RECENT CASES

ASCAP and BMI blanket licenses for local TV stations do not violate antitrust laws, Federal Court of Appeals rules in reversal of District Court decision in Buffalo Broadcasting case

ASCAP, BMI and their members and affiliates must have breathed a collective sigh of relief last month when a Federal Court of Appeals in New York ruled that blanket licensing of local television stations has not been shown to violate federal antitrust law. The unanimous decision of the three-judge court reversed a 1982 ruling by Federal District Court Judge Lee Gagliardi in what has become known as the "Buffalo Broadcasting case" - so named because Buffalo Broadcasting Company, Inc. (the owner of WIVB-TV in Buffalo, New York) is the

lead plaintiff in the classaction suit. (ELR 4:9:1 and 4:19:2)

In a long-awaited ruling - the case was argued to the Court of Appeals on November 1, 1983 - Judge Jon 0. Newman held that the plaintiffs had not proved that blanket licensing of local television stations restrains trade. At first blush, this hardly seems remarkable, for the ruling is perfectly consistent with the results in similar cases that have upheld the use of blanket licenses in a wide variety of contexts. Most recently, the legality of blanket licensing of television networks was affirmed in CBS v. ASCAP (ELR 1:1:l and 1:24:1). Indeed, from the start, ASCAP and BMI have characterized the Buffalo Broadcasting case as nothing more than an "off-network re-run."

Judge Newman acknowledged that "arguably" the legality of blanket licensing of local TV stations was a foregone conclusion, given two earlier rulings in the

CBS case. In CBS, the Supreme Court noted that "the necessity for and advantages of a blanket license for [television networks] may be far less obvious than is the case when the potential users are individual television ... stations." The Court of Appeals then ruled - in a decision also written by Judge Newman - that CBS had not proved that blanket licensing of television networks restrains trade. "However," said Judge Newman in Buffalo Broadcasting, "it does not follow that the local stations lose simply because the CBS network lost." This was so because Judge Newman read his earlier decision in CBS as one that resulted from CBS's failure to prove that blanket licensing does restrain trade, rather than one which demonstrated that blanket licensing does not restrain trade. Hence, he decided that local stations should not automatically lose their case simply because CBS had failed to prove its case.

On the other hand, the Court of Appeals concluded that the local stations too failed to prove their case. The factual issue was whether there is a "realistically available" alternative to blanket licensing. If so, blanket licensing would not restrain trade, because music users could simply acquire the alternative form of license. The burden, however, was on the local stations to prove that alternatives were not realistically available. And this they failed to do.

Judge Newman explained that there was no evidence in the record to show that per-program license fees were too costly to be a reasonable alternative; and in any event, the ASCAP per-program fee is subject to judicial review under the ASCAP Consent Decree (pursuant to a procedure that puts the burden on ASCAP to justify the fee's reasonableness). Furthermore, there was no evidence in the record to show that local stations could not induce copyright owners to grant performance licenses

directly to stations (rather than through ASCAP and BMI). Indeed the evidence did show that at least one local station - KWTX in Waco, Texas - was able to obtain music performance licenses for all of its locally produced programs directly from copyright owners for as little as $118 per month. Also there was no evidence in the record to prove that the existence of blanket licensing in any way restrains negotiations between producers and copyright owners for source licenses which could be passed along to local stations when programs are syndicated.

Judge Newman contrasted this case with the case of NCAA v. University of Oklahoma (ELR 6:4:3). There the Supreme Court ruled that the NCAA football television plan did violate the antitrust laws because it was shown that there were no available alternatives to it; no college could enter into a contract for television

coverage of its football games, except pursuant to the exclusive and restrictive NCAA plan.

In a concurring opinion, Judge Ralph Winter endorsed the legality of blanket licensing in language that is stronger than that used by Judge Newman. It appears that Judge Winter does not view Buffalo Broadcasting as a failure-ofproof case. Rather, Judge Winter wrote that he believes that the case "demonstrates that the blanket license as presently used cannot have an anti-competitive effect," and he added that he hopes that Judge Newman's "analysis, used out of context, will not lead to future needless litigation over blanket licenses in the music industry."

The Buffalo Broadcasting Company and its fellow plaintiffs have announced that they will petition the Court of Appeals for a rehearing, and will take the case to the Supreme Court if necessary. Thus this case is not over yet.

Buffalo Broadcasting Company v. ASCAP, Docket No. 83-7058 (2d Cir., September 18, 1984) [ELR 6:5:3]

District Court decision in Buffalo Broadcasting case was not extended to CBS owned-and-operated stations even before decision was reversed on appeal

The District Court decision in the Buffalo Broadcasting case (see ELR 6:5:3) was given a narrow reading, even before it was reversed on appeal, in an interesting (though now settled) dispute between BMI and CBS. The dispute concerned the performance of music by CBS's five owned-and-operated stations in connection with their broadcasts of non-network programs such as locally produced news and syndicated shows.

On its face, Buffalo Broadcasting has nothing to say about the performance of music by network-owned

stations, because the case specifically confines itself to "local stations" which are defined as all stations except the fifteen owned by the three networks. Nevertheless, CBS sought to reap the benefits of the District Court judgment in Buffalo Broadcasting (temporary as those benefits since have turned out to be). And CBS came up with some creative, though unsuccessful, arguments in its effort.

Shortly after the Buffalo Broadcasting case was filed, BMI stipulated that local stations that were members of the plaintiff-class could extend their blanket licenses by continuing to make payments according to their then-existing license agreements. This stipulation did not apply to network-owned stations, because they were not members of the plaintiff-class. Nevertheless, BMI wrote to CBS and offered it the same arrangement for its owned-and-operated stations. BMI's letter also contained a "most-favorednations" clause which provided

that "in the event that any better license terms are secured by any other television station, your station will also be given the benefit of those terms."

Later, when the District Court decided Buffalo Broadcasting in favor of local stations, an order was entered rolling back blanket licensing fees to the 1980 level, pending the outcome of appeals. The order also provided that ASCAP and BMI could not cancel blanket licenses, until the District Court judgment took effect. In the meantime, CBS's blanket license for its owned-and-operated stations expired, and CBS and BMI could not come to agreement on a new one. BMI eventually canceled CBS's license, and when CBS's stations continued to broadcast programs containing BMI music, BMI filed a copyright infringement suit against CBS and sought a preliminary injunction barring any further such broadcasts.

Judge Charles S. Haight, Jr., of the Federal Court in New York City, denied BMI's motion for a preliminary injunction on what some would call a "technicality." The suit was brought in BMI's name alone - not in the name of any individual copyright owners. Though BMI usually sues in its own name, apparently its standing to do so had never before been challenged. This time, CBS did challenge BMI's standing' and Judge Haight held that as a nonexclusive licensee, BMI does not have standing to sue in its own name alone. Since this was an easily remedied defect, however, Judge Haight went on to consider the merits of BMI's case - or more particularly, the merits of CBS's defense.

CBS contended that as a result of the Buffalo Broadcasting order, BMI could not cancel other stations' blanket licenses; and thus, by virtue of the "most-favored-nations" clause of the letter it had received from BMI, BMI could not cancel CBS's blanket

license either. Judge Haight's response to this argument simply was that CBS had not agreed to the provisions of the BMI letter exactly as BMI had written it. Instead, CBS added language specifically dealing with its right - and the right of BMI - to cancel CBS's blanket license; and BMI had canceled it pursuant to CBS's very own language.

CBS also argued that the District Court decision in Buffalo Broadcasting - holding that BMI's blanket license violated the antitrust laws - demonstrated that BMI had been guilty of "copyright misuse." While Judge Haight acknowledged that a distinction could he made between the CBS Network and its owned-and-operated stations, and that CBS's owned-and-operated stations are "not practically distinct" from the local stations involved in Buffalo Broadcasting, he ruled that Buffalo Broadcasting "did not reach the question of network-owned stations." Furthermore, he ruled, "I decline to

extrapolate, by way of judicial fiat, that narrow, fact-based holding to an entirely different class of licensees."

Immediately after Judge Height's decision was announced, CBS and BMI reached agreement on a new blanket license for CBS's owned-and-operated stations.

Broadcast Music, Inc. v. CBS, Inc., CCH Copyright Law Reports para. 25,556, 221 USPQ 246 (SDNY 1983) [ELR 6:5:3]

ASCAP fails to win modification of Consent Decree provision concerning per-program licenses

Though ASCAP and BMI are business competitors they compete with one another for the affiliation of composers and music publishers - usually they are on the same side of lawsuits involving the legality of their

blanket licensing practices. Recently, however, they found themselves on the opposite sides of such a case, one that grew out of ABC's request to ASCAP for a price quote for "per-program" licenses for ABC's network broadcasts.

A per-program license is a blanket license for a particular program; and the fee for such a license is computed as a percentage of the revenues earned by that program only. On the other hand, a conventional blanket license covers all programs broadcast during a period of a year or more; and the fee is computed as a percentage of the revenues earned by all programs broadcast during that period. Broadcasters who have conventional blanket licenses do not need per-program licenses from the same performing rights organization. And therein lied the rub, as far as ASCAP was concerned, when ABC asked for a per-program license quote.

It looked to ASCAP as though ABC was going to let its blanket license lapse. And while this was distressing enough by itself, it also was the case that ABC had taken a blanket license from BMI. It thus appeared to ASCAP as though ABC intends to use as much BMI music as it can, and obtain a per-program license from ASCAP only for those particular shows that contain ASCAP music. This possibility was doubly distressing to ASCAP, because it fears that eventually ABC will encourage its producers to use BMI music, and composers and music publishers then will abandon ASCAP in favor of BMI.

Despite ASCAP's concerns about giving ABC a per-program price quote, ASCAP is required by law to do so by provisions contained in its 1950 Consent Judgment. Furthermore, the ASCAP Consent Judgment also provides that in the event a music user is dissatisfied with an ASCAP price quote, the user may petition a

Federal District Court in New York City to judicially fix a reasonable fee. According to ASCAP, its Consent Judgment places it at an unfair disadvantage vis a vis BMI.

ABC did petition the court to fix a reasonable per program license fee. In response, ASCAP made a motion for a modification to its Consent Judgment which would have relieved ASCAP of the obligation to issue per-program licenses to television networks holding blanket licenses from BMI.

Judge William Conner, who for the last nine years has been the judge responsible for Consent Judgment hearings, has denied ASCAP's application. Assuming that networks would take a blanket license from ASCAP or BMI, but not both, provided per program licenses are available from the other, Judge Conner reasoned that ASCAP and BMI would compete "fiercely" with one another to sell blanket licenses. Competition of this sort

is precisely the purpose of the antitrust laws, and of consent judgments, Judge Conner explained.

Moreover, Judge Conner was not convinced that networks would necessarily take blanket licenses from BMI rather than from ASCAP. BMI too has a consent decree. Although BMI's decree does not provide for judicial ratesetting, it does require BMI to price its per-program license so that music users have a realistic choice between perprogram and blanket licenses. ASCAP also asserted that ownership of BMI by broadcasters would cause them to favor BMI. But Judge Conner noted that the networks have not owned interests in BMI since the 1950s, and the relationship between the networks and BMI has been "highly adversarial, if not tempestuous."

For these reasons, Judge Conner ruled that ASCAP had not made the showing necessary to warrant modification of its Consent Judgment. He did add, however,

that "ASCAP is free to renew its motion at any time if it appears more probable that the consequences ASCAP has predicted will occur."

United States v. ASCAP, 586 F.Supp. 727 (SDNY 1984) [ELR 6:5:4]

California appellate court rules that Motown Records' contractual option to pay performer Teena Marie minimum annual compensation of $6,000 did not support the issuance of an injunction restraining alleged breach of performer's exclusivity clause

It is London in 1852 and reigning opera singer Johanna Wagner is engaged in a dispute with a concert hall owner. it is Los Angeles in 1984 and pop recording artist Tina Marie Brockert (professionally known as Teena

Marie) is engaged in a dispute with Motown Record Corporation. The apparent distance between these matters has been bridged by California appellate court Judge Earl Johnson who has ruled that a clause in Teena Marie's contract with Motown giving Motown the option to pay her $6,000 per year would not support the issuance of an injunction to restrain Teena Marie from breaching the exclusivity clause of the contract.

