled that, "Any differences in appearance between a derivative work and the preexisting work which are driven primarily by a functional, utilitarian or mechanical purpose cannot be considered when seeking artistic differences for the purpose of originality." *Entertainment Research Group*, 853 F. Supp. at 322-23. ERG argues that the district court committed clear error by utilizing this "functionality" test--which ERG contends should only be used to determine if a sculptural work is ultimately copyrightable--to determine whether a derivative work is sufficiently original in the first place. In other words, ERG contends that the district court should have first made the traditional originality determination by examining whether any aspect of the derivative works--including the purely utilitarian aspects--created sufficient originality and then, second, used the functionality test to determine if the artistic aspects of the derivative works were conceptually separable from the utilitarian aspects such that the costumes could be copyrightable as sculptural works.

We disagree with ERG's analysis. In the instant circumstances, where the derivative works at issue are sculptures, it makes no sense to include the utilitarian aspects for purposes of determining originality when it is clear, in light of § 101 of the Copyright Act, that these utilitarian aspects are not copyrightable. Thus, ERG would illogically have the courts consider the uncopyrightable elements of a derivative work in order to determine if the derivative work is ultimately copyrightable.

A simple hypothetical may help explain how futile the approach ERG is suggesting would be. Under ERG's approach, a court could determine that a sculptural work is sufficiently original to qualify as a derivative work even if the derivative sculpture had absolutely no new artistic elements to it so long as the sculpture had at least one purely functional, non-trivial element to it that the author of the derivative sculptural work contributed. At the second stage of the ERG approach, however, the court would be forced to conclude that the derivative work was not copyrightable as a sculptural work pursuant to 17 U.S.C. § 101 since it did not possess any new, non-trivial artistic features. Under such a scenario, the entire first step of the analysis would, therefore, have been pointless. Thus, because any utilitarian, functional or mechanical aspects of a derivative work will not be copyrightable in the long run, *see* 17 U.S.C. § 101, any differences in appearance between a derivative work and the preexisting work which are not conceptually separable from any utilitarian, functional or mechanical purposes should not be considered by a court in determining whether sufficient artistic differences exist to constitute "originality." Accordingly, the district court was correct to eliminate any such differences from its originality analysis.

Having said this, it is now necessary to evaluate whether ERG raised a genuine issue of fact as to whether the non-functional aspects of the ERG costumes were sufficiently original. *See, e.g., North Coast*, 972 F.2d at 1034 (stating that summary judgment is appropriate "where no reasonable trier-of-fact could find even trivial differences in the designs" which were claimed to be copyrightable). Addressing this very issue, the district court concluded that "no reasonable trier-of-fact could find even trivial artistic differences in design between the preexisting work and the underlying work." *Entertainment Research Group*, 853 F. Supp. at 323.

We agree with the district court that any artistic differences in the costumes are merely trivial. ERG alleges that Mr. Breed's declaration demonstrates that ERG contributed much that is "recognizably its own" to the costumes since Mr. Breed had to make a number of creative decisions to enable the costumes to be manufactured successfully and since Mr. Breed was guided by his "artistic impression." The problem with ERG's argument, however, is that originality is not present solely because Mr. Breed placed a lot of thought and effort into figuring out how to transform the two-dimensional copyrighted characters into three-dimensional inflatable costumes. *See, e.g., Feist*, 499 U.S. 340 at 352-56, 113 L. Ed.

2d 358, 111 S. Ct. 1282; *Durham*, 630 F.2d at 911 (stating that a display of manufacturing skill is not independently enough to constitute originality). Indeed, the courts and commentators seem to agree that making decisions that enable one to reproduce or transform an already existing work into another medium or dimension--though perhaps quite difficult and intricate decisions--is not enough to constitute the contribution of something "recognizably his own." See, e.g., Nimmer, § 2.08[C] at 2-111 (stating that the "mere act of converting two dimensions to three dimensions, although it creates a distinguishable variation, may not represent a contribution of independent effort because no one can claim to have independently evolved the idea and technique of working in three dimensions"); *Durham*, 630 F.2d at 911 (holding that, "The mere reproduction of the underlying characters in plastic, even though . . . it undoubtedly involved some degree of manufacturing skill, does not constitute originality"); *Gallery House, Inc. v. Yi*, 582 F. Supp. 1294, 1297 (N.D. Ill. 1984) (holding that the plaintiff moldmaker had not added any "artistic effort" since he had "simply converted a two-dimensional design to a three-dimensional object").

