

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

SOUTHCO, INC. : CIVIL ACTION
 :
 v. :
 :
 KANEBRIDGE CORPORATION : No. 99-4337

MEMORANDUM AND ORDER

Norma L. Shapiro, S.J.

January 12, 2000

Plaintiff seeks an injunction preventing defendant from making any reference to plaintiff's copyrighted product identification numbers. The issue is whether the copyright protection afforded to a manufacturer's product identification numbers prevents a competitor from using the numbers for product comparisons. Because plaintiff's numbering system is copyrighted, and defendant's proposed use is not protected as a "fair use," it will be enjoined.

BACKGROUND

Plaintiff ("Southco") manufactures and sells hardware in Pennsylvania. Its product line includes industrial fasteners, latches, and screws used to secure doors. Presently at issue is the identification system for plaintiff's "47" fastener series, also known as "retractable captive-screw assemblies"- screws and knobs, together forming a locking mechanism. Southco's "47" series fasteners are each identified by nine-digit numbers ("Numbering System"). As new products are introduced, new nine-digit part numbers are created. The nine-digit numbers appear in

the following format: ##-##-###-##. The first two numbers, in this case, the numbers "47," denote the product class. "47" denotes certain types of threaded fasteners. See 10/5/99 Transcript, p. 19. The other digits denote functional characteristics of each product, for example, installation type, thread size, recess type (phillips or slotted), grip length, type of material, and knob finish. The Numbering System is a language, communicating functional details of the hardware it describes. It is used by Southco employees and customers to refer to parts manufactured and sold by Southco. Id. at 21.

Southco has published lists of its "47 series" product numbers, with illustrations and descriptions of the products depicted, since they were introduced in 1972. There are currently over 1,000 different "47" series fasteners including new varieties and corresponding product numbers developed since 1972. Plaintiff's "47" series part lists appear in books entitled, "Southco Fastener Handbook No. ____". The "47" series part lists have appeared in handbooks numbered 22, 23-A, 27, 31, 32 and 39.¹ Each of the Handbooks has a registered copyright.²

Defendant ("Kanebridge"), a "master distributor" of

¹ These books will be referred to collectively as "Handbooks" unless individual reference is required.

² Defendant has stipulated to the facts stated in plaintiff's motion for preliminary injunction. See 10/5/99 Transcript, p.36. The court adopts these stipulated facts.

hardware, purchases hardware from manufacturers and sells it to distributors, who then sell it to end users. Kanebridge purchases retractable captive screw assemblies from Matdan America Corporation ("Matdan"), a hardware manufacturer. Kanebridge assigns its own part numbers to the Matdan parts.

Southco alleges that Kanebridge refers customers, through catalogs³ and the world wide web ("WWW"), to comparison charts listing Kanebridge-numbered parts as interchangeable with Southco parts. Southco also alleges that Kanebridge has sold hardware manufactured by Matdan packaged with labels bearing Southco part numbers, and has used Southco part numbers in accepting orders from customers for Matdan parts.

On September 10, 1999 this court entered a Temporary Restraining Order with consent of both parties. The TRO prevented Kanebridge from using Southco "47" part numbers on any advertisements, price lists, source books, WWW pages, labels, packages or brochures. See Order, September 10, 1999. The TRO also required Kanebridge to notify any customer ordering a product by a Southco "47" part number of the correct Kanebridge or Matdan part number. Id. The parties agreed to negotiate the terms of a preliminary injunction, but could not reach agreement.

At a hearing held on all disputed factual issues, see

³ Kanebridge publishes the "Kanebridge Fastener Reference Guide," and a "Source Book," advertising Matdan's retractable captive panel fasteners as "Southco 47 Series Equivalents."

Bradley v. Pittsburgh Board of Educ., 910 F.2d 1172, 1178 (3d Cir. 1990) (requiring a hearing when evidence submitted by parties leaves relevant factual issue(s) unresolved), Kanebridge stipulated to the facts alleged by Southco, the parties augmented the record, and made legal argument.

DISCUSSION

Southco seeks a preliminary injunction on the same terms as the TRO. Kanebridge objects because it intends to use Southco's numbering system in product comparison charts published on the internet, in catalogs, and other places.⁴ See Def. Mem. of Law in Part. Opp. to Pl's Mtn. for Prelim. Inj., p.3. Kanebridge, admitting it cannot use Southco "47" numbers to identify its fasteners, maintains that it is entitled to refer to Southco numbers to make product comparisons and inform customers that Kanebridge products are the generic equivalents of enumerated Southco "47" series products. See 10/5/99 Transcript at 43. Southco argues its copyright in the part numbers entitles it to a complete ban against Kanebridge copying for any purpose. The issue is whether Kanebridge may use Southco numbers in comparison charts, or whether Kanebridge is prohibited from using Southco's numbers in any way, at any time.

