

# “TO CLEAN OR NOT TO CLEAN”: AN ANALYSIS OF THE COPYRIGHT AND TRADEMARK ISSUES SURROUNDING THE LEGAL BATTLE BETWEEN THIRD PARTY FILM EDITORS AND THE FILM INDUSTRY

## INTRODUCTION

There is an interesting practice that is taking place in certain parts of the United States whereby commercially distributed motion pictures released on videocassette or DVD, many of them Academy Award winning and box office hits, are purchased and then edited to remove content that is deemed objectionable to a particular viewing audience. For example, the edited version of “Top Gun” no longer contains the scene between Tom Cruise and Kelly McGillis making love in the dark to “Take My Breath Away,”<sup>1</sup> and, in one of the most famous scenes of “A Few Good Men,” Jack Nicholson’s court room tirade now culminates in him shouting “You *funny* people” instead of a certain four letter word that appears in Rob Reiner’s original theatrical version.<sup>2</sup> In the “new” version of “The Godfather,” one will not find the shocking death scene of James Caan’s “Sonny Corleone” character,<sup>3</sup> the infamous horse head scene is suddenly missing,<sup>4</sup> and members of the Mafia are not cursing.<sup>5</sup> In the edited version of “A Beautiful Mind,” view-

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<sup>1</sup> See Dan Kadison, *HWood: Don’t Cut – Lawsuit Could Kill Companies Selling Cleaned-Up Films*, N.Y. POST, Sept. 23, 2002, at 025; Rodney Chester, *A Click Too Far*, COURIER MAIL, Oct. 24, 2002, at 16 (“Is Top Gun the same movie if you take out the bit where Maverick and the sexy instructor take part in some highly technical maneuvers of the horizontal roll kind?”).

<sup>2</sup> See Norma Meyer, *Movie Sanitizers Take on Hollywood in Battle Over Rights to Films’ Final Cuts*, THE SAN DIEGO TRIBUNE, Sept. 29, 2002, available at [http://www.signonsandiego.com/news/state/20020929-9999\\_1n29flicks.html](http://www.signonsandiego.com/news/state/20020929-9999_1n29flicks.html); *World News This Morning: Making T.V. Kid-Friendly New Technology* (ABC television broadcast, Aug. 13, 2002) (transcript available at LEXIS, ABC News Transcripts) [hereinafter *World News This Morning*] (airing a video clip of the edited “A Few Good Men” in which Jack Nicholson’s character utters “You funny people”).

<sup>3</sup> See Sean Robinson, *FWay Store Edits Violence, Sex Out of Videos, DVDs*, THE NEWS TRIBUNE, Sept. 20, 2002, available at <http://www.tribnet.com/news/story/1722471p-1839126c.html> (stating that “In the Clean Hits versions of ‘The Godfather,’ you won’t see James Caan convulse in a storm of machine-gun bullets”); Andrew Gumbel, *Cut! Hollywood Is Being Taken to the Cleaners*, INDEPENDENT ON SUNDAY (LONDON), Sept. 22, 2002, at 20 (“[S]onny Corleone does not die in a hail of bullets pounding relentlessly into his car.”).

<sup>4</sup> See *Nachman 19:00: Dr. Hatfill Fired by LSU; Liquor TV Ads?* (MSNBC television broadcast, Sept. 4, 2002) (transcript available at LEXIS, MSNBC # 909401cb.465) [hereinafter *Nachman*]; *Editorial: Cleanup or Censorship*, THE DENVER POST, Sept. 25, 2002, at B-06 [hereinafter *Editorial*] (emphasizing the importance of that scene by saying that “if viewers hadn’t already realized that the Corleones were serious, the scene clinched it”).

<sup>5</sup> See Louis Aguilar, *Family-Friendly or Defaced? Colo. Stores’ Cleaned-Up Movies Spur 1st*

ers will not see a schizophrenic Russell Crowe cutting open his arm to remove the secret code he was convinced was embedded inside,<sup>6</sup> nor will they see Halle Berry's now infamous graphic sex scene with Billy Bob Thornton in the edited version of "Monster's Ball,"<sup>7</sup> and gone from its edited version is the climactic end of "Training Day," depicting Denzel Washington's character's gory death.<sup>8</sup> Finally, in an edited version of "Traffic," gone are the "scenes of the teenage heroine prostituting herself and learning how to freebase cocaine with her prep-school boyfriend"<sup>9</sup> and four minutes of the opening scene of the Invasion of Normandy in Steven Spielberg's "Saving Private Ryan" were cut in order to eliminate most of the blood and gore which so realistically portrayed the atrocities of that battle.<sup>10</sup>

The edited versions of the movies mentioned above are the product of retail chains and services that sell or rent edited movies without these and other similar scenes, as well as of companies that have developed software that allow individuals to edit movies in their own home.<sup>11</sup> These services have created "a national mar-

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*Amendment Fight*, DENVER POST, Sept. 24, 2002, at A-01 (stating that "'The Godfather' has scenes with actors' lips moving but no sound – the profanity has been erased").

<sup>6</sup> See Meyer, *supra* note 2 (noting that "the scene where a hallucinating Russell Crowe gouges his arm open to dig out a secret code" is removed from the edited version).

<sup>7</sup> See Rebecca Buckman, *Startups in Utah Clean Hollywood's Act*, July 7, 2002, at <http://www.startupjournal.com/ideas/services/20020720-buckman.html>; Joal Ryan, *Dirty, Little War over "Clean Movies,"* E! ONLINE NEWS, Sept. 24, 2002, at <http://www.eonline.com/News/Items/PF/0,1527,10578,00.html>; Shawn Levy, *CleanFlicks Throws the Baby Out With the Bathwater*, NEWHOUSE NEWS SERVICE, Oct. 2, 2002 ("[T]he astounding sexual encounter of the leads in 'Monster's Ball' are eliminated, making the film play less like a life-and-death drama than a bland love story with gaping plot holes.").

<sup>8</sup> See Kadison, *supra* note 1 (referring to the scene with Denzel Washington's "bullet-ridden body flailing about at the end"); CBS *Evening News: Dispute over whether video stores have the right to produce clean versions of Hollywood films* (CBS television broadcast, Sept. 19, 2002) (transcript available at LEXIS, CBS News Transcripts) [hereinafter *CBS Evening News: Dispute*] (noting that the CleanFlicks version of "Training Day" does not include Denzel Washington's graphic death scene).

<sup>9</sup> Buckman, *supra* note 7.

<sup>10</sup> See Aguilar, *supra* note 5; Kadison, *supra* note 1 (noting that "severed limbs of dying soldiers in [the] intense opening sequence" were edited out); Tom Feran, *Commentary: Movie 'Cleaners' Rake in Dirty Money*, NEWHOUSE NEWS SERVICE, Sept. 27, 2002 (noting that World War II veterans watching the opening scene of the D-Day landings recognized its authenticity); Bob Baker, *Rated C for Clean*, THE MIAMI HERALD, Oct. 18, 2002, available at <http://www.bayarea.com/mld/mcherald/4313692.htm> ("[M]ost of the suffering and blood have been eliminated, changing director Steven Spielberg's nightmarish frankness to mere unpleasantness."); Levy, *supra* note 7 ("In CleanFlick's version of the stunning opening battle of 'Saving Private Ryan,' the most stomach-churning injuries have been eliminated or severely trimmed. . ."); *Early Today: Editing of movies to remove violence, sex and profanity* (CNBC television broadcast, Sept. 24, 2002) (transcript available at LEXIS, CNBC News Transcripts) [hereinafter *Early Today: Editing*] (noting that the "close-ups that made the big-screen original so authentic" are edited out from the CleanFlicks version).

<sup>11</sup> Retail services offering edited movies include "CleanFlicks," "CleanCut," and "FamilyFlix." Companies offering editing technology include Trilogy Studios, which has developed "MovieMask," and Family Shield Technologies, which has developed "MovieShield." See Press Release, Director's Guild of America, DGA responds and counter-claims against Robert Huntsman and CleanFlicks; adds motion picture studios to suit

ket. . . for 'E-rated' or edited films, which are cleaned up for families who don't want it [sic] the violence and crudity that Hollywood injects into far too many of its movies."<sup>12</sup> The major player in the sale of "E-rated"<sup>13</sup> films is CleanFlicks, a Utah based company, which has over seventy-five franchisees in almost twenty states<sup>14</sup> and which edits over four hundred movies.<sup>15</sup> Korey Smitheran, the owner of seven CleanFlicks stores located in Utah, Colorado, and Idaho,<sup>16</sup> and Robert Huntsman, an Idaho man with a patent pend-

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(Sept. 20, 2002), available at <http://www.dga.org/index2.php3> [hereinafter Press Release, DGA Responds].

<sup>12</sup> John Hughes, *Moviemakers Versus the Clean-flicks Revolt*, THE CHRISTIAN SCIENCE MONITOR, Aug. 28, 2002, available at <http://www.csmonitor.com/2002/0828/p09s02-cojh.html>; see also Complaint and Jury Demand at 3 – 4, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002) (stating that "this new audience [that purchases these edited movies] are individuals who are not members of the original audience because the work contains material they, the new audience, find objectionable"); Jody Crossman, *Sanitized Cinema*, THE DESMOINES REGISTER, Sept. 19, 2002, available at <http://desmoinesregister.com/news/stories/c4788998/19241310.html> (noting that there is a huge market for these edited movies); Buckman, *supra* note 7 (discussing how religiously devout people, who were previously unable to see R-rated movies, have now been able to watch them because of the edits, thereby creating a new market for these movies and the movie studios that distribute them); Feran, *supra* note 10; Michael Janofsky, *Utah Shop Offers Popular Videos With the Sex and Violence Excised*, THE N.Y. TIMES, Jan. 31, 2001, at A-11; Levy, *supra* note 7 ("By making edited versions of legally purchased VHS tapes and DVDs and distributing them through its membership-based chain of video stores, the company claims that it is fulfilling a consumer demand that Hollywood has consistently ignored."); Gildas Le Roux, *US Firms Infuriate Hollywood by Censuring Movies of Sex and Violence*, AGENCE FRANCE PRESSE, Sept. 28, 2002; Ann Oldenburg, *Clean Flicks Cuts Right to the Chase*, USA TODAY, Sept. 3, 2002, available at [http://www.usatoday.com/life/movies/2002-09-02-flicks\\_x.htm](http://www.usatoday.com/life/movies/2002-09-02-flicks_x.htm) (quoting David Schachter, one of the attorneys representing one of the editors in the suit, "[W]e're generating a market. There are people who might buy the edited version who might not have bought it otherwise"); Catherine Shoard, *Censors and Saleability*, SUNDAY TELEGRAPH (LONDON), Sept. 29, 2002, at 23 (arguing that "Soderbergh should thank CleanFlicks for exposing people to his work who wouldn't otherwise have gone near it"); *Today: Ray Lines, Owner of CleanFlicks, and Screenwriter Joe Eszterhas Discuss Editing Sex, Violence, and Profanity from Rental Movies* (NBC television broadcast, Feb. 1, 2002) (transcript available at LEXIS, NBC News Transcripts) [hereinafter *Today: Ray Lines*] (discussing how Hollywood is now making more money from the "E-rated" business because more people are renting or purchasing these movies than before).

<sup>13</sup> E-rated movies are movies that have been edited for content to remove nudity and sexual situations, offensive language, and graphic violence. See [http://www.cleanfilms.com/about\\_edited.phtml](http://www.cleanfilms.com/about_edited.phtml). They are also "edited without the filmmaker's position." See Aguilar, *supra* note 5; Buckman, *supra* note 7.

<sup>14</sup> Locations of CleanFlicks retail outlets include Arizona, California, Utah, Colorado, Idaho, Michigan, Montana, Ohio and Oregon. See Dan Luzadder, *Suit seeks OK for re-editing films, videos*, THE DENVER POST, Aug. 30, 2002, at C-01; Ray Richmond, *They're Editing My Film!*, DGA MAGAZINE, Sept. 2002, available at [http://www.dga.org/news/v27\\_3/feat\\_editingmyfilm.php3](http://www.dga.org/news/v27_3/feat_editingmyfilm.php3); Bob Baker, *Who Can Edit a Movie? Directors Guild Files Suit*, L. A. TIMES, Sept. 21, 2002, Part 6, at 1; Vince Horiuchi, *Directors Sue Over Film Edits*, THE SALT LAKE TRIBUNE, Sept. 21, 2002, available at <http://www.sltrib.com/2002/sep/09212002/utah/183398.htm>; Peter Rojas, *The Blessed Version*, THE VILLAGE VOICE, Oct. 9 – 15, 2002, available at <http://www.villagevoice.com/issues/0241/rojas.php>; Glen Warchol, *Censorship Rears Its Ugly Head in the Video Business*, CAPITOL HILL BLUE, Aug. 10, 2002 available at [http://www.capitolhillblue.com/artman/publish/printer\\_215.shtml](http://www.capitolhillblue.com/artman/publish/printer_215.shtml).

<sup>15</sup> See Aguilar, *supra* note 5; Crossman, *supra* note 12; *Editorial*, *supra* note 4.

<sup>16</sup> See Vince Horiuchi, *CleanFlicks Boss Wants No Part of Suit*, THE SALT LAKE TRIBUNE, Aug. 31, 2002, available at <http://www.sltrib.com/2002/aug/08312002/utah/767069.htm>;

ing on editing technology that allows viewers to do their own editing at home,<sup>17</sup> have joined forces and filed a lawsuit against sixteen Hollywood directors,<sup>18</sup> seeking a declaratory judgment that their actions do not violate any federal copyright or trademark laws.<sup>19</sup>

This Note will explore the legal precedents and issues in this landmark war<sup>20</sup> between Hollywood, on the one hand, and a group of individuals who claim that they just want to be able to watch popular movies that are suited to their beliefs,<sup>21</sup> on the other. Part I will explore the background and history of the “E-rated” business, with a discussion of those companies that sell or rent the actual edited films and those companies that sell products that allow consumers to edit movies on their own. Part II will discuss the procedural posture of *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*. Parts III and IV will discuss the copyright and trade-

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Ray Richmond, *Battle Lines Drawn over Who Gets to Say “Cut,”* DGA MAGAZINE, Nov. 2002, available at [http://www.dga.org/news/v27\\_4/feat\\_digitalpiracy2.php3](http://www.dga.org/news/v27_4/feat_digitalpiracy2.php3); *Federal Lawsuit Filed Against 16 Famed Hollywood Directors to Clarify Rights of Editing for Objectionable Content*, PR NEWswire, Aug. 29, 2002 [hereinafter PR NEWswire, *Federal Lawsuit Filed*].

<sup>17</sup> See PR NEWswire, *Federal Lawsuit Filed*, *supra* note 16; Feran, *supra* note 10; Horiuchi, *supra* note 14; Luzadder, *supra* note 14; Oldenburg, *supra* note 12.

<sup>18</sup> *Huntsman and CleanFlicks of Colorado v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002).

<sup>19</sup> See Complaint and Jury Demand at 5, *Huntsman and CleanFlicks of Colorado v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002).

<sup>20</sup> See Peter Howell, *Return of the Zombie Censors*, THE TORONTO STAR, Sept. 29, 2002, at D-02 (stating that “the court cases will undoubtedly involve a landmark ruling that will have wide-ranging ramifications for the entertainment industry”); Baker, *supra* note 14 (discussing how this case will most likely be decided on appeal because “federal courts in different parts of the U.S. have issued a variety of interpretations on copyright infringement in other types of media”); Horiuchi, *supra* note 14 (“[W]hat CleanFlicks and others do to videos has never been tested in court, and legal experts say this case is likely to remove copyright and trademark law.”); Richmond, *supra* note 16 (“What we are very likely looking at is a case that will go a long way toward determining rights in the digital age.”); Rojas, *supra* note 14 (discussing the ramifications for creative control in the Entertainment industry should CleanFlicks prevail in the lawsuit); ‘Family Viewing’ Franchise Sues Directors for Right to Edit DVDs, Tapes, DVD REPORT, Sept. 2, 2002, Vol. 7, No. 17 [hereinafter DVD REPORT, *Family Viewing*] (discussing the implications for the DVD market if the court rules in favor of CleanFlicks).

<sup>21</sup> See *Update 1 - Video chain sues for final cut*, YAHOO! INDIA NEWS, Aug. 30, 2002, at <http://in.news.yahoo.com/020830/14/1ulr7.html> [hereinafter *Update 1*] (“[The plaintiffs’] personal sensitivities don’t allow them to view the unaltered work but they appreciate the storyline or historical context and want to be able to view the movie, without having to listen to the ‘F’ word.”); Aguilar, *supra* note 5 (discussing how it was their moral beliefs which led the creators of “E-rated” movies to create the business); Howell, *supra* note 20 (quoting a spokesperson from CleanFlicks saying “we love movies, but prefer to watch them without the sex, nudity, profanity or extreme violence”); Hughes, *supra* note 12 (discussing how the editing services appealed to Mormons “whose church discourages viewing of movies with heavy doses of violence, steamy sex scenes, and profanity”); Mark Wright, *CleanFlicks’ Editing Reviewed in RedHerring*, MORMON NEWS, Feb. 27, 2001, available at <http://www.mormonstoday.com/010209/B4Rlines01.shtml> (discussing how Mormons buying these edited movies buy them because their Church does not allow them to see any R-rated movies and many PG-13 rated movies that are released in theaters); *Today: Ray Lines*, *supra* note 12 (“The religion tells [Mormons] not to view movies with warnings about explicit material.”).

mark issues, respectively, as they relate to the parties involved. The conclusion will discuss a likely outcome in this legal battle. Finally, I will recommend a solution to this situation, trying to help Hollywood and the makers of "E-rated" movies work together to provide a service that will satisfy both sides of this legal battle.

