BUSINESS AFFAIRS

Copyright as Community Property: Questions About Worth Are More Than Merely Trivial

by Michael J. Perlstein

"Trivial Pursuit" has entire categories of questions devoted to entertainment, art and literature. Now, thanks to one recent development, Selchow & Righter (the game's manufacturer) can add several new questions in these categories - questions that would appeal to lawyers especially. For example:

Are copyrights to works created by married authors while domiciled in California "community property" in which non-author spouses have an ownership interest, as a matter of California law? Or are such copyrights the separate property of the author-spouses, as a matter of federal law? If they are community property, should the names of nonauthor spouses be included in copyright notices affixed to such works, and in registration forms filed with the Copyright Office? Do non-author spouses have the right to license the use of such works, without the consent of the actual authors? Do non-author spouses have the right to leave their community property interests in such copyrights, by will? And what happens in the event of divorce?

These questions, and others, are raised - but only partially answered - by a decision of the California Court of Appeal in Marriage of Worth, 195 C.A.3d 768, 241 Cal.Rptr. 135 (1987) (ELR 9:6:10), which held (for the first time in any community property state) that a copyright is community property immediately upon creation of the work, and that the marital community has an interest in that copyright.

California Civil Code Section 5110 defines "community property" as all property acquired during marriage by a person domiciled in California, except for "separate property." "Separate property" is described in several sections: section 5107 defines the separate property of wives; section 5108 defines the separate property of husbands; and section 5126 specifies that compensation for personal injuries is separate property. Accordingly, community property ultimately is determined by distinguishing it from separate property. A mere expectancy, however, is not recognized as community property.

While married, Frederick Worth wrote and published several books including two on trivia: The Complete Unabridged Super Trivia Encyclopedia and The Complete Super Trivia Encyclopedia Volume II. In their 1982 divorce decree, Fred and his wife Susan agreed to divide the royalties from these books equally. (The exact terms of the stipulated judgment provided, in part, that "... future royalties from the books ... listed on the Petition, along with all reprints shall be paid equally to Petitioner (wife) and Respondent (husband). The parties agree that the literary agent for Respondent shall be joined as a party and that the agent shall pay directly to Petitioner her one-half interest in royalties. The parties agree that the court shall reserve jurisdiction over any issues that may subsequently arise regarding the distinction between a re-edition or complete reworking of any book which is community property.")

Later, in 1984, Fred filed a copyright infringement action in federal court against Selchow & Righter alleging that certain questions used in "Trivial Pursuit" were copied from his books. Fred eventually lost that case. (ELR 9:6:11) But before he did, Susan sought an order in California Superior Court declaring that she would be entitled to one-half of any proceeds received by Fred from his copyright suit, based on the terms of the interlocutory decree of divorce. The court granted Susan's request and restrained Fred from disbursing the proceeds of any verdict or settlement until Susan's portion was accounted for. Fred appealed the order Susan had obtained. But the Court of Appeal affirmed the Superior Court's order, stating: "This appeal presents the novel issue whether the marital community has an interest in a copyright. We conclude that it does."

Fred had argued that under the Copyright Act of 1976, copyright "vests initially in the author or authors of the work," (17 U.S.C. Section 201(a) and thus the copyright in a work belongs only to the author. He also contended that the Superior Court lacked jurisdiction to divide any proceeds resulting from the federal copyright action because the interlocutory decree, which provided for equal division of the royalties, reserved jurisdiction only to resolve "issues that may subsequently arise regarding the distinction between a re-edition or complete reworking of a book." Finally, he asserted that under the United States Constitution's "Supremacy Clause" (U.S. Const. art. VI, cl. 2) the state court lacked jurisdiction because the federal Copyright Act preempted California community property laws.

Court of Appeal Decision

The Court of Appeal rejected all of Fred's arguments. It held that a copyright does not belong solely to an author just because under the Copyright Act the copyright initially vests in the author. The court started with the general proposition that under California law, all property acquired during marriage is community property. (Civ. Code Section 5110) The court thus concluded that any artistic work (as distinguished from the copyright in the artistic work) created during a marriage constitutes community property (citing Lorraine v. Lorraine, 8 C.A.2d 687 (1935); Frankenheimer v. Frankenheimer, 231 C.A.2d 101 (1964); Herwig v. United States, 105 F.Supp. 384 (Ct.Cl. 1952).

