

RECENT CASES

Academy of Motion Pictures prevents unauthorized trademark registration of its Oscar statuette in the United Kingdom, on the grounds that registration would violate Academy's copyright

"Oscar" has recently been the subject of international litigation between the Academy of Motion Pictures and a British company that used Oscar's name and figure, without authorization, as a trademark for radios, television and audio equipment. Proceedings were commenced by the Academy when the British company made an application to register the Oscar as its own trademark in the United Kingdom. The Academy filed opposition, arguing that the British company should be denied registration under British trademark law, because

registration would violate the Academy's copyright and because the British company did not own Oscar.

An Assistant Registrar of British trademarks rejected the Academy's opposition to registration. But that decision has just been reversed by the Chancery Division of the British High Court of Justice.

British trademark law prohibits the registration as a trademark of any matter whose use would be likely to deceive or cause confusion, whose use would not be entitled to protection, or whose use would be contrary to law or morality. The Academy argued that the British company's use of Oscar would violate this provision of British trademark law, because it would infringe the Academy's copyright to Oscar. Thus, although this was a trademark case, the most important issue became the validity of the Academy's copyright.

The Oscar statuette was executed by George Stanley, a Los Angeles sculptor, from a sketch made by Cedric

Gibbons at a meeting of the first Board of Governors of the Academy. The Academy registered its claim to copyright the statuette with the United States Copyright Office in 1941 and renewed the copyright in 1968.

Of critical importance in this case was the fact that the Academy registered the copyright as one to an unpublished work. This was important, because British copyright law provides protection for published American works only if they are simultaneously published in the United Kingdom. The Academy did not claim to have published Oscar in the United Kingdom - or in the United States - at any time; and thus the Academy's claim to copyright protection depended on acceptance by the British court of its contention that Oscar has never been published. (Under British law, unpublished American works are protected in the United Kingdom.)

The facts concerning "publication" of Oscar are these: approximately 1,300 Academy Awards have been

presented by the Academy since it was formed, and thus approximately 1,300 Oscar statuettes have been awarded and given out. Each recipient of an Oscar is required to sign an agreement in which he or she acknowledges the Academy's exclusive copyright to Oscar and promises to comply with the Academy's rules and regulations concerning the use of the particular statuette received by the award winner. The legal question was whether distribution of 1,300 Oscars under these circumstances constituted a "publication." The British High Court concluded that it did not.

British copyright law is similar to American copyright law in its definition of "publication." Under British law, publication means issuance of copies of the work "to the public." In this case, the court ruled that copies of Oscar have never been issued to the public, even though a large number of them have been awarded, because the statuette is issued only to Academy Award winners and

the use of the statuette by those winners is very carefully controlled.

Even though the Academy had been unable to present direct evidence that the British company had copied the Academy's Oscar, the court had no trouble finding that there had been copying. The court said that the similarities between the Academy's Oscar and the one presented for trademark registration were so "startling" that the British company's Oscar was "obviously a copy" of the Academy's.

Because the Academy has a valid copyright to its Oscar which is recognized by British law, and because the Oscar presented for trademark registration infringed that copyright, the British High Court ordered the registrar not to register the trademark. The court also agreed with the Academy that registration should be prevented for the -more direct" reason that the British company could not properly claim to be the owner of the Oscar mark.

In the Matter of the Application by Euroasian Equipment Limited to Register a Trademark and the Opposition of The Academy of Motion Pictures Arts and Sciences Thereto, United Kingdom High Court of Justice, Chancery Division, Patents Court (May 12, 1980) [ELR 2:3:1]

Warner Bros. production of the television movie "Dummy" did not breach any fiduciary duties to a prior holder of rights to the property

An action brought by NOW Productions, Inc. against Warner Communications, Inc., Ernest Tidyman Productions, Inc. and CBS, Inc. for inducing a breach of fiduciary obligations in connection with the television movie "Dummy" has been dismissed by a Supreme Court in New York County.