### I. THE "E-RATED" MOVIE BUSINESS

While Hollywood movie studios and directors have consistently consented to and supervised the editing of their movies for broadcast on network television and airlines,<sup>22</sup> the practice of private individuals editing movies without the authorization of the studios and directors can be traced back to at least 1998, when James Cameron's "Titanic" was edited by a small mom-and-pop shop to remove a nude scene which included an image of Kate Winslet's breasts.<sup>23</sup> The edited version of "Titanic," as well as "the concept of so-called 'family-friendly' videos, was well-received in Utah and other religiously conservative parts of the country, spawning"<sup>24</sup> a number of editing services and stores. Since then, two groups of

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<sup>22</sup> See *Update 1*, *supra* note 21; Baker, *supra* note 10 (discussing how directors and movie studios allow their movies to be edited for viewing on television and on airplanes to make it more marketable and watchable for a larger audience, while still receiving compensation for the movies); Hiawatha Bray, *Hollywood on the Offensive*, BOSTON.COM, Aug. 19, 2002, at [http://digitalmass.boston.com/news/globe\\_tech/upgrade/2002/0819.html](http://digitalmass.boston.com/news/globe_tech/upgrade/2002/0819.html); Buckman, *supra* note 7 (noting that the editing that is done for television and movies are controlled by Hollywood studios, who own the copyrights to the movies); Crossman, *supra* note 12 (noting that, for the most part, directors retain final cut over the edited version shown on network television broadcasts and other mediums); DVD REPORT, *'Family Viewing'*, *supra* note 20 (noting that, while directors have agreed to allow edits for viewing on television and airlines, they have objected to edits done to movies that are rented); Feran, *supra* note 10; Howell, *supra* note 20; Hughes, *supra* note 12; Gumbel, *supra* note 3; Robinson, *supra* note 3 (noting that films shown on network television and on airlines are edited for such content as "blood, gore, sex and profanity"); Warchol, *supra* note 14 (discussing how movies cannot be shown on airlines or on network broadcast without the agreement or some oversight of the artists involved in the making of the movie); Larry Williams, *Cleaning up Hollywood*, CHICAGO TRIBUNE, Oct. 1, 2002, at 3 ("[T]he directors have no problem with [editing their movies for network television and on airplanes] because they're part of the process - usually agreeing to it before production starts, and even going so far as to film alternative dialogue and scenes for the cleaned-up cut."); Dave Wilson, *New Software Lets Viewers Choose DVD Film's Rating*, L. A. TIMES, Dec. 16, 2001 (describing how edits done for television broadcasts and on airlines are normally regulated by contracts developed by the Directors Guild of America); Nachman, *supra* note 4 (discussing how directors participate in the editing of their movies for broadcast on network television and on airlines although they are unhappy with having to do so).

<sup>23</sup> See Hughes, *supra* note 12; Warchol, *supra* note 14 (discussing that the process of editing films "began four years ago when an American Fork company, Sunset Video, found a profitable business in clipping a nude scene from hundreds of video copies of "Titanic" brought to them by owners"); Kadison, *supra* note 1 ("The idea to start CleanFlicks began after Kate Winslet's famous topless 'Titanic' scene came to a video shop in American Fork, Utah, which has a large Mormon community. The shop then edited 10,000 copies of the tape."); Patrik Jonsson, *No Sex, No Lies, But a Lot of 'Clean' Videotape*, THE CHRISTIAN SCIENCE MONITOR, April 26, 2002, at 01; Richmond, *supra* note 14.

<sup>24</sup> Warchol, *supra* note 14.

third party editors, as referred to in the Answer and Counterclaim of the Motion Picture Studios,<sup>25</sup> have come into existence offering some form of edited movies: “The Edited Video Retailers,” which distribute or make available already edited movies through retail video stores and services,<sup>26</sup> and the “Other Video Editing Services,” which provide software and hardware for individuals to edit movies in their own home.<sup>27</sup>

#### A. *CleanFlicks and the Edited Video Retailers*

CleanFlicks was founded in Pleasant-Grove, Utah by Ray Lines, a member of the Church of Jesus Christ of Latter Day Saints.<sup>28</sup> Lines says that he “founded the company two-and-one-half years ago after friends, Mormons like himself, kept bringing him must-see videos such as ‘Shakespeare in Love’ and ‘Titanic’ to clean up on his home editing gear.”<sup>29</sup> Being that Utah has a population consisting of about seventy percent Mormons,<sup>30</sup> this practice quickly became hugely popular<sup>31</sup> in the state and Lines’ editing work “snowballed” into a business,<sup>32</sup> the Pleasant-Grove based company CleanFlicks, LLC.<sup>33</sup> CleanFlicks not only appealed to Mormons in Utah,<sup>34</sup> but it also reached “out to potential customers across the country via the Internet,”<sup>35</sup> through the website “MyCleanFlicks.com.”<sup>36</sup> With retail outlets in almost twenty states and the expansion of its services through the Internet, CleanFlicks had ex-

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<sup>25</sup> See Motion Picture Studio Defendants’ Answer and Counterclaims, *Huntsman and CleanFlicks of Colorado LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002).

<sup>26</sup> See *id.* at 13.

<sup>27</sup> See *id.* at 18 - 23.

<sup>28</sup> See Wright, *supra* note 21; Aguilar, *supra* note 5 (“Many of the key people behind the companies involved in the suit are members of the Church of Jesus Christ of Latter-day Saints.”); Kadison, *supra* note 1.

<sup>29</sup> Buckman, *supra* note 7; see also *Today: Ray Lines*, *supra* note 12; Janofsky, *supra* note 12 (discussing the origins of Ray Lines’ decision to edit out “Titanic” for his friends).

<sup>30</sup> See Janofsky, *supra* note 12; Wright, *supra* note 21; *Today: Ray Lines*, *supra* note 12.

<sup>31</sup> See Janofsky, *supra* note 12 (“After just three months in business, [Lines] said, more than 500 people had rented his films.”).

<sup>32</sup> See *Today: Ray Lines*, *supra* note 12; Crossman, *supra* note 12 (describing the popularity of the “E-rated” business by stating that “by taking out the violence, sexual content and profanity from hit movies, [the owner of CleanFlicks] could make a killing in an area heavily populated by Mormon families, who at the suggestion of the church, should avoid R-rated movies”); John Anderson, *On Movies: Questions of Cleaning Up*, *NEWSDAY*, Nov. 3, 2002, at D 07 (noting that in 2001, CleanFlicks had 20 stores and, by 2002, it had 70 stores in 18 states).

<sup>33</sup> See *Update 1*, *supra* note 21. CleanFlicks, LLC licenses out franchises, one of which is CleanFlicks of Colorado, the original plaintiff in the suit. See *id.*

<sup>34</sup> See Anderson, *supra* note 32.

<sup>35</sup> Williams, *supra* note 22.

<sup>36</sup> MyCleanFlicks.com is “a nationwide mail-order rental service that will act as a distribution arm of CleanFlicks. . . by mailing censored videos to consumers in locations without CleanFlicks stores. . .” Warchol, *supra* note 14.

pected revenues of around \$2 million for the year 2002.<sup>37</sup> The company "sells, distributes, and/or offers in commerce, versions of feature films that have been edited by CleanFlicks to remove portions of the films. . . through cut edits and volume muting."<sup>38</sup> Not only does CleanFlicks sell or rent already edited videos, but customers can send the company their original movie and CleanFlicks will edit it for them.<sup>39</sup>

In editing their films, CleanFlicks editors use the website "ScreenIt.com" as a guide, which breaks thousands of movies down into categories that parents may deem inappropriate for their children.<sup>40</sup> Using these categories, CleanFlicks editors determine what content to edit out of each film.<sup>41</sup> However, because the overall theme or amount of content in some films would make it impossible to edit while still keeping the plot intact in a coherent fashion, edited video retailers do not edit certain movies.<sup>42</sup>

Although CleanFlicks certainly appears to be the largest edited video retailer, other companies entered the "E-rated" market to offer edited versions of movies as well. These companies included CleanCut,<sup>43</sup> Clean Hits Video in Federal Way, Washington,<sup>44</sup> and Family Flix.<sup>45</sup> The latter allows its customers to send the company an already purchased movie for it to edit and return, and it is also willing to purchase a movie on a customer's behalf, edit it and then send it back to the customer.<sup>46</sup> Additionally, another editing com-

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<sup>37</sup> See *Fred Ball Speaking on Business: CleanFlicks* (KSL Radio 1160 radio broadcast, June 4, 2002) (transcript available at <http://smallbiz.ksl.com/speak-7224i.php>) [hereinafter *Ball*].

<sup>38</sup> Press Release, DGA Responds, *supra* note 11.

<sup>39</sup> See Wright, *supra* note 21; Tim Gallagher, *Cleaning Up TV, Movies*, VENTURA COUNTY STAR, Sept. 29, 2002, available at [http://www.insidevc.com/vcs/opinion\\_columnists/article/0,1375,VCS\\_223\\_1447033,00.html](http://www.insidevc.com/vcs/opinion_columnists/article/0,1375,VCS_223_1447033,00.html).

<sup>40</sup> See *On the Record With Greta Van Susteren: Interview with Ray Lines* (Fox News Network broadcast, May 14, 2002) (transcript available at LEXIS, Fox News Network Transcript #051405cb.260) [hereinafter *On the Record*].

<sup>41</sup> See *id.*

<sup>42</sup> See *Ball*, *supra* note 37; *On the Record*, *supra* note 40 (quoting Ray Lines as saying "[T]here are a lot of R-rated movies that we will not edit just because of the theme of the movie and the number of swear words that are in the movie"); Robert Keen, *Cleaning 'Private Ryan'*, THE REVIEW, at [http://www.review.eduel.edu/archive/2001\\_Issues/02.23.01](http://www.review.eduel.edu/archive/2001_Issues/02.23.01) (noting that "Caddyshack," "Eyes Wide Shut" and "South Park: Bigger, Longer & Uncut" are not able to be edited without ruining the movie); Dan Luzadder, *CleanFlicks Offers Videos Free of Sex, Swearing*, THE DENVER POST, Dec. 28, 2001, at A-01 (noting that "Hannibal" and "Pretty Woman" are not edited because of the movies' overall content); Shoard, *supra* note 12 (noting that "Scarface" and "9 1/2 Weeks" are not edited).

<sup>43</sup> Clean Cut's edited videos were available via the Internet at <http://www.cleancutcinemas.com>. As of March 3, 2004, the website was no longer online.

<sup>44</sup> See Robinson, *supra* note 3.

<sup>45</sup> Family Flix offers its services through its website at <http://www.familyflix.net/>. Family Flix has locations in Utah and Arizona. See <http://www.familyflix.net/locations.htm>.

<sup>46</sup> It costs a customer \$15.00 to send Family Flix a regular length VHS tape to edit as opposed to \$35.00 to have Family Flix purchase a non-edited movie and then edit it for the customer. See <http://www.familyflix.net/title/index.htm>.

pany, Video II, was offering “E-rated” videos to grocery stores in Utah, such as Albertson’s, to sell to its customers.<sup>47</sup> However, it appears that bad publicity from the lawsuit had led Albertson’s to stop selling “E-rated” videos in its stores.<sup>48</sup>

### B. Other Video Editing Services

While CleanFlicks has been the dominant force in the sale of “E-rated” movies to date, there are a number of companies who provide hardware and/or software that make it possible, while watching an unedited movie, to “skip over objectionable material, eliminating bad language, nudity, and violence, without copying or altering the permanent contents of the DVD.”<sup>49</sup> This, in essence, is the type of technology for which Robert Huntsman has filed a patent and which is at issue in the CleanFlicks case.<sup>50</sup>

As described in the Motion Picture Studios’ Answer and Counterclaim,<sup>51</sup> the other video editing services range from hardware devices that are connected between a person’s VCR (or DVD player) and television,<sup>52</sup> such as the MovieShield distributed by Family Shield Technologies,<sup>53</sup> to downloadable software that edits movies as a consumer is watching a DVD in his DVD-Rom drive on the computer, such as MovieMask by Trilogy Studios<sup>54</sup> and Clear-

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<sup>47</sup> See Press Release, DGA Responds, *supra* note 11; Richmond, *supra* note 14; Warchol, *supra* note 14; Aguilar, *supra* note 5; Xenia Jardin, *Film Moguls: Let Sex, Gore Stay*, WIRED NEWS, Aug. 28, 2002, available at <http://www.wired.com/news/technology/0,1282,54759,00.html>.

<sup>48</sup> See Louis Aguilar, *Legal Battles Divide Film ‘Sanitizers,’* THE DENVER POST, Nov. 20, 2002, at C-01.

<sup>49</sup> Hughes, *supra* note 12.

<sup>50</sup> See Complaint and Jury Demand at 4, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002):

Using the Huntsman methodology, unaltered commercial movies and separate content filters are placed in a special viewing apparatus that applies filters at viewing time, allowing the viewer to choose to apply or reject edits at viewing time by way of an enhanced remote control. Using the Huntsman methodology, no copies of the original work are made.

*Id.*

<sup>51</sup> See Motion Picture Studio Defendants’ Answer and Counterclaims at 18 - 23, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002).

<sup>52</sup> See Bray, *supra* note 22.

<sup>53</sup> Family Shield Technologies, a Greely-based company, was started by a Brigham Young University couple in Greely, Colorado who thought that it would be nice “if you could block out all the violence, and profanity and nudity from a new film, and still get all the plot and action, but make it ‘G’ rated at the touch of a remote control.” Dan Luzadder, *Film Editing Firm Friendly to Families but Hollywood Takes Issue with License*, THE DENVER POST, Sept. 3, 2002, at C-01.

<sup>54</sup> MovieMask is a software program that, when downloaded onto a person’s computer, allows viewers to play an ordinary DVD movie on their laptop or PC (or television sets that are hooked up to a computer) and, by downloading its MovieMask “filters,” enables its viewers to choose a version of the movie according to the amount of offensive material they do or do not want to see. See <http://www.moviemask.com/how.php>; see also Buckman,



Play by ClearPlay, Inc.<sup>55</sup> All of these products work in a similar fashion. Human reviewers watch movies and tag certain content that they deem objectionable or offensive,<sup>56</sup> creating a “mask” or a “filter” for each movie. The “masks” or “filters” are instructions that tell the hardware device or software how to change the display of the DVD.<sup>57</sup> After purchasing the device or software, the user can download the “masks” or “filters” for these movies and, using an original movie previously rented or purchased, can either view the movie in its original form or choose what level of offensive material he or she would like to watch, with the offensive material being blacked out or muted.<sup>58</sup> Additionally, some filters available from MovieMask have the ability to add content<sup>59</sup> and to change or “enhance” movie content, such as cladding a topless Kate Winslet in ‘Titanic’ in a corset and turning swords in [Rob] Reiner’s “Princess

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*supra* note 7; Rick Lyman, *Hollywood Balks at High-Tech Sanitizers*, THE N. Y. TIMES, Sept. 19, 2002, at E-1.

<sup>55</sup> See <http://www.clearplay.com>. An owner of a laptop or desktop computer that plays DVD's can download the ClearPlay software from the website, and then, as with MovieMask and MovieShield, can download “ClearPlay Filters” which, when playing a DVD movie already purchased or rented from a local video store, skips over or mutes offensive content. See <http://www.clearplay.com/what.asp> (describing how the ClearPlay software works, in that “when a user activates ClearPlay on their DVD Player, the ClearPlay Guides instruct the DVD player how to present the movie so that PG-13 or R rated content is ‘skipped over’ or muted during playback”); Mick Lockey, *Review: ClearPlay: DVD-filtering Software Joins Growing List of Parental Control Tools*, TECHTV, Feb. 7, 2002, available at <http://www.techtv.com/products/software/story/0,23008,3371044,00.html>; *Clear Play Inc. Retains High-Profile Technology Copyright Litigator Andrew Bridges for DGA Legal Battle*, PR NEWSWIRE, Nov. 21, 2002 [hereinafter PR NEWSWIRE, *ClearPlay Inc.*].

<sup>56</sup> Reviewers for MovieShield flag eight different types of categories which they find objectionable: Vain references to Deity, Minor language, Major language, Nudity, Sexual situations, Immodesty, Violence, and Gore. See <http://www.movieshield.com/about.htm> (website no longer available when checked on March 3, 2004). See also Bray, *supra* note 7; Luzadder, *supra* note 53. Reviewers for ClearPlay try to identify content that may have contributed to a movie’s PG-13 or R rating and the content that the reviewers usually identify to be filtered “generally falls under the categories of graphic violence, gore, profanity, and sexual content.” <http://www.clearplay.com/how.asp>.

<sup>57</sup> <http://www.movieshield.com/faq.php>. See also Shelly Emling, *New Software Masks Sex and Violence in Movies*, Nov. 21, 2001, at [http://www.spinnwebe.com/archive/ext/cox\\_movieshield.php](http://www.spinnwebe.com/archive/ext/cox_movieshield.php).

<sup>58</sup> Viewers using MovieMask can choose among four viewing levels, “M8” for General – children, “M12” for Teen – over 12 recommended, “M16” for Young Adult – over 16 recommended, and “M19” for Adult – adult audience recommended, in three rating categories, Language, Violence, and Adult Themes or Situations. See <http://www.movieshield.com/what.php>; see also Brian McTavish, *Movie ‘Cleansing’ Takes Off in Utah*, MILWAUKEE JOURNAL SENTINEL, Oct. 1, 2002, at 3E; *The Early Show: Breck Rice of Trilogy Studios Discusses His Company’s Software That Allows Customers to Edit Movies on DVD* (CBS television broadcast, Sept. 20, 2002) (transcript available at LEXIS, CBS News Transcripts) [hereinafter *The Early Show: Breck Rice*] (explaining that, through the different levels of ratings, viewers can choose to remove the harsh language and keep the violence in a movie or keep the harsh language and remove the violence); Anita Chabria, *ClearPlay Ups Efforts to Stay in Spotlight*, PR WEEK (US), Oct. 7, 2002, at 4.