The court ruled that "The fact that husband alone authored the trivia books is not determinative. The principles of community property law do not require joint or qualitatively equal spousal efforts or contributions in acquiring the property; it is enough that the skill and effort of one spouse expended during the marriage resulted in the creation or acquisition of a property interest." The court then applied these principles, saying, "In the present case, husband conceived, wrote and published the trivia books during the marriage. Thus the conclusion is inescapable that such literary works constituted community property."

The court also pointed to the provisions of the stipulated judgment and interlocutory decree, and particularly to the reference in the final sentence to any book which is "community property," which indicated that Fred had agreed that his trivia books were to be considered community property. The court found that "husband's agreement to divide the royalties manifests further acknowledgment that the books were considered to be community property. Under the community property doctrine, rents, issues and profits have the same character as the property source itself (Civ. Code Sections 5107, 5108)."

The court held that "if the artistic work is community property, then it must follow that the copyright itself obtains the same status. Under copyright legislation, a copyright is automatically acquired upon expression of the work (Sections 201(a), 302(a).) Here, husband registered the copyrights as well. Since the copyrights derived from the literary efforts, time and skill during the marriage, such copyrights and related tangible benefits must be considered community property. (See 1 Nimmer on Copyright (1987) Section 6.13[B], p. 6-37.)" The court here clearly distinguished between the artistic work and the copyright in the work (i.e., between the books and the copyright in the books).

In the critical holding, the court determined that because the Copyright Act expressly provides for the transfer of a copyright by conveyance or operation of law (Section 201(d)(1)), copyright is automatically transferred to both spouses by operation of the California law of community property, even though the copyright vests initially in the author spouse. (Section 201(a) "The fact that a copyright is intangible will not affect its community character or the community nature of any tangible benefits associated with the copyright."

The court quickly disposed of Fred's second argument - that the trial court reserved jurisdiction under the terms of the interlocutory decree only to resolve issues regarding the distinction between a re-edition and complete reworking of the books. The court referred to the preprinted interlocutory judgment form that contains a provision expressly reserving jurisdiction "to make such other and further orders as may be necessary to carry out the provisions of this judgment." The court found that the trial court's order was intended to carry out the provisions of the interlocutory decree providing for equal division of royalties between the spouses.

The court also rejected Fred's argument that the stipulated judgment provided only for the royalties from the books and did not convey to Susan a copyright interest in the books. Had that been so, Susan would have had no claim to share in any proceeds from Selchow & Righter's alleged infringement of the statutory right (under Copyright Act Section 106) to the exclusive use of Fred's books to prepare derivative works, such as games. But the court determined that since the copyrights were community property, Fred and Susan hold title to them as tenants in common of property acquired during their marriage which remained undistributed under the terms of the interlocutory judgment (citing Henn v. Henn, 26 C.3d 323, 330 (1980). As a co-owner of the copyrights, Susan would be entitled to share in all the proceeds of the books including any settlement or award of damages resulting from the copyright infringement.

Federal Preemption

Fred's argument that federal copyright law preempts California community property law was this: "Since community property laws provide for an equal interest to both spouses in the community assets, and the

Copyright Act vests ownership of the copyright in the author of the work alone,. . the resulting irreconcilable conflict between state and federal law compels a conclusion that the state law is preempted." In support of this argument, Fred relied on Hisquierdo v. Hisquierdo, 439 U.S. 572 (1979), which held that California community property laws are preempted by the Federal Railway Retirement Act which vests railway retirement benefits exclusively in the railway employee spouse. (See also McCarthy v. McCarty, 453 U.S. 210 (1981)(which was nullified by subsequent legislation); Free v. Bland, 369 U.S. 663 (1962); Wissner v. Wissner, 338 U.S. 655 (1950); and Marriage of Nizenkoff, 65 C.A.3d 136,135 C.R. 189 (1976).)