To begin at the beginning - in 1976, that is, not the early 1850s - Teena Marie entered into contract with Motown Record Corporation and Jobete Music Company as a recording artist and songwriter. Each contract was for an initial period of one year and granted the companies six options to renew the contracts for one year periods on the same terms as set forth in the initial contracts. Each contract contained an exclusivity clause providing that during the term of the contract, including any renewals, Teena Marie would not perform singing

or songwriting services for another employer. And, most significantly, the contracts provided each company with the option, exercisable at any time, to pay Teena Marie "compensation at the rate of not less than $6,000 per annum."

According to the court's report, prior to 1981, Teena Marie wrote songs for Jobete and recorded four successful albums for Motown. Her album "It Must Be Magic" achieved gold record status.

However, in May 1982, Teena Marie advised Motown and Jobete that she no longer would perform under the contracts, which "purportedly" were due to expire in April 1983, and gave written notice to the companies of her rescission of the contracts. In August 1982, Motown and Jobete sued Teena Marie for breach of contract and sought injunctive and declaratory relief. In September 1982, the companies exercised their options to pay Teena Marie at the rate of $6,000 per year. But in

November 1982, Teena Marie notified the companies that she had signed a recording contract with another company.

The trial court granted the companies a preliminary injunction which restrained Teena Marie from performing as a singer or songwriter for any other employer until April 9, 1983. The contracts at issue expired in April 1983 and Teena Marie now records for CBS Records.

Notwithstanding the fact that the contracts expired indeed, even though the parties settled their dispute - the appellate court rejected a motion to dismiss the case filed by Teena Marie's attomey, Donald Engel, and reversed the decision of the trial court.

Judge Johnson first set forth the relevant statutory provision, Civil Code section 3423 which provides, in part, that an injunction cannot be granted to prevent the breach of a contract, "other than a contract in writing for the rendition or furnishing of personal services from one

to another where the minimum compensation for such services is at the rate of not less than six thousand dollars per annum and where the promised service is of a special, unique, unusual, extraordinary or intellectual character, which gives it peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, the performance of which would not be specifically enforced."

The court pointed out that the question of whether an option to pay a performer at the rate of $6,000 per year satisfies the statutory requirement of minimum compensation to support the issuance of an injunction never has been addressed by an appellate court during the sixty-five year life of the code section. Thus, although April 9, 1983 has passed for most of us, the court determined that the appeal of the matter was not moot, because the case, in addition to presenting an issue of first impression, was found to be a proper subject for the court's

attention for several reasons: because the question of whether the preliminary injunction prohibited Teena Marie from recording or otherwise using songs produced or conceived on or before April 9, 1983 was not resolved; because Teena Marie may be entitled to recover for any damages caused by the injunction; and especially because the issue was one of public interest, affecting a large segment of California business, and is an issue which is likely to recur yet evade judicial scrutiny since disputed contracts on most occasions would expire pending appellate review.

Judge Johnson therefore proceeded to review the history of the minimum compensation requirement of section 3423 and its relationship to the long-standing principle of equity that a contract to perform personal services cannot be specifically enforced. Lumley v. Wagner, 42 Eng.Rep. 687 (1852), was the case that created a narrow and "not warmly embraced" exception to

this principle. The case involved a well known opera singer, Johanna Wagner, who had entered into a contract with an individual known as Lumley to perform at Her Majesty's Theater in London. The contract called for Wagner to perform twice a week for three months at the rate of 100 pounds per week; Wagner apparently also agreed not to perform elsewhere during the time of her engagement at the theater. The court would not specifically enforce the affirmative covenant requiring Wagner to perform at Lumley's theater, but did agree to restrain the alleged breach of the negative covenant not to perform elsewhere. Judge Johnson pointed out that courts at the time distinguished Lumley v. Wagner on the ground that the services of an exceptional artist, and a considerable amount of money, were involved.

When the California Civil Code was adopted in 1872, it did not include a Lumley exception to the rule prohibiting the specific performance of personal service

contracts. However, in 1919, the California Legislature amended section 3423 to enable a party to obtain injunctive relief to prevent the breach of a personal service contract where a $6,000 minimum annual compensation clause was included in the contract, if the service was "of a unique character the loss of which cannot be adequately compensated in damages."

The first of only two cases considering the $6,000 requirement was Foxx v. Williams, 244 Cal.App.2d 223 (1966), in which comedian Redd Foxx brought an action for an accounting, and for declaratory and other relief against the distributor of his record albums. The company cross-complained for injunctive relief to prevent Foxx from breaching the exclusivity clause of his contract.

The trial court granted an injunction restraining Foxx from making recordings for any other company so long as his royalties under the contract equaled or exceeded

the sum of $3,000 for each six month royalty period. But the appellate court found that since the royalty payments were entirely contingent upon sales of Foxx' albums, and therefore did not guarantee that Foxx would receive any money while the injunction was in effect, the royalty clause did not meet the statutory requirement for injunctive relief.

In MCA Records, Inc. v. Newton-John, 90 Cal.App.3d 18 (1979), MCA succeeded in obtaining an injunction to prevent Newton-John from breaching the exclusivity clause in her contract with MCA. Newton-John had contracted to record and deliver to MCA two albums a year for two years, and at MCA's option, additional albums in three periods of one year each. MCA agreed to pay royalties and a nonreturnable advance of $250,000 for each album recorded in the initial two year period and $100,000 for each album recorded in the option year. Newton-John was required to pay recording costs

out of her advances, and she argued that this obligation reduced the $100,000 payments in the option years below the $6,000 minimum required for the company to obtain an injunction. The appellate court, however, upheld the trial court finding that after deducting recording costs, Newton-John still was likely to net at least $6,000 per year, and that she controlled whether the $6,000 was received. Foxx was distinguished on the ground that the contract in Foxx lacked any means whereby Foxx would be guaranteed a $6,000 annual payment.

The result of these cases, stated Judge Johnson, was that record companies sought to include a clause in their contracts giving them the right at any time during the contract term to agree to pay the artist minimum compensation at the rate of $6,000 per year. Thus, "if the option clause meets the statutory requirement of minimum compensation, the company can buy its insurance policy on the courthouse steps on its way to seek an

injunction." But the view that the actual payment of $6,000 at any time meets the statutory requirement is erroneous, warned Judge Johnson - the contract itself must provide for the payment of this minimum amount.

An interesting issue that was raised but not decided by the court, given the ruling that the requirements of section 3423 were not met, was the question of whether the provisions in the Motown and Jobete contracts for setting off compensation independently, would have required the refusal of injunctive relief. The Motown recording contract provided: Any amounts paid under [the $6,000 compensation clause] may be credited against monies thereafter payable to you pursuant to this or any other agreement between [Motown] and you, or between [Motown's] associated, affiliated, or subsidiary corporations and you." The songwriting contract with Jobete contained almost the same language. Thus, if Teena Marie received $6,000 in 1982 from Jobete for

songwriting, she might be guaranteed no compensation from Motown for recording. In fact, Teena Marie did perform production and technical services for the companies. Again, if the compensation for these services totaled $6,000 per year, Teena Marie might well have received no payments under the "cagily drafted option clauses" of the songwriter and recording contracts.

And so, Judge Johnson arrived at the heart of the matter - that agreeing to payment at the rate of $6,000 per year is a "threshold requirement for admission of the contract into the class of contracts subject to injunctive relief under the statute." The option clause did not qualify the MotownJobete contracts for this class of contracts since it was analogous to the contingent payment arrangement rejected in Foxx and as such "It is nothing more than a new arrangement of an old song."

One nicety of this entire caper, which the court did not ignore, was the "magic" of the $6,000 figure. When

section 3423 was amended in 1919, the sum of $6,000 was significantly higher than the average national wage and probably was equivalent to setting the minimum compensation figure at $100,000 today. According to Judge Johnson, the legislature, by establishing this figure and by referring to the "special quality of services," indicated an intent that injunctive relief not be available against a performer, however capable, who had not yet achieved distinction, i.e., a person of "star quality." The option clause would "totally wash ... away" this aspect of the injunctive statute, stated the court.

Judge Johnson concluded by cautioning that above all, a minimum standard of fairness must be met as a condition to granting an injunction to enforce the exclusivity clause in a personal service contract. The $6,000 compensation requirement serves as a counterweight to balance the economic coercion available to an employer in the form of injunctive relief. But the $6,000 option

clause would allow record company employers to avoid the payment of minimum compensation "while retaining the power of economic coercion" - coercion which might discourage an artist from advancing his or her career with a more receptive employer.

Therefore, the Motown and Jobete contracts were found insufficient to support the issuance of an injunction restraining Teena Marie from performing for other employers, although the companies may seek damages from Teena Marie for the alleged breach of the exclusivity clause.

Motown Record Corporation v. Brockert, 2d Civ. No. 69060 (Cal.App., Sept. 17, 1984) [ELR 6:5:5]

Singer-songwriter Emmylou Harris wins copyright infringement action against record company that re-issued Harris album without her authorization; bankrupt licensee of Harris' compositions was not entitled to assign right to use songs on re-issued album, rules Federal Court of Appeals

Singer Emmylou Harris would be an apt choice to record the new country ballad "My Heart is Lost in the Misty Mom, But the Trustee in Bankruptcy Can't Take My Copyrights Away From Me," a composition (albeit as yet unwritten) inspired by a recent Federal Court of Appeals decision.

The song began in 1968, according to Judge Goodwin, when Harris entered into a written agreement with Jay-Gee Record Company to record songs in exchange for specified royalties. Harris recorded six songs which were released by Jay-Gee on an album entitled "Gliding

Bird." The album included five songs written and composed by Harris: "Fugue for the Ox," "Bobbie's Gone," "Clocks," "Black Gypsy" and "Waltz of the Magic Man." The sixth song, "Gliding Bird" was composed by Tommy Slocum. The copyrights to the five Harris compositions were held by Hannah Brown Music (a company wholly owned by Harris), Nanshel Music and Jubilant Music. The copyright in Slocum's work originally was registered, incorrectly, in the name of Hannah Brown Music, but Hannah Brown subsequently assigned the copyright to Nanshel Music.

In 1969, the three publishers issued mechanical licenses to Jay-Gee. In 197l, Jay-Gee went bankrupt and its trustee in bankruptcy sold part of the company's assets, including the master tape of the six songs comprising the "Gliding Bird" album, to Suellen Productions, Inc. Suellen, in tum, transferred the rights it had obtained in the "Gliding Bird" album to Emus Recordings.

In 1979, Emus re-released a duplicate of the Gliding Bird album with a new serial number and a different cover. Suellen and Emus then authorized Roulette Records to license foreign sales of the album.

Harris did not receive any royalties from Emus, Suellen or Roulette, so in November 1979, she sued them for copyright infringement. The District Court granted summary judgment in favor of Harris with respect to the song "Gliding Bird," and enjoined the Emus parties from further infringing the song. After a bench trial, the court also found that Emus had infringed the copyrights in the remaining five songs.

On appeal, Emus argued that a trial was required on the question of whether Suellen had acquired a mechanical license to manufacture and distribute recordings of the song "Gliding Bird" when the company purchased Jay-Gee's assets in bankruptcy Emus contended that Jay-Gee held two negotiated licenses to use the song

"Gliding Bird" - one contained in the Harris/Jay-Gee Recording Agreement, and one contained in the mechanical license obtained from Nanshel - and that these licenses were contract rights subject to transfer by the trustee in bankruptcy when Suellen purchased the master tape of the "Gliding Bird" album.