<sup>59</sup> MovieMask has even gone so far as to enter into an agreement with “a product-placement company to insert products into existing films.” See Lyman, *supra* note 54.

Bride” into light sabers.”<sup>60</sup> In any case, the goal of all of the reviewers is to create filters or masks that, when played in conjunction with the original movie, will maintain its plot and entertainment value.<sup>61</sup>

The major factor that distinguishes these digital filtering devices from retail chains like CleanFlicks, which physically alters the original film for re-sale, is that the digital filtering devices, when playing a DVD, do not make any physical changes to the original movie.<sup>62</sup> Once the user is finished watching the movie using one of the devices, he or she can return the movie to the rental club where it can be rented and watched again in its original form.

## II. HUNTSMAN AND CLEANFLICKS OF COLORADO, LLC v. SODERBERGH ET AL.

The legal battle between third party editors and the film industry began when representatives from Trilogy, the makers of MovieMask, met with prominent Hollywood directors to demonstrate the capabilities of their product.<sup>63</sup> When the directors, particularly Rob Reiner, who watched the Trilogy version of his movie “The Princess Bride” in which light sabers replaced swords in a battle scene,<sup>64</sup> saw what the MovieMask software could do to their

<sup>60</sup> Buckman, *supra* note 7; see also Lyman, *supra* note 54; Emling, *supra* note 57; Meyer, *supra* note 2 (stating that “[T]he swords in ‘The Princess Bride’ could be turned into light sabers. . .”); Feran, *supra* note 10 (“[T]hey. . . have altered a swordfight from ‘The Princess Bride’ to make it look like characters were using ‘Star Wars’ light sabers.”); Martha Coolidge, *Selling Filtered Films Steals Others’ Work*, L. A. TIMES, Nov. 20, 2002, at 12; Bill Redeker, *Movie Makeovers: Software Enables Parents to Tone Down Movie Content, But Director’s Object*, ABC NEWS.COM, Aug. 12, 2002, at <http://abcnews.go.com/sections/wnt/DailyNews/moviemask020812.html>; Wilson, *supra* note 22; Chris Marlowe, *Trilogy Lets Viewers Temper DVDs*, THE HOLLYWOOD REPORTER, Jan. 18, 2002 (discussing how, in the DVD of “The World is Not Enough,” the MovieMask filter updates James Bond’s Jornada hand-held PC to the current model).

<sup>61</sup> See <http://www.clearplay.com/what.asp>. “Great care and effort is taken to ensure that although a scene or word is removed, the continuity of the story is maintained, and the presentation retains its entertaining value.” *Id.* But cf. *id.* (admitting that “[D]ue to the story [sic] nature of some movies, and because ClearPlay only uses legal methods to control the DVD decoding, you will notice some of the ClearPlay skips and mutes”).

<sup>62</sup> See Bray *supra* note 22; Warchol, *supra* note 14; Emling, *supra* note 57 (discussing how these programs never change the original movie that an individual user uses with the program); Jardin, *supra* note 47 (quoting the founder of Trilogy Studios, Breck Rice, as saying that its filters are like a form of cellophane over a painting in that “you can remove the cellophane, and it’s still the same painting”); Lara Weber and Joe Knowles, *Directors After Total Control of Your Remote*, CHICAGO TRIBUNE, Nov. 15, 2002, at 36 (stating that these devices “only alters the playback of the DVD. Rented disks get returned in exactly the same condition in which customers received them”); Marlowe, *supra* note 60; McTavish, *supra* note 58 (quoting the CEO of Trilogy Studios as saying that he “can rent a DVD from Blockbuster or Hollywood Video, put it into my player, play it back at my own personal comfort level, take the movie out and it’s the same movie that I rented”).

<sup>63</sup> See *The Early Show: Breck Rice*, *supra* note 58.

<sup>64</sup> See *id.*

movies, they "went ballistic."<sup>65</sup> Shortly thereafter, information was posted to a secure part of the Director's Guild of America's website condemning the actions of MovieMask and CleanFlicks and threatening a lawsuit against these third party editors. Once CleanFlicks representatives discovered this, however, the material was immediately taken down from the website.<sup>66</sup> After discovering the information on the website alerting to a possible lawsuit against third party editors, Korey Smitheran, the owner of seven CleanFlicks franchises, decided to take a "pre-emptive strike" against the Director's Guild and filed his own lawsuit, along with Robert Huntsman, against sixteen famous Hollywood directors,<sup>67</sup> seeking a court determination that the actions of CleanFlicks and other third party editors are not in violation of copyright or trademark laws.<sup>68</sup> Specifically, the parties requested a Court Order declaring that each variation of the methodology that CleanFlicks utilizes to edit movies,<sup>69</sup> as well as the technology Huntsman has created to allow private individuals to edit movies, are neither in violation of the Constitution under the Copyright Act nor in violation of the Lanham Act.<sup>70</sup>

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<sup>65</sup> *Early Today: Editing*, *supra* note 10.

<sup>66</sup> See Complaint and Jury Demand at 4, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002):

Defendants have placed their detailed litigation plans on the internet website of the Director's Guild of America and disclosed their plans to seek a permanent injunction to bar Plaintiffs, and other in the industry of third party content editors, from operating. The website even included the specific names of proposed plaintiffs and defendants for the anticipated lawsuit and a press release announcing the lawsuit.

*Id.*; see also Buckman, *supra* note 7 ("Materials announcing a suit, including outraged quotes from big-name directors like Martin Scorsese and [Steven] Spielberg, were mistakenly posted on the [Director's Guild of America's] web site [in June 2002] and quickly taken down."); DVD REPORT, *'Family Viewing'*, *supra* note 20; Horiuchi, *supra* note 16 ("Those private documents – a summary of a possible lawsuit and a draft of a press release announcing the lawsuit – apparently were placed on a section of the Web site the DGA thought was inaccessible to the public.").

<sup>67</sup> The directors named in the lawsuit by CleanFlicks and Huntsman include Steven Soderbergh, Robert Altman, Michael Apted, Taylor Hackford, Curtis Hanson, Norman Jewison, John Landis, Michael Mann, Phillip Noyce, Brad Silberling, Betty Thomas, Irwin Winkler, Martin Scorsese, Steven Spielberg, Robert Redford and Sydney Pollack. See Complaint and Jury Demand, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002).

<sup>68</sup> See *id.* at 5.

<sup>69</sup> The three different methods that CleanFlicks uses in editing its movies are:

- Methodology Clean Flicks 1A: The original and edited versions are distributed to the viewer together, allowing the viewer to choose to watch either or both versions according to his or her own personal tastes.
- Methodology Clean Flicks 1B: The original is preserved but rendered inoperable and replaced with the edited version.
- Methodology Clean Flicks 1C: Movies are purchased by a consortium of viewers who cause an edited version to be made solely for their own personal viewing in the privacy of their own home.

*Id.* at 3.

<sup>70</sup> See *id.* at 5.

The plaintiffs believe, and are asking the judge to decide, that their actions are protected by the First Amendment of the Constitution as free speech and/or as fair use.<sup>71</sup> The plaintiffs allege that because “an original copy [of the movie to be edited] is purchased. . .there is a one-to-one relationship to the number of purchased original versions and the number of corresponding edited versions.”<sup>72</sup> The fact that an original copy of every single edited movie is purchased prior to the editing is an important part of the plaintiffs’ claims and will be a vital factor in determining whether their actions are protected under the law, since it will relate to the applicability of the first sale defense under copyright law.<sup>73</sup>

While the plaintiffs initially sued only the Hollywood directors, since the movie studios are the copyright owners of the movies being edited,<sup>74</sup> the directors sought to join the movie studios as the exclusive copyright holders of the edited movies.<sup>75</sup> Additionally, the Director’s Guild of America, the union representing over 1,000 feature film directors,<sup>76</sup> filed to intervene in the lawsuit in order to protect the interests of the directors named in the initial lawsuit, as

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<sup>71</sup> See *id.* at 4; see also Thomas C. Greene, *Prudes Sue for Right to Edit Rented Flicks*, THE REGISTER, Aug. 8, 2002, available at <http://www.theregister.co.uk/content/6/26895.html> (“The two plaintiffs are appealing to the First Amendment, claiming that their sanitized offerings are protected speech.”); Julie Hilden, *The ‘Clean Flicks’ Case: Is It Illegal to Rent Out A Copyrighted Video After Editing It To Omit ‘Objectionable’ Content?*, FINDLAW’S COMMENTARY, Sept. 3, 2002, at <http://writ.news.findlaw.com/hilden/20020903.html>.

<sup>72</sup> Complaint and Jury Demand at 3, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Aug. 29, 2002).

<sup>73</sup> See discussion of first sale defense in regards to the lawsuit *infra* Part III.A.1.

<sup>74</sup> When a director is hired for a movie, he is hired under a “work for hire” arrangement based in Copyright Law, in which case the author and copyright owner of the film is the person or entity for whom the director was hired, namely the producer or movie studio. See David A. Honicky, *Film Labelling As A Cure For Colorization [And Other Alterations]: A Band-Aid For A Hatchet Job*, 12 CARDOZO ARTS & ENT. L.J. 409, 416 (1994).

<sup>75</sup> See Motion to Compel Joinder of Third-Party Copyright Holders As Necessary Parties Pursuant to Federal Rule of Civil Procedure 19 And 17 U.S.C. § 501(b), *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Sept. 20, 2002) [hereinafter Motion to Compel Joinder]:

The Studio Copyright Holders are the exclusive owners of copyrights in more than thirty-five films that Plaintiffs and/or the Proposed Counterdefendants have altered. Because none of the current parties to the litigation have standing to represent the Studio Copyright Holders on claims for copyright infringement related to these films, the Studio Copyright Holders have a substantial interest in participating in this suit and defending against a finding of fair use and non-infringement of their copyrights.

*Id.* at 9. The movie studios sought to be joined in the lawsuit as co-defendants are Metro-Goldwyn-Mayer Studios, Inc., Time Warner Entertainment Co., LP., Sony Pictures Entertainment, Disney Enterprises, Inc., DreamWorks L.L.C., Universal City Studios, Inc., Twentieth Century Fox Film Corp., and Paramount Pictures Corporation. See *id.*

<sup>76</sup> See Directors Guild of America’s Motion For Leave To Intervene at 3, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Sept. 20, 2002) [hereinafter DGA Motion].

well as those who were not named, but whose films have nonetheless been edited by the plaintiffs and other third party editors.<sup>77</sup> Concurrently, the defendant directors also filed a motion to join other third party editors<sup>78</sup> who engage in similar or identical conduct to CleanFlick's of Colorado and Robert Huntsman into the lawsuit. All three motions were granted<sup>79</sup> and the plaintiffs filed a second amended complaint, in which they included in the suit the additional third party editors as "Counterclaim-Defendants," the motion picture studios as defendants, and The Directors Guild of America as "Defendant in Intervention and Counterclaimant in Intervention."<sup>80</sup>

The motion picture studios' answer and counterclaim detail the claims against the third party editors.<sup>81</sup> As against the plaintiffs and counterclaim defendants selling or renting already edited videos,<sup>82</sup> the studios alleged infringement of the exclusive rights granted to them under Section 106 of the Copyright Act,<sup>83</sup> particularly their right to reproduce the movies and to create derivative

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<sup>77</sup> See *id.* at 6:

Plaintiffs have selected only sixteen motion picture directors whose rights are impaired by their conduct; the remaining 1,000 director members of the DGA are similarly situated, but unrepresented in this action. Indeed, the DGA arguably represents the interests of every major movie director who has been, or stands to be, affected by Plaintiffs' wrongful acts. Because the DGA represents the interests of those other numerous directors, it has a protectable interest in the subject matter of this action. Indeed, rather than face the logistical nightmare of trying to join 1,000 individual directors as defendants to advance arguments on their own behalf in this case, the DGA should be permitted to intervene as the representative body best able to speak on behalf of these directors with respect to the injuries raised by the Counterdefendants' conduct.

*Id.*

<sup>78</sup> The proposed counterdefendants sought to be joined in the lawsuit by the directors include Video II, Glen Dickman, J.W.D. Management Corporation, Trilogy Studios Inc., CleanFlicks, MyCleanFlicks, Family Shield Technologies, LLC, ClearPlay Inc., Clean Cut Cinemas, Family Safe Media, EditMyMovies, Family Flix, U.S.A. L.L.C. and Play It Clean Video. See Motion for Leave to Join Third Parties as Counterdefendants at 1 – 2, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-CV-1662 (D. Colo. filed Sept. 20, 2002) [hereinafter Motion for Leave]. It should be noted that, while the original plaintiff in the lawsuit, CleanFlicks of Colorado, LLC, was a franchisee of CleanFlicks, LLC, the Directors have sought to join the parent company, CleanFlicks, LLC, as a separate counterclaim defendant in the lawsuit as well. See *id.*

<sup>79</sup> See Orders on Motions, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh*, No. 02-M-1662 (D. Colo. Filed Oct. 15, 2002).

<sup>80</sup> See Second Amended Complaint and Jury Demand, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Oct. 31, 2002). In this complaint, the plaintiffs alleged a separate cause of action against the Directors on a trademark claim and a separate cause of action against the movie studios on a copyright and trademark claim. See *id.* at 4 -5.

<sup>81</sup> See Motion Picture Studio Defendants' Answer and Counterclaims at 24 – 32, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002).

<sup>82</sup> These plaintiffs and counterclaim defendants include CleanFlicks, Clean Cut, Family Safe, and Family Flix.

<sup>83</sup> See 17 U.S.C. § 106 (2003):

works.<sup>84</sup> Additionally, the studios alleged trademark infringement against the third party editors, claiming that their actions have violated Section 43(a) of the Lanham Act,<sup>85</sup> the statute regulating trademarks and unfair competition.<sup>86</sup> Specifically, the studios allege that, by selling the unauthorized edited videos in their original commercial packaging distributed by the studios which bear their trademarks,<sup>87</sup> the plaintiffs are likely to cause confusion among consumers, causing them to believe that the edited videos

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Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

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

*Id.*

<sup>84</sup> See Motion Picture Studio Defendants' Answer and Counterclaims at 24, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002). "The edited copies created, duplicated, rented, sold or otherwise publicly distributed by the Edited Video Retailers constitute unauthorized and infringing copies and derivative works of the Studios' motion pictures." *Id.*

<sup>85</sup> See 15 U.S.C. §1125(a)(2003):

- (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
  - (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
  - (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

*Id.*

<sup>86</sup> The Lanham Act, passed in 1946, is the main federal statute that regulates trademarks, service marks and unfair competition and is codified in the United States Code under Sections 1051 – 1127. See STEPHEN ELIAS & RICHARD STIM, *PATENT, COPYRIGHT, & TRADEMARK: AN INTELLECTUAL PROPERTY DESK REFERENCE* 432 – 33, 481 (5th ed. 2002).

<sup>87</sup> See Motion Picture Studio Defendants' Answer and Counterclaims at 13, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002):

[T]he Edited Video Retailers provide the consumer with an altered copy of the Studio's film in the same packaging, indeed, with respect to VHS tapes, on the very same VHS videocassettes, bearing the Studio's labels, trademarks and trade dress, in which legitimate, authorized copies of the film are originally sold.

*Id.*

are the original versions or that the edited videos are associated with or authorized by the Studios and the directors.<sup>88</sup> Finally, with respect to the other editing services, ClearPlay, MovieShield, and MovieMask, the studios allege that, by providing film-specific software that allows consumers to alter or edit DVD movies without the studios' permission, these companies have violated the Studios' exclusive rights under Section 106 of the Copyright Act.<sup>89</sup>

Based on all of the court documents filed, it appears that one of the factual issues in dispute, which will have a major impact on the legality of the plaintiffs and counterclaim-defendants' conduct, is whether or not each single movie that is edited by the counterclaim-defendants has been previously purchased, as they claim in their complaint,<sup>90</sup> or whether they make one edited copy and then reproduce those copies for sale or rental to their customers, as the studios allege in their complaint.<sup>91</sup> The studios allege that, although the edited movies appear on the original commercially-released videotape, it is not that original copy that has been physically cut and spliced and then taped back together, but rather a copy that was made from a "master" edited version recorded over that original.<sup>92</sup> Additionally, in regards to VHS videocassettes, the studios claim that this multiple copying results in versions of extremely poorer quality than the original commercially released videocassettes, and consumers are therefore likely to be deceived into thinking that the poor quality movie was released and en-

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<sup>88</sup> *See id.* at 27:

The Edited Video Retailers' continued use of the Studio Trademarks on and in association with their unauthorized and unlawful edited copies of the Studios' motion pictures is likely to cause confusion in the marketplace; falsely and erroneously suggest a connection or association with the Studios; and deceive consumers, including both initial and subsequent purchasers, as to the source, sponsorship and origin of such unlawfully edited motion pictures. . . The aforesaid acts of the Edited Video Retailers constitute false designations of origin, unfair competition, false descriptions and representations in commerce, and willful infringement of the Studios' respective Studio Trademarks in violation of sections 32, and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114, and 1125(a).

*Id.*

<sup>89</sup> *See id.* at 29 - 32.

<sup>90</sup> *See supra* note 72 & accompanying text.