NOW had obtained the rights to produce a film and book based upon the lives of Donald Lang, a deaf mute accused of murder, and Lowell J. Myers, his attorney. NOW subsequently entered into A joint venture agreement with Tidyman whereby he agreed to write the book and screenplay. And NOW, Tidyman and Twentieth Century-Fox then commenced a joint venture to develop a full-length motion picture based upon the lives of Lang and Myers. Fox abandoned the production after Tidyman delivered a screenplay which Fox (in accordance with its contractual right) rejected as "not consistent with good craftsmanship." At that point, NOW, which had transferred its rights to Fox, was contractually entitled to repurchase those rights and proceed with the screenplay. NOW did not repurchase the rights. Indeed, in 1974, NOW assigned all rights, other than book rights, to Fox.

In 1976, Warner Bros. Television, a subsidiary of Warner Communications, became involved with the property. A producer under contract to Warner obtained a search report from the copyright office showing Fox as the sole owner of the material. Warner subsequently entered into and exercised an option agreement with Fox to purchase the property, obtained a copyright assignment and quitclaim agreement from Fox, and produced the television movie entitled "Dummy," which was written by Tidyman and broadcast by CBS.

NOW contended that the preliminary joint venture with Tidyman had created a partnership relationship and that NOW was therefore entitled to compensation and screen credit for "Dummy." The court found, however, that the joint venture of NOW and Tidyman terminated when Fox abandoned the project. Thus, when Warner entered the option agreement, all rights to the material belonged to Fox. The court concluded that Warner was not liable

for breach of fiduciary duties or inducing a breach of fiduciary duties since such a breach "could only occur while the joint enterprise continued, not after it terminated." Similarly, Warner did not incur any liability by hiring Tidyman since NOW had not shown that any agreement precluded Tidyman from writing the teleplay.

The court therefore reversed a lower court judgment and granted Warner's motion to dismiss the complaint.

NOW Productions, Inc. v. Ernest Tidyman Productions, Inc., 425 N.Y.S.2d 604 (1980) [ELR 2:3:2]

Eminent domain action by City of Oakland against Oakland Raiders is dismissed, because operation of professional football team is not a municipal function

One of the many cases making up what has been referred to as the "Super Bowl of litigation" has been dismissed by a California Superior Court in Monterey County. The case was an eminent domain action filed by the City of Oakland against the Oakland Raiders of the National Football League shortly after the Raiders announced their intention to move to Los Angeles. The Raiders' move had been encouraged by the Los Angeles Coliseum Commission when the Los Angeles Rams announced their intended move to Anaheim, California.

By its complaint, the City of Oakland sought to condemn all of the Raiders' rights to operate a professional football team pursuant to its NFL franchise and all of its player contracts. The City claimed that it intended to put the team to "a public use for economic and recreational purposes." In support of its case, the City introduced evidence that it would suffer severe economic loss if the Raiders were to leave Oakland.

California eminent domain law provides that property may be acquired by condemnation only for a public use, where the property is necessary to carry out a city's municipal functions. (Cal. Code of Civ. Proc. section 1240.010, and Gov. Code section 37350.5) In a motion for summary judgment, the Raiders contended that the City's action had not been initiated for these purposes, but rather had been filed in order to gain an unfair advantage over the Raiders in lease renewal negotiations, and that the taking of the Raiders was not necessary.

The court recognized that the "municipal functions" of a city are not fixed or static. Nevertheless, it held that the operation of a professional football team for "recreational purposes" or for "economic advantage" did not fall within any previous definition of "municipal function." The court did acknowledge that there is authority permitting cities to take property for recreational purposes such as parks and county fairs. But, the court said,

"it is a far different situation to take land for purposes of constructing a public park than it is to take Great America; or, to take land or buildings for purposes of constructing a County fair and race track than it is to take Golden Gate Fields." There appears to be a statutory policy against taking of private businesses to satisfy governmental needs, the court added. Furthermore, the court ruled, "The operation of a professional football team for recreational purposes or to make or save money is not a matter of general necessity."