The recording agreement provided that "In the event you (Harris) record a musical selection in which you have an interest, direct or indirect, in such musical selection or any copyright thereof, the copyright royalty payable by us (JayGee) on such musical selection shall be one and one-half [cents] per selection per record side." The Nanshel mechanical license read: "You shall have all the rights which are granted to and all the obligations which are imposed upon, users of said copyrighted work (Gliding Bird) under the compulsory license provisions of the Copyright Act ... This license covers and is limited to one particular recording, or

phonograph records only, of the musical compositions set forth above as performed by the artist on the record number set forth above."

The Court of Appeals straightforwardly declared that "the ultimate question is whether copyright licenses can be transferred by a mere licensee," a question of first impression in the Ninth Circuit, according to Judge Goodwin. The court determined that such licenses are not transferable as a matter of law, citing in support of its ruling, patent law, cases from the Southern District of New York and Nimmer on Copyright. Judge Goodwin pointed out that Section 70(a)(2) of the Bankruptcy Act provides that "interests in patents, patent rights, copyrights and trademarks, and in applications therefore" are vested in the bankruptcy trustee. But a license is not an interest in a copyright for purposes of Section 70(a)(2), ruled the court. A copyright license cannot be transferred by the licensee without authorization. So although

the Emus parties obtained the master tapes, they did not thereby obtain a license to mechanically reproduce the compositions thereon.

With respect to Harris' own compositions, Judge Goodwin pointed out that the Emus parties had not obtained the requisite new mechanical licenses for the songs at the time they re-released the album. The fact that Jay-Gee and Harris negotiated the terms of the original mechanical license did not create a contract right which, as Emus argued, might be capable of assignment by the trustee in bankruptcy. The license indisputably was granted under, and with reference to, the terms of the Copyright Act. Thus, the re-release of the album without new mechanical licenses constituted copyright infringement.

The District Court's award of damages to Harris in the amount of $60,000 plus attorneys fees of approximately $34,000 also was upheld. The award, under the

Copyright Act of 1976, provided Harris with the maximum statutory damages permissible in the absence of a specific finding of wilfulness.

The court declined, however, to order the return of the master tapes to Harris. While "tangible embodiments" of the musical compositions may not be reproduced by the Emus parties, the ownership of the copyrights remains separate and independent from the ownership of the material tapes," concluded the court.

Harris v. Emus Records Corporation, 734 F.2d 1329 (9th Cir. 1984) [ELR 6:5:7]

CBS motion for summary judgment denied because a reasonable possibility of access existed in songwriter's copyright infringement suit involving Michael Jacksons "The Girl Is Mine"

Michael Jackson and Paul McCartney may both be wasting their time as the doggone girl may belong to neither of them. According to Marvin E. Aspen, a federal judge for the Northern District of Illinois, a "reasonable possibility" exists that Michael Jackson had access to Fred Sanford's song "Please Love Me Now" when Jackson wrote his hit song "The Girl Is Mine," and therefore the judge has denied CBS's motion for summary judgment.

The parties presented conflicting facts. According to Sanford, he visited CBS's offices in Rolling Meadows, Illinois on March 10, 1982 and played a tape of his copyrighted duet "Please Love Me Now." Because the song had commercial potential it was kept by CBS and given to its Director of Special Projects, Granville White. White phoned Sanford the next day and asked permission to send the tape to its Los Angeles office. A

few days later Sanford received another call from White in which Sanford was told that the tape had been sent to CBS's artists who were looking for material. Sanford further alleged that CBS knew that Jackson was behind schedule for his "Thriller" album, that he needed a duet to do with Paul McCartney, and that his agents and managers were in frequent contact with CBS Records in Los Angeles.

CBS denied these allegations. It maintained that Sanford never met with anyone at CBS on March 10, 1982, nor did anyone at CBS receive anything from him at that time. Furthermore, even assuming that CBS did receive his tape then, there was no evidence that the tape ever reached Jackson or CBS's offices in Los Angeles. Finally, CBS alleged that it has uncontested evidence demonstrating that Michael Jackson composed "The Girl Is Mine" before March 10, 1982 and therefore could not possibly have copied Sanford's song.

According to Judge Aspen, in order for Sanford to prevail in his copyright infringement action he must prove four things: "(1) ownership of the copyright in the complaining work; (2) originality of the work; (3) copying of the work by the defendants; and (4) a substantial degree of similarity between the two works." Furthermore, because direct evidence of copying is rarely available, Sanford may rely on circumstantial evidence to prove this element. The most important piece of circumstantial evidence is proof of access and there must be "at least some evidence which would establish a reasonable possibility that the complaining work was available to the alleged infringer."

In denying CBS's motion for summary judgment, Judge Aspen stated that CBS had the burden of clearly establishing that there was no genuine issue of material fact. Based on the facts as presented, however, he concluded that CBS failed to meet this burden because there were

many facts which were hotly disputed, the most important being, the question of access.

Sanford v. CBS, Inc., Case No. 83 C3373 (N.D.Ill., August 29, 1984) [ELR 6:5:8]

Apple Corps Ltd. granted preliminary injunction against unauthorized use of Beatles "Christmas messages"

A New York court has refused to "Let it Be" and has issued a preliminary injunction against the Adirondack Group's distribution of "John, Paul, George and Ringo," a collection of Beatles' songs known as "the Christmas messages," because the defendants' use of these songs was "a blatant act of piracy."

The "Christmas messages" were written and recorded from 1963 through 1969 and were sent at Christmas time to members of the Beatles' fan club. In 1970, these songs were compiled into an album and again sent as Christmas messages to the Beatles' fans. These songs were not available to the general public. Each time the songs were sent there was no charge but the Beatles clearly indicated that they (the Beatles) had reserved all rights to these songs.

Apple Corps Ltd., a British Company which had the exclusive right to exploit all performances of the Beatles as a group, is owned by the three surviving Beatles, Paul McCartney, George Harrison and Ringo Starr and by Yoko Ono, John Lennon's widow. It sought this injunction on the grounds that the Adirondack Group's distribution of "John, Paul, George and Ringo" constituted unfair competition and because it violated the group's right to publicity.

In rebuttal, the Adirondack Group argued that Apple Corps Ltd. lacked jurisdiction and that it had no rights in these recordings. It was the Group's contention that these songs were given as a gift by John Lennon to Peter Bennett, who, at the time the gift was allegedly made, was an employee of the Beatles' manager, Allen Klein. Bennett, in tum, sold the rights to these songs to the Group. The Group also argued that because the songs were sent free to members of the Beatles' fan club the songs were thrust into the public domain.

Justice Greenfield was not persuaded by the Group's assertion that Apple Corps Lid. lacked jurisdiction. "Since it is claimed that defendants have committed and are about to commit further tortious acts within state ... there is no question but that this court has jurisdiction."

The court was equally unpersuaded by Bennett's claim of ownership to the rights to the songs comprising "the Christmas messages." For one thing, Bennett's claim

was not substantiated by documentation of any kind. Similarly, the fact that Bennett did not capitalize on these songs during the height of the Beatles' popularity was highly suspect.

In discussing the defendants' unauthorized attempt to promote these songs, Justice Greenfield held that the Group did not escape liability by using the name "John, Paul, George and Ringo" rather than the group name - the Beatles. "Four persons named 'John, Paul, George and Ringo' will not be taken by the public as a reference to the Moskowitz Brothers, to the Pope and two other people or to anyone else except the members of the best known singing group in the world. These four names taken together acquired a secondary meaning and the Beatles are entitled to protect their name from exploitation."

Furthermore, not only were the defendants misappropriating the names of the Beatles, they also had intended

to sen the recorded performances of the Beatles for their own gam. "Where the apparent purpose is to reap where one has not sown, or to gather where one has not planted, or to build upon, or profit from, the name, reputation, good will or work of another' such actions will be enjoined as unfair competition."

Finally, Justice Greenfield rejected the Group's contention that the dissemination of the "Christmas messages" thrust the work into the public domain, because in each case where the recordings were distributed all rights. to the manufacture and distribution of the recordings were expressly reserved.

Because enough evidence had been established to warrant an injunction, the court did not address the alleged violation of the Beatles' right to publicity.

Apple Corps Limited v. The Adirondack Group, 476 N.Y.S.2d 716 (Sup. 1983) [ELR 6:5:8]

Country music television show is entitled to copyright protection as a compilation, even though individual elements were not original; but denial of preliminary injunction against competing show is affirmed on appeal on balance-of-hardships grounds

In 1981, Betty Combs and others developed a television program featuring children performing country music. The show was entitled "The Country Kids Show." During the filming of the show, a dispute arose between Ms. Combs and the parents of some of the children performers. As a result, the parents withdrew their children from the cast of "The Country Kids Show" and formed a new country music program also based on the theme of children performing country music, under the name "Kids 'N Country."

Combs assigned her rights in the show's concept and script to Apple Barrel Productions, Inc., which then sued the latter country music show claiming copyright infringement, trademark infringement, disparagement, misappropriation, unfair competition and false designation of origin. Apple Barrel also applied for a preliminary injunction in order to enjoin the defendants from using the name "Kids 'N Country" (or any similar words to it), from producing a children's country music show, and from marketing country music items for sale.

The District Court denied Apple Barrel's motion for a preliminary injunction and Apple Barrel appealed. On appeal, Apple Barrel argued that the lower court had improperly analyzed its copyright infringement claims because the lower court had divided "The Country Kids Show" into three distinct elements - script, design and format - and then had analyzed whether each component was original and copyrightable. Based on this analysis,

the lower court found that the dialogue was not the same in the two shows; the songs performed in the Apple Barrel show were not original; and that the design elements of the show (costumes, hay bales, American flags, etc.) were not original or copyrightable. As a result, the lower court determined that each component (script, design and format) was neither original nor copyrightable, and therefore concluded that "The Country Kids Show" was not entitled to copyright protection.

Apple Barrel argued that the lower court's dissected analysis was incorrect because "The Country Kids Show" was a "compilation, assembling preexisting materials, selected and arranged in such a way as to result in an original work of authorship" and was indeed entitled to copyright protection.

On appeal, Judge Jerre S. Williams reasoned that even though elements of the "The Country Kids Show" may not be original or copyrightable, the Show as a whole

might be a copyrightable compilation, and thus the lower court erred in basing its copyright infringement analysis on the individual elements of script, design and format. Instead, "The Country Kids Show" should have been scrutinized by the lower court in its entirety.

Nevertheless, the Court of Appeals upheld the denial of the preliminary injunction. Judge Williams concluded that based on a balance of hardships analysis, Apple Barrel failed to show that the threatened injury to it outweighed the threatened harm to the defendant.

Ironically, Judge Williams found that the showing made by Apple Barrel demonstrated that the rival country music show, would suffer equal harm if an injunction did issue. Apple Barrel tried to show by expert testimony that without the injunction, the country music show which hit the television market second would be viewed by the television audience as a "copy cat" thereby limiting its chances for success. This strategy

backfired because Judge Williams concluded that granting the injunction would, in essence, give Apple Barrel a monopoly on the children country music idea and would relegate the enjoined show, "Kids 'N' Country," to the status of "copy cat," the very status Apple Barrel was seeking to avoid. Judge Williams reasoned that without an injunction, at least each show would have an equal chance to succeed in the television marketplace.

Apple Barrel Productions, Inc. v. Beard, 730 F.2d 384 (5th Cir. 1984) [ELR 6:5:9]

Dell Publishing may not recover $14,000 advance paid to author, because Dell breached implied good faith obligation to provide editorial assistance prior to rejecting manuscript as "unsatisfactory" in content

Combat continues on a new front in the ongoing publisher-author conflict (see e.g., Zilg v. Prentice-Hall, ELR 5:11:10). The latest confrontation originated in May 1974 when author Julia Whedon entered into a contract giving Dell Publishing Co. exclusive publication rights to a novel then tentatively tided Over the Limit. The contract provided, in part, that Whedon would deliver the work to Dell "in form, style and content satisfactory to Dell on or before March 15, 1975. If the Author fails to so deliver, then the Author shall, at Dell's request, promptly return to Dell any payments made to the Author pursuant to this Agreement." Dell agreed to pay Whedon $20,000 as a minimum guarantee: $8,000 was payable on the signing of the contract; $6,000 on Dell's acceptance of the first half of the manuscript; and $6,000 on Dell's acceptance of the

completed manuscript. These payments were to be applied against royalties earned by Whedon.