But the court distinguished Hisquierdo and that line of cases. Hisquierdo held that although state law generally governs relations between a husband and wife, state law is preempted if it would do major damage to clear and substantial federal interests. The court stated that in each of those cases the applicable law provided that "Ownership of federal benefits was expressly defined by Congress to be the separate property of the designated recipient. In sharp contrast, the Copyright Act expressly provides for co-ownership as well as transfer of all or part of a copyright (Sections 201(a) & (d). Moreover Section 201 of the Act provides only that the copyright vests initially in the author; and nothing is found in the Act which either precludes the acquisition of a community property interest by a spouse, or which is otherwise inconsistent with community property law."

Fred also argued that the preemptive language of Copyright Act Section 301 prevailed over California community property laws. But the court declared that Section 301 applied to preemption of state copyright laws or other state laws regarding any "rights equivalent to any of the exclusive rights within the general scope of copyright .... State laws granting or protecting other rights (such as breach of contract, conversion, defamation, etc.) have not been preempted .... Rights of ownership and division of martial property are in no way equivalent to rights within the scope of copyright under the federal Copyright Act."

Fred might have tried one more argument and perhaps had a different result if he had litigated his case in the federal courts. As a matter of federal law (28 U.S.C. section 1338(a), "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases." Fred might have tried to remove Susan's action from the state court to the federal district court. His chances of success would have been slim, because it is well settled that state courts retain jurisdiction in many kinds of cases involving copyrights, including those concerning contract rights to copyrighted works, probate and foreclosure of copyright mortgages. (See Nimmer, Section 12.01[A].) It is thought that the rule giving exclusive jurisdiction to federal courts in copyright cases applies only in actions involving infringements.

However, there is a line of cases that holds that federal jurisdiction is exclusive even if the cause of action is not copyright infringement. In Arch Music Co. v. Gladys Music, Inc., 35 Misc. 2d 915, 231 N.Y.S.2d 757 (1962), the court held that if the primary and controlling purpose of the action is to enforce a right secured by the Copyright Act, then state jurisdiction will be denied even if questions of contractual rights are presented in a declaratory relief action.

Federal jurisdiction also exists in non-infringement actions where the case requires a determination of the meaning or application of the Copyright Act. (T. B.

Harms Co. v. Eliscu, 339 F.2d 823 (2d Cir. 1964); DeSylva v. Ballentine, 351 U.S. 570 (1956); Lieberman v. Estate of Chayefsky, 535 F.Supp. 90 (S.D.N.Y. 1982); Cresci v. Music Publishers Holding Corp. 210 F.Supp. 253 (S.D.N.Y. 1962); Rossiter v. Vogel, 134 F.2d 908, 148 F.2d 292 (2d Cir. 1943).) Harms illuminated the issue as follows: "Mindful of the hazards of formulation in this treacherous area, we think that an action 'arises under' the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for statutory royalties for record reproduction ... or asserts a claim requiring construction of the Act as in DeSylva, or at the very least and perhaps the most doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim."

Thus, Fred could have argued that the question of the application of the Copyright Act to community property laws required an interpretation of the meaning of the Copyright Act. And if the issue were heard in federal court, Fred might have had a better chance of success than he did in California's state courts.

Implied Consent

Professor Nimmer provides another insight that might have been a basis for the outcome in Worth. By extrapolating from the "involuntary transfer" section of the Copyright Act (Section 201(e), he concluded that the transfer of rights from an employee to an employer in a for-hire relationship is based on a rebuttable presumption of consent from the employee. "This appears to mean, however, that although Section 201(d)(1) provides that a transfer of ownership of copyright may be effected by 'operation of law' rather than by 'conveyance; such operation of law must be triggered by the express or implied consent of the author." (Nimmer, Section 10.04)

Other types of transfers "by operation of law," in addition to the employment for-hire situation, are transfers through probate, intestate succession, mortgage or hypothecation of a copyright and testamentary disposition. Nimmer states that these types of transfers occur with the express or implied consent of the author.