A preliminary injunction is granted only if: 1) the movant

⁴ Kanebridge agrees to all other terms of Southco's proposed injunction.

has shown a reasonable probability of success on the merits; 2) the movant will be irreparably injured by denial of relief; 3) granting the preliminary relief will not result in even greater harm to the nonmoving party; and 4) granting the preliminary relief will be in the public interest. See Allegheny Energy, Inc. v. DOE, Inc., 171 F.3d 153, 158 (3d Cir. 1999). Because Southco has met this burden, a preliminary injunction in the form sought by Southco will be entered.

I. Likelihood of success on the merits

Copyright law protects "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102. A copyright, once established, prohibits unauthorized copying to the extent copies are substantially similar to the copyrighted work. See Educational Testing Svcs. v. Katzman, 793 F.2d 533, 541 (3d Cir. 1986). Copying is not an infringement if it is a fair use of the copyrighted work. See 17 U.S.C. § 107.

Southco's "47" series numbers are copyrighted, and Kanebridge copies the numbers in its comparison charts. Kanebridge's copying is not a fair use. Southco would likely succeed on the merits.

A. Copyright Validity

A copyright registration is prima facie evidence of the validity of the copyright. See 17 U.S.C. § 410(c) ("In any judicial proceedings the certificate of a registration . . . of

the work shall constitute prima facie evidence of the validity of the copyright").⁵ Kanebridge stipulated to Southco's assertion that each Southco handbook has a copyright registration. See 10/5/99 Transcript, at 36. Southco offered no evidence that any of the Handbook registrations were under the Compilation provisions of the Copyright Act, under which only the selection, coordination, and arrangement of the Handbook would be protected. See Feist Pubs., Inc. v. Rural Tel. Svc. Co., 499 U.S. 340 (1991). Southco credibly maintains that the entire content of each Handbook is original authorship, not a compilation of material in the public domain.

The certificates of registration are prima facie evidence of Southco's copyright in its "47" series numbering system as reflected within the Handbooks. See 17 U.S.C. § 410(c).

The Copyright Act protects "original works of authorship fixed in any tangible medium of expression." 17 U.S.C. § 102. There is no dispute that Southco fixed its Numbering System in a tangible medium of expression.

But Kanebridge argues that Southco's Numbering System lacks sufficient originality for copyright protection. To be original,

⁵ 17 U.S.C. § 410(c) states that a court has discretion over the weight accorded certificates of registration dated more than five years after the first publication of the work. Some of the Handbooks were registered more than five years after publication. There is no reason to afford the later registrations less weight under § 410(c) than if they had been filed within five years of publication.

a work must be created independently by the author, and possess at least some minimal degree of creativity. See Feist Pubs., Inc. v. Rural Tel. Svc. Co., 499 U.S. 340, 345 (1991).

Originality is a low threshold for a plaintiff to meet; even a slight amount will suffice. Id.; see also Baker v. Selden, 101 U.S. 99 (1879); Bell v. Catalda, 191 F.2d 99, 101 (2d Cir. 1951). The Numbering System, with its unique, non-intuitive and highly complex attributes, easily satisfies the standard for originality. It was created out of nothing, and has developed to some use as an industry standard. See 10/5/99 Transcript at 78. It is expandable as new products are developed, and is of use to Southco employees and customers. Each digit represents a different characteristic. Southco decides which digit represents which characteristic. Southco decides which characteristics it will describe with the Numbering System. The Numbering System is original.

Kanebridge relies on Toro Co. v. R & R Prods. Co., 787 F.2d 1208 (8th Cir. 1986), in arguing that Southco's Numbering System lacks the requisite originality. In Toro, plaintiff manufactured and sold lawn care machines and replacement parts. Plaintiff cataloged its replacement parts by "arbitrarily" assigning a random sequential number to each new part it created. Toro, 787 F.2d at 1213. Defendant manufactured and sold a line of replacement parts designed to fit plaintiff's machines.

Defendant, advertising its replacement parts in a catalog, used part numbers identical to plaintiff's, except for the addition of the letter "R". Id. The court held that plaintiff's parts numbering system was not copyrightable because it lacked the originality required under 17 U.S.C. § 102. Toro, 787 F.2d at 1210. Plaintiff's random and arbitrary use of numbers in the public domain did "not evince enough originality to distinguish authorship. . . . [N]o effort or judgment went into the selection or composition of the numbers." Toro, 787 F.2d at 1213.