<sup>91</sup> *See* Motion Picture Studio Defendants' Answer and Counterclaims at 14, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002):

[U]pon information and belief, they first make an unauthorized copy of the film, and, using professional video editing machines, create an edited "master" tape of the Studio's film. The Edited Video Retailers then repeatedly copy their edited master (or masters) on to the Studio's original, authorized videocassettes from which the original motion picture has been either erased or recorded over.

*Id.*

<sup>92</sup> *See id.*

dorsed by the studios themselves.<sup>93</sup> The studios also allege that the plaintiffs and counterclaim-defendants copy the edited “master” copy onto recordable DVD’s so that the edited movies can be distributed in DVD form,<sup>94</sup> and therefore, the movies do not have the perfect quality or advantages that an original DVD movie has.<sup>95</sup> CleanFlicks, in its response, denied all of these claims.<sup>96</sup>

While all of the parties involved in *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America* have submitted their complaints, replies, answers, counterclaims, and prayers for relief, they are still awaiting judicial determination as to which side is right: Hollywood, once again trying to protect its industry in a changing technological world, or the third-party editors who are aggressively fighting to make Hollywood acknowledge a market which it has not previously done.

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<sup>93</sup> See *id.* at 14 – 15:

Due to the nature and quality of VHS analog video signals and videotape, and the fact that the Edited Video Retailers are copying their edited versions on to previously pre-recorded videotape, the quality of the audio and video signal of these second-generation (and possibly later) copies is sometimes significantly degraded from the original video material contained on the Studios’ original unaltered videocassettes. This signal degradation sometimes results in edited copies with significantly less clarity and visual detail, video noise, distorted images and colors, and unintended audio signal fading. This editing process can also result in a film soundtrack where the dialogue is not properly synchronized with the video images. Consumers viewing these tapes would have no way of distinguishing whether these defects were caused by the Edited Video Retailers’ editing process or existed in the original, authorized product distributed by the Studios.

*Id.*

<sup>94</sup> See *id.* at 15.

<sup>95</sup> See *id.*

Upon information and belief, since the digital audio and video signals on the legitimate DVDs distributed by the Studios are protected from unauthorized access and digital copying by copy-protection systems, the Edited Video Retailers apparently use their same edited VHS masters created and used for the VHS videocassettes and copy it onto a recordable DVD. Because they are created in this manner, the edited copies of the films provided on the Edited Video Retailers’ recordable DVDs do not have most, if any, of the enhanced features, such as crystal clear digital images and sound, digital surround sound, navigation menus, direct access scene selection menus, foreign language versions or special extra features such as director’s commentary or deleted scenes, which consumers have come to expect on commercially-released DVDs from the Studios.

*Id.*

<sup>96</sup> See Response of Clean Flicks of Colorado, LLC, to Motion Picture Studio Defendants’ Counterclaims, *Huntsman and CleanFlicks of Colorado, LLC v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 31, 2002).



## III. COPYRIGHT LAW AND THE BATTLE OVER THIRD PARTY EDITS

A. *Edited Video Retailers*

## 1. The First Sale Doctrine as a Defense to Third Party Editing

The Copyright Act of 1976 grants copyright owners six exclusive rights with respect to their original works of authorship.<sup>97</sup> However, the Act also narrows those rights, providing limitations on the copyright owner's exclusive control over his or her copyrighted works.<sup>98</sup> One such limitation is the "first sale doctrine," codified in Section 109(a) of the Copyright Act.<sup>99</sup> Under this doctrine, once a copyrighted work is lawfully obtained or purchased, the copyright owner's ability to control what happens to that particular physical copy no longer exists, and his or her right to publicly distribute that particular copy, as specified under Section 106 of the Act,<sup>100</sup> is exhausted.<sup>101</sup> Since American copyright law is based on the economic theory that authors are given a financial incentive to create works and disseminate them to the public,<sup>102</sup> the first sale doctrine is seen as being based on the satisfaction of this economic rationale.<sup>103</sup> Based on this theory, it follows that once a copyrighted work has been purchased by a consumer, the copyright author's economic incentive for producing that copyrighted work has been satisfied. Therefore, edited video retailers argue that once they purchase an original movie, the movie studio copyright holders receive their economic compensation for producing that movie; the economic rationale of the Copyright Act is fulfilled whether a person buys each original movie to watch as is, to edit

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<sup>97</sup> See 17 U.S.C. § 106 (2003).

<sup>98</sup> See 17 U.S.C. §§ 107 – 122 (2003).

<sup>99</sup> 17 U.S.C. § 109(a):

[T]he owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

*Id.*

<sup>100</sup> See 17 U.S.C. §106(3).

<sup>101</sup> See CRAIG JOYCE ET AL., COPYRIGHT LAW 238 (5th ed. 2001). "[T]he 'first sale' doctrine. . . . under which the owner of a particular copy of a work 'exhausts' her economic rights therein – and thus loses control of the copy – by selling it. . . . is a defense to a claim of infringement of a copyright holder's right to publicly distribute copies of the work." *Id.*

<sup>102</sup> See MARSHALL LEAFFER, UNDERSTANDING COPYRIGHT LAW 6 (2d ed. 1999). ("[T]he dominant idea is to promote the dissemination of knowledge to enhance public welfare. This goal is to be accomplished through an *economic* incentive in the form of a monopoly right given for limited times, and the beneficiary of this monopoly right is the author."); see also Kathryn A. Kelly, *Moral Rights and the First Amendment: Putting Honor Before Free Speech?*, 11 U. MIAMI ENT. & SPORTS L. REV. 211, 215 ("The objective of copyright law is to protect the copyright owner's economic interests.").

<sup>103</sup> For a thorough discussion of the Economic Basis of Copyright Law, see William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 17 J. LEGAL STUDIES 325 (1989).

for his or her own viewing, or to resell to another in the original or edited form.<sup>104</sup>

CleanFlicks alleges that there is a one-to-one ratio between the edited movies it sells and the movies legally purchased,<sup>105</sup> in which case the money from each purchase of an original movie would go to the movie studios, thus satisfying the economic theory of copyright law. However, this defense may not work if, as the studios claim, CleanFlicks and other third party editors buy an original movie and then record a “master edited” version onto each of those original videocassettes, a practice which some edited video retailers even admit to doing.<sup>106</sup> If CleanFlicks were to edit each movie they purchase by physically cutting and splicing each video, then, undoubtedly, their actions would be protected by the first sale doctrine.<sup>107</sup> However, even if the editors do purchase multiple original copies of the movies over which they record an edited version, the reproduction of a master edited version over each original movie is not protected by the first sale defense. The first sale doctrine only exhausts the copyright owner’s right to control the public distribution of that copyrighted work, and the purchaser of

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<sup>104</sup> See Robinson, *supra* note 3 (noting that “Hollywood has been paid for every movie we buy”); Williams, *supra* note 22:

The main thing the studios want . . . is to sell videos. The way the editing outfits operate is designed to satisfy that need and to avoid provoking them the way Napster did the recording industry, by running off hundreds or thousands of copies of songs without paying for them. ‘Every edited video is placed on a legally purchased tape, so the studio and distributors are not cheated out of their rightful compensation.’

Williams, *supra*; see also Gumbel, *supra* note 3 (“[S]ince they [CleanFlicks] purchase the unadulterated version of the films in the usual way, and since their customers are members of a private club. . . nobody is losing out financially and nothing is being misrepresented.”).

<sup>105</sup> See *The Abrams Report 18:00* (MSNBC television broadcast, Sep. 25, 2002) (transcript available at LEXIS) [hereinafter *The Abrams Report*] (“Every movie that we edit is one that we have purchased. We go one for one for every movie that we edit.”); Robinson, *supra* note 3 (describing how one edited video retailer “buy[s] one original, send[s] it to the editing company and receive[s] the edited version, and buy[s] another original if they want to rent multiple copies. . . If they want multiple copies, they buy multiple copies”)

<sup>106</sup> See Mark Eddington, *Director’s Cut? Try Censor’s Cut*, SALT LAKE TRIBUNE, April 14, 2002 (quoting an owner of several stores in Salt Lake Valley which carry edited videos, “with edited videos, we purchase the original tapes through regular sources so Hollywood gets the revenue. . . then we record the edited version over the original copy”).

<sup>107</sup> See LEAFFER, *supra* note 102, at 310 (“The first sale doctrine entitles the owner of a copy to dispose of it physically. Thus, one who buys a copy of a book is entitled to resell it, rent it out, give it away, rebind it, or destroy it.”); see also *Fawcett Publications, Inc. v. Elliot Pub. Co., Inc.*, 46 F. Supp. 717, (S.D.N.Y. 1942). In this case, the defendant had previously purchased multiple copies of plaintiff’s copyrighted comic books and re-sold them, in its own cover, bound together with other publications not owned or copyrighted by the plaintiff. The court held that because “the defendant has not multiplied copies but merely re-sold the plaintiff’s under a different name,” the first sale doctrine had been applied and the “exclusive right [of the plaintiff copyright holder] to vend. . . is confined to the first sale of any one copy and exerts no restriction on the future sale of that copy.” *Fawcett Publications, Inc.*, 46 F. Supp. at 718.

that particular copy is still subject to the copyright owner's other exclusive rights, including the right to make copies of the work.<sup>108</sup> Therefore, while the economic theory of copyright law is still satisfied because the editors are purchasing an original copy of each movie for editing and, hence, the studios receive compensation for each copy of an edited movie they sell, by constantly reproducing that edited master version, the editors are still violating the copyright owners' exclusive right to reproduce the copyrighted work. This same analysis would also apply to selling edited DVDs if the editors record a master edited version onto a recordable DVD, as the movie studios allege and as some editors have even acknowledged,<sup>109</sup> even if they purchase multiple DVDs. Although it is alleged that to copy the DVDs would require circumventing copy-protection measures on the DVD in violation of the Digital Millennium Copyright Act,<sup>110</sup> it should be noted that real-time editing might allow users to edit DVDs without breaking the code. Thus, in order to have a valid defense under the first sale doctrine, the edited video retailers would have to physically cut and splice each videotape that they edit and resell or physically edit and resell each particular DVD that they purchase and edit. Otherwise, by reproducing a master edited version onto each original movie the editors purchase, CleanFlicks and other edited video retailers technically make reproductions of the copyright owner's movies and, therefore, infringe the studios' exclusive rights to make copies under the Copyright Act.

Aside from a first sale defense, CleanFlicks and other edited

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<sup>108</sup> See JOYCE, *supra* note 101, at 541. "The first sale doctrine is a limitation on a copyright holder's distribution right only. If the claim is that the owner of the copy or phonorecord has attempted to reproduce or adapt the work, the first sale doctrine is not implicated. . . ." *Id.*

<sup>109</sup> See *supra* note 90 and accompanying text; see also Eddington, *supra* note 106 (quoting an owner of several stores in Salt Lake Valley which carry edited videos as saying that, unlike being able to record an edited movie over the original VHS tape, "you can't do that with a DVD. You must create or copy a DVD movie onto a blank DVD, which puts you into the [unauthorized] duplication business and raises copyright concerns"); *More Great Edited Movies, Now on DVD!*, FAMILY FLIX NEWS (Family Flix) (Mar. 1, 2003), at <http://www.familyflix.net/news.htm> (describing how an edited DVD version of a movie is burned onto a blank DVD-R).

<sup>110</sup> The Motion Picture Studios allege in their complaint that each DVD manufactured contains a code that prevents copying. Therefore, in order to edit the DVD or copy it, the code needs to be broken, violating the DMCA. See 17 U.S.C. § 1201(a)(1)(A) ("No person shall circumvent a technological measure that effectively controls access to a work protected under this title."); 17 U.S.C. § 1201(a)(3)(A) ("[T]o 'circumvent a technological measure' means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner."); see also Eddington, *supra* note 106 ("Even if copying a DVD was legal. . . legal experts say that tampering with the original to make that copy is not. . . [T]he 1998 Digital Millennium Copyright Act makes it illegal to subvert copy-protection measures.").

video retailers also argue that they are arranged as a cooperative,<sup>111</sup> whereby they require each of their members to pay monthly charges, making each member of the chain an “owner” of the chain, and thus, a purchaser of all of the edited movies.<sup>112</sup> Being that the video renters become members of a co-op, all of the videos are owned by CleanFlicks’ customers, and therefore, the argument is that they have a legal right to do what they want with their property.<sup>113</sup> Whether this application of a co-op arrangement to copyrighted works is accepted by a court remains to be seen. However, assuming that the editors do cut and splice each video they edit or edit each DVD they re-sell, and that a court accepts the argument that the cooperative arrangement of the companies allows them to do what they want to their property, it would appear that CleanFlicks and other edited video retailers are protected under the first sale defense.<sup>114</sup>

## 2. The Derivative Works Right as a Roadblock to Legal Protection for Third Party Editors

### a. Edited Movies May be Seen as a Derivative Work of the Original Movies

Assuming that the courts were to rule that the third party editors’ actions were covered under the first sale doctrine, there may

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<sup>111</sup> A cooperative is “an organization or enterprise (as a store) owned by those who use its services.” BLACK’S LAW DICTIONARY 336 (7th ed. 1999).

<sup>112</sup> See *Ball*, *supra* note 37 (describing how CleanFlicks, “by offering ownership in each of their stores,” acts as “something similar to a co-op.” For roughly \$15 a month, patrons become members, which allows them to view edited movies owned by the company); Buckman, *supra* note 7 (“Many of the Utah movie-rental companies have organized themselves as co-ops, so that renters are also “members” of the store who technically own the movies on the shelves.”); DVD REPORT, *Family Viewing*, *supra* note 20; Baker, *supra* note 10 (“[E]ach store operates as a co-op, meaning members “own” all the videos, which makes the editing as legal as buying a book and tearing out a page at home.”); Howell, *supra* note 20 (describing CleanFlicks’ allegations that the legal implications of its customers being members of a co-op are that “the edited videos are in effect their shared property, which they can do with as they see fit”); Hughes, *supra* note 12 (explaining how, as a member of his local cooperative video store, the author pays an annual fee to maintain his membership and then pays an additional rental fee when he exercises his membership in renting an edited movie of which he partly owns).

<sup>113</sup> Because of this arrangement, CleanFlicks alleges that “as owners of the original, unedited movies, the co-op has the right to edit out content that is objectionable to its members. . .” Howell, *supra* note 20.

<sup>114</sup> See Rojas, *supra* note 14.

[L]egal experts don’t believe that the DGA has much of a case. Paul Weiler, a professor at Harvard Law School and the author of *Entertainment, Media and the Law*, says, “There is a qualitative difference between someone making a whole host of free copies from the original, and someone making changes in a whole host of originals they’ve bought. [CleanFlicks] bought these copies, and if consumers want to use their computers to edit out something, clearly they have the right to do that.”

be a problem with regard to the creation of derivative works. Under the Copyright Act, an owner of a copyrighted work has the exclusive right to create and prepare a derivative work,<sup>115</sup> which is defined as,

a work based upon one or more preexisting works, such as . . . motion picture version. . . in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions. . . or other modifications which, as a whole, represent an original work of authorship.<sup>116</sup>

Copyright owners still retain their exclusive rights to create or authorize the creation of derivative works, and unlike the distribution right, this right is not exhausted by the first sale defense.<sup>117</sup> This allows the copyright owner to prevent others from making derivative works of a lawfully purchased copy of his or her copyrighted work. Courts have recognized that originality is the key to a derivative work,<sup>118</sup> and have held that the "degree of originality required to create a copyrightable derivative work is low."<sup>119</sup> This has led to many works qualifying as derivative works no matter how little creativity or originality there is in the changes to the original copyrighted material.<sup>120</sup>

In relation to the current case, CleanFlicks may encounter a problem if it is found that its edited movies are adapted works. If the editors are found to have used originality and creativity in the editing process, they may be seen to have violated the exclusive rights given to the copyright holders, since they have prepared a derivative work.<sup>121</sup> In fact, it is argued that, while CleanFlicks' ac-

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<sup>115</sup> See 17 U.S.C. § 106(2).

<sup>116</sup> 17 U.S.C. § 101 (2003).

<sup>117</sup> See JOYCE, *supra* note 101, at 541.

<sup>118</sup> See *Annie Lee v. A.R.T. Company*, 125 F.3d 580, 582 (7th Cir. 1997); see also Eric C. Surette, Annotation, *What Constitutes Derivative Work Under the Copyright Act of 1976*, 149 A.L.R. FED. 527 (1998).

<sup>119</sup> *Maljack Productions, Inc. v. UAV Corp.*, 964 F.Supp. 1416, 1426 (C.D. Cal. 1997); see also Surette, *supra* note 118 ("It is well settled that the original contribution must be more than merely trivial.").

<sup>120</sup> See *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 499 U.S. 340, 345 (1991). "The vast majority of works make the grade quite easily, as they possess some creative spark, 'no matter how crude, humble or obvious' it might be." *Id.* But see Surette, *supra* note 118 (noting that courts have held that "the addition of merely mechanical or functional elements to a preexisting work does not meet the requirement of originality").

<sup>121</sup> See *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1344 (9th Cir. 1988):

[T]he right to transfer applies to the particular copy of the book which appellant has purchased and nothing else. The mere sale of the book to the appellant without a specific transfer by the copyright holder of its exclusive right to prepare derivative works does not transfer that right to appellant. The derivative works right remains unimpaired and with the copyright proprietors. . .

*Id.*

tions may be covered under the first sale doctrine, its edits create derivative works, thereby violating copyright laws.<sup>122</sup> However, the problem is that courts have reached contrasting decisions when it comes to the relationship between the first sale defense and exhaustion of the derivative works right.