What constitutes the express or implied consent of the author to the transfer "by operation of law" of a one-half interest in the ownership of copyright to his or her spouse under Worth? At best it is implied consent. The elements of the implied consent would appear to be: (1) marriage, (2) creation of the copyrighted work during marriage, and (3) domicile in California at the time of creation of the work. By living in California, the author consents the operation of the California laws of community property. Accordingly, any copyrighted work created during the marriage is automatically community property.

The immediate effect of the Worth decision is that in California, husbands and wives are the co-owners of copyrights in works created during marriage, commencing with creation of such works. This principle affects several aspects of copyright ownership and exploitation commonly handled by entertainment attorneys.

Copyright Notice and Registration

Entertainment attorneys and others who deal with copyright administration must now consider whether copyright formalities for works created by a married person in California are different from those required for works created by a married person in another (non-community property) state. The proper methods for handling community property copyright notices and registrations are illustrated by two examples.

Section 401 of the Copyright Act requires that copyright notices include the name of the "owner" of the copyright. If the copyright is community property, this appears to require the names of both spouses in the copyright notice.

Section 409 of the Copyright Act requires that applications for copyright registration specify the name of the copyright "claimant," and if the claimant is not the "author," a statement of how the claimant obtained "ownership" of the copyright. This appears to require that the names of both spouses be specified as the claimant, and a statement that the non-author spouse obtained ownership of the copyright by operation of state community property law.

Transfer of Rights

Perhaps the most important issue Worth presents concerns copyright assignments and licenses to third parties. Since community property copyrights are now automatically owned by both spouses, two questions arise.

1. Must both spouses execute a contract in order to effect a valid, binding and irrevocable copyright assignment or license?

2. Can either spouse dispose of his or her one-half interest in the copyright (or rights thereunder) without the knowledge or consent of the other spouse?

Three principles of California community property law have a bearing on these questions:

First, Civil Code Section 5125(a) (effective July 1, 1987) provides that either spouse has the same management and control of community personal property, including the absolute power to dispose of it (other than by will), as that spouse has of his or her separate estate (with certain exceptions).

Second, Civil Code Section 5125(d) provides that a spouse who operates or manages a business (or an interest in a business) that is all or substantially all community personal property has the primary management and control of that business (or interest). "Primary management and control" means that the managing spouse may act alone in all transactions but must give prior written notice to the other spouse of any sale, lease, exchange, incumbrance or other disposition of all or substantially all of the personal property used in the operation of the business, whether or not title to that property is held in the name of only one spouse. Remedies for the failure for the managing spouse to give prior written notice as required by this subdivision are only those specified in Section 5125.1. And, what is most important in the copyright field, failure to give prior written notice does not adversely affect the validity of a transaction nor of any interest transferred.

Third, Section 5125(e) provides that each spouse shall act in good faith with respect to the other spouse in the management of community property in accordance with the general rules which control the actions of persons having relationships of personal confidence. This duty includes the obligation to make full disclosure to the other spouse of the existence of assets in which the community has an interest and debts for which the community may be liable, upon request.

Assignments and Licenses

In order to avoid chaos in the entertainment industry, the author-spouse (i.e., the one who creates the copyrighted work) must be considered the spouse who has the "primary management and control of the business or interest." Accordingly, the managing spouse may "act alone in all transactions" subject to the notice requirement to the other spouse. Authors must be considered to be the operating or managing spouse, so that the spouse who creates the copyrighted work has the right to execute a contract to transfer the entire copyright or any of the exclusive rights under the copyright to a third party. The third party will not then suffer any confusion or find itself in the middle of marital spats. Nothing will have changed between an author and a third party. An author can still sell his or her work to a third party without the other spouse's consent and without having the other spouse execute the transfer agreement. This fosters free, unrestricted and orderly commerce in the entertainment industry.