In early 1977, Whedon submitted the first portion of the manuscript to Dell editor Ellis Amburn. Amburn, according to Whedon, was enthusiastic about the manuscript and did not offer any suggestions for revisions. Dell paid Whedon the $6,000 installment and Whedon continued work on the manuscript as before, with little communication with Amburn.

In February 1978, Whedon submitted the completed manuscript to Dell. Amburn's response was not overwhelming. Basically, Amburn told Whedon that the book was not what the company expected. In a March 1978 memo, Amburn noted that Dell was declining the completed manuscript, was canceling the contract with Whedon, and would seek the return of the $14,000 previously paid to the author.

In April 1978, Doubleday & Co. (the parent company of Dell, but with separate editorial and business operations) accepted Whedon's novel and paid her a $15,000 advance. Whedon met with Doubleday's editor, and revisions were suggested and made. The book was published in 1981 under the name A Good Sport and received favorable reviews.

In April 1981, Dell sued Whedon to recover the $14,000 advance, alleging that Whedon had failed to deliver the manuscript by the contractually specified March 15th, 1975 deadline. The late-delivery allegation later was deleted. But Dell added the charge that Whedon had failed to deliver a manuscript that was satisfactory to Dell in form, style and content.

A Federal District Court in New York City has stated that the sole issue in dispute was whether Dell had a prerejection implied good faith obligation to offer Whedon the opportunity to revise her manuscript with Dell's

editorial assistance. It held that "Dell had such an obligation which it failed to fulfill." Dell argued that its only obligation under the contract with Whedon was that the company have a good faith belief that the manuscript was unsatisfactory. But the court noted that Dell had reviewed and approved Whedon's 12-page outline and paid the author a total of $14,000 "without any suggestion that a change in form, content or style was necessary or even desirable" in the balance of the novel. Dell owed Whedon, according to Judge Edward Lumbard, "at the very least" a detailed explanation of any problems with the manuscript and an opportunity to revise it in accordance with editorial suggestions. Dell did not rebut Whedon's testimony that she received no editorial assistance from anyone at Dell at any time after submitting the completed manuscript. Hence, Dell's "sudden turn-about" without any reason was evidence of a lack of good faith, stated the court.

The court found support for its ruling in the decision in Harcourt Brace Jovanovich, Inc. v. Goldwater (ELR 4:5:4). In that case, a Harcourt Brace editor who had certain reservations about the uncompleted manuscript of Barry Goldwater's memoirs failed to communicate these reservations to Goldwater or to writer Stephen Shadegg, and also made no suggestions about revisions. Eventually, Harcourt Brace rejected the book without providing any editorial comments or opinions. The court in Goldwater held that "there is an implied obligation in a contract of this kind for the publisher to engage in appropriate editorial work with the author of a book." Harcourt Brace, having "willfully failed" to engage in such editorial work, was not entitled to the return of its advance payment.

Dell attempted to distinguish its position from the Goldwater case on the ground that Dell had not shown any malice toward Whedon or "lack of bona fide

commitment to the contract prior to rejecting the manuscript as unsatisfactory." This argument, even if true, was irrelevant, stated the court since the reason for Harcourt Brace's failure to provide editorial assistance was not the basis for the holding in Goldwater. Dell then noted that Whedon's work, as a novel, rather than nonfiction, did not call for significant editorial assistance. The testimony of an expert witness did suggest that less editing is done with fiction than nonfiction, but that the same general nature of editorial work is done. The court also pointed out that Dell could not successfully argue that Whedon delivered a manuscript that was "unsalvageable" even with editorial comments or assistance because Doubleday successfully published the novel following normal editorial revisions.

Dell also cited the case of Random House, Inc. v. Gold (ELR 1:3:3) in which the court suggested that a publisher's belief that a manuscript is unsatisfactory need

only be held "honestly and in good faith." But Judge Lombard noted that it appeared that Random House had not seen any portion of the Gold manuscript until it was completed. The company then gave the author an opportunity to revise the work pursuant to certain suggestions. It was only after reviewing the revised manuscript that Random House concluded that the work was unsatisfactory in form and content and terminated its contract with Gold.

The court concluded that Dell breached its implied obligation to provide Whedon with editorial comment and an opportunity to revise, and that Whedon, as a result, was released from any obligation to return the $14,000 advance. Whedon also was discharged from her obligations under the contract with Dell including Whedon's grant of exclusive publication rights in the manuscript. The author therefore was free to resell the manuscript without obtaining a release from Dell.

Also unsuccessful was Dell's argument that Whedon was unjustly enriched by retaining the $14,000 advance from Dell while reselling the manuscript to Doubleday for a $15,000 advance. Judge Lombard calculated that Whedon was entitled to her full "expectation interest" under the contract with Dell, i.e., $20,000, which she was prevented from receiving in full by Dell's nonperformance. Thus, any unjust enrichment argument would pertain only to $9,000 of the $29,000 Whedon received from the publishers. However, Dell did not introduce evidence to establish that Whedon was unjustly enriched. Whedon was required to locate another publisher and then engage in revisions of the manuscript. The revisions may have been necessary if Dell published the work, but this was "speculation" in which the court declined to engage. The court also followed the Gold and Goldwater implicit rejection of a Uniform Commercial Code principle that a seller may not retain double profits

from resold goods. (In both cases, the right of the first publisher to recover an advance was decided without regard to the advance from the second publisher.)

Dell Publishing Co., Inc. v. Whedon, 577 F.Supp. 1459 (S.D.N.Y. 1984) [ELR 6:5:10]

New York court denies injunctive relief to publisher claiming breach of its right to exercise option on author's second book

In November 1983, Permanent Press, a publisher in Sag Harbor, New York, entered into what it thought to be an ironclad contract with author Diane Mayo whereby Permanent agreed to publish Mayo's book "Murder at Bean and Beluga." After the book was published and received good reviews, Mayo signed a

contract with St. Martin's Press, pursuant to which St. Martin's was to publish Mayo's next book "Murder at the Big Store." Permanent notified St. Martin's and Mayo that Permanent's November 1983 contract contained a clause which obligated Mayo to first give Permanent Press the option to publish subsequent books by the author. The company then proceeded to seek injunctive relief in connection with the scheduled August 15, 1984 release of the book. St. Martin's and Mayo pointed out that the option clause did not specify the number of Mayo works subject to option, and that the lack of this material term rendered the contract vague, indefinite and incapable of enforcement.

A New York county court on Long Island has refused to issue the requested injunctive relief on the ground that Permanent Press could be compensated in damages if it prevails on the merits of its action, and that the harm, via lost sales, to St. Martin's and to Mayo's career would

far outweigh the possible intangible harm to Permanent Press.

Shepard v. Mayo, New York Law Journal, p. 12, col. 4 (N.Y.Sup.Ct., Suffolk Cnty., Sept. 6, 1984) [ELR 6:5:11]

Book publisher denied summary judgment in breach of contract action against Bette Davis and professional writer for alleged failure to deliver manuscript "satisfactory in form and content"

William Morrow & Company has been denied summary judgment in its action against actress Bette Davis and professional writer Mickey Herskowitz for breach of contract for the writers' failure to deliver a manuscript "satisfactory to the publisher in form and content" and

for recovery of the advance paid to the writers. The contract between the parties required the writers to deliver, by October 15, 1981, a manuscript described as an "untitled first person autobiography of Bette Davis by Bette Davis with Mickey Herskowitz."

A Federal District Court in New York described the conflicting positions of the parties as follows: Davis viewed the book, not as a "conventional" autobiography, but as an opportunity to express her thoughts and impressions and to describe significant events in her life. Morrow anticipated a more chronological and self-inclusive book. And Herskowitz stated that a Morrow-type manuscript was drafted and that the manuscript as delivered was satisfactory to Morrow, but that Davis refused to authorize this manuscript. Davis responded that Morrow pressured Herskowitz to deliver a manuscript unacceptable to her, and thus breached its duty of good faith and fair dealing.

The unresolved material factual issue as to the meaning of the contractual term "autobiography" rendered summary judgment inappropriate, declared Federal District Court Judge Duffy.

William Morrow & Company v. Davis, 583 F.Supp. 578 (S.D.N.Y. 1984) [ELR 6:5:11]

Billy Sims of NFL Detroit Lions not bound by contract with USFL Houston Gamblers due to agent's breach of fiduciary duty when negotiating Gamblers contract

"No man can faithfully serve two master's whose interests are in conflict." This maxim has once again become the basis for another court decision. At issue here was whether star running back Billy Sims of the NFL:s

Detroit Lions was bound by an earlier contract entered into with the USFL's Houston Gamblers - a team in which his own agent, Jerry Argovitz, had an ownership interest. A Federal District Court has ruled that rescission of the Gamblers contract was the appropriate remedy, because Argovitz's breach of his fiduciary duty to Sims during negotiations for the Gamblers' contract was "so pronounced, so egregious, that to deny recision would be unconscionable."

In early 1983, when Sims was in the last year of his contract with the Lions, Sims' agent, Jerry Argovitz, and the Lions were in the process of negotiating a new contract for Sims. Sometime in February or March of 1983, Argovitz informed Sims that he (Argovitz) had applied for a Houston franchise in the newly-formed United States Football League. In May 1983, Sims attended the press conference in which Argovitz announced the approval of his application for the Houston franchise.

However, Sims was not aware of the extent of Argovitz's interest in the new franchise.

Prior to the approval of his application for the USFL franchise and shortly thereafter, Argovitz continued his negotiations with the Lions on behalf of Sims. From April through June of 1983 negotiations between Argovitz and the Lions were progressing normally. The evidence established that on June 22, 1983 Argovitz and the Lions were very close to reaching an agreement on the value of Sims' services.

Then, "in the midst of his negotiations with the Lions and with his Gamblers franchise in hand, Argovitz decided that he would seek an offer from the Gamblers." One of Argovitz's partners in the Gamblers, Bernard Lerner, agreed to negotiate a contract with Sims on behalf of the Gamblers. Since Lerner admittedly had no knowledge of football, the court inferred that Argovitz told Lerner the amount of money required to sign Sims

and of the necessity to obtain Sims' services. On June 29, 1983, Sims went to Houston to negotiate with the Gamblers, a team that was partially owned by his own agent. At that time, because virtually all the information Sims had received had come from Argovitz, Sims was under the impression that the Lions had not been negotiating in good faith and were not interested in his services.

On June 30, 1983, Lerner offered Sims a $3.5 million fiveyear contract. The offer included a $500,000 loan from which Argovitz planned to receive the $100,000 balance of his fee for acting as an agent in negotiating a contract with his own team. Argovitz told Sims that he thought the Lions would match the Gamblers' offer and asked him if he (Argovitz) should telephone the Lions. Sims, his ego bruised by the belief that the Lions were not interested in his services, told Argovitz not to call the Lions. During the Gambler-Sims negotiations, the

Lions phoned Argovitz who declined to accept the call. Moreover, Argovitz did not attempt to return the call until after Sims had agreed to become a Gambler, but by this time the Lions' negotiator had already left for the July 4th weekend.

On July 1, 1983 Sims signed the Gamblers contract. Argovitz was not present at the signing, however. At this time, Lerner advised Sims that Argovitz's position with the Gamblers presented a conflict of interest and that Sims could obtain an attorney or another agent if he wished. Sims did not.