This issue of first sale versus derivative works was expressed in *Lee v. A.R.T. Company*,<sup>123</sup> where the Seventh Circuit court had to decide whether or not the defendant had infringed the plaintiff copyright holder's exclusive right to prepare derivative works, even though the defendant had legally purchased each copy of the work in dispute.<sup>124</sup> In *Lee*, the judge decided in favor of the defendant, affirming the district court's grant of summary judgment on the grounds that the defendant's product did not contain enough originality to constitute a derivative work.<sup>125</sup> The Northern District of Texas followed this decision when it faced similar issues.<sup>126</sup> However, in *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*,<sup>127</sup> when faced with the same facts in *Lee*, where a defendant transferred legally purchased copyrighted pictures onto ceramic tiles, the Ninth Circuit held that there was enough originality in the transfer of the artwork to ceramic tiles that the defendant had infringed the plaintiff's derivative works right.<sup>128</sup> Additionally, the court in *Fawcett Pub-*

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<sup>122</sup> See Buckman, *supra* note 7; Richmond, *supra* note 16; Robinson, *supra* note 3 (quoting a law professor, "the editing takes the original work and makes changes to it, creating a new work. . . but it's very much based on the old work – and the movie company has the exclusive right to do that"); *Nachman 19:00*, *supra* note 4 (interviewing producer/director Marshall Herskovitz, who described CleanFlicks' editing as preparing derivative works).

<sup>123</sup> 125 F.3d 580 (7th Cir. 1997).

<sup>124</sup> See *id.* In this case, after the defendants, A.R.T. Company, had purchased each copy of the plaintiff, Annie Lee & Friend's, works of art, it had mounted each copy onto ceramic tiles and then resold those tiles. Lee sued A.R.T., alleging that the artwork on the ceramic tile was a derivative work and, therefore, violated Lee's exclusive right to prepare derivative works.

Now one might suppose that this is an open and shut case under the doctrine of first sale. . . A.R.T. bought the work legitimately, mounted it on a tile, and resold what it had purchased. . . But § 106(2) creates a separate exclusive right, to "prepare derivative works," and Lee believe that affixing the art to the tile is "preparation," so that A.R.T. would have violated § 106(2). . . [W]e ask whether card-on-a-tile is a "derivative work". . .

*Id.* at 580.

<sup>125</sup> See *id.*

<sup>126</sup> See *C.M. Paula Company v. Logan*, 355 F. Supp. 189 (N.D.Tex 1973) (holding that defendant's process of transferring purchased prints of plaintiff's artwork onto ceramic tiles for resale did not constitute an adaptation protected under the Copyright Act of 1909).

<sup>127</sup> 856 F.2d 1341, 1343 (9th Cir. 1988).

<sup>128</sup> See *id.* at 1344 (holding that defendant who legally purchased books of plaintiff's artwork, removed certain pages from the book and pasted them onto ceramic tiles, infringed the plaintiff's exclusive right to prepare derivative works); see also *Rio Munoz v. Albuquerque A.R.T. Co.*, 38 F.3d 1218 (9th Cir. 1994), *aff'd without published opinion*, 829 F. Supp. 309 (D. Alaska 1993) (agreeing with the decision in *Mirage* and holding that trans-

*lications v. Elliot Publications Co.*<sup>129</sup> held that, in binding purchased copies of the plaintiff's copyrighted comic books in a new cover along with other comic books not owned or copyrighted by Fawcett, the defendant was covered under the first sale doctrine because "the defendant has not multiplied copies, but merely re-sold the plaintiff's under a different name."<sup>130</sup> In contrast to *Fawcett*, the court in *National Geographic Soc. v. Classified Geographic, Inc.*<sup>131</sup> held that the defendant had infringed the plaintiff's exclusive rights to prepare derivative works when it reprinted legally purchased articles, which were copyrighted by the plaintiff and originally appeared in its magazine, in another publication that the defendant owned.<sup>132</sup>

There is no clear answer to whether or not the edits performed by CleanFlicks and other third party video editors will be found to constitute derivative works. One legal scholar has commented that, in determining whether the edited versions are derivative works, a court will likely look at how many minutes of the movie were actually edited or changed.<sup>133</sup> Specifically, Pamela Samuelson, a law professor at the University of California at Berkeley, commented that if there were only minimal amounts of edits with only a few seconds cut out of the movie, then it is unlikely that a Court would rule that the edited movies were derivative works.<sup>134</sup> However, some argue that the third party editors do in fact leave out key information affecting the plot of the movie,<sup>135</sup> thereby possibly creating a new film. In certain instances, courts have also ruled that even changes to the appearance of a movie that did not affect its plot constituted the creation of a derivative work, such as turning a movie into a "pan and scan form."<sup>136</sup> Additionally, in the

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fers of artwork onto ceramic tiles contained enough originality to constitute recasting, transforming or adapting the original into a derivative work).

<sup>129</sup> 46 F. Supp. 717 (S.D.N.Y. 1972).

<sup>130</sup> *Id.* at 717.

<sup>131</sup> 27 F. Supp. 655 (D. Mass. 1939).

<sup>132</sup> *See id.* at 660.

<sup>133</sup> *See* Buckman, *supra* note 7.

<sup>134</sup> *See id.*

<sup>135</sup> *See* Editorial, *supra* note 4; Levy, *supra* note 7 (commenting that due to the edits, the meanings of certain movies are lost and the content of the films are substantially affected).

<sup>136</sup> *See* Maljack Productions, Inc. v. UAV Corp., 964 F.Supp. 1416 (C.D.Cal. 1997). The court ruled that the plaintiff's creation of a "panned and scanned version" of a public domain motion picture for viewing on videocassette and television, as well as its remixing of the soundtrack, contained the requisite minimal amount of creativity to constitute a derivative work and, therefore, to qualify for Copyright protection. "Michael Wayne. . . created the pan and scan version by 'making artistic decisions about the composition of each frame of the 1963 picture, determining which portions should stay and which should be 'chopped off.' " *Id.* at 1427 - 28.

age of colorizing black and white movies,<sup>137</sup> issues have arisen as to whether the colorization process contained a sufficient amount of creativity and originality as to constitute a derivative work,<sup>138</sup> either with respect to its copyrightability or for purposes of alleging infringement of the original black and white movie.<sup>139</sup> Therefore, it is highly probable that video editors, in editing movies according to their own personal beliefs and tastes, exercise that minimum amount of originality in deciding what parts of a movie to edit out, and therefore, may be found to violate the derivative work right belonging to the motion picture studios.

b. Edited Movies May be Seen as Derivative Works of the Underlying Movie Scripts

Even if the edited videos were not ruled to be derivative works of the original movies, it is possible that the edited videos are found to be derivative works of the underlying scripts upon which the original movies were based.<sup>140</sup> The court in *Gilliam v. American Broadcasting Co., Inc.*<sup>141</sup> addressed the adaptation rights of copyright owners, albeit not exactly in relation to the first sale defense. In that case, the defendant was granted permission through a license to broadcast *Monty Python* skits and was only given authorization to provide minor edits to the skits for the insertion of commercials. However, the court ruled that by substantially editing the skits to remove approximately twenty-seven percent of the original works, the licensee had gone beyond its contractual rights.<sup>142</sup> On the issue of derivative works, the court ruled that because the recorded programs broadcasted by the defendant were derivative works of the original scripts written and owned by the plaintiff, the edits and revisions in the recorded programs consti-

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<sup>137</sup> Colorization is the process by which colors are matched with the grey-scale of the black and white original film and the film is altered frame by frame by electronically superimposing the new color scheme onto a videotape copy of the film. See Honicky, *supra* note 74, at 410 - 11. For a discussion of the colorization process, see Anne Marie Cook, *The Colorization of Black and White Films: An Example of the Lack of Substantive Protection for Art in the United States*, 63 NOTRE DAME L. REV. 309, 322 (1988).

<sup>138</sup> For a discussion of the "colorization controversy" and originality in derivative works, see LEAFFER, *supra* note 102, at 64 - 65.

<sup>139</sup> In response to this issue, the Copyright Office decided that colorized black and white films would be considered derivative works if they met certain requirements. See 37 C.F.R. § 2.02 (1987); see also LEAFFER, *supra* note 102, at 65 & n.89; Honicky, *supra* note 74, at 416 & nn.55 - 56.

<sup>140</sup> The Copyright Act includes in the definition of derivative work "a motion picture version" of "one or more preexisting works," which would include a novel or a script. See 17 U.S.C. § 101.

<sup>141</sup> 538 F.2d 14 (2d Cir. 1976). For a full discussion of the facts in *Gilliam*, see *infra* section IV.A.1.

<sup>142</sup> See *id.* at 24.



tuted edits in the scripts, thereby infringing the plaintiff's right to create adaptations of its copyrighted scripts.<sup>143</sup>

Similarly, the court in *Lone Ranger Television, Inc. v. Program Radio Corporation*<sup>144</sup> ruled that a defendant who had purchased reel-to-reel copies of the plaintiff's sound recordings of its *Lone Ranger* scripts, and then re-mixed them onto broadcast cartridges for distribution for radio play,<sup>145</sup> infringed upon the plaintiff's rights to create derivative works of its scripts. The court reasoned that the initial sound recordings prepared by the plaintiff were derivative works of its original *Lone Ranger* scripts because they were a transformation of the copyrighted work from one market to a different market.<sup>146</sup> Therefore, through defendant's own re-mixing of the tapes, the defendant infringed upon the plaintiff's derivative rights because he "sought to manufacture and publish his own derivative work from the underlying scripts. . ."<sup>147</sup> Based on this reasoning, even if the edited movies did not constitute derivative works of the original audiovisual movies, it may be argued that the edited versions constituted derivative works of the scripts upon which the movies were based, clearly infringing upon the copyrights in those scripts. In this case, a "first sale" defense would not protect the editors, as they had not purchased the scripts upon which the edited movies were based.

### 3. The Claim of Moral Rights for Directors is Absent from American Copyright Law

One argument that the directors have been making is that editing movies violates their artistic integrity.<sup>148</sup> This view is in line

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<sup>143</sup> See *id.* at 15 – 16:

Appellants first contend that the question of ownership [of the recorded programs] is irrelevant because the recorded program was merely a derivative work taken from the script in which they hold the uncontested copyright. . . We agree. . . Manifestly, the recorded program falls into [the] category as a dramatization of the script, and thus the program was itself entitled to copyright protection.

*Id.* at 19 – 20.

<sup>144</sup> 740 F.2d 718 (9th Cir. 1984).

<sup>145</sup> See *id.* at 720.

<sup>146</sup> See *id.* at 721. "The contribution of independent expression by the actors, together with the contribution of independent expression by the special production methods of taping and editing for radio, effectively created a new work for a market different from both the market for printed scripts and the market for live dramas." *Id.*

<sup>147</sup> *Id.* at 722.

<sup>148</sup> Upon finding out about the actions of the third party editors, the president of the DGA, Martha Coolidge, released a statement to the members of the Guild, addressing the implications for artists' creative rights and artistic integrity. See Letter from the President of the DGA, Martha Coolidge (Sept. 20, 2002), at [http://www.dga.org/news/v27\\_3/dept\\_presreport.php3](http://www.dga.org/news/v27_3/dept_presreport.php3). "Is it right to take finished films that have been created by someone else, change them to suit your whims, then profit by the commerce of these grossly altered

with the theory of the “moral rights” of an artist,<sup>149</sup> an international copyright doctrine that recognizes that “no distortion of the author’s work should be permitted.”<sup>150</sup> Under the Berne Convention,<sup>151</sup> copyright law provides for the protection of creators’ moral rights,<sup>152</sup> through Article 6bis,<sup>153</sup> by allowing them to prevent alterations or modifications to their works. The concept of moral rights involves basic overlapping components:<sup>154</sup> the right of integrity,<sup>155</sup> the right of paternity,<sup>156</sup> and the right of disclosure.<sup>157</sup> Although the United States entered the Berne Convention in 1989,<sup>158</sup> it did not make any modifications to American copyright law to grant authors any form of moral rights, as Article 6bis did. Rather, because Congress acknowledged that other areas of private American law were sufficient to give an author moral rights to his work,<sup>159</sup> Con-

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products. . .” *Id.* “All creative works, whether they are films, novels, paintings or comic books, are the output of their creators, and stand as representatives of their creator’s intentions” and “are what their creators wanted them to be.” *Id.*; see also Feran, *supra* note 10 (quoting the DGA’s executive director, Jay Roth, “this is fundamentally about artistic and creative rights and whether someone has the right to take an artist’s work, change it, and then sell it”); Richmond, *supra* note 14 (“Many decisions and much creative energy go into creating each scene in a film, and when words are changed or images are added or subtracted, those films become something other than what they were intended to be by their creators.”).

<sup>149</sup> In fact, one representative from the DGA, Ray Richmond goes so far as to explicitly state that the director’s moral rights are being violated. “What moral rights are there if anyone can take your work and fashion it any way they please to suit their personal whim – or redistribute a version that they think will be more palatable to various market segments?” Richmond, *supra* note 16.

<sup>150</sup> Baker, *supra* note 14.

<sup>151</sup> The Berne Convention, first established in 1886, is an international agreement for copyright law formerly titled the International Union for the Protection of Literary and Artistic Works. The agreement provides for the international protection of published or unpublished works of an author who is a national of a state belonging to the Convention. See LEAFFER, *supra* note 102, at 510 – 11.

<sup>152</sup> The moral right of the author “treats the author’s work not just as an economic interest, but as an inalienable, natural right and an extension of the artist’s personality.” See *id.* at 360 – 61.

<sup>153</sup> See Berne Convention for the Protection of Artistic and Literary Property, July 24, 1971 (Paris) art. 6bis(1):

Independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.

*Id.*; see also Cook, *supra* note 137, at 311.

<sup>154</sup> For a full discussion on all of the “bundle of rights” encompassed under the moral rights doctrine, see Kelly, *supra* note 102, at 216 – 21.

<sup>155</sup> This is the “right that the work not be mutilated or distorted.” LEAFFER, *supra* note 102, at 361.

<sup>156</sup> This is the “right to be acknowledged as an author of the work.” *Id.*

<sup>157</sup> This is the “right to decide when and in what form the work will be presented to the public.” *Id.*

<sup>158</sup> See *id.* at 513.

<sup>159</sup> See *id.* at 514. For a full discussion on how the laws of contract, defamation, right of privacy, right of publicity, and misappropriation have been used in lieu of Copyright Law

gress made only "the essential changes necessary to comply with Convention obligations."<sup>160</sup> While there have been unsuccessful attempts in the past to amend the Copyright Act to include explicit moral rights to authors of motion pictures,<sup>161</sup> some states have passed their own statutes recognizing some form of moral rights,<sup>162</sup> and Congress eventually passed a federal law preventing alterations or mutilations to works of visual arts,<sup>163</sup> incorporated into the Copyright Act as 17 U.S.C. § 106A.<sup>164</sup> However, the federal and state statutes only apply to visual works and authors of visual works.<sup>165</sup> Some judges have even specifically noted that the moral rights doctrine does not exist in copyright law.<sup>166</sup> Others, however, have argued that moral rights are increasingly influencing decisions relating to American copyright law.<sup>167</sup> In any case, due to the lack of substantial protection for moral rights for creators of motion pictures under American copyright law, it appears that, although directors may feel that their moral rights and artistic integrity are violated through the alterations of their works, there is no legal action available to them. However, by ruling that the edited movies are derivative works and therefore infringe upon the movie stu-

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to protect an artist who's work has been altered without his permission, *see, e.g.*, Flore Krigsman, *Section 43(a) of the Lanham Act as a Defender of Artists' "Moral Rights,"* 73 TRADE-MARK REP. 251, 256 - 62 (May, 1983 - June, 1983); Cook, *supra* note 138, at 311; Edward J. Damich, *Moral Rights Protection and Resale Royalties for Visual Art in the United States: Development and Current Status,* 12 CARDOZO ARTS & ENT. L.J. 387, 390 - 96 (1994).

<sup>160</sup> LEAFFER, *supra* note 102, at 514.

<sup>161</sup> *See* The Film Integrity Act of 1987, H.R. 2400, 100th Cong. (2d Sess. 1987). "Notwithstanding the provisions of section 106, in the case of a motion picture, once the work has been published, no material alteration, including colorization, of the work shall be permitted without the consent of the artistic authors of such work." *Id.* § 2.

<sup>162</sup> *See* LEAFFER, *supra* note, at 362 - 63 and nn.372 - 79 (discussing various acts in certain states, including California, New York, Massachusetts, and Louisiana, which have statutes recognizing some forms of moral rights).

<sup>163</sup> *See* The Visual Artists Rights Act of 1990, Pub. L. No. 101-650, 104 Stat. 5128 (1990). For a complete discussion on The Visual Artists Rights Act of 1990, *see* Kelly, *supra* note 102, at 223 - 33.

<sup>164</sup> *See* 17 U.S.C. § 106A (2003).

<sup>165</sup> *See* LEAFFER, *supra* note 102, at 364. "The Act does not cover all possible visual art works but instead is limited (like the state statutes) to works of visual arts. Qualifying works include those that exist in a single copy, such as original paintings, drawings, prints, sculptures, or works existing in signed and numbered editions of no more than 200 copies. . . Works not covered include reproductions of qualifying works, audiovisual works, and works designed for commercial purposes, *e.g.*, posters, maps, motion pictures, and works of applied art." *Id.*; *see also* DAVID NIMMER, NIMMER ON COPYRIGHT § 8D.02 (2002).

<sup>166</sup> *See* *Granz v. Harris*, 198 F.2d 585, 590 (2d Cir. 1952) (Frank, C.J., concurring). "The 'moral right' doctrine, as applied in some countries, includes very extensive rights which courts in some American jurisdictions are not yet prepared to acknowledge." *Id.*; *see also* *Annie Lee v. A.R.T. Company*, F.3d 580, 582 (7th Cir. 1997) ("Until recently, it was accepted wisdom that the United States did not enforce any claim of moral rights. . .").