ERG also argues that a material issue of fact exists with regard to originality due to the photographs and artwork attached to Mr. Breed's declaration that allegedly demonstrate that the costumes involve much more than "merely trivial" additions and alterations to the underlying copyrighted characters. Specifically, ERG contends that the differences between the representations of the characters in the flat reference artwork supplied by the characters' proprietors and their representations in the three-dimensional inflatable costumes are far from trivial since (1) the ERG costumes vary greatly in proportions and facial expressions from the original characters and (2) the ERG costumes contain many elements, such as the texture of the costumes and the manner in which they move which are wholly absent from the original artworks.

Viewing the three-dimensional costumes and the two-dimensional drawings upon which they are based, it is immediately apparent that the costumes are not exact replicas of the two-dimensional drawings. Indeed, as the district court observed with regard to the Toucan Sam costume, the proportions in the costumes are far different from those in the underlying drawings. However, as was discussed earlier, in evaluating the originality of ERG's costumes, any differences that exist because of functional or mechanical considerations should not be considered. The district court came to the conclusion that these differences in proportion were solely--or at least primarily--driven by the functional considerations necessitated by the fact that a human body must fit inside the costumes. Accordingly, the district court discounted any differences such as proportionality that were primarily caused by functional concerns.

We agree with the district court's conclusion that the differences in form, texture and proportionality that ERG points to as non-trivial differences all stemmed from functional considerations. Indeed, even though Mr. Breed states that he was forced to make an "artistic decision" as to what changes should be made

to the costumes so that the original character's essence would not be lost, a close reading of Mr. Breed's statement reveals that this "artistic decision" was necessitated solely by the functional consideration that "the scale of the character does not fit the human proportion" and, therefore, must be changed so that the costumes can be functional. Accordingly, these so-called artistic differences are really nothing more than changes necessitated by utilitarian concerns. As such, these differences were appropriately not considered by the district court.

ERG does point to one truly "artistic" difference, however, as ERG claims that the facial expressions of the costumes contain more than merely trivial differences from the facial expressions seen in the underlying drawings. Although ERG is correct that there are some differences in these facial expressions, no reasonable trier of fact would see anything but the underlying copyrighted character when looking at ERG's costumes. Indeed, much like the Second Circuit in *Durham* concluded when looking at those three-dimensional derivative works, "Tomy [i.e., ERG] has demonstrated, and the toys [costumes] themselves reflect, no independent creation, no distinguishable variation from preexisting works, nothing recognizably the author's own contribution that sets Tomy's figures apart from the prototypical Mickey, Donald, and Pluto [Toucan Sam, Geoffrey the Giraffe, Pillsbury Dough Boy, etc.], authored by Disney [Kellogg's, Toys 'R' Us, Pillsbury, etc.] and subsequently represented by Disney or its licensees in a seemingly limitless variety of forms and media." *Durham*, 630 F.2d at 910. In other words, because ERG's costumes are "instantly identifiable as embodiments" of the underlying copyrighted characters in "yet another form," no reasonable juror could conclude that there are any "non-trivial" artistic differences between the underlying cartoon characters and the immediately recognizable costumes that ERG has designed and manufactured. *Id.* at 908-09.

This conclusion makes even more sense in view of the fact that ERG's customers--the companies--wanted costumes replicating their characters. Thus, because ERG followed detailed instructions from its customers regarding exactly how they wanted the costumes to appear, it cannot be said that ERG's artistic contributions were more than merely trivial contributions.

ERG cites our decision in *North Coast* for the proposition that summary judgment is inappropriate here since the issue of whether ERG's artistic contributions are trivial is a disputed question of fact that should be reserved for the jury. See *North Coast*, 972 F.2d at 1034-35 (holding that whether the differences between a print for a dress and Mondrian paintings were non-trivial could not be determined as a matter of law at summary judgment). *North Coast* does not establish that summary judgment is inappropriate, however. Indeed, under the very language of *North Coast*, summary judgment in favor of a defendant is sometimes appropriate in certain copyright actions "where no reasonable trier-of-fact could find even trivial differences" between the original works and the reproductions. *Id.* at 1034 (citing *Durham* for this proposition).