On November 17, 1983 Argovitz represented to Sims that certain pages of his contract were mistakenly overlooked and now needed to be signed. Included among the papers was a waiver of any claim that Sims might have against Argovitz for his conflict of interest. Sims did not receive independent advice regarding the

wisdom of signing such a waiver, nor did Argovitz suggest the use of independent counsel. Sims signed the waiver.

Sims, having signed the Gamblers' contract on July 1, 1983, signed a second contract with the Lions on December 16, 1983. On December 18, 1983 the Lions and Sims filed suit seeking a judicial determination that the July 1, 1983 Gamblers' contract was invalid because of Argovitz's breach of his fiduciary duty and because the contract was otherwise tainted with fraud and misrepresentation.

Federal District Court Judge DeMascio has ruled that Sims was entitled to rescission of the Gamblers contract.

Judge DeMascio first noted that although Sims was present at the press conference where Argovitz announced the approval of his application for a USFL franchise, "Argovitz could not justifiably expect Sims to comprehend the ramifications of (his) interest in the

Gamblers or the manner in which that interest would create an untenable conflict of interest, a conflict that would inevitably breach Argovitz's fiduciary duty to Sims. Argovitz knew, or should have known, that he could not act as Sims' agent under any circumstances when dealing with the Gamblers." Judge DeMascio added that even the USFL Constitution itself prohibited the holder of any interest in a member club from "acting as the contracting agent or representative for any player."

Judge DeMascio also found that Sims had told Argovitz not to call the Lions regarding the Gamblers' offer "for purely emotional reasons," and that Argovitz should have realized this because of the "extremely close relationship between Argovitz and Sims." The court concluded that "at that moment, Argovitz irreparably breached his fiduciary duty. As an agent for Sims he had a duty to telephone the Lions, receive its final offer, and

present the terms of both offers to Sims. Then and only then could it be said that Sims made an intelligent and knowing decision to accept the Gamblers' offer."

The court went on to add that Argovitz's breach of his fiduciary duty became even more pronounced when he declined to accept the call from the Lions. Argovitz asserted that he was merely following Sims' instructions. The court concluded that "although it is generally true that an agent is not liable for losses occurring as a result of following his principal's instructions, the rule of law is not applicable when the agent has placed himself in a position adverse to that of his principal."

The court emphasized that "Argovitz's conflict of interest and self dealing put him in a position where he would not even use the wedge he now had to negotiate with the Lions, a wedge that is the dream of every agent." Two expert witnesses, Mr. Woolf and Mr. Lustig, both testified that the common practice was for

an agent "to telephone a team that he has been negotiating with once he has an offer in hand." Mr. Woolf stated that "an offer from another team is probably the most important factor in negotiations." Judge DeMascio concluded that Argovitz did not follow the common practice because of his fear of losing Sims to the Lions.

The court also emphasized that "in spite of his fiduciary duty he had Sims sign a waiver without advising him to obtain independent counseling." As Judge DeMascio stated, "this was another example of the questionable conduct on the part of Argovitz."

Detroit Lions, Inc. and Billy Sims v. Argovitz, 580 F.Supp. 542 (E.D.Mich. 1984) [ELR 6:5:12]

Minnesota Vikings and Metrodome Stadium Commission granted summary judgment in suit brought

by USFL franchise applicant alleging antitrust and constitutional rights violations

A Federal District Court in Minnesota has dismissed an action brought by Thomas Scallen against the Minnesota Vikings and the Metrodome Stadium Commission. In granting the Vikings' motion for summary judgment, the court held that Scallen lacked standing to assert his antitrust claims, and had failed to allege a satisfactory basis for jurisdiction over his constitutional claims.

In January 1983, the Executive Committee of the newly formed United States Football League conditionally awarded Scallen a franchise for the St. Paul-Minneapolis area beginning with the 1984 season. To obtain the USFL franchise, Scallen had to pay $2.5 million by February 15, 1984 and obtain an acceptable lease for use of the Metrodome. No deadline was provided for the stadium lease. "The USFL representatives

considered the cash payment to be the initial and fundamental condition for obtaining the franchise."

Scallen had been working to meet these conditions both before and after the USFL conditionally agreed to award him the St. Paul-Minneapolis franchise. However, Scallen faced an obstacle in obtaining a lease for the Metrodome because the Vikings already had a lease for the Metrodome giving the Vikings the exclusive right to exhibit professional football games at the stadium.

After Scallen was unable to obtain a waiver of the Vikings' exclusive right, Scallen filed suit against the Vikings and the Commission to have the Viking lease declared invalid on the grounds that the defendants had violated antitrust laws and Scallen's constitutional rights.

After filing suit, Scallen continued in his attempts to meet the cash payment requirement for a 1984 franchise. "His efforts included securing an extension of the financing deadline and attempts to raise the money by

loan or by recruitment of investment partners." Nevertheless, Scallen was unable to meet the cash payment deadline and was thereby prevented from acquiring the USFL franchise for the 1984 season.

Scallen then filed a motion to dismiss the action without prejudice stating that "time had run out" for obtaining financing in time to field a 1984 USFL team and that the litigation was now unnecessary. However, the Vikings had already submitted a motion for summary judgment and wished to have the matter resolved once and for all.

District Court Judge Diana E. Murphy first noted that a motion for dismissal without prejudice is a matter left to the discretion of the court, and that dismissal is traditionally allowed "unless the defendant will suffer some plain legal prejudice other than the mere prospect of a second lawsuit." Given this state of the law, Judge Murphy ruled that "under all the circumstances" the Vikings

were entitled to have the issues raised in their motion considered, and thus, Scallen's motion to dismiss without prejudice was not appropriate.

The circumstances which led Judge Murphy to proceed on the summary judgment motion included the fact that the Vikings and the Commission had gone to "considerable expense in discovery and motion preparation to defend against (Scallen's) antitrust allegations" since Scallen had indicated his intent to pursue the litigation at an earlier hearing. The court noted that the Vikings were willing to agree to the dismissal without prejudice if Scallen would pay their expenses since the earlier hearing, but Scallen declined. The court further noted that "not only is (Scallen) likely to bring another lawsuit, but that he may base future antitrust claims in part upon matters related to this litigation."

In reaching the merits of the motion for summary judgment, Judge Murphy first addressed Scallen's

constitutional claims. Scallen alleged that the Vikings violated his free speech, due process, and equal protection rights. However, the court stated that Scallen had not developed these clam in any way, and it was not clear whether Scallen was serious about them. In any event, as Judge Murphy stated, Scallen's constitutional claims were asserted under federal civil rights statutes which "on their face apply only to claims founded on racial discrimination." The court found that there was nothing in either the pleadings or the record to support any claim of racial discrimination. For these reasons, the court held that Scallen had failed to allege a satisfactory basis for jurisdiction over this claim, and defendants were therefore entitled to summary judgment as a matter of law on Scallen's claim under the civil rights statutes.

The court next addressed a threshold issue of Scallen's standing to assert his antitrust claims. The court pointed out that to assert an antitrust violation a plaintiff is

required to "demonstrate a significant threat of injury from an impending violation of the antitrust laws. . . ." Judge Murphy found that Scallen had failed to demonstrate such a significant threat of injury and therefore lacked standing. This was so because there was "no evidence in the record to demonstrate (that Scallen's) inability to secure a USFL franchise was caused by the restrictive clause in the Viking's Metrodome lease." As Judge Murphy noted, it was Scallen's inability to secure the necessary financing which resulted in his inability to obtain the USFL franchise. Although Scallen hinted that the Metrodome contributed to his inability to secure the funds, the court found that there was nothing in the record to support this claim, especially given the fact that Scallen himself indicated that "his time had run out for a 1984 franchise."

For the foregoing reasons, Judge Murphy granted the Vikings' motion for summary judgment thereby dismissing Scallen's antitrust and constitutional claims.

Scallen v. Minnesota Vikings Football Club, 574 F.Supp. 278 (D.Minn. 1983) [ELR 6:5:13]

Washington anti-obscenity statute is declared unconstitutional by Federal Court of Appeals

An anti-obscenity statute (House Bill 626) enacted by the state of Washington has been declared unconstitutional on its face by a Federal Court of Appeals, reversing a Federal District Court ruling which had affirmed the constitutionality of the statute (ELR 4:17:8).

Soon after the April 1, 1982 effective date of the statute, several book and film distributors brought an action

for declaratory and injunctive relief against the statute's enforcement. The state argued that the court should not consider a facial challenge to the statute and should abstain from deciding the constitutionality of the legislation until Washington state courts had an opportunity to construe the provisions of the statute. After rejecting these contentions, the Court of Appeals proceeded to review the distributors' claim that the statute's definition of "obscenity" unconstitutionally included protected First Amendment expression.

Judge Reinhardt, casting a wary eye on the "dim and uncertain line" separating obscenity from constitutionally protected speech, noted that because of uncertainty as to where the line will be drawn, courts have closely followed the guidelines set forth in Miller v. California, 413 U.S. 15 (1973). The first requirement under Miller is that the average person, applying contemporary community standards, would find, that the work, taken as a

whole, "appeals to the prurient interest." In one section of the Washington statute, "prurient" is defined as "that which incites lasciviousness or lust." The distributors argued that the inclusion of "lust" in the definition of "prurient" impermissibly expanded the Miller standards. The court agreed. The Miller court cited the ALI Model Penal Code in defining prurient interest as a "shameful or morbid interest in nudity, sex or excretion." However, changing contemporary standards have distanced the word "lust" from this definition. Thus, to permit expression that "merely excites 'lust,' i.e., sexual longing or desire, to be regulated by the state, would destroy the boundaries between protected and unprotected speech," stated the court. Maintaining the distinction between the arousal of sexual instincts and the perversion of those instincts to morbidity is an essential safeguard against state intrusion in protected First Amendment expression, declared Judge Reinhardt.

The court also determined that it would not be possible to give the term "prurient" as used in the Washington statute a meaning that would not incorporate lust, because a state court reviewing the statute would have to rewrite it entirely in order to narrow its unconstitutional scope. Thus, the unconstitutionally overbroad definition of the word "obscene" rendered the entire statute invalid.

In order to guide the state legislature with respect to anticipated future attempts to deal with obscenity, the court pointed out another "obviously unconstitutional feature" of the statute - the civil fine provision. This provision stated that upon a finding that a party, with knowledge, maintained a moral nuisance, the court might impose a penalty which would take into account the wilfulness of the party's conduct and any profits attributable to the moral nuisance. No limit was placed on the amount of the civil fine. The statute defined "a moral

nuisance" as a place where obscene materials or behavior might be found. The civil fine therefore might include, in the calculation of profits, the profit from the sale of protected material by an enterprise where obscene materials also may have been sold or exhibited. Basing the amount of a fine, even in part, on the proceeds from the sale of constitutionally protected material was held impermissible.

Another factor considered in the civil fine provision analysis was that the statute treated businesses distributing both protected and unprotected material differently from the way other businesses are treated under other statutes imposing civil fines. Generally, these statutes establish minimum and maximum penalty figures. Such different treatment of a First Amendment activity is constitutionally prohibited. Basing the fines on profits from the distribution of constitutionally protected material was unnecessary to achieving any legislative goal, so the

presumption of unconstitutionality mes not rebutted. The court noted in support of its conclusion that the criminal penalty provision of the statute authorized,the imposition of fines based solely on profits from the sale of constitutionally unprotected materials. Again, noting the lack of a "readily apparent construction" that could save the civil fine provision, the court reiterated its determination that the civil fine section of the antiobscenity statute was an unconstitutional restriction on protected speech.

In dissent, Judge Wallace pointed out that the majority's discussion of the civil fine provision was "merely advisory" and not an alternate holding, given the court's initial determination that the unconstitutionally overbroad definition of obscenity rendered the entire statute null and void. Judge Wallace also dissented from the court's holding (as opposed to its civil penalty "dictum") as to the overbreadth of the statute.