<sup>167</sup> *See* Justin Hughes, *The Line Between Work and Framework, Text and Context*, 19 CARDOZO ARTS & ENT. L.J. 19, 32 & n.54 (discussing Judge Posner's belief that moral rights have crept into American copyright law).

dios' exclusive rights to create or authorize the creation of derivative works, a court may, in effect, grant moral rights to the creators of the movies.<sup>168</sup>

In summary, it seems that the case over third party edited video retailers will depend on the manner of editing and whether or not the edited versions constitute derivative works.<sup>169</sup> The editing of VHS tapes and DVDs would clearly be protected under the first sale doctrine if each purchased copy were itself physically edited. However, if a single master edited version replaced each original version of a purchased copy, while the economic theory of copyright law would be satisfied, the editors would technically be reproducing the edited movie. This would infringe upon the copyright owners' right to make copies, a right not exhausted by the first sale doctrine. Additionally, if the edited version is found to be a derivative work, either of the original movie itself or the underlying script the original movie was based on, the edited video retailers would be liable for infringing upon the movie studios' exclusive rights to create or authorize a derivative work. With the standard of originality for derivative works so low, the courts may find that CleanFlicks' decisions as to which parts of "The Godfather" are too offensive to keep in constitute enough originality to make "The [Sanitized] Godfather" a derivative work and find liability for copyright infringement. Ruling that the edited movies are derivative works would also be one way to grant directors and motion picture studios moral rights and creative control over the films being edited, an issue that has long been in debate in American copyright law.

### B. *Other Video Editing Services*

In order to impose liability for copyright infringement, there needs to be a violation of at least one of the copyright owner's exclusive rights under section 106.<sup>170</sup> Therefore, in order for the

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<sup>168</sup> See *id.* at 32 (noting that the derivative right is one way that courts will grant copyright owners some control over what happens to their copyrighted works that have fallen under a first sale defense).

<sup>169</sup> One court had held that an edited translated version of a Mandarin-language television program recorded on videotape was not a derivative work of the other because the edited version did not contain enough originality to constitute a derivative work nor were there substantial changes made to the edited version. See *New York Chinese TV Programs, Inc. v. U.E. Enterprises, Inc.*, No. 88 CIV.4170, 1989 WL 22442, at \*4 - \*6 (S.D.N.Y. 1989). For an explanation of this case, see Surette, *supra* note 118.

<sup>170</sup> See 17 U.S.C. § 501(a) (2003):

Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 121 or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in vio-

creators of MovieMask, MovieShield and ClearPlay to be found liable for copyright infringement, they must be found to have violated one of these exclusive rights. Since these companies are only providing "filters" or "masks" for the movies and not the actual copyrighted work themselves, the companies cannot be said to have violated the reproduction, public distribution, public performance, or public display rights. However, as in the case of the edited video retailers, it may be found that playing the movies with these filters, which creates an edited version of the movies, creates a derivative work of the movie and, therefore, violates the copyright owners' derivative works rights.

### 1. Derivative Works Need to be Fixed for Infringement Purposes

The decision as to whether edited movies played through software programs constitute derivative works for infringement purposes will depend upon whether the audiovisual output of these programs is considered fixed.<sup>171</sup> While Congress took the position that a derivative work does not need to be fixed in order to be considered a derivative work for purposes of infringement,<sup>172</sup> the Ninth Circuit, in *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*,<sup>173</sup> expressly rejected that theory.<sup>174</sup> In that case, nearly identical to the one against the software providers, Lewis Galoob Toys produced a "Game Genie," which, when "inserted between a game cartridge [that Nintendo produced or licensed] and the Nintendo Entertainment System,"<sup>175</sup> allowed a player to make changes to the Nintendo game while playing that game.<sup>176</sup> More importantly, the

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lation of section 602, is an infringer of the copyright or right of the author, as the case may be.

*Id.*

<sup>171</sup> Under copyright law,

A work is "fixed" in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is "fixed" for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

17 U.S.C. § 101.

<sup>172</sup> See H.R. REP. NO. 94-1476, at 62 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5675. "[T]he preparation of a derivative work. . . may be an infringement even though nothing is ever fixed in tangible form." *Id.*

<sup>173</sup> 964 F.2d 965 (9th Cir. 1992).

<sup>174</sup> See *id.* at 967. "A derivative work must incorporate a protected work in some concrete or permanent 'form'."

<sup>175</sup> *Id.*

<sup>176</sup> See *id.*

The Game Genie is a device manufactured by Galoob that allows the player to

device made no physical or permanent alterations to the game itself or to the software data embedded in the Nintendo game.<sup>177</sup> When not using the Game Genie, the game could be played in its original form. The Court rejected Nintendo's claim that the Game Genie created a derivative work of its copyrighted Nintendo games because the Genie did not create an independent work fixed in some concrete form, but rather enhanced the original Nintendo audio displays that came from inside the Nintendo game cartridge.<sup>178</sup> Just as the masks and filters used by the companies in this case need the underlying movie and a DVD player to display its images, the Game Genie needed the underlying displays from the Nintendo games in order to display the audiovisual screens from its codes.<sup>179</sup> The Court held, because derivative works "must incorporate a protected work in some concrete or permanent form" and the Game Genie does not "contain or produce a Nintendo game's output in some concrete or permanent form," it did not create any derivative works, thereby relieving Lewis Galoob of infringement on those grounds.<sup>180</sup>

However, the Ninth Circuit, in *Micro Star v. Formgen*,<sup>181</sup> seemed to reach a different decision than the one in *Lewis Galoob*, ruling that step-by-step instructions detailing an exact image of an audiovisual display embedded in a computer file, when used in conjunction with a computer game creating entirely new levels of play, were considered fixed in a concrete form under *Galoob* to constitute derivative works. While these two cases may seem similar, the court's decision in *Micro Star* seemed to rest on the fact that each computer file used to create a new level of the computer game was a step-by-step instruction of the actual audiovisual image displayed on the computer screen,<sup>182</sup> whereas in *Galoob*, the Game Genie was

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alter up to three features of a Nintendo game. For example, the Game Genie can increase the number of lives of the player's character, increase the speed at which the character moves, and allow the character to float above obstacles. The player controls the changes made by the Game Genie by entering codes provided by the Game Genie Programming Manual and Code Book. The player also can experiment with variations of these codes.

*Id.*

<sup>177</sup> *See id.*

<sup>178</sup> *See id.* at 968.

<sup>179</sup> *See id.* "[T]he Game Genie cannot produce an audiovisual display; the underlying display must be produced by a Nintendo Entertainment System and game cartridge."

<sup>180</sup> *Id.* at 969.

<sup>181</sup> 154 F.3d 1107 (9th Cir. 1998). In this case, *Micro Star* created 300 new levels for the game "Duke Nukem 3D," a video game made by *Formgen, Inc.*, which also owned the copyright, by creating a new computer file for each level. When used in conjunction with the video game, the computer file would use the video game's art library to generate images to create a new level.

<sup>182</sup> *See id.* at 1111.

only a set of instructions temporarily replacing old instructions that could be used to "temporarily modify individual aspects of the game."<sup>183</sup>

Since the masks or filters provided by the software companies are instructions that identify the parts of the movies that need to be blocked or muted according to specific levels and, therefore, do not contain the actual films within them, the analysis is more along the lines of *Lewis Galoob* and a finding that there is no infringement of the derivative work right. Just like the Game Genie, ClearPlay, MovieMask, and MovieShield do not create any permanent copies of altered movies and therefore the displayed movies cannot constitute derivative works. Additionally, just as it was necessary to have the original version of a Nintendo game to use the Game Genie, consumers must have an original, unedited movie in order for these editing devices to work. Moreover, just as consumers who owned the Game Genie could choose whether or not to alter the Nintendo Game, users of these editing programs may choose whether to watch the original movie as is or to watch an edited version at the level with which they are comfortable. Therefore, because nothing is fixed in a concrete form, the movies cannot be considered derivative works and do not violate any of the exclusive rights under section 106 of the Copyright Act.

## 2. Derivative Works Do Not Need to Be Fixed For Infringement Purposes

In contrast to *Galoob*, assuming that a court follows the legislative history of the Copyright Act and decides that a derivative work does not need to be fixed, then the edited movies displayed through the software programs, although unfixed in a permanent form, may nonetheless constitute derivative works. In this case, in order for the software companies to escape liability on the grounds of contributory infringement because of their customers' creation of derivative movies,<sup>184</sup> there would need to be a finding that the software programs were capable of substantial non-infringing uses,

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<sup>183</sup> See *id.*

<sup>184</sup> Although contributory infringement is not specifically mentioned in the Copyright Act, it stems from the rights of a copyright owner to authorize others to exploit his or her rights under § 106. If a person or entity other than the copyright owner actively induces someone else to infringe the copyright or makes infringement possible by supplying the means to violate the copyright owner's exclusive rights, then that person may be liable for contributory infringement. See LEAFFER, *supra* note 102; see also *Marobie-FL, Inc. v. National Association of Fire Equipment Distributors*, 983 F.Supp. 1167, 1178 (1997) ("Liability for contributory infringement will be imposed when a defendant, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.").

as expounded in *Sony Corporation of America et al v. Universal City Studios, Inc.*<sup>185</sup> In *Sony*, petitioners Sony Corporation manufactured video tape recorders called the Betamax, similar to today's 'VCRs,' which allowed private individuals to record copyrighted shows owned by the defendants when they were broadcast on television.<sup>186</sup> The issue was whether Sony, by selling VTRs, violated any of the copyright holder's exclusive rights under the Copyright Act<sup>187</sup> through contributory infringement, since its customers infringed the defendant's copyrights by recording their copyrighted broadcasts.<sup>188</sup> The Supreme Court reversed the Court of Appeals' finding that Sony was liable for contributory infringement.<sup>189</sup> The Supreme Court's decision was based on the finding that the majority of users of the Betamax engaged in "time-shifting," whereby they would tape a program that they were unable to watch during the initial broadcast to watch at a later time, thereby expanding the viewing market.<sup>190</sup> For this reason, the court ruled, although some users of the Betamax violated copyright laws by recording the movies to keep a library, the machine was capable of substantial non-infringing uses and, therefore, borrowing a principle from patent law,<sup>191</sup> held that Sony could not be held liable for contributory infringement.

If it is determined that the movie editing software programs do create derivative works, thereby infringing the owners' copyrights, it may be difficult to find substantial non-infringing uses of the programs so as to avoid a finding of contributory infringement. Nonetheless, when comparing the CleanFlicks case against *Sony*, a court may rule that there is no contributory infringement. In *Sony*, the Betamax allowed individuals to reproduce copyrighted works, which violated the copyright holder's right to reproduce,<sup>192</sup> and to also edit the copyrighted works as they were being watched,<sup>193</sup> a practice which could be likened to the Studios' arguments in the

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<sup>185</sup> 464 U.S. 417 (1984).

<sup>186</sup> *See id.* at 419 - 20.

<sup>187</sup> *See id.* at 420.

<sup>188</sup> *See id.* at 420. "Respondents further maintained that petitioners were liable for the copyright infringement allegedly committed by Betamax consumers because of petitioner's marketing of the Betamax VTR's. Respondents sought no relief against any Betamax consumer."

<sup>189</sup> *See id.* at 421.

<sup>190</sup> *See id.* at 421.

<sup>191</sup> *See* LEAFFER, *supra* note 102, at 400 & n.76 (noting that the staple article doctrine of patent law, 35 U.S.C. § 271(a), was used to find no contributory infringement).

<sup>192</sup> *See* 17 U.S.C. § 106(1)

<sup>193</sup> *See Sony*, 464 U.S. at 421. "The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement" or even scenes they do not want to watch.



instant case that derivative works are made from the edits of the movies. In this case, however, consumers using these software devices cannot make reproductions of the copyrighted movies and nothing is even done to the physical copyrighted work.<sup>194</sup> Therefore, the argument that ClearPlay, MovieMask or MovieShield allow users to create unlawfully edited and altered works seems to be a weak one. Additionally, allowing consumers to choose a different level of content of material that they want to watch, while still keeping the original intact, is analogous to using a remote control to fast forward or skip that material.<sup>195</sup>

Another reason that the Supreme Court found that there was no contributory infringement by Sony was because, unlike in the cases of *Kalem Co. v. Harper Brothers*<sup>196</sup> and *Elektra Records Co. v. Gem Elec. Distribs. Inc.*,<sup>197</sup> where the defendants provided to the infringing customers the "means" to infringe as well as the copyrighted works themselves,<sup>198</sup> Sony did not provide its customers with the copyrighted works; the copyright holders did so by airing them on television. Similarly, the Movie Studios are the ones who provide consumers with the copyrighted works by making them available for purchase or rental in retail video stores and rental clubs. It should also be noted that, while the Supreme Court acknowledged that users of the Betamax were recording movies that they were invited to watch for free on broadcast television, users of Trilogy, ClearPlay and Family Shield devices pay for the movies that they use in conjunction with the software, either by purchasing them or renting them. Further, while all that a Betamax user needed to reproduce a copyrighted work was the device itself, a user using the editing software cannot watch an edited movie without obtaining the original movie. The software and its filters would be useless without acquiring a commercially distributed movie. Additionally, just as the consumers in *Sony* were using the Betamax for non-commercial purposes, namely private viewing to watch at a later time, the users of the editing software are only using the devices for viewing of the movies in the privacy of their own home as well. Therefore, taking all of these factors into account, it is difficult to see

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<sup>194</sup> See *supra* note 62 and accompanying text.

<sup>195</sup> See Jardin, *supra* note 47; see also *Sony*, 464 U.S. at 423. "The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen."

<sup>196</sup> 222 U.S. 55 (1911).

<sup>197</sup> 360 F. Supp. 821 (E.D.N.Y. 1973).

<sup>198</sup> For a full discussion of *Kalem Co. v. Harper Brothers*, see *Sony*, 464 U.S. at 435 - 37. For a full discussion of *Elektra Records Co. v. Gem Elec. Distribs. Inc.*, see LEAFFER, *supra* note 102, at 399 - 400.

how a Court could find liability for these companies that provide editing programs if it did not do so with the Betamax video tape recorder. However, as mentioned above, unless it is decided that the edited movies displayed through the software programs even constitute derivative works, an analysis based on the *Sony Betamax* case would be unnecessary, as there would be no infringement in the first place.

#### IV. TRADEMARK LAW AND THE BATTLE OVER THIRD PARTY EDITS

##### A. *Edited Video Retailers*

##### 1. False Designation of Origin as a Basis for Liability

Due to the fact that the directors do not own the copyrights in their movies, their strongest claim for relief against edited video retailers is based on the Lanham Act, under which they argue that the companies making the edited movies are wrongfully associating the unauthorized, altered versions with the directors who created the original versions.<sup>199</sup> As American copyright law does not specifically protect the moral rights of authors of non-visual works, trademark law, under the Lanham Act, section 43(a),<sup>200</sup> has been used by the courts as a means of providing protection to an artist from being associated with a work that has been altered or edited without his authorization.<sup>201</sup>

The leading case on protecting an artist's integrity under 43(a) of the Lanham Act is *Gilliam v. American Broadcasting Companies, Inc.*<sup>202</sup> In *Gilliam*, the federal court applied the Lanham Act to

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<sup>199</sup> See Richmond, *supra* note 14; Horiuchi, *supra* note 16 (“[C]ensoring these movies without the consent of the director means it really is not a ‘Steven Spielberg movie’ or a movie by Paramount Pictures. And that can confuse customers and damage the value of those names, the DGA claims.”); Barry Willis, *DGA v. CleanFlicks*, STEREOPHILE GUIDE TO HOME THEATER, Sept. 30, 2002, available at <http://www.guidetohometheater.com/shownews.cgi?1395> (“Members of the DGA assert that viewers who see an edited film aren’t seeing what the director intended, and that selling or renting altered films amounts to false advertising and trademark infringement.”).

<sup>200</sup> See 15 U.S.C. § 1125(a) (2003).

<sup>201</sup> See Krigsman, *supra* note 159, at 275 (“Whether articulated in trademark language or formulated in the terminology of droit moral, Section 43(a) of the Lanham Act has proved itself an elastic statute, useful in protecting integrity and paternity rights of authors, artists and other creators.”); see also *Granz v. Harris*, 198 F.2d 585, 589 (2d Cir. 1952) (Frank, C.J., concurring) (“[T]he established rule is that. . . it is an actionable wrong to hold out the artist as author of a version which substantially departs from the original.”); JANE C. GINSBURG ET AL., TRADEMARK AND UNFAIR COMPETITION LAW 622 (3d ed. 2001) (“[T]he Lanham Act has been perceived as the primary source of attribution rights under United States law.”); Cook, *supra* note 137, at 319 - 20 (discussing the application of the concept of false designation of origin and unfair competition to protect an author from having his name associated with a work which was substantially altered or mutilated without his permission).

<sup>202</sup> 538 F.2d 14 (2d Cir. 1976); see also LEAFFER, *supra* note 102, at 361 (noting that *Gilliam* is the “leading case” on this issue.)