Accordingly, the court granted the Raiders' motion for summary judgment.

Earlier this year, in another of the cases making up the "Super Bowl of litigation," a Federal District Court in Los Angeles issued a preliminary injunction enjoining the National Football League from enforcing its franchise relocation by-law. That by-law would have required a three-fourths vote of the teams in the NFL in

order for the Raiders to move to Los Angeles. (See ELR 1:9:6 for a report of an earlier decision in that case.) The injunction was stayed by the Court of Appeals, however, pending its decision on the NFL's appeal. The case has been briefed and argued to the Court of Appeals, and a decision is expected shortly.

City of Oakland v. Oakland Raiders, Ltd, California Superior Court, Monterey No. 76044 (June 6, 1980); Los Angeles Memorial Coliseum Commission v. National Football League, 484 F.Supp. 1274 (C.D.Cal. 1980) [ELR 2:3:3]

Arbitrator rules that production company was entitled to hire non-resident alien for the role of Eliza Doolittle in a revival of the play "My Fair Lady"

An arbitrator has ruled that the producers of a proposed revival of "My Fair Lady" were entitled to employ actress Cheryl Kennedy, a non-resident alien, in the role of Eliza Doolittle because the role demanded unique requirements which no United States resident could fulfill.

The relevant clauses of the production contract provided that non-resident alien actors could be employed with the approval of Actors' Equity Association. In order to qualify for such approval, the non-resident alien would have to document the "widespread acclaim and international recognition" associated with stardom, demonstrate that his or her prior and proposed work would require exceptional ability, and produce other evidence of outstanding financial and critical success. Arbitrator Daniel G. Collins initially determined that the evidence presented did not show that Ms. Kennedy met the requirements of the "Star" category.

Equity, alternatively, will support a producer's application to the Immigration and Naturalization Service for the temporary admission and employment of a non-resident performer if the producer demonstrates that the performer would be providing "unique services which cannot be performed by an existing member of Equity and that there are no persons within the United States capable of performing such services." In considering the unique demands of the role of Eliza Doolittle, Collins referred to an arbitration proceeding involving this question which took place prior to the 1976 Broadway revival of the show. At that time an English actress was ruled ineligible on the basis that the part was not -inherently demanding of skills unpossessed by American actors." An American actress was hired for the revival but, according to Collins, critics of the production "found the portrayal of Eliza Doolittle lacking linguistically and/or in a convincing, comprehensible role transition" (from

flower girl to lady). A stage manager and director who was associated with several productions of "My Fair Lady" testified that such productions were successful only when an English actress portrayed Eliza. The producers also stated that they had conducted a "widespread but fruitless" search for an American actress capable of an authentic portrayal of Eliza.

Equity contended that the 1976 production had received mixed rather than entirely negative reviews and that the testimony of Rex Harrison advocating an English actress should be discounted due to his involvement with the production and right of artistic approval.

The arbitrator concluded, however, that the producers had shown that Cheryl Kennedy would provide unique services and therefore was eligible for employment in the role of Eliza Doolittle.

In the Matter of the Arbitration between Don Gregory, Mike Merrick, and Dome Productions and Actors' Equity Association (March 4, 1980) [ELR 2:3:3]

Statute of limitations on libel action against Viking Press held to commence on release date of paperback edition of book

In 1978, Viking Press issued a paperback edition of the book "The Abuse of Power" by Jack Newfield and Paul DuBrul. The "paperbacks" were rebound copies of the hardcover edition of the book which had been published approximately one year earlier. A Supreme Court in New York County has ruled that a libel action against the authors and Viking, which was brought more than one year after the publication of the hardcover edition but less than one year after the paperback edition was

not barred by the state's one-year statute of limitations on libel actions.