The instant case is also distinguishable from the circumstances in *North Coast* because in *North Coast*, the artistic contributions that the district court examined and found trivial were deemed to be the heart of the entire derivative work of art at issue. Because those contributions were so crucial to the derivative work, there was a clear possibility that a reasonable trier of fact would find the derivative works to be recognizably the derivative creator's own product. Thus, we felt it improper for the district court to resolve the matter on summary judgment. Here, on the other hand, the claimed artistic differences in the facial expressions of the characters are clearly not the defining aspect of the costumes. In other words, while there may be some differences between the facial expressions represented on ERG's costumes and those in the underlying copyrighted characters, in the context of the overall costume, these distinctions are so slight that no reasonable trier of fact would see anything but a direct replica of the underlying characters. Therefore, while it was not appropriate for the district court in the *North Coast* circumstances to determine on summary judgment that the artistic contributions there were not more than "merely trivial," it was perfectly appropriate for the district court in the instant circumstances to rule that no reasonable trier of fact could find any non-trivial artistic differences between ERG's costumes and the copyrighted characters the costumes were based on.

In sum, because Mr. Breed's Declaration and the photographs and artwork submitted in conjunction with his declaration do not raise any disputed factual issue as to whether there are any non-trivial artistic differences between ERG's costumes and the underlying copyrighted characters, the district court's grant of summary judgment was appropriate.

## *2. Prong 2 of the Durham Analysis*

In addition to concluding that ERG did not establish sufficient originality to warrant copyright protection for its derivative costumes, the district court also concluded that ERG failed to satisfy the second element of the *Durham* test which states that derivative works are not copyrightable if they "affect the scope of any copyright protection in that preexisting material." *Durham*, 630 F.2d at 909. Explaining its reasoning, the district court stated that, "Any subsequent costume makers and the original copyright holders themselves . . . would be limited by the granting of a derivative copyright in this situation or at the very least be vulnerable to harassment." *Entertainment Research Group*, 853 F. Supp. at 324. Accordingly, the district court concluded that, "The fear of the Durham Court and this court as well, is that ERG would have a pseudo-monopoly" on all inflatable costumes depicting these characters. *Id.*

Given the fact that ERG's costumes are so similar to the well-known copyrighted characters that they are based upon, the district court was correct to conclude that granting ERG a copyright in its costumes would have the practical effect of providing ERG with a de facto monopoly on all inflatable costumes depicting the copyrighted characters also in ERG's costumes. Indeed, if ERG had

copyrights for its costumes, any future licensee who was hired to manufacture costumes depicting these characters would likely face a strong copyright infringement suit from ERG. Thus, in the instant circumstances, much like in other cases discussing this very proposition, see, e.g., *Gracen*, 698 F.2d at 304-05; *Durham*, 630 F.2d at 910; *Moore Pub.*, 756 F. Supp. at 1374, the district court was correct to deny copyright protection to ERG's derivative works on the ground that the rights of the holder of the underlying copyrighted characters would be affected.

In addition, because no one can claim to have independently evolved any particular medium or form and to, thus, corner the market on such a medium or form of expression, see Nimmer § 2.08[C] at 2-112, it would be wrong to grant ERG a copyright in its costumes.

Accordingly, for these reasons also, the district court was correct to grant summary judgment against ERG.<sup>7</sup>

....

#### **CONCLUSION**

For the forgoing reasons, we affirm the district court's orders granting summary judgment in favor of Genesis and Aerostar on all twelve of ERG's causes of actions. However, we vacate and remand the district court's award of attorney's fees to Genesis.

AFFIRMED in part, VACATED in part, and REMANDED.

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<sup>7</sup> Because of this recommendation, it is not necessary to address Aerostar's and amicus Toys 'R' Us's argument that as a practical matter, ERG cannot be given a copyright in its derivative works since ERG was not licensed to obtain such copyrights.