Judge Wallace noted, in particular, that the Miller decision referred to and did not change the definition of prurient interest set forth in Roth v. United States, 354 US. 476 (1957), which definition included "lustful thoughts." The fact that the United States Supreme Court often has cited the Model Penal Code's definition of prurient interest "does not mean that the Court has abandoned Miller's adoption of the Roth definition. The Supreme Court has never held that the Model Penal Code provides the only acceptable definition." Judge Wallace reviewed various state court discussions of obscenity statutes and concluded that the states as well as the Supreme Court have not abandoned the use of the term "lust" in proscribing obscenity. Thus, by finding facial overbreadth in the use of the word lust, the majority wrongly forbade Washington to draft legislation based on Supreme Court precedent, concluded Judge Wallace.

J-R Distributors, Inc. v. Eikenberry, 725 F.2d 482 (9th Cir. 1984) [ELR 6:5:14]

Federal Court of Appeals upholds FCC's renewal of radio station license for WABZ-FM despite station's duplication of programming; dissenting judge criticizes renewal as against the public interest

The Federal Communications Commission's determination that granting WABZ's license renewal application for its FM radio station in Albemarle, North Carolina would best serve the public interest has been upheld by a Federal Court of Appeals.

WABZ owned and operated its FM station since 1958, and also owned a daytime-only AM station in the community. During the day, when both stations operated, WABZ duplicated X's programming in its entirety. But

WABZ also presented an average of 30 minutes daily of independent, non-duplicative, non-entertainment programming;the non-duplicated programming, which was broadcast, reportedly, at times convenient to listeners, consisted of "local and syndicated religious programs, an occasional special musical or religious event, and live coverage of high school football games."

In July 1975, WABZ filed a license renewal application for the FM station. Victor Broadcasting Inc., filed a competing application, proposing to offer 24-hour original service to a larger broadcast area. After a comparative hearing, an administrative law judge recommended that the Commission grant the renewal application of WABZ. The Commission then adopted the administrative law judge's findings. Victor appealed, claiming that the FCC had erred in not discounting substantially, on the basis of program duplication, WABZ's "superior" past performance.

Federal Court of Appeals Judge Mikva noted that the case reflected the tension between the "renewal expectancy" of a licensee and the FCC's policy against "automatic renewal." In a comparative hearing, although automatic license renewal is improper, the Commission may consider an incumbent licensee's renewal expectancy as one factor in the comparative balance. The court refused to follow Victor's position that duplication of programming, which the FCC views as a "wasteful and inefficient use of two frequencies," per se negates a renewal expectancy.

In reviewing the Commission's decision, the court stated that the finding of superior performance by WABZ was supported by substantial evidence and that a heavily-weighted renewal expectancy therefore was appropriate. The court then considered the justifications which may support a renewal expectancy, as set forth in Cowles Broadcasting, Inc., 86 F.C.C. 2d 993 (1981),

affd., Central Florida Enterprises, Inc. v. Federal Communications Commission (ELR 1:10:7 and 4:15:2). One justification is that there is no guarantee that a challenger's license proposals will match an incumbent's proven performance. Victor's argument that WABZ's "meritorious" programming still would be available on the originating station did not take into account the early morning and late evening programs offered by WABZ when X was not broadcasting. This amounted to about 180 hours per year of programming that was particularly responsive to the needs of the community, according to the court. Another rationale for a renewal expectancy is that it encourages investment in a station, which, in tum, insures quality service. In the case of a duplicating station, the duplicating station itself may be a source of the revenue necessary to secure the quality service of the originating station (though WABZ presented no evidence of this financial situation in this proceeding). The

remaining justification - the avoidance of "haphazard industry restructuring" - was not considered by the Commission and was not found relevant to the court's public interest determination in this case. In all, the public interest was best served by supporting WABZ's renewal expectancy, concluded the court.

Consequently, the comparative analysis conducted by the FCC also was upheld. While Victor may have had a "preference" as to integration of ownership and control, this was diminished by a series of FCC reporting violations committed by the company. And although Victor was capable of broadcasting to a larger area, this area already was serviced adequately by the media. WABZ was assessed a moderate comparative demerit for its duplicative programming, but, it was noted, FCC rules do allow 100% duplication in small communities such as Albemarle. Overall, the Commission was found to have been explicit in its balancing, careful in its explanation

of the offsetting merits, considerate of the public interest, and reasonable in its conclusion.

In a lengthy dissent, Judge Wilkey called the FCC's action "wrong and indefensible" and a violation of the Communications Act in that WABZ was granted a strong renewal expectancy based on its alleged meritorious programming "without any independent consideration of WABZ's own separate contribution to the interests of the listening public." The Commission had found that the duplicated broadcasts were wasteful, noted Judge Wilkey, but gave "no reasonable explanation for its refusal to discount its assessment of WABZ's broadcast record." Judge Wilkey then reviewed the relevant statutory, judicial and agency background of FCC policy in the areas of permissible broadcasting duplication and comparative hearings for challenged license renewals.

Judge Wilkey recalled that because the issuance of a broadcast license does not confer any proprietary interest in the license, the licensee has no right of renewal. But under limited circumstances, the public interest standard of the Communications Act recognizes a renewal expectancy, but that expectancy, in Judge Wilkey's view, may be applied only to the extent that it predicts continued better service to the public in the forthcoming license term.

Judge Wilkey also noted the Commission's increasing restrictions on duplicative broadcasting, resulting in 1976 in the issuance of a rule designed to reduce the permissible level of duplication to 25 per cent for all FM stations operating in a community with a population of more than 25,000 (this is substantially the same rule as is currently in effect). And although the FCC permits duplication in smaller cities, the Commission never has

held that such duplication is uniformly in the public interest.

Judge Wilkey's in-depth analysis of the Commission's application of the renewal expectancy in this case, revealed a "superficial" consideration of the three part Central Florida test; he would have concluded that the denial of WABZ's application for renewal would not have deprived Albemarle of an acceptable level of service (the Commission itself did not suggest that the station's miscellaneous original pro g alone qualified as an acceptable level of service); that Victor's substantial experience would not likely result in inferior service to the community; that granting a renewal expectancy would provide little incentive for WABZ to invest the funds necessary to originate its own programming (since beginning broadcasting in 1958, WABZ apparently did not make any investment to increase the level of its original programming); and that the owner of WABZ would

continue broadcasting in the same community even if Victor were awarded the FM license. Judge Wilkey stated that the underlying reasons for applying a renewal expectancy were not relevant in this comparative challenge to a duplicating incumbent. Thus, he would have had the court remand the matter to the Commission for an explanation of how the renewal expectancy would serve the public interest and, in particular, for a finding as to how WABZ's own programming, apart from that of VAWX, had merit.

The FCC itself, as quoted by Judge Wilkey, had stated that the public interest admittedly "would have been better served had station WABZ-FM presented more non-duplicated programming." The Commission's "combined consideration of AM and FM programming makes a travesty out of the concept of public interest under the Communications Act, and transforms the renewal expectancy into an incumbent's self-renewing ticket to

broadcast redundant programming with little additional merit," declared Judge Wilkey who concluded by pointing out that the public already was assured of the continued reception of virtually all of WABZ's programs whether WABZ continued broadcasting or "remained forever silent; it is now also assured that no new programming will be heard."

Victor Broadcasting, Inc. v. Federal Communications Commission, 722 F.2d 756 (D.D.Cir. 1983) [ELR 6:5:15]

Texas film exhibitor awarded more than $500,000 in damages and attorneys fees by Federal District Court jury in action alleging that Warner Bros: conduct in marketing the film "Swarm" violated the

states Deceptive Trade Practices and Consumer Protection Act

Presidio Enterprises, Inc., an Austin, Texas theater owner, has stung Warner Bros. Distributing Corporation for $521,483 in damages in connection with its unfortunate experience in exhibiting the film "Swarm."

"Swarm," an Irwin Allen saga, depicted the adventures of an invading army of killer bees and apparently was intended to follow in the hallowed tradition of Allen's prior films, "The Poseidon Adventure" and "The Towering Inferno." So, in August 1977, Warner Bros. sent a brochure to exhibitors describing "Swarm" as "what we hope to be the greatest adventure-survival movie of all time. A December 1977 brochure referred to the film as "your summer of '78 blockbuster ... a chilling, riveting, harrowing, cinematic experience." Presidio, according to the company's Fourth Amended Complaint, also was

aware of an advertisement in the December 5, 1977 issue of Boxoffice magazine to the same effect as the brochures.

After this buildup, Warner sent out bid invitations on the film to exhibitors, but stated that the film would not be screened prior to the bid deadline, i.e., "Swarm" was blind bid. Presidio submitted a bid to exhibit the film at the two theaters operated by the partnerships for which Presidio was the managing partner. The bid, which was accepted by Warner in February 1977, provided, in part for: a minimum engagement of eight weeks, a minimum guaranteed film rental payment of $35,000 to Warner from one theater and $30,000 from the other as against a weekly film rental payment based upon the greater of a specified percentage of gross box office receipts in excess of the house allowance, or a set declining weekly percentage of gross receipts.

Unbeknownst to Presidio, Warner, beginning in May 1977, had been alerted to the possibility of a rather waspish public reaction to "Swarm." A vice president of market research for Warner Bros. had prepared and distributed to Warner executives a report entitled "An Exploratory Study of Marketing Opportunities for 'The Swarm' a report indicating below-average consumer interest in seeing the film. The film's problems according to the report included: a general failure of moviegoers to recognize that the killer bee menace is real [and not just a figment of Saturday Night Live's bizarre imagination]; the increasingly stereotyped nature of disaster films; and the film's resemblance to other entertainment product available on television and in theaters.

The report was not disclosed to Presidio at any time in the bidding or exhibition process. Also undisclosed to exhibitors was Warner's projected revenue from the film of $10-$12 million domestically. The two Irwin Allen

films to which "Swarm" was being compared in the marketing material had earned $42 million (Poseidon Adventure) and $50 million (Towering Inferno). Various other reports which were prepared for Warner prior to the film's exhibition, and the response to sneak previews of the films, continued to reflect below-average viewer interest.

"Swarm" began its engagement at the two Presidio theaters on July 14, 1978, but was not a box office success. The film lasted only four weeks at one Presidio theater and five weeks at the other, for a total loss to both theaters which was claimed by Presidio to be about $56,000.

Presidio contended that Warners' conduct relating to the marketing of "Swarm" constituted false, misleading or deceptive acts or practices with respect to the quality and box office potential of the film in violation of the Texas Deceptive Trade Practices and Consumer

Protection Act. Presidio's right to proceed, as a consumer, under the statute was confirmed by the court in an earlier decision (ELR 3:9:2). Presidio also alleged causes of action for negligent misrepresentation and fraud.

On the basis of the answers to Special Interrogatories submitted to a six-member jury, a Federal District Court in Texas has entered judgment for Presidio, on the statutory claims, in the amount of $168,170 based upon the statutorily allowed trebling of the actual damages found by the jury. The court also granted Presidio $30,113 in prejudgment interest, $313,665 in attorneys fees and $9,535 in court costs for a total award of $521,483 plus post-judgment interest.

Presidio Enterprises, Inc. v. Warner Bros. Distributing Corporation, Case No. A-79-CA-290 (W.D.Tex., Aug. 1, 1984) [ELR 6:5:16]

Internal Revenue Service rules that foreign corporation's payment to United States corporation for non-exclusive right to broadcast prize fight to foreign viewers is foreign source income

The Internal Revenue Service, in a letter ruling, has concluded that the payment received by a domestic corporation from a foreign corporation in exchange for the right to broadcast a live boxing match, to take place in the United States, via closed circuit television to an audience in the foreign corporation's country, is foreign source income under section 862(a)(4) of the Internal Revenue Code.