New York's "one publication" rule provides that a cause of action for libel arises "when the finished product is released by the publisher for sale in accord with trade practice." The statute of limitations runs from that single publication or release date. But if the book is later reissued or republished, the statute will begin to run again from the release date of the reissued or republished edition. In this case, the court concluded that the publisher had held out the paperback as a new edition or publication since, among other factors, the book "was presented to the public as a new publication.... It had a different price. [And] It was published under a different trade name - 'Penguin Books' rather than 'The Viking Press'..." The libel action with respect to the paperback edition was therefore not time-barred.

Further, Viking had offered to rewrite the allegedly false statement about the public figure plaintiff in future printings. But the change was not made in the paperback edition because no reprinting was involved. The court found that an issue of fact existed regarding Viking's state of mind with respect to the truth of the statement as published in the paperback edition. The lower court's denial of the publisher's motion for summary judgment was therefore upheld.

The court also found that the authors' motion for summary judgment should have been granted because "the republication of the offending statement in the paperback edition was not a publication by the authors" - they had not decided to issue the paperback edition and had no control over its contents.

Rinaldi v. Viking Penguin, Inc., 425 N.Y.S.2d 101 (1980) [ELR 2:3:4]

Radio station did not commit "repeated" violations of FCC's personal attack rule, even though it did not offer victim an opportunity to reply until 19 days after the rule's deadline for doing so

A \$1,000 judgment entered in favor of the United States against radio station WIYN in Rome, Georgia, because of the station's violation of the FCC's personal attack rule, has been reversed by a Federal Court of Appeals.

The violation arose out of a program broadcast in 1971 during which the moderator characterized the Institute of American Democracy and its newsletter as "subversive" and "to the Far Left."

The FCC's personal attack rule provides that if the honesty, character, or integrity of a person (or

organization) is attacked during a broadcast concerning a controversial issue of public importance, the station must notify the person, provide a script or tape of the attack, and offer the person a reasonable opportunity to reply on the air. Furthermore, the rule provides that all of this must be done within seven days of the attack. (47 C.F.R. section 73.1920(a), formerly section 73.123(a))

WIYN never notified the Institute of American Democracy of the broadcast, never provided it with a script or tape of the broadcast, and did not offer it an opportunity to reply on the air until 27 days after the broadcast, after the FCC asked the station to respond to a complaint filed by the Institute.

Following administrative proceedings, the FCC found that WIYN had repeatedly violated the personal attack rule and ordered it to pay a \$1,000 forfeiture. Suit was then commenced in Federal District Court to collect the

forfeiture; and after a trial de novo, judgment was entered in favor of the government (see ELR 1:2:7).

Forfeiture is authorized by the Federal Communications Act only for willful or repeated failure to observe FCC rules or regulations. (47 U.S.C. section 503(b)(1)(B)) The FCC had not contended that WIYN's failure to notify the Institute had been "willful," and thus the issue in the case was whether it had been "repeated." The FCC argued that it had been "repeated," because the forfeiture section of the Communications Act provides that each day during which a violation occurs constitutes a separate offense. Thus, the FCC contended - and the District Court had agreed - that WIYN had committed 19 separate offenses when it failed to offer the Institute an opportunity to reply until 27 days after the broadcast (one offense for each day after the seventh day following the broadcast).

The Court of Appeals has disagreed and reversed, however. It has held that the station's failure to offer the Institute an opportunity to reply until 27 days after the broadcast was not a "repeated" violation of the personal attack rule. A station would commit a "repeated" violation of FCC rules if, day after day, it broadcast on a frequency other than its assigned frequency, broadcast above its assigned power output, or failed to maintain log books, the Court of Appeals observed. Although the distinction between these types of repeated violations and the violation committed by WIYN is "gossamer," the court said, "it is real."

In WIYN's case, it had "but a single, pointed duty" to fulfill. When the seventh day after the broadcast passed without WIYN having fulfilled that duty, a violation of the personal attack rule occurred. But, said the court, "the violation itself cannot be said to 'occur' each day thereafter." Thus, since WIYN's violation did not occur

each day after the seventh, its violation was not "repeated," and therefore no forfeiture was authorized.