"protect an artist's right not to be associated with an unauthorized, edited version of his work."<sup>203</sup> The plaintiffs were a group of British writers and performers known as "Monty Python," who wrote and performed several comedy skits, which aired on the British Broadcasting Corporation (BBC). Time-Life Films acquired the United States distribution rights for the "Monty Python" skits and, under a written agreement with BBC, was only allowed to perform specific, minimum edits of the programs.<sup>204</sup> The defendant, ABC, eventually agreed with Time-Life to broadcast six thirty-minute Monty Python programs in two ninety-minute specials that had never before aired in the United States. Upon viewing a tape of the first special that ABC aired, the plaintiffs realized that twenty-four minutes of the entire original ninety-minute recording, amounting to approximately twenty-seven percent of the entire program,<sup>205</sup> had been edited out, and that the edits had resulted in a discontinuity of the programs.<sup>206</sup> While the Second Circuit court recognized that American copyright law does not provide for moral rights or relief for violations of an author's personal rights,<sup>207</sup> it acknowledged that Lanham Act section 43(a) was often invoked by courts to "prevent misrepresentations that may injure plaintiff's business or personal reputation. . ." <sup>208</sup> The court determined that the plaintiff's claim that the distorted version of its skits, which ABC attributed to being the product of the Monty Python comedy group, fell under this statute.<sup>209</sup> Essentially, the plaintiff argued that the edited ver-

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<sup>203</sup> Richmond, *supra* note 16.

<sup>204</sup> See *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14, 18 (2nd Cir. 1976). "Time-Life was permitted to edit the programs only 'for insertion of commercials, applicable censorship or governmental. . . rules and regulations, and National Association of Broadcasters and time segment requirements.' "

<sup>205</sup> See Honicky, *supra* note 74, at 413.

<sup>206</sup> See *Gilliam*, 538 F.2d at 24. "We find that the truncated version at times. . . deleted essential elements in the schematic development of a story line." ABC contended that the edits were made to allow for commercial time and because "the original programs contained offensive or obscene matter." *Id.* at 18.

<sup>207</sup> *Id.* at 24.

<sup>208</sup> *Id.* "It is sufficient to violate the Act that a representation of a product, although technically true, creates a false impression of the product's origin." *Id.*; see also *Jacob Jaeger v. American International Pictures, Inc.*, 330 F. Supp. 274, 278 (1971) (recognizing that the Lanham Act, 15 U.S.C. §1125(a), has been used when a "defendant represents to the public that what the plaintiff had nothing to with is the plaintiff's product")

<sup>209</sup> See *Gilliam*, 538 F.2d at 24-25.

These cases cannot be distinguished from the situation in which a television network broadcasts a program properly designated as having been written and performed by a group, but which has been edited, without the writer's consent, into a form that departs substantially from the original work. . . Thus, an allegation that a defendant has presented to the public a . . . distorted version of [the] plaintiff's work seeks to redress the very rights sought to be protected by the Lanham Act. . .

sions of its “Monty Python” skits were so distorted and mutilated that its reputation was ruined, because viewers watching it thought that those skits were the original works produced by the “Monty Python” players. After the court viewed ABC’s edits,<sup>210</sup> it agreed with the plaintiff’s contention<sup>211</sup> and issued a preliminary injunction to stop ABC from further airing any edited versions of the “Monty Python” skit.

a. Section 43(a) and the Issue of Labeling

While at first glance *Gilliam* seems to lend support to a finding that CleanFlicks and the other edited video retailers should be held liable under trademark law for their edits and alterations to the directors’ movies, the case is not so concrete. One major issue addressed in *Gilliam* was the lack of labeling when ABC aired the program. In his concurrence, Circuit Judge Gurfein argued that Lanham Act section 43(a) does not incorporate moral rights and artistic integrity, but only prevents a false designation or origin or misdescription of goods.<sup>212</sup> Therefore, he reasoned that had ABC provided a disclaimer to the viewing audience that the skit was edited and was not authorized by “Monty Python,” there would not be any false designation of origin or misdescription and, therefore, no action under Lanham Act 43(a).<sup>213</sup> Although the majority did seem to acknowledge Gurfein’s suggestion, its decision that a disclaimer still would have been insufficient seemed to turn on the fact that, in the medium of television, a disclaimer at the beginning of a program would not matter to a person who tuned in during the middle, end, or even a few minutes into the beginning of the program.<sup>214</sup> Viewers who missed the disclaimer would still believe

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<sup>210</sup> The court noted that, in one instance, a whole middle sequence of events was omitted from a scene so that “essential elements in the schematic development of a story line” was omitted and “at times. . . the climax of the skits to which appellant’s rare brand of humor was leading” was edited out. *Id.* at 25 & n.12.

<sup>211</sup> *See id.* at 25. “[T]he edited version broadcast by ABC impaired the integrity of appellant’s work and represented to the public as the product of appellants what was actually a mere caricature of their talents.”

<sup>212</sup> *See Gilliam*, 538 F.2d at 26-27 (Gurfein, C.J., concurring).

<sup>213</sup> *See id.*

The misdescription of origin can be dealt with. . . by devising an appropriate legend to indicate that the plaintiffs had not approved the editing of the ABC version. With such a legend, there is no conceivable violation of the Lanham Act. If plaintiffs complain that their artistic integrity is still compromised by the distorted version, their claim does not lie under the Lanham Act, which does not protect the copyrighted work itself but protects only against the misdescription or mislabeling.

*Id.*

<sup>214</sup> *See id.* at 25 n.13.

that the plaintiffs produced the edited, distorted version of the "Monty Python" skits.

While the majority in *Gilliam* seemed to reject Gurfein's theory that proper labeling would alleviate claims for false designation of origin, the Supreme Court, in *Champion Spark Plug Co. v. Sanders*,<sup>215</sup> also addressed the issue of labeling under a claim of a section 43(a) violation. In that case, the defendants sold used spark plugs originally belonging to the plaintiffs, which they reconditioned and sold under the plaintiff's trademark with the word "Renewed" on each reconditioned plug.<sup>216</sup> In its decision regarding whether the defendants were permitted to keep the plaintiff's trademark on the refurbished spark plugs, the Supreme Court recognized that as long as there was full disclosure regarding the source of the product and consumers were not deceived as to the creators, another trademark could be used on a second-hand product.<sup>217</sup> In addition, the Court found that the reconditioning was not as extensive an act to create an entirely new work or to give the product a completely new design.<sup>218</sup> Although the refurbished plugs may have been inferior to the original ones, it did not matter as long as it was clearly acknowledged that they were repaired and reconditioned.<sup>219</sup>

Taking into account the labeling and knowledge issue that was expounded upon by Judge Gurfein in *Gilliam*, as well as the majority opinion in *Champion Spark Plug*, it appears that the edited video retailers may have a strong defense against a claim of false designation of origin. CleanFlicks and other edited video retailers have consistently argued that their videos are clearly labeled as edited, on the videos themselves and their packaging as well, and that their customers buy them for that reason.<sup>220</sup> Customers who purchase

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<sup>215</sup> 331 U.S. 125 (1947).

<sup>216</sup> See *id.* at 126.

<sup>217</sup> See *id.* at 129.

Mr. Justice Holmes stated, 'A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's goodwill against the sale of another's product as his. . . . When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth.'

(quoting *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924)).

<sup>218</sup> If this were the case, a Court would probably rule that the words "used" or "repaired" would not alleviate a claim for trademark infringement. See *id.* at 129.

<sup>219</sup> See *id.* at 130. "Inferiority. . . is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from. . . reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled."

<sup>220</sup> See Aguilar, *supra* note 5 ("It is clearly labeled on the box that the film is edited. We are not trying to fool anyone."); Rachel Blackburn, *Directors Go To Court Over 'Sanitized' Films*, PRESS ASSOCIATION, Sept. 24, 2002; *Movie Editing Plaintiffs, Clean Flicks, Respond to Hollywood Directors' Counter-Suit*, PR NEWSWIRE, Sept. 25, 2002 ("We clearly say, 'These films

these edited videos are seeking edited videos: either through the companies' website or by going to one of the physical outlets selling or renting edited videos. Additionally, purchasers of edited videos know that the videos they rent or buy are not sponsored or authorized by the directors. It is for that reason they need to go to stores like CleanFlicks and FamilyFlix: the directors have not provided versions of their movies for them. CleanFlicks and other edited video retailers do not attempt to confuse consumers into believing their products are the original movies. If consumers thought the movies were the directors' original works, they would not buy them in the first place. Taking these factors into account, it is difficult to perceive how there could be a false designation of origin under section 43(a). Consumers are specifically seeking out edited videos since they know the movies do not contain the director's original work in its entirety.

b. Section 43(a) and the Issue of the Amount of Edited Content

Another issue that may affect the outcome of the CleanFlicks case in regards to relief under section 43(a) is the amount of the content edited out of the movie and its effect on the movie's plot and theme. Legal scholars and courts have noted that a violation under trademark law could arise if the edits result in a substantially different movie than the original version.<sup>221</sup> While directors have argued that the movies distributed by CleanFlicks and edited video retailers are substantially different than the original movies,<sup>222</sup>

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are edited to remove sex, profanity and violence.' That's why they're being rented, and rented in ever-greater volume. . ."); Willis, *supra* note 199; *The Abrams Report 18:00*, (MSNBC television broadcast, Sep. 25, 2002) (transcript available at LEXIS) [hereinafter *The Abrams Report*] ("Every movie that we edit, we put a label on it that says, 'This movie has been edited by CleanFlicks' so that the consumer knows that this is not the original movie that Steven Spielberg directed and edited."); Hilden, *supra* note 78 ("[T]he editing out of content seems to be one of the selling points Clean Flicks relies on when it courts its customers." *Id.*)

<sup>221</sup> See Hilden, *supra* note 71. "[T]he DGA can argue that CleanFlicks, in marketing its edited films, violates trademarks. Phrases such as the studio's name, or a certain tag line used to promote the movie on the video box, are trademarked, and CleanFlicks is arguably using them deceptively if it connects them with a movie edited to be substantially different from the one the studio made. . . [T]he directors can still argue that using their movie titles can be deceptive and amount to false advertising if the editing is so extensive the resulting movies is, in effect a different product." *Id.*; see also *Autry v. Republic Productions, Inc.*, 213 F.2d 667, 669 (9th Cir. 1954) (addressing a claim under 43(a) by saying that the edits done to a movie could result in "emasculating the motion pictures so that they would no longer contain substantially the same motion and dynamic and dramatic qualities which it was the purpose of the artist's employment to produce." *Id.* at 669).

<sup>222</sup> See Christy Karras, *Sundance Panel Debates Unauthorized Sanitizing of Hollywood Films*, THE SALT LAKE TRIBUNE, Jan. 24, 2003, at B4 (describing how one director felt that, in one of his movies, the edits had changed the meaning of the movie).

others have noted that edited movies which appear on television, which the directors do have control over, are equally as unrecognizable.<sup>223</sup> The people editing the movies, meanwhile, contend that their edits still preserve the plots and meaning of the films, since the movies are edited in a coherent fashion.<sup>224</sup>

In *Choe v. Fordham University School of Law*,<sup>225</sup> the plaintiff alleged that the editors of his law school journal distorted his Comment through their editing of it.<sup>226</sup> The district court held that there was no violation under the Lanham Act because the changes made were not so substantial as to present plaintiff as the author of a note that he did not really write.<sup>227</sup> Additionally, the court ruled that, even with the alterations, readers were still able to understand his Comment and uncover its essential meaning.<sup>228</sup>

The Southern District of New York in *Lish v. Harper's Magazine*<sup>229</sup> also analyzed how substantially the magazine publishers edited a famous author's letter that was submitted for publication to determine whether he had a valid claim under section 43(a) of the Lanham Act.<sup>230</sup> Even though approximately forty-eight percent of the letter's content was edited out with no ellipses used to indicate deletions,<sup>231</sup> the court held that the edits performed by the publishers did not so substantially distort Lish's original letter as to support a false designation of origin claim.<sup>232</sup> The court reasoned that a typical Lanham Act case requires that "either the material is false on its face or it is impliedly false,"<sup>233</sup> and found that the letter

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<sup>223</sup> See J. Simon, *Sanitized Movies Lack Both Smut and Soul*, THE BUFFALO NEWS, Oct. 1, 2002, at C1 (noting how a television airing of "The Last Detail," starring Jack Nicholson, was not only "unrecognizable, it was ridiculous, and even pointless").

<sup>224</sup> See Buckman, *supra* note 7 (discussing how, although these movies are edited to remove material these viewers find objectionable, the intention is to preserve the plot); Gallagher, *supra* note 39 ("[M]any. . . films we have viewed would be appropriate for children or teens with some minor editing, and the vision or meaning would not be severely impacted."); Crossman, *supra* note 12 (quoting CEO John Dixon, "The cuts are inconspicuous and will only alter a movie by a few minutes. . .").

<sup>225</sup> 920 F. Supp. 44 (S.D.N.Y. 1995), *aff'd*, 81 F.3d 319 (2d Cir. 1996).

<sup>226</sup> See *id.* at 46. "Defendants allegedly presented to the public a 'garbled and distorted version of plaintiff [*sic*] work.'" For a full discussion of the edits done to Choe's Comment, see *id.* at 46-47.

<sup>227</sup> See *id.* at 49.

<sup>228</sup> See *id.* at 48.

<sup>229</sup> 807 F. Supp. 1090 (S.D.N.Y. 1992). The plaintiff, Gordon Lish, a well-known editor and author of fiction and non-fiction works, had one of his letters published in Harper's Magazine. He sued Harper's for publishing the letter, which contained many edits performed by the editors of the magazine.

<sup>230</sup> *Id.* at 1105 - 09.

<sup>231</sup> See *id.* at 1093. "It was decided that because of limited space available the Letter should be cut to approximately half its size: The Letter was reduced from 2,308 to 1,206 words."

<sup>232</sup> See *id.* at 1108.

<sup>233</sup> *Id.* at 1107.

was originally the work of Lish and the published version consisted entirely of material from the original letter.<sup>234</sup> Therefore, because the published letter was representative of Lish's original letter, there was no violation of false designation of origin under the Lanham Act.<sup>235</sup>

Similar reasoning was followed in *Playboy Enterprises Inc. v. Dumas*.<sup>236</sup> In that case, the court held that the defendants failed to prove that alterations to four of an artist's ten paintings were so significant as to attribute pieces of artwork to the artist that were substantially different than the ones he had originally created.<sup>237</sup> The court in *Dumas*, following the reasoning in *Lish*, also held that because the artwork did originate with the artist, it was not "false on its face" to attribute the paintings to the artist.<sup>238</sup>

It should be noted that, just as opinions have differed as to whether CleanFlicks' edits create substantially distorted and sloppy versions of the original, there was conflicting expert testimony in *Lish* as to whether the edits to the letter created a substantially different and garbled work which was then attributed to the author.<sup>239</sup> The *Lish* court also acknowledged that a disclaimer was included at the beginning of the article, informing readers that the version included in Harper's Magazine was originally "from" a letter written by Lish.<sup>240</sup> Both parties conceded that the wording of this introductory statement indicated to readers that the published letter was an excerpt from the original.<sup>241</sup> However, while the plaintiff argued that the word "from" was not sufficient enough to inform the readers about the extent of the edits performed, the court held that this argument was not strong enough to negate its

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<sup>234</sup> See *id.* "Here the material is not false on its face. 'A Kind of Magnificence' was described by Harper's as being from a letter by Gordon Lish. That is true. . ."

<sup>235</sup> See *id.* at 1108.

<sup>236</sup> 883 F. Supp. 295 (S.D.N.Y. 1993).

<sup>237</sup> See *id.* at 316. Out of ten posters used by the plaintiffs for a collection, four contained alterations from the original artwork: "on three, a woman's breast was covered; on the fourth, only the top half of the work was used in the poster." *Id.* "[T]he defendants have not proven by a preponderance of the evidence that the alterations on four of the posters have converted or 'garbled' [the artist's] works into something new. The court therefore finds that. . . [defendants] have failed to show that the alterations in the posters are substantial enough to mislead the public as to the posters' origins." *Id.* at 317.

<sup>238</sup> See *id.* at 317. The collection in which Playboy sold the artist's altered posters was entitled "The Playboy Collection by Patrick Nagel." See *id.* at 301.

<sup>239</sup> See *Lish v. Harper's Magazine*, 807 F. Supp. 1090, 1107 n.14 (S.D.N.Y. 1992). While one expert testified that the edits turned "a serious and sometimes moving and impressive piece of work" into "something that looked ridiculous" and "made the author of the letter look ridiculous and clownish," another expert testified that the edits were a "perfectly responsible condensation of the original." *Id.*

<sup>240</sup> See *id.* at 1108. The exact wording of the disclaimer was "from an introductory letter sent last summer by Gordon Lish to students enrolled in his fall fiction-writing workshop."

<sup>241</sup> See *id.*



conclusion regarding his false designation of origin claim.<sup>242</sup>

c. Edited Video Retailers Should Avoid Liability Under Section 43(a)

As it can be seen, while courts have followed the reasoning in *Gilliam* to provide some type of "moral rights" for an artist or an author whose work has been altered, different issues can have an effect on whether the artist will be successful. Since Lanham Act section 43(a) is aimed to prevent misrepresentations, it follows that, as long as consumers are not misled as to the nature of the artist's work, there should not be a valid claim under the Lanham Act. This is precisely the case with CleanFlicks and other edited video retailers. Customers are not being misled because there is a disclaimer on the box, and another one before the movie is played, that the movie had been edited. Consumers of edited videos purchase them solely because they have been edited. Therefore, the public knows that it is getting an edited movie, and it knows that the movie is not authorized by the directors. That is why these companies were started in the first place: Hollywood was ignoring this market. It is also important to note that, while the court in *Gilliam* was faced with a distortion that did not contain a disclaimer or warning that the program was edited, the Court in *Lish* took into account that the letter did contain a disclaimer when deciding not to hold the publishers liable.

Additionally, under the reasoning followed in *Lish* and *Playboy*, even though CleanFlicks keeps the original covers on the edited movies and refers to the edited movies as "A Film by Steven Spielberg" or "A Film by Universal Pictures," the movies clearly did originate from these directors and studios. That statement is not false on its face and, therefore, does not subject the editors to violations under section 43(a) of the Lanham Act. Although a decision may turn on how extensive and clear the labeling is, based on the cases above, it would seem that even a small disclaimer acknowledging that the movie was edited would be enough to defend against a claim under the Lanham Act.