The Toro court noted that "[a] system that uses symbols in some sort of meaningful pattern, something by which one could distinguish effort or content, would be an original work." 787 F.2d at 1213. Southco's arrangement of product numbers is also original because it creates a meaningful pattern to identify the products. Any person, once familiar with the Numbering System, can identify a product based on the content and arrangement of its product number.

Kanebridge also cites Mitel, Inc. v. Iqtel, Inc., 124 F.3d 1366 (10th Cir. 1997). In Mitel, plaintiff sought a preliminary injunction to stop defendant from copying codes plaintiff created to operate a machine used to facilitate telephone operation. The codes were comprised of "registers," "descriptions," and "values." Mitel, 124 F.3d at 1366. The "registers" were numbers arbitrarily assigned to particular telephone functions; for

example, "X27" identified the function "Time to Auto Answer." Id. The "descriptions" were numbers or symbols representing a particular setting within each function; for example, function "006" represented the 4800 baud rate. Id. The "values" were the various possible settings for each controller function, and were measured in "baud"; for example, 110 baud, 300 baud, or 600 baud. Id.

The Mitel court held that the registers and descriptions were not sufficiently original for copyright protection because the numbers were selected arbitrarily, and were largely sequential. Id. at 1374. Plaintiff's "arbitrary assignment of particular numbers to particular functions and its sequential ordering in registers and descriptions" lacked the modicum of creativity required under the Copyright Act. Id.

However, the Mitel court found that the "values" were sufficiently original for copyright protection.⁶ Assignment of "appropriate values for the wide variety of individual functions [of the telephone]," provided the "minimal degree of creativity," required to qualify a work as "original." Id. Southco's

⁶ Though sufficiently original, the court held that the values were excluded from copyright protection under the scenes a faire doctrine, excluding from protection expressions "whose creation 'flow[s] naturally from considerations external to the author's creativity.'" Mitel, 124 F.3d at 1375. Having found that the Southco Numbering System is an expression of original creative thought derived directly from Southco's creativity, the scenes a faire doctrine is not relevant to this action.

Numbering System is original under this portion of the Mitel analysis.

Southco uses product numbers that convey specific properties of the products manufactured. See Transcript at 19-20. The numbers are not assigned at random or in sequence; they are assigned based on the properties of the parts. The Numbering System is a complex code expressing numerous detailed features of Southco hardware products; each part number tells the story of a part's size, finish, and utility. Southco does not make random and arbitrary use of numbers; Southco assigns numbers based on a system designed over twenty years ago and refined ever since. The Numbering System evidences creativity and effort reflecting the judgment the Toro and Mitel courts found lacking in those cases. The Numbering System is sufficiently original for copyright protection.

Southco is likely to succeed in establishing that its product identification numbers are copyrightable.

B. Infringement

Kanebridge admits that it copied (and desires to continue copying) Southco's numbering system. Copying constitutes a copyright infringement, Katzman, 793 F.2d at 540, unless an exception such as fair use or the First Amendment applies.

Kanebridge's First Amendment rights are not implicated. Copyright law balances the right to freedom of speech against the

competing constitutional right to protection of the useful arts and sciences. See U.S. Const. First Amend; U.S. Const. Art. I. § 8. Southco's copyright does not restrain the use of ideas or concepts, such as factual descriptions of Southco's hardware, so First Amendment rights of Kanebridge are not violated. See Zacchini v. Scripps-Howard Broad. Co., 433 U.S. 562, 577 n.13 (1977).

C. Fair Use

Kanebridge has vigorously raised the affirmative defense of fair use and bears the burden of production and persuasion of fair use. See Patry, Copyright Law and Practice 128 (1998 Cum. Supp.). 17 U.S.C. § 107 provides:

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include-

- 1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- 2) the nature of the copyrighted work;
- 3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- 4) the effect of the use upon the potential market for or value of the copyrighted work.

All four § 107 factors "are to be explored, and the results weighed together, in light of the purposes of copyright."

Campbell v. Acuff-Rose Music, Inc., 114 S. Ct. 1164, 1170 (1994).

No one factor is presumptively dispositive, and there is no bright line rule. See 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 13.05(A). Fair use is a rule of reason

that balances "the author's right to compensation for his work . . . against the public's interest in the widest possible dissemination of ideas and information" Triangle Pubs., Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171, 1174 (5th Cir. 1980); see also Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 448 (1984). A copy made for purposes of criticism, comment, news reporting, teaching, scholarship or research is likely to support a finding of fair use. See 17 U.S.C. § 107.