United States v. WIYN Radio, Inc., 614 F.2d 495 (5th Cir. 1980) [ELR 2:3:5]

Professional baseball player covered by Florida workers' compensation statute for injury suffered at press party he was required to attend

At least twice in the last year, courts have had to decide whether professional athletes are covered by workers' compensation statutes for injuries sustained in the course of their employment. In both of those cases, the players argued that they were not covered by workers' compensation, while their teams argued that they were. The mason the players took the position the did is that

both players contended that their injuries were caused or aggravated by the negligence of their teams. Thus, both players filed tort lawsuits seeking to recover damages for their pain and suffering as well as any lost wages or medical expenses that may have had. The teams, on the other hand, argued that the players' exclusive remedies were under the workers' compensation statutes of their states, because damages for pain and suffering are not recoverable in workers' compensation cases. In both cases, the courts held that the athletes involved - one a football player and the other a baseball player - were covered, exclusively, by workers' compensation. *Ellis v. Rocky Mountain Empire Sports*, 602 P.2d 895 (Colo.App. 1979) (ELR 1:22:5); *Bayless v. Philadelphia National League Club*, 472 F.Supp. 625 (E.D.Pa. 1979) (ELR 1:14:6).

The Florida Court of Appeal has just decided another case involving this same issue. In this case, however, the

player - Arthur Miles of the Montreal Expos' farm club in West Palm Beach, Florida - argued that he was covered by Florida's workers' compensation statute, while the team argued that he was not. Miles was injured while diving into the Intercoastal Waterway during a press party that he and other players had been required to attend. Apparently, his injury was not the result of any negligence on the part of the team, and thus Miles did not have a tort claim against the team. In order to recover benefits under workers' compensation statutes, however, it is not necessary to establish that the employer was negligent. It is merely necessary to establish that the employee was injured in the course of his employment.

A Florida workers' compensation judge found that Miles was injured in an accident arising out of and in the course of his employment. Nevertheless, the judge denied Miles the benefits of Florida's workers'

compensation statute, because Florida's statute (unlike the statutes in the two earlier cases) specifically excludes professional athletes from its coverage.

A Florida Court of Appeal has reversed, however. It acknowledged that if Miles had been injured while playing baseball, he could not have received workers' compensation benefits. But it ruled that the "professional athlete" exclusion applies only to injuries sustained by athletes while performing the kind of work particularly associated with playing their sport. The court said that the press party Miles attended was not the kind of work particularly associated with playing baseball; and thus Miles was entitled to coverage.

Miles v. Montreal Baseball Club, 379 So.2d 1325 (Fla.App. 1980) [ELR 2:3:6]

Briefly Noted:

Film Distribution.

In an antitrust suit by the operator of a movie theatre in New York City's Times Square against neighboring theatres and certain motion picture distributors, a Federal District Court order precluding evidence (which was tantamount to a dismissal of the case) has been upheld by the Court of Appeals. The Court found that plaintiff's failure to comply with the magistrate's order compelling discovery was due to a total dereliction of professional responsibility amounting to gross negligence, and justified severest disciplinary procedures under Federal Rule of Civil Procedure 37.

Cine Forty-Second Street Theatre Corp. v. Allied Artist Pictures Corp., 1979 CCH Trade Regulation Reports, para. 62,778 (2d Cir. 1979) [ELR 2:3:6]

Copyright.