The first fact situation described by the IRS involved a domestic corporation which obtained the exclusive right to broadcast a United States venue prize fight, live, and

to record the broadcast for subsequent viewing. The corporation then entered into a contract with a foreign corporation, incorporated in a foreign country, which provided that for a lump-sum payment to the domestic corporation, the foreign corporation would have the right to broadcast the prize fight via closed circuit television only to an audience in the foreign country. The broadcast right was nonexclusive and extended only to the live showing of the fight, i.e., recording rights for subsequent viewing were not included.

In a second situation, the facts remained the same, except that the domestic corporation transferred a broadcasting right in the prize fight that was exclusive.

The IRS noted that determining whether the source of the payment received by the domestic corporation was United States or foreign income would depend upon whether the income was characterized as compensation for labor or personal services, income derived from the

sale of personal property, or royalties for the use of, or for the privilege of using, a copyright, or some other type of income.

Section 861(a)(3) of the Internal Revenue Code provides, in relevant part, that compensation for labor or personal services performed in the United States will be treated as income from sources within the United States. However, the compensation in this case was not compensation for labor or personal services, stated the IRS, because the foreign corporation was not given any control over when or where the prize fight would take place or how the arrangements for the fight would be made. No legal rights were conferred with respect to the contestants in the fight. And the domestic corporation's activities were not exclusively performed for the benefit of the foreign corporation.

The payment also was not income derived from the sale of personal property such that under section

861(a)(6) of the Code, any income from the transfer of the property would be income from a source within the United States. The foreign corporation's nonexclusive broadcast right did not give the corporation any right to exploit the broadcast for the life of the copyright. The payment to the domestic corporation was for the use of, or the privilege of using, a copyright outside the United States. This also was found to be the case in the second situation, for while the transfer of broadcasting rights in this situation was exclusive, the duration of the right, again, was not for the remaining life of the domestic corporation's copyright. Because the broadcasting right that the domestic corporation transferred was for less than the remaining life of the copyright, the payment received for such right was not income derived from the sale of personal property.

The IRS therefore held that in both situations, the payment that the domestic corporation would receive from

the foreign corporation would be foreign source income under section 862(a)(4) which provides that rentals or royalties for the use of, or for the privilege of using, outside the United States, copyrights or other like properties, shall be treated as income from sources outside the United States.

According to New York tax attorney Michael Schlesinger, this designation should serve to increase the amount of foreign tax credits available to United States taxpayers earning income from foreign television.

Internal Revenue Service, Rev. Ruling 84-78 [ELR 6:5:17]

Unauthorized use of merchandise logo resembling Olympic symbol is enjoined; damages and attorneys

fees are awarded to United States Olympic Committee

A Federal District Court in Virginia has granted injunctive relief and damages to the United States Olympic Committee in an infringement action against Union Sport Apparel. Union Sport was engaged in marketing clothing and related accessories displaying a logo of three interlocking rings along with the letters "USA."

The court first noted that the Olympic symbol protection provision of the Amateur Sports Act of 19178 protects the Olympic Committee from any misuse of Olympic designations or simulations of such designations. The scope of such protection is broader than trademark protection and "is more akin to that of an anti-dilution statute." The Act reserves all Olympic designations for the exclusive use of the Olympic Committee.

Union Sport's logo, regardless of the presence of three rather than the official five rings, was found to be a willful violation of the Olympic symbol protection statute by which Union Sport deliberately appropriated and took advantage of the Committee's goodwill. Union Sport had earned gross profits of about $762,000 from the sale of products bearing the infringing logo.

The court therefore granted the Committee: a permanent injunction preventing Union Sport from using any designations or simulations that would be confusingly similar to Olympic designations; all damages incurred by the Committee; all profits earned by Union Sport; costs and attorneys fees; and an order requiring Union Sport to deliver, for destruction, all items displaying the unauthorized designation. It was emphasized that an accounting of profits was awarded to the Committee in order to deter future infringements.

United States Olympic Committee v. Union Sport Apparel, 220 U.S.P.Q. 526 (E.D.Va. 1983) [ELR 6:5:18]

New York court denies motion for summary judgment sought by New York Magazine in libel action brought by executrix of sportswriter Ted Maule, because challenged statements in article were facts, not protected opinion, and triable issues of fact were raised as to actual malice

When there is a magazine called Sports Litigated, it undoubtedly will feature Tex Maule's marathon libel action against NYM Corporation, the publisher of New York Magazine. The action arose from the publication, in the June 22, 1973 issue of the magazine, of an article entitled "And Now for the Good News at Time, Inc." The statement at issue read, in relevant part: "Tex

Maule's hold on the managing editor is more difficult to understand. Maule has for a decade been the most famous of Sports illustrated's writers.... Maule ... is not a graceful wordsman. He is quite possibly the worst writer on the magazine, and yet he owns the professional football beat, the most widely read and important writing assignment in Sports Illustrated. On Sunday evenings during the football season the magazine mobilizes itself to rewrite Maule's copy.... Yet he maintains his beat year after year, not least because he is [the managing editor's] longtime drinking companion.

At the trial of the matter, the court ruled that Maule was not a public figure under New York Times v. Sullivan. The jury then awarded Maule compensatory damages of $75,000 and punitive damages of $35,000; these amounts were reduced by the court. The Appellate Division reversed the judgment and dismissed the complaint (ELR 2:15:2), findng that Maule was a public figure

who was not entitled to recover damages since he had not established that the article was printed with actual malice. The Court of Appeals reversed the dismissal and remanded the action for a new trial (ELR 4:2:7). While agreeing with the Appellate Division that Maule as a matter of law was a public figure, the Court of Appeals held that the trial record did not warrant the dismissal of the action. Tex Maule died while the action was pending before the Court of Appeals and his executrix was substituted as plaintiff.

The New York Supreme Court, once again finding itself on the 50 yard line, tossed up the slippery question of whether the statements in the article were presented as fact or opinion. It was concluded that the statements about Maule, both individually and when read as a whole, were statements of fact and not constitutionally protected opinion. The statement that the magazine staff rewrote Maule's copy "clearly" was one of fact, as was,

in the context of the article, the statement that Maule was not a graceful wordsman and was possibly the worst writer on the staff. The court arrived at this finding because the author of the article - identified only as Treadwell - did not set forth any factual basis for the purported opinions which a reader of the article might evaluate along with the "opinions" presented. The "drinking companion" statement, while a closer question, also did not qualify as opinion. The author made a factual "albeit conclusory" statement as to how Maule kept his job, and, again, in the context of the article, the statement appeared to be one of fact. Maule's executrix therefore was not barred from recovery because of the magazine's argument that the statements were protected opinion.

The next huddle focused on the issue of actual malice. Treadwell was employed at Sports Illustrated as a junior reporter from 1968 to 1971 and worked as a checker on

Maule's 197O and 1971 Super Bowl stories. But the article did not mention his former employment. And since the statements in the article conveyed the impression of truth based on fact rather than opinion, there was a triable question of fact as to whether Treadwell acted with

New York Magazine's liability also will have to be determined by a trier of fact. The record showed that a New York Magazine editor did not review the Maule statements with Treadwell prior to the article's publication. The only fact about Maule that was checked was the statement that he had been a trapeze artist in his youth. The question of whether the editor's failure to review the challenged statements with the author was an error, and if so, whether that error was negligent or was committed with reckless disregard of the truth, would be a jury question, stated the court.

New York Magazine's motion for summary judgment therefore was denied.

Maule v. NYM Corporation, 10 Med.L.Rptr. 1962 (N.Y.Cnty. 1984) [ELR 6:5:18]

Briefly Noted:

Theater Admissions Tax.

A South Carolina statute imposed a 20 percent license tax on admissions to view movies which were rated "X" by the Motion Picture Association of America or which were not rated. A trial judge held that the statute was unconstitutional as an illegal delegation of legislative power. The South Carolina Supreme Court has agreed with the trial court that the determination of which films

would be subject to the application of the 20 percent tax was not a determination which should be left to the sole discretion of the MPAA.

Eastern Federal Corporation v. Wasson, 10 Med.L.Rptr. 1807 (S.Car. 1984) [ELR 6:5:19]

Income Tax.

The IRS has ruled that a producer and distributor of motion pictures may not include certain interest paid on borrowings as a direct U.S. production cost in determining investment tax credit. The producer financed a significant portion of the costs of producing its motion pictures. The Service held that the interest paid is a cost of providing capital to finance the films and is hence similar to a general overhead cost, but it is not a direct

production cost. Since less than 80% of the direct production costs were allocated to the United States, the capitalized interest was not a qualified United States production cost.

Rev. Rule 84-100, I.R.B. 1984-28,4 [ELR 6:5:19]

Trademark.

In a trademark infringement case characterized by a Federal District Court in Ohio as the latest in a series of "burger wars," the court has enjoined a fast-food chain from airing its television commercial using another chain's trademark or facsimile thereof. Big Bite, Inc., a small restaurant chain specializing in pita bread sandwiches, used a TV commercial in which it parodied a number of popular promotional characters used by its

larger and better known competitors, including those of Wendy's International. In so doing, Wendy's contended that the ad violated the Lanham Act because it "tends to create a false impression that Little Wendy and her owners sponsor, endorse, or are otherwise affiliated with Big Bite products." Wendy's also asserted Big Bite violated Ohio's trademark statutes and the common law doctrine of dilution. While there is no uniform rule where an advertiser compares his goods to those of another indirectly by using the other's mark in a satirical or humorous manner, the court found that Wendy's established irreparable harm flowing from the alleged infringement and the likelihood of success on the merits as required under section 43(a) of the Lanham Act. Likelihood of success on the merits was met by showing the infringement created a likelihood of confusion. Based on surveys conducted by both parties, the court found that, taken together, the surveys suggested that at least a

small percentage of consumers were confused either about the true sponsor of the commercial or the mock endorsement made therein. This small percentage translated into a significant portion of the fast food market and therefore was held to be enough to satisfy the relatively low threshold necessary. The court found that irreparable harm was shown in that Wendy's had promoted and protected the trademark at issue and had a substantial financial stake in doing so.

Wendy's International, Inc. v. Big Bite, Inc. 576 F.Supp. 816 (E.D. Ohio 1983) [ELR 6:5:19]

Accounting.

When composer Burt Bacharach terminated a 19-year business relationship with his business manager, Alfred

Braunstein, and with the firm Braunstein & Chemin, Bacharach demanded an accounting. Braunstein responded by filing an action against Bacharach alleging that the composer and his company, Blue Sea Music, Inc. , agreed to pay Braunstein a percentage of his annual net operating income and of the net profits derived from the sale of certain investments. Braunstein claimed in excess of $4.6 million for breach of express and implied contract and in quantum meruit with respect to his business management and investment services, as well as for services allegedly performed in connection with the operation of a restaurant and inn for Bacharach's benefit and in connection with the management of race horses. Braunstein also alleged that Bacharach had agreed in 1983 that Braunstein would continue to receive an annual salary of $54,000, and 20% of the profits from the restaurant and inn until they were sold; and that Bacharach had conveyed property to Carole Sager

Bacharach without fair compensation. A New York trial court has dismissed eight of Bacharach's causes of action on the ground that there is a prior pending action, brought by Bacharach in California, for a full accounting of Bacharach's assets. The California action will likely litigate the same business dealings as Braunstein's action, particularly since eight of the ten causes of action in Braunstein's complaint were "essentially identical" to the causes of action in the cross-complaint filed by Braunstein in the California action. The remaining two causes of action were stayed pending the resolution of the California action.

Braunstein v. Bacharach, New York Law Journal, p. 5, col. 1 (N.Y.Sup.Ct., Aug. 14, 1984) [ELR 6:5:19]

Sports.