1. Commercial Use

Commercial use of copyrighted material is "presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright" Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 451 (1984). Commercial use is broadly defined, and includes use for advertising. See Nimmer at § 13.05(A)(1)(c). Commercial use does not preclude an ultimate determination of fair use; it is "not conclusive" of the fair use inquiry. See Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994). However, "[t]he character of a use as commercial will tend to weigh against the first factor being resolved in the defendant's favor [T]he force of that tendency will vary with the context of the use and the nature and extent of the commerciality." Patry, The Fair Use Privilege in Copyright Law 432 (1995).

Kanebridge seeks to use Southco's Numbering System in comparative advertising, that is, to list Southco's copyrighted "47" series part numbers in tabular form next to the corresponding Kanebridge part numbers. This is a commercial use because the Kanebridge motive is to sell its competing hardware and increase its profits. There is no educational, critical, scholarly, or newsworthy reason for the Kanebridge table. See Acuff-Rose, 510 U.S. at 569 (noting the illustrative uses listed in the preamble to paragraph to § 107 of the Copyright Act). Kanebridge simply seeks to profit by referencing Southco's Numbering System.

Kanebridge argues that a truthful comparative advertisement incorporating Southco's copyrighted Numbering System is an allowable fair use. See Triangle Publs., Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1171 (5th Cir. 1980). In Triangle, plaintiff was the publisher of TV Guide magazine and defendant published a competing television programming guide. To promote its new guide, defendant produced television commercials in which actors compared the two magazines, in part by holding up a copy of each magazine. Id. at 1173.

The court held defendant did not infringe plaintiff's copyright by exhibiting its magazine cover in the television commercial, but made a fair use of plaintiff's magazine cover because defendant made no attempt to "palm off" plaintiff's

product as that of defendant's; it was a comparative advertisement generally accepted in the advertising industry. See Triangle, 626 F.2d at 1178.

Defendant in Triangle showed the TV Guide magazine to prove its product different and better because it was smaller in size and came with a Sunday newspaper. Kanebridge seeks to show that their products are the same as, and no better than, those made by Southco. Listing generic products next to their brand name counterparts was not considered by the Triangle court. There has been no evidence that the comparison Kanebridge seeks to make is generally accepted in the advertising or construction industries. Triangle does not support Kanebridge's desired use of Southco's numbering system.

The fair use doctrine allows the use of copyrighted material in some advertisements, but not those at issue here. If Kanebridge wants to identify a particular fastener manufactured by Southco for comparative advertising purposes, it can do so by describing it in factual terms, but not by using Southco's copyrighted part numbers.

Kanebridge frequently blends copyright and trademark arguments, but the issue is one of copyright law. Trademark law has specific provisions allowing comparative advertisement, but these provisions may be more lenient than those in copyright law. See 2 J. McCarthy, McCarthy on Trademarks and Unfair Competition,

§ 25:53 at 25-86 (4th Ed. 1999). The laws of trademark and copyright are distinct, despite their common roots in the Constitution. See U.S. Const. Art. I § 8; 17 U.S.C. § 101 et seq (Copyright Act); 22 U.S.C. § 1051 et seq. (Trademarks).

Kanebridge's commercial use of Southco's Numbering System does not support a finding of fair use under copyright law.

2. Nature of the copyrighted work

The more creative a work, the more protection it is accorded. See Nimmer at § 13.05(A)(2)(a). Material with broad secondary markets has a broader claim to protection because of the greater potential for commercial harm. See Sony Corp. v. Universal City Studios, 464 U.S. 417, 455 n.40 (1984).

To some extent, Southco's Numbering System has become a construction industry standard. See Transcript at 78. Southco, having invested time, resources, and creativity to create a useful numbering system, receives strong protection under copyright law. Kanebridge has other ways of competing with Southco without appropriating its copyrighted numbering system. For instance, Kanebridge can compare its parts to Southco's by using factual descriptions.

3. Amount and Substantiality

Kanebridge seeks authority to copy entire lists of Southco's Numbering System. To the extent each nine-digit number is copyrighted, Kanebridge would be copying the entire copyrighted

material. Kanebridge argues it would not copy Southco's drawings or descriptions but admits it would copy a numbering system that is copyrighted in its entirety. The substantial amount of copying does not support a finding of fair use.

4. Effect of Use on Potential Value of the Copyrighted Work

It is unclear "whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market for, or value of, the plaintiff's present work." Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 590 (1994).