"How To Succeed In A Lawsuit Without Really Trying" and "A Funny Thing Happened On The Way To The Courthouse" were headings used by a Federal Court of Appeals in reciting the facts and setting the stage for the Court's reversal of a default judgment rendered against Harold Freeman, "no stranger to federal court, having been enjoined in 1969 from selling and offering to sell copyrighted movies." This action was brought in 1974 for violation of federal copyright laws and the 1969 injunction. The Court held that the default judgment, entered pursuant to Federal Rule of Civil

Procedure 37(b)(2)(C), was too drastic a remedy in this case, citing *National Hockey League v. Metro. Hockey Club*, 427 U.S. 639 (1976). The Court found that Freeman's "refusal to cooperate with respect to his deposition may have stemmed not from willful or deliberate disregard of judicial process or the rights of plaintiffs, but rather from confusion and ignorance" with respect to his Fifth Amendment privilege against self-incrimination. The Court also disapproved of the trial court's award of statutory damages because they had "been awarded without a hearing or a demonstration by detailed affidavits establishing the necessary facts."

United Artists Corp. v. Freeman, 605 F.2d 854 (5th Cir. 1979) [ELR 2:3:6]

Sports.

A suit by a student-athlete against the NCAA to enjoin a declaration of ineligibility, because the student's athletic award plus his Basic Educational Opportunity Grant (BEOG) exceeded NCAA limitations. was not mooted by the student's graduation or by a subsequent amendment to the NCAA Constitution to take into account the BEOG program, a Federal Court of Appeals has held. The court, however, dismissed the case because it did not pose a substantial federal question.

Wiley v. National Collegiate Athletic Association, 612 F.2d 473 (10th Cir. 1979) [ELR 2:3:7]

Labor.

The National Labor Relations Board has again declined to assert jurisdiction over labor disputes in the horseracing and dogracing industries. The NLRB found no basis to conclude that Congress, in enacting the "Interstate Horseracing Act of 1978," intended the Board to assert such jurisdiction, and the Board's current backlog of work would only be multiplied by asserting jurisdiction over a whole new industry.

American Totalisator Company, Inc. and The New York Racing Association, Inc., 243 NLRB No. 46, 1972 CCH Labor Law Reports, para. 15,955 [ELR 2:3:7]

Licenses.

Denial of an amusement license by a Rochester police chief was not an abuse of discretion, held the Appellate Division of a New York Supreme Court, where sufficient evidence was established that petitioner unlawfully used his night club to advance gambling by referring customers to card games at another location which he operated.

Hirsch v. Hastings, 417 N.Y.S.2d 363 (1979) [ELR 2:3:7]

Constitutional Law.

A North Carolina statute which provides that a single building that contains an adult bookstore, adult theatre,

adult mini-theatre, massage parlor, or sexual device wares cannot contain a second such "adult establishment," does not violate the First Amendment or the right of privacy, and does not deny equal protection of laws.

Hart Book Stores, Inc. v. Edmisten, 612 F.2d 621 (4th Cir. 1979) [ELR 2:3:7]

Constitutional Law.

An ordinance making it unlawful for any person to operate a "sexually oriented commercial enterprise" without a valid permit, and stating that no permit could be issued unless the applicant could show that the enterprise was at least 1500 feet from a child care facility, a church or place of worship, a dwelling, public building or public park, school, hospital or a building in which

alcohol was sold, does not attempt to zone businesses such as bookstores or movie theatres which fall within the protection of the First Amendment. Therefore, a Federal Court of Appeals has held that the ordinance's provisions are analyzed by the traditional standards applicable to zoning regulations. The Court found that "the zoning measures clearly overcome the 'arbitrary and capricious' standard.... [and] were a rational and understandable effort to deal with a perceived evil that affected living conditions in the area."

Stansberry v. Holmes, 613 F.2d 1285 (5th Cir.1980)
[ELR 2:3:7]

Obscenity.

Concededly innocent, non-obscene and inoffensive books and other matter imported into the United States in a package together with an obscene article are not required to be condemned, forfeited and destroyed by the terms of the Tariff Act of 1930, providing for the forfeiture of obscene matter imported from abroad. A Federal District Court in New York has held that the government's position that the "entire contents of the package" are subject to forfeiture and destruction is contradicted by the language of the statute and raises serious questions of conflict with the First Amendment. A separate adjudication of each item seized is required, and non-obscene matter must be admitted entry.