Professional football players have been denied worker's compensation benefits by a Federal District Court in Florida which affirmed a decision by the Florida Department of Labor based on the Florida Worker's Compensation Act which excludes professional athletes from its coverage. Three members of the Miami Dolphins football team, Council Rudolph, William Windauer and Floyd Wells, had been injured while in training prior to the beginning of the regular football season and thereafter each had been terminated. They filed separate claims for disability compensation under the Florida Worker's Compensation Act. The players argued they were covered by the Act on the grounds that: they were not engaged as professional athletes at the time of their injuries; the Dolphins contracted with them to provide statutory worker's compensation benefits; the

Dolphins waived the exclusion from coverage for professional athletes; the Dolphins were estopped to deny them coverage; and the professional athlete exclusion provision is unconstitutional. The court has held that the exclusion becomes operative whenever a professional athlete is injured "incident to performing the contemplated activities of his employment as a professional athlete" which includes preseason practice and applies even when a player may not yet have a permanent position on the club's roster. The court also has found that the team had not contracted with the athletes to provide statutory worker's compensation benefits. and that a provision in the insurance policies explicitly negated any potentially implicit intention to waive the professional athlete exclusion for payment of benefits. Finally, the requisite elements of estoppel were not proven by the evidence and the exclusion provision was not unconstitutional in that

it is not arbitrary, but bears some reasonable relationship to a legitimate state purpose.

Rudolph v. Miami Dolphins, Ltd., 447 So.2d 284 (Fla.App. 1983) [ELR 6:5:19]

Copyright.

A Federal Court of Appeals has affirmed a lower court decision in a copyright infringement action brought by four music publishing companies against a motel and its owner. Four pieces of the music publishing companies' copyrighted music had been played and sung by a band performing in the motel without its securing permission to perform either from the publishers or ASCAP. A Federal District Court in Maine issued a default judgment when the defendants failed to respond to a motion for

summary judgment within ten days as required by a local rule. The court ordered the payment of $1,200 for each infringement, approximating an estimated total five-year loss of license fees to ASCAP, plus injunctive relief, costs and attorneys fees. On appeal, the motel and owner attacked the local rule and the propriety of the damages awarded, disputing the use of the plaintiffs' formula of lost license fees over a five-year period.

The Court of Appeals has affirmed the award, stating that the basic judgment of liability arose from default which left open the issue of statutory "in lieu" damages which may be awarded when proof of profits or losses are absent. The standard when there is no proof of actual damages is solely within the discretion of the court hearing the case, taking it out of the ordinary rule with respect to the abuse of discretion. The appellate court noted that some evidence must be given to a trial judge on which to make a judgment. Applying this rule, the

court found that the undisputed evidence of copyright violations and testimony of the defendants supplied an ample base from which the lower court could make its decision and that no additional data could be expected or had been suggested which would demonstrate defendants' profits or plaintiffs' losses.

Morley Music Co. v. Dick Stacy's Plaza Motel, Inc., 725 F.2d 1 (1st Cir. 1983) [ELR 6:5:20]

Copyright.

A Federal Court of Appeals has upheld the conviction of a man who illegally reproduced and distributed pirated eight-track and cassette tapes in violation of federal copyright laws. Pursuant to a search warrant, FBI agents seized, among other things, duplicating

equipment and tapes from the home of the defendant, Karriem AlAmin Shabazz. A jury returned a verdict of guilty which Shabazz challenged based on insufficient evidence to support the verdict. The lower court denied Shabazz's motion for a judgment of acquittal. On appeal, Shabazz claimed that the denial of the motion was in error and contended that the pirated tapes were not properly authenticated since they were compared only to the copyright owners' duplicates. Those duplicates, maintained Shabazz, had not been compared to the copy on file at the U.S. Copyright Office or to the studio master recordings. Thus, Shabazz asserted, the government failed to prove that any of the tapes introduced into evidence was copyrighted. To determine if there was a sufficient showing of accuracy to admit the tapes, the court found that the governing standard is whether "the possibility of misidentification and adulteration [is] eliminated, not absolutely, but as a matter of reasonable

probability. The court held that a prima facie case as to the authenticity and identification of the tapes had been made at trial and that the copyright owners' duplicates were accurate and authentic and showed no indication of being altered. A comparison of the copyright owners' duplicates, the legitimate copyrighted tape, and the pirated tape by an expert witness demonstrated that all had been produced from the same source. Since there was sufficient independent evidence of the accuracy of the tape recording to insure reliability, the lower court decision was not disturbed.

U.S. v. Shabazz, 724 F.2d 1536 (11th Cir. 1984) [ELR 6:5:20]

Previously Reported:

The following cases, which were reported in previous issues of the Entertainment Law Reporter, have been published: Onassis v. Christian Dior, 472 N.Y.S.2d 254 (5:10:10); Universal City Studios v. Nintendo Co., Ltd., 578 F.Supp. 911 (5:11:8); Stephano v. News Group Publications, 470 N.Y.S.2d 377 (6:1:11); Litchfield v. Spielberg, 736 F.2d 1352 (6:3:3); Meta-Film Associates v. MCA, 586 F.Supp. 1346 (6:3:5); Martin v. International Olympic Committee, 740 F.2d 670 (6:3:9); Fine v. Barry and Enright Productions, 731 F.2d 1394 (6:4:6). [ELR 6:5:20]

IN THE NEWS

California governor signs entertainment industry legislation

California Governor George Deukmejian has signed a bill, authored by State Senator Alan Robbins, raising the membership of the state's Motion Picture Council from 17 to 21 members, and increasing the number of gubernatorial appointees from 11 to 13. Two of the governor's appointments must represent industry labor unions and guilds; two representatives will be from major motion picture studios; and two representatives will be from local government. Broadening the base of Council membership is intended to enhance the development of the state's motion picture industry.

Governor Deukmejian also has signed State Assemblyman Richard Robinson's bill extending the life of the

California Entertainment commission until January 1986. The Commission, which otherwise would have been disbanded on January 1, 1985, was organized to recommend new talent agency legislation. The governor has appointed Larry Thompson, the head of a personal management and production firm, to replace Irving Azoff on the Commission.

Another bill signed by Governor Deukmejian provides "unprecedented" criminal penalties for product counterfeiting. The bill will cover cases of unauthorized merchandising and the distribution of pirated tapes, video cassettes and records. Conviction on a first offense will mean a $5,000 fine and/or one year in state prison or county jail. With prior convictions, the fine will be $50,000, with the same jail penalty. State Assemblyman Gray Davis, the author of the bill, has expressed the hope that it will halt the state's reputation as the "commercial counterfeit capital of the world." It was noted

that the loss of revenue to the music industry through counterfeiting and bootlegging has been estimated at $500 million annually. [Oct. 1984] [ELR 6:5:21]

BMI and radio industry reach accord on music license rates

Broadcast Music, Inc. and the All-Industry Radio Music License Committee have reached an agreement on revisions in the terms of BMI's license. There will be no increase in license fees in 1984; there will be a nine percent increase in 1985. The parties, looking toward a 1986 date for a new licensing agreement, also will attempt to establish a "formal rate-making procedure" to resolve future rate disputes. [Oct. 1984] [ELR 6:5:21]

WASHINGTON MONITOR

Federal Communications Commission eliminates rules restricting broadcasting of horse race programming and betting information

The Federal Communications Commission has decided to eliminate rules restricting the broadcasting and cablecasting of horse race programming and betting advertisements. The regulations were adopted 20 years ago, apparently to deter organized crime from using communications facilities for illegal betting operations. However, at present, all but four states permit some form of legalized gambling, and 33 states permit horse race betting. Furthermore, there has been no evidence that broadcasts of betting information would aid illegal gambling endeavors, the FCC stated. [Oct. 1984] [ELR 6:5:21]

Federal Communications Commission stays implementation of rule eliminating sevenstation limit on television station ownership

The Federal Communications Commission, responding to Congressional concern, has delayed the effective date of its recently announced rule which would have increased the television station ownership limit beyond the present cap of seven stations (ELR 6:3:21). In accordance with its plan to eliminate all station ownership restrictions by 1990, the Commission had proposed a six-year transition period limit of 12 AM stations, 12 FM stations and 12 Television stations per owner. But the FCC decided to stay the implementation of the television station segment of this plan until at least April 1, 1985. A House-Senate conference committee, acting via

the appropriations process, recently agreed to a bill to the same effect as the FCC's decision. [Oct. 1984] [ELR 6:5:21]

DEPARTMENTS

Video Notes:

Legal Vision Entertainment Business Videoprimer Series

Videotaped educational programs for lawyers have been around for a long time. Ironically, however, lawyers interested in the business that makes greater use of videotape than any other - the entertainment business - have been unable to find video programs for themselves until recently. That void has now been filled by

LegalVision, Inc., of New York City. The company's Entertainment Business Videoprimer is a series of five separate videotapes, each more than two hours in length.

Jay L. Cooper, of Cooper Epstein & Hurewitz in Beverly Hills, lectures on Music Publishing. In his Videoprimer, Mr. Cooper outlines the negotiation of songwriters' agreements, participation agreements, administration agreements and foreign sub-publishing contracts.

L. Lee Phillips, of Manatt Phelps Rothenberg & Tunney in Los Angeles, concentrates his lecture on Negotiating Recording Contracts. He covers financial aspects of the recording business and explains royalty structures and formulas as well as other provisions found in recording agreements.

Michael I. Rudell, of Franklin Weinrib Rudell & Vassallo in New York City, examines the Television Business broadcast, cable, pay, homevideo and advanced

technologies. He explains how an idea becomes a property and the negotiations that lead to agreements concerning acquisition of rights, production, and distribution.

Martin Silfen, of Silfen & Glasser in New York City, lectures on the Legal Representation and Management of Artists. He covers the management team and explains the responsibilities of the legal and business people that surround successful creative artists, with emphasis on the lawyer's role and responsibilities.

Franklin R. Weissberg, of Colton Weissberg Hartnick Yamin & Sheresky in New York City, focuses on Theatrical Production. He explains the agreements necessary for the production of a stage play, from idea to production, to exploitation of movie rights, to road tours. Mr. Weissberg emphasizes the structuring of financial arrangements with investors and the impact of securities regulations.

The LegalVision series was produced and directed by Bruce Colfin, himself a lawyer and cable/homevideo producer. The complete program of five tapes is available for $1,250, or separately for $295 each, in half-inch VHS or Beta format ($345 each for 3/4 inch format) directly from LegalVision, Inc., 156 Bank Street, 2A, New York, N.Y. 10014; (212) 242-0783. Information on renting, videoseminars and teleconferencing also is available. [ELR 6:5:22]

Anatomy of a Libel Trial: Carol Burnett vs. National Enquirer

Though libel trials make excellent grist for the mill of dramatic television and movies (recall for example "QB VII"), they are rarely caught on "non-fiction" television, because of court rules prohibiting the use of cameras in

the courtroom. Indeed, what may become the most significant libel trial since New York Times v. Sullivan - General William Westmoreland's suit against CBS - will not be shown on TV precisely because of such rules, despite CNN's willingness to broadcast it and the willingness of both parties that it be broadcast.

Those interested in seeing a real libel trial will thus be especially interested in the four-hour production Anatomy of a Libel Trial which was recently released by the Practising Law Institute. The program contains segments of the actual 1981 trial of Carol Burnett's libel suit against the National Enquirer (ELR 6:1:9) - segments that were taped during an experiment to determine whether California state courts would permit cameras to cover proceedings on a regular basis.

In addition, the program contains commentary by James C. Goodale of Debevoise & Plimpton in New York City, and by Alice Neff Lucan of the Gannett

Company in Rochester. Among the topics they discuss are actual malice standards, the journalistic process, evidence of damages, expert testimony, retraction and good faith, and trial strategy.

Anatomy of a Libel Trial is available for purchase at a cost of $250 for the half-inch Beta or VHS format ($350 in a 3/4 inch format), and may be rented for two weeks for $125 for the half-inch formats ($175 in a 3/4 inch format), directly from the Practicing Law Institute, 810 Seventh Avenue, New York, N.Y. 10019. For further information, call June E. McDonald at (212) 765-5700. [ELR 6:5:22]

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[ELR 6:5:23]