It appears that the bigger issue may be the amount of content that is edited out of the movie. Whether the edits and alterations performed by CleanFlicks and the edited video retailers substantially distort a work and present a valid Lanham Act claim would be a question of fact for the jury or other trier of fact to decide.<sup>243</sup>

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<sup>242</sup> See *id.*

<sup>243</sup> See *id.* at 1107 (noting that based on the evidence, the finder of fact must rely on his

Whereas the court in *Gilliam* held that twenty-four minutes cut out of the ninety-minute program substantially distorted the artist's work, the court in *Lish* found that cutting out almost half of the writer's letter was not significant enough to constitute a violation under the Lanham Act. Prior to actually viewing an original movie compared to an edited version by CleanFlicks, it will be difficult to determine whether CleanFlicks' actions violate the Lanham Act. It will be up to the fact finder to determine if the edits actually do result in a movie that is so substantially different from the original that it is a false designation to associate the director with the CleanFlicks' product. However, if CleanFlicks is correct and the edits are minor and performed in such a way as to retain the plot of the movie in a coherent and meaningful fashion, then making a successful case of section 43(a) under the Lanham Act may not be as easy as the *Gilliam* case and the directors seem to suggest.

## 2. Trademark Infringement as a Basis for Liability

In addition to alleging false designation of origin under section 43(a) of the Lanham Act, and thereby trying to give moral and attribution rights to the directors, the movie studios allege that the conduct of the edited video retailers results in trademark infringement and unfair competition under section 32(1) of the Lanham Act, 15 U.S.C. § 1114.<sup>244</sup> While trademark infringement actions normally involve use of similar marks on different products that are likely to cause confusion or deception as to the source of the

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own judgment in deciding whether the edits performed satisfy a valid claim under the Lanham Act).

<sup>244</sup> 15 U.S.C. § 1114(1)(2003):

Any person who shall, without the consent of the registrant—

- (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
- (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

*Id.*

different products,<sup>245</sup> an action for trademark infringement can arise where a defendant uses the plaintiff's actual mark on a product that the plaintiff does not authorize or sponsor.<sup>246</sup> However, because the purpose of trademark law is to prevent consumer confusion,<sup>247</sup> even in this situation, in order to have a successful claim under section 32(1), the factual requirements for proving that there is a likelihood of confusion or deception must be met.<sup>248</sup> In *Paramount Pictures Corp. v. Video Broadcasting Systems, Inc.*, the plaintiff sued the defendant under section 32(1) for inserting commercials without consent in the beginning of its home videos sold in Paramount's original packaging. The issue in that case was whether trademark infringement had occurred because there was a likelihood of confusion among consumers as to Paramount's own production of or sponsorship or endorsement of those unauthorized commercials.<sup>249</sup> Using a factor test that the Tenth Circuit applied to answer this question,<sup>250</sup> the court determined that consumers were not likely to be confused into thinking that Paramount had either produced the commercials or endorsed them.<sup>251</sup>

While *Paramount* dealt with confusion as to sponsorship of a mere commercial and the CleanFlicks case deals with the actual movie, the issue is still the same: are consumers likely to be con-

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<sup>245</sup> See *Paramount Pictures Corp. v. Video Broadcasting Systems, Inc.*, 724 F. Supp. 808, 814 (D. Kan. 1989).

<sup>246</sup> See *id.* "Courts have recognized a § 32(1) action even where the infringer is using the actual protected trademark and not a counterfeit."

<sup>247</sup> See *id.* at 813.

<sup>248</sup> See *id.* at 814.

<sup>249</sup> See *id.* at 814 – 15.

Plaintiff's claims under the Lanham Act are built upon two types of alleged consumer confusion. First, whether an ordinary viewer of a videocassette, which was rented or purchased from a video retail store, would likely believe that Paramount actually produced and recorded the defendants' advertisement. Second, whether the ordinary consumer under the same circumstances would likely believe that Paramount is connected with or has sponsored the defendant's advertisement.

*Id.*

<sup>250</sup> See *id.* at 815.

In assessing the likelihood of confusion, the Tenth Circuit has usually applied several factors, originally stated in the Restatement of Torts § 729 (1938):

- (a) the degree of similarity between the designation and the trade-mark or trade name in
  - (i) appearance;
  - (ii) pronunciation of the words used;
  - (iii) verbal translation of the pictures or designs involved;
  - (iv) suggestion;
- (b) the intent of the actor in adopting the designation;
- (c) the relation in use and manner of marketing between the goods or services marketed by the actor and those marketed by the other;
- (d) the degree of care likely to be exercised by purchasers."

*Id.* at 815.

<sup>251</sup> See *id.* at 817.

fused or deceived as to whether the movie studios actually produced or authorized the production of the edited versions of their movies? Based upon similar reasoning under section 43(a), it is clear that consumers will not be confused. The movies are clearly labeled that the edits are performed by CleanFlicks. Additionally, while the studios allege that the edited versions and the original versions are sold in similar channels, those who want an edited version have to actively find a CleanFlicks store or go online and buy a copy from the website. Consumers are aware that the movies are not authorized or sponsored by the studios because they know that companies like CleanFlicks started due to Hollywood overlooking this market. As such, there should be a finding against trademark infringement under section 32(1).

While the studios try to argue that the edited videos result in unfair competition, it is difficult to see how. Although the court in *Champion Spark Plug* ruled that the defendants engaged in unfair competition because they refurbished plaintiff's used spark plugs,<sup>252</sup> it can be implied that the court made this decision because the defendant was in direct competition with the plaintiff. Instead of consumers going out and purchasing the plaintiff's new spark plugs, they would now purchase the defendant's used plugs. In the case of CleanFlicks, there is no "regular" version within this market to compete with. These consumers would never have purchased the movies in their unedited form. So, whereas the consumers who bought the refurbished spark plugs from the defendant previously did or would have bought the original spark plugs from the plaintiff, in this instance, consumers would not have purchased the original movies distributed by the motion picture studios. All that the edited video retailers are offering is a choice in the marketplace between the edited or original version of a movie and, without any finding of trademark infringement or deceptive marketing, there cannot be a finding of unfair competition.<sup>253</sup>

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<sup>252</sup> See *Champion Spark Plug v. Sanders*, 331 U.S. 125 (1947).

<sup>253</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 1 (1995):

One who causes harm to the commercial relations of another by engaging in a business or trade is not subject to liability to the other for such harm unless:

- (a) the harm results from acts or practices of the actor actionable by the other under the rules of this Restatement relating to:
  - (1) deceptive marketing, as specified in Chapter Two;
  - (2) infringement of trademarks and other indicia of identification, as specified in Chapter Three;
  - (3) appropriation of intangible trade values including trade secrets and the right of publicity, as specified in Chapter Four; or from other acts or practices of the actor determined to be actionable as an unfair

### B. *Other Video Editing Services*

It is apparent that the directors and motion picture studios do not have a valid claim under the Lanham Act against the providers of editing software. These companies only provide "masks" or "filters" of the movies to their customers and do not actually put any of the movies bearing the studios' or directors' marks in commerce, a requirement for trademark infringement under the Lanham Act.<sup>254</sup> Additionally, any use of the trademarks on the websites or on the masks of the companies selling this software is merely to refer to the movies which the companies offer masks for. This is a form of fair use in trademark law known as "nominative use" and is a defense to a trademark infringement claim.<sup>255</sup> Apparently, the movie studios seem to be aware that there is no claim for trademark violations against these companies, as they allege only copyright infringement claims against ClearPlay, Trilogy Studios, and Family Shield.<sup>256</sup>

### CONCLUSION

While both sides in this lawsuit present strong legal arguments regarding whose rights should be protected, it is not clear how a court would rule, as there are weaknesses to each side's arguments. Although the edited video retailers claim to purchase each videotape that they edit, they would only be protected under the first sale defense as long as they were to physically cut and splice each

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method of competition, taking into account the nature of the conduct and its likely effect on both the person seeking relief and the public;  
or

- (b) the acts or practices of the actor are actionable by the other under federal or state statutes, international agreements, or general principles of common law apart from those considered in this Restatement.

*Id.*

<sup>254</sup> See Lanham Act § 32(1), 15 U.S.C. § 1114 (2003).

<sup>255</sup> A nominative fair use is use of a trademark "where the defendant uses a trademark to describe the plaintiff's product, rather than its own." See *New Kids on the Block v. News America Publishing*, 971 F.2d 302, 308 (9th Cir. 1992). In this case, the defendants used plaintiff's trademarked name as a means of referring to them for purposes of taking a poll about the group. In holding that the defendant's actions fell under the doctrine of nominative fair use, the court expounded the test for invoking the defense:

A commercial user is entitled to a nominative fair use defense provided he meets the following three requirements: First, the product or service in question must be one not readily identifiable without the use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

*Id.*

<sup>256</sup> See *Motion Picture Studio Defendants' Answer and Counterclaims at 29 - 32, Huntsman and CleanFlicks of Colorado v. Soderbergh and the Directors Guild of America*, No. 02-M-1662 (D. Colo. filed Dec. 13, 2002).

videocassette tape or edit each particular DVD that they purchase. However, even if there were a one-to-one ratio between edited and original movies, copying a master edited version over each original version purchased would still violate the copyright owners' exclusive right to make copies. Additionally, even if the third-party editors' actions were covered by the first sale doctrine, if it is found that the edited movies are derivative works of the original movies or the underlying scripts, then the third party editors would not be able to avoid liability, as the first sale defense has not been found to exhaust the derivative works right. As to the companies providing software which edits movies as a consumer is watching a copy, the decision as to whether they will be liable for copyright infringement will most likely turn on a court's decision as to whether a derivative work was created, depending on the view of whether derivative works need to be fixed for infringement purposes. If a court rules that derivative works do need to be fixed, then under *Lewis Galoob*, the software companies should be able to avoid a finding of copyright infringement.

While the directors' plea for their moral rights cannot be addressed under the Copyright Act, it would appear that the *Gilliam* decision would protect the artists' creative integrity, as well as the motion picture studios' trademarks, under a claim of false designation of origin. However, based on a number of factual decisions a court makes, in terms of labeling and the substantiality of the edited content, that decision may not provide the support that the directors need. The case for trademark infringement against the edited video retailers may not be as strong either, since consumers purchasing these videos are not confused as to whether the movie studios endorsed or produced them. They seek out these edited versions for the sole reason that Hollywood has ignored their needs and preferences and does not provide these versions directly. What does seem clear is that the other editing services, the companies providing edited software, have strong legal grounds for defending this suit. However, it remains to be seen whether a court will rule in favor of Hollywood, which is trying to get a handle on a situation they have not been able to control, or CleanFlicks and other third party editors, who are trying to satisfy a market demand that Hollywood has failed to address.

#### RECOMMENDATION

Instead of going through with this lawsuit, the parties should come together to reach a solution that will satisfy the needs of all

players involved in this legal battle. As the President of CleanFlicks has stated, his intent was to reach a settlement with members of Hollywood.<sup>257</sup> However, with the strong feelings of animosity between the parties involved, this plan does not seem feasible. Nevertheless, it may be in the best interests of all parties to negotiate a licensing scheme, which addresses the needs of all players involved in this suit.

If the directors are concerned with maintaining their creative integrity and control over edited versions of their films, then the best thing for them to do would be to edit movies themselves and distribute them through CleanFlicks' outlets in order to reach this market. Because the studios and directors already exert control over edited movies that they provide for broadcast on television and airlines, it is clearly feasible for the directors to provide these edited versions to CleanFlicks. Instead of CleanFlicks purchasing movies from different stores, editing the movies themselves, and then re-selling them to its customers, the edited video retailers could purchase already edited movies directly from Hollywood and then sell or rent them in its stores, similar to a video rental store, such as Blockbuster or Hollywood Video. However, because these retail chains pay the studios a large amount of money per video that they rent to their customers,<sup>258</sup> it may not be financially sound or even feasible for CleanFlicks to pay these large amounts to the studios, since CleanFlicks is a considerably smaller corporation than these big video rental chains, with a smaller customer base.<sup>259</sup> Nevertheless, if both parties were willing to negotiate reasonably,<sup>260</sup> CleanFlicks might be able to enter into a revenue sharing arrangement with the studios, a practice that retail chains like Blockbuster

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<sup>257</sup> See DVD REPORT, 'Family Viewing,' *supra* note 20; *Update 1*, *supra* note 21; Horiuchi, *supra* note 16.

<sup>258</sup> Video Rental Chains usually pay the Movie Studios between \$65 - \$80 for each video cassette that they distribute through their stores. See Stephanie Anderson Forest, *Why It's Not a Blockbuster IPO*, BUSINESS WEEK, Aug. 29, 2002, at 34 [hereinafter *Blockbuster IPO*]; *Revenue-sharing Contracts Boost Supply Chain Performance*, CNET NEWS.COM, Oct. 18, 2000, at <http://news.com.com/2009-1017-247196.html?legacy=cnet> [hereinafter *Revenue-sharing Contracts*]. Blockbuster usually pays an average of \$17 each for DVDs. See Stephanie Anderson Forest, *Blockbuster: The Sequel*, BUSINESS WEEK, Sept. 16, 2002, at 52 [hereinafter *Blockbuster: The Sequel*].

<sup>259</sup> Blockbuster has 5,400 stores throughout the United States and is planning on opening up 120 to 140 new chains in each of the next four years, is expected to have sales of about \$8 billion by 2006, and has about 48 million customer accounts. See *Blockbuster: The Sequel*, *supra* note 258.

<sup>260</sup> CleanFlicks may have to be willing to be less stringent in terms of the content that it feels needs to be edited out in order for Hollywood to even consider providing edited films to this market. For example, Ray Lines has admitted that his edited versions go further than the ones edited for television by cutting out references to God. See Randy Weddington, *Family Business: Kinder, Gentler Video*, SUPERMARKET NEWS, Mar. 5, 2001.

and Hollywood Video have begun to engage in which permits them to provide multiple copies of the rented videos.<sup>261</sup> Under a revenue-sharing arrangement, the movie studios agree to cut the price that they charge the video rental chains for each videocassette to about three to eight dollars and, in exchange, the retail chains agree to give the studios a share of their revenue from rental fees, typically about forty percent.<sup>262</sup> This practice has proven successful, increasing rentals at Blockbuster by as much as seventy five percent.<sup>263</sup>

The Dove Foundation of Michigan and New Line Cinema have already negotiated an agreement. Under their agreement, New Line Cinema provides edited versions of its movies to consumers who want "family-friendly" videos.<sup>264</sup> The Dove Foundation, a group tied to Christian publishing which oversees the media and is dedicated to promoting wholesome family entertainment, has agreed to approve the videotape versions of New Line's films, which have been edited to remove graphic content, by placing a Dove Foundation "family edited" label on the packaging.<sup>265</sup> New Line Cinema has said that the edited versions under the Dove label are based upon the versions edited for airline and television broadcast.<sup>266</sup> A spokesperson from the Director's Guild of America even admitted that, as long as the filmmakers and studios have some control and they understand that they can make money, they could be persuaded to change the content of their films, especially if they believe that there is a broader market for edited films.<sup>267</sup>

If the movie studios and edited video retail chains were willing to enter into a revenue-sharing arrangement, and the studios agreed to provide CleanFlicks with edited movies which have already been created for other venues and markets at a relatively low price, while CleanFlicks agreed to turn over a percentage of their revenues from the rentals or purchases of these movies, then the needs of all parties involved in this lawsuit would be satisfied. Due

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<sup>261</sup> See *Blockbuster IPO*, *supra* note 258.

<sup>262</sup> See *Revenue-sharing Contracts*, *supra* note 258. For an example of a revenue-sharing agreement, see <http://techdeals.startup.findlaw.com/agreements/blockbuster/columbia.share.1998.08.25.html>.

<sup>263</sup> See *id.*

<sup>264</sup> Some of the edited movies put out by New Line Home Video include "The Bachelor," "Blast from the Past," "Lost in Space," and "The Mask." See Weddington, *supra* note 260.

<sup>265</sup> See Aguilar, *supra* note 5; see also *Homegrown Movie Edits Going Mainstream?*, DVD REPORT, July 22, 2002, Vol. 7, No. 14; *Editorial*, *supra* note 4; Luzadder, *supra* note 42; Weddington, *supra* note 260 (noting that the versions are sold through supermarkets, but had a mixed response from the public).

<sup>266</sup> See Weddington, *supra* note 260.

<sup>267</sup> See Aguilar, *supra* note 5.



to the high demand for edited movies in this market, CleanFlicks customers may be willing to pay a membership price in addition to a rental fee in order to have access to movies that they wish to see. If such an agreement were reached, the directors' and studios' alleged concern for creative control over the editing of their movies would be eliminated, and they would additionally receive a financial gain from providing movies to this new market. CleanFlicks would also be pleased because they would finally have the support and approval of Hollywood and would be able to stay in business. Additionally, the needs of CleanFlicks' customers would be satisfied, as Hollywood would finally provide movies for this previously ignored market. However, although CleanFlicks had allegedly tried to set up a licensing scheme with Hollywood to no avail,<sup>268</sup> with the filing of this lawsuit and the extreme disparity in the positions that these sides are adamantly committed to, it seems that any future amicable agreement between these parties is unlikely. Hence, it will be up to a judge in Colorado to determine whether CleanFlicks, Huntsman, and other third party editors and software providers may continue their practices and edit out objectionable scenes, or whether their customers will have to watch movies containing images of naked breasts and bullet-ridden bodies.

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<sup>268</sup> See Rojas, *supra* note 14.

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