United States v. Various Items of Obscene Merchandise, 480 F.Supp. 264 (S.D.N.Y. 1979) [ELR 2:3:7]

Obscenity.

A Federal District Court in Indianapolis has held that an Indianapolis "obscene conduct" ordinance was preempted by state law; that another ordinance allowing the denial of a license to a person who permits illegal conduct to occur at his business premises is valid, because it is "content neutral" in that it does not single out adult theatres; but that another ordinance containing the words "immoral" and "obscene" which allows city licensing officials to consider the effect of the theatre business on the surrounding community is unconstitutional, because it lacks adequate guidelines and gives the licensing officials almost unlimited discretion regarding the grant or denial of a license.

Evansville Book wart, Inc. v. City of Indianapolis, 477
F.Supp. 128 (S.D.Ind. 1979) [ELR 2:3:7]

Invasion of Privacy.

An action for invasion of privacy against a newspaper for public disclosure of plaintiff's involuntary sterilization during her residence at a county home was properly dismissed upon motion for summary judgment, held the Supreme Court of Iowa. Recovery from the newspaper was precluded either because the information was already made publicly available under Iowa's Freedom of Information Act or because the trier of fact would be unable to find it was not newsworthy.

Howard v. Des Moines Register and Tribune, 285
N.W.2d 289 (Iowa 1979) [ELR 2:3:7]

Libel.

In a libel action against the Philadelphia Inquirer, a motion to compel discovery of a newspaper reporter's confidential sources and notes was denied by a Federal District Court in New York. Under Pennsylvania law which "shields" confidential communications to news reporters, the Court held that "in the absence of any constitutional right to a cause of action sounding in defamation, an individual's interest in vindicating this interest recognized by State law is clearly not as great as the public's interest in discovering crimes against the State."

Mazzella v. Philadelphia Newspapers, Inc., 479 F.Supp. 523 (E.D.N.Y. 1979) [ELR 2:3:7]

Libel.

A school teacher is not, as a matter of law, a "Public official," as that term is used in libel suits, held a Court of Civil Appeals of Texas.

Poe v. San Antonio Express-News Corp., 590 S.W.2d 840 (Tex. Civ.App. 1979) [ELR 2:3:8]

Public Contracts.

A contract between the Oregon State Department of Transportation and a filmmaker for the production of films of a bridge construction was held void because the contract was not awarded in compliance with Oregon's statutory bidding procedures for public contracts. The plaintiff in the case was an unsuccessful bidder.

Photo-Art Commercial Studios, Inc. v. Hunter, 600 P.2d 471 (Or.App. 1979) [ELR 2:3:8]

Previously Reported:

The following cases, reported in prior issues of the Entertainment Law Reporter, have been published (references are to Volume, Issue and Page numbers, in that order): Memphis Development Foundation v. Factors Etc., 616 F.2d 956 (1:22:1); Hoehling v. Universal City Studios, CCH Copyright Law Reports, para. 25,146, 205 USPQ 681 (1:24:4); CBS v. ASCAP, CCH Copyright Law Reports, para. 25,149 (1:24:1). [ELR 2:3:8]

NEW LEGISLATION AND REGULATIONS

Income from television licensing agreements is taxable to licensor in year when installment payments become due, not when agreements are entered into

The Internal Revenue Service has issued a Memorandum of Technical Advice explaining when income from television licensing agreements is taxable to the licensor. The question arose in connection with the audit of the income tax returns of an unidentified distributor who is engaged in the business of licensing movies and TV series to local television stations.

The distributor's agreements typically permit television stations to broadcast the licensed films one or more times during a five-year period. The license expires when the film has been broadcast as many times as the

agreement allows or when the five-year period expires, and the films are then returned to the distributor.