There was no evidence of losses Southco would suffer if Southco's copyrighted material were used in the manner proposed by Kanebridge. Any such losses could plausibly be attributed to commercial competition with lower priced competitors. Cf. Triangle Publs., Inc. v. Knight-Ridder Newspapers, Inc., 626 F.2d 1177 (5th Cir. 1980). In Triangle, the court reasoned that defendant's alleged infringement caused no injury to the plaintiff because "it [did] not in any manner substitute for the plaintiff's product." Id. The court added "[a]ny harm suffered by the plaintiff results from competition with an independently created work rather than from exploitation of plaintiff's own copyrighted material." Id.

The value to Southco of its Numbering System would suffer as a direct result of widespread use by unauthorized competitors.

Kanebridge has agreed to cease using the Southco Numbering System to identify its own panel fasteners, but the proposed Kanebridge's "comparison chart" would exploit Southco's achievements in the marketplace and lessen the value of its copyrighted work. The current value of Southco's Numbering System would erode if customers learned new part numbers over time based on Kanebridge's "comparison chart," featuring translations of Southco numbers into generic "equivalents". Market factors are either neutral or fail to support Kanebridge's proposed fair use.

There may be hardship to Kanebridge in terms of decreased revenue, but the law of copyright grants a powerful monopoly to authors for a limited time, during which authors may enjoy the fruits of their creative labor. If significant market forces were to prevail over copyright law as a matter of course, then society would suffer a loss of incentive to create. Southco will be allowed to enjoy the protections the law affords for the statutory period.

II. Irreparable injury

If Southco successfully establishes ownership and copying, a rebuttable presumption of irreparable harm is also established. See Marco v. Accent Publishing Co., Inc., 969 F.2d 1547, 1553 (3d Cir. 1992); Educational Testing Services v. Katzman, 793 F.2d 533, 543-44 (3d Cir. 1986); Apple Computer, Inc. v. Franklin

Computer Corp., 714 F.2d 1240, 1252 (3d Cir. 1983). Southco has established that it owns a copyright in its numbering system; when Kanebridge infringes that copyright, irreparable injury is presumptively established. Kanebridge has not produced evidence sufficient to rebut the presumption.

III. Harm to Nonmoving Party, and IV. Public Interest

Consideration of the harm to Kanebridge blends with the impact on public policy. Kanebridge argued that banning it from making any reference to Southco's "47" series products would cause Kanebridge financial harm. Copyright law strikes the "difficult balance between the interests of authors . . . in the control and exploitation of their writings . . . on the one hand, and society's competing interest in the free flow of ideas, information, and commerce on the other hand . . ." Sony Corp. v. Universal City Studios, 464 U.S. 417, 429 (1984).

Southco's time, effort, creativity, and expense over the years in authoring the Numbering System must be protected because copyright law grants its statutory monopoly to protect the investment made in expressing the results of innovation. See, e.g., Apple Computer, Inc. v. Franklin Computer Corp., 714 F.2d 1240, 1252 (3d Cir. 1983). By enforcing the statutory protection of copyright law for the creation of original expression, the public interest is served. In the time before the expiration of Southco's statutory monopoly over its numbering system,

Kanebridge will find other ways to compete. Kanebridge is not prevented from making factual comparisons between its products and Southco's, but only from using Southco's copyrighted Numbering System in doing so.

CONCLUSION

Southco has established that a preliminary injunction should issue. Kanebridge will be prevented from making reference to the Southco Numbering System in any catalog, "Source Book," price list, advertisement, web page, label, package, or brochure.

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ORDER

AND NOW this 12th day of January, 2000, in accordance with the attached memorandum, it is **ORDERED** that for the duration of Southco's copyright in its numbering system:

I. Kanebridge Corporation ("Kanebridge"), its agents and assigns, shall not use Southco "47" series part numbers to identify its panel fasteners.

II. Kanebridge, its agents and assigns, shall not publish any catalog, "Source Book," price list, advertisement, web page, label, package, or brochure identifying any panel fastener with a Southco "47" series part number, or any web page linking directly or indirectly to another web page displaying panel fasteners identified by Southco "47" series part numbers.

III. Kanebridge, its agents and assigns, shall not distribute or publish any catalog, "Source Book," price list, advertisement, web page, label, package, or brochure identifying any panel fasteners with a Southco "47" series part number, or any web page linking directly or indirectly to another web page displaying panel fasteners identified by a Southco "47" series part numbers.

IV. Kanebridge, its agents and assigns, shall not sell any product in packaging bearing a Southco "47" series part number.

V. Kanebridge, its agents and assigns, shall notify all customers ordering a product using a Southco "47" series part number that it will not fill the order under that part number and may advise said customer of a different (non-Southco) part number for the product.

It is further **ORDERED** that Southco's motion to strike Kanebridge's post-hearing memorandum is **DENIED**.

Norma L. Shapiro, S.J.