It appears that the question of when licensing fees paid by television stations to the distributor are taxable to the distributor arose, because such fees typically are paid before the five-year period expires, but not all at once at the time the agreements are entered into. In all likelihood, the agreements provide for installment payments to be made during the first two or three years of the licensing period.

For income tax purposes, the distributor in question always reported licensing fees during the year the installments became due. (For financial and book purposes, the distributor used the same method at first. From 1957 to 1972, however, it included licensing fees in income, for financial and book purposes, over the life of the agreement on a straight-line basis; and beginning in 1973, it included the entire fee in income, for financial

and book purposes only, in the year the films were delivered or made available to television stations.)

An examining IRS agent believed that television licensing agreements should be treated as "sales" of property, and that therefore all of the fees to be received pursuant to such agreements should have been reported by the distributor at the time the agreements were entered into. The IRS has determined otherwise, however. It has ruled that an agreement to exploit a copyrighted work is a "sale" only if the agreement grants the exclusive right to exploit the work throughout the remaining life of the copyright. In this case, the television licensing agreements in question were for no more than five years. All rights to the films revert back to the distributor at the end of that period. Television stations have no rights in the films except the right to broadcast them in their area during that five-year period. And thus the IRS ruled that

the licensing agreements in question could not be construed as a "sale."

Accordingly, the distributor was correct in reporting, for income tax purposes, licensing fees in the year in which they became due, and not all at once in the year in which the licensing agreements were entered into.

IRS Letter Ruling 8020001, 80(10) CCH Standard Federal Tax Reports, para. 6970V [ELR 2:3:4]

Copyright Royalty Tribunal adopts rule concerning content of claims for cable royalty fees

The Copyright Royalty Tribunal has adopted a final rule describing the content of claims that must be filed in July of each year by those copyright owners who are entitled to receive a portion of the compulsory licensing

fees deposited with the Register of Copyrights by cable television systems.

The rule requires that such claims contain the name and address of the copyright owner making the claim, a general statement of the nature of the owner's works which were carried on cable television (and which thus form the basis for the claim), and an identification of at least one cable transmission of the owner's work (establishing a basis for the claim). (The Tribunal rejected a proposal by certain sports claimants that claims be required to contain a complete listing of every copyrighted program for which a share of cable royalty fees is claimed.) In addition, any claim filed jointly by two or more copyright owners must include a concise statement of the authorization for the filing of the joint claim.

Further information concerning the claims procedure may be obtained from Mary Lou Burg, Chairman of the Copyright Royalty Tribunal, at (202) 653-5175.

Copyright Royalty Tribunal Rule Re Filing Claims to
Cable Royalty Fees, 37 CRF section 302.7, 45 Fed.Reg.
26958 (April 22, 1980) [ELR 2:3:5]

DEPARTMENTS

Book Note:

"Literary Rights Contracts: A Handbook for Professionals" by Richard Wincor

The title of this volume is more conventional than its contents. Though it begins with a chapter entitled "The Legal Background," this is not a law book, nor was it intended to be one. The author, a New York City lawyer with the Coudert Brothers firm, refers his readers to the

legal treatises - or to their lawyers - for information about "the law."

This volume is intended for professionals who want guidance in the preparation of contracts for the licensing of literary property. Most of this 215-page volume consists in fact of sample contract clauses. It is, however, much more than a form book, for in addition to the clauses themselves, the book contains the author's insightful comments on their purpose and effect. These comments are delivered in an almost conversational tone, so that the book as a whole reads much like the transcript of seminar talks on literary contracts. (The book's genesis was a seminar conducted by the author at the University of Amsterdam.)

The book is limited to the licensing of literary rights, and thus it does not discuss production financing or distribution. However, it gives equal treatment to stage, screen, television and merchandising rights. Indeed, it is

the author's well-founded thesis that in today's literary marketplace, it is difficult to predict which rights will - as a matter of financial fact - be subsidiary," and which will be the primary moneymakers.

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In the Law Reviews:

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