Entertainment industry transactions will become confused if the act of creating a copyright is not considered "a business" within the meaning of section 5125(d), so that the author (i.e., the one who is managing or operating the business of creating copyrights) can enter into contracts for the disposition of his or her works. If creation of copyrights is not considered "a business," Section 5125(a) would control, and either spouse (including the non-author spouse) could transfer ownership of community property copyrights (or rights thereunder).

However, even if the interpretations advocated here are accepted, California's community property statute still may create special problems for the entertainment industry. This is so because the statute does not provide that the managing spouse has "exclusive" management or control of the business. The statute in effect until July 1, 1987 (former Civ. Code Section 5125(d)) provided that the spouse who operated a business which was community property had "sole" management and control of the business. Clearly the amended statute loosens the bounds of control. The legislative intent of this amendment is to establish a standard for marital financial and property rights, to promote an equal marital partnership protecting the rights of, and specifying the responsibilities of, both parties equally. (1986 Stat. Ch. 1091)

Under the new (post-July 1, 1987) Section 5125(d), the non-manager spouse may enter into binding exclusive contracts with third parties for the license or assignment of ownership of the entire copyright (or any or all of the exclusive rights under the copyright) - not merely the one-half interest owned by the non-manager spouse. In practice, it seems unlikely a careful lawyer representing the transferee of rights will accept a contract signed only by a non-author spouse. For example, a music publishing company is unlikely to accept an agreement signed only by the wife of a songwriter for the acquisition of the copyright in a musical composition written by her husband. The acquiring company should always have the contract signed by the author, not merely by the author's spouse.

Joint Author Issues

Under Copyright Act Section 201(a), the authors of a joint work are co-owners of a copyright in the work. Either author/co-owner has the right to grant non-exclusive licenses for the entire work to a third party. One author/co-owner may grant an exclusive license or assignment for his or her one-half interest in the copyright to any third party, including an absolute transfer and sale of a one-half interest in the copyright and renewal rights to the copyrighted work.

Worth creates some confusion about the ability of either joint work co-owner to grant non-exclusive licenses for the entire work to third parties. Under Civil Code Section 5125(d), the spouse who has primary management and control of a community property business may act alone in transactions (subject to giving prior written notice to other spouse, under certain conditions). However, it is not clear whether the rights of the manager spouse are superior to and greater than the rights of a co-owner of a copyright under the Copyright Act. In this respect, Worth will certainly create diversity among the states regarding copyright transactions. In California, the rights of a co-owner of copyright may be more restricted than the rights of a co-owner in other states, because in California under Section 5125(d) the manager spouse co-owner has primary management and control over the copyright while in all other states under the Copyright Act, the co-owners have equal management and control.

Thus, the third party licensee or assignee may have to determine if the grantor of rights: (1) is married; (2) is domiciled in California; (3) has primary management and control of the copyright-owning business or interest; and (4) created the work during a marriage. For contract purposes, this may require representations and warranties on the part of the grantor of rights with respect to his or her marital status, domicile, and management and control capacity.

Effect of the Community Property "No Gift" Rule

Although Civil Code Section 5125(b) is not new, it may create special problems for music publishers, now that copyrights are community property. This section provides that a spouse may not make a "gift" of community property, or dispose of community property with valuable consideration, without the written consent of the other spouse.

This creates a potential problem for music publishers, because it is a common practice in the music publishing business for a songwriter to transfer the copyright in a single composition to a music publisher for no initial compensation. The consideration for the transfer is the publisher's promise to pay royalties to the songwriter if, as and when the composition is commercially exploited. But the publisher does not guarantee to commercially exploit the composition. There is no guarantee the songwriter will ever receive a penny in royalties. Consequently, the publisher acquires ownership of the composition for nothing. This transaction may be considered a gift or disposition of community property without a valuable consideration within the meaning of Section 5125(b).

The so-called "single song agreement" between the songwriter and publisher, and thus the transaction itself, may be voidable by the songwriter's spouse, unless the songwriter's spouse consents to the transaction. In this common transaction, the music publisher should obtain the signatures of both spouses on the transfer agreement, thus securing the consent of the non-author spouse. Two lines of cases have developed in California for the avoidance of a transaction in which one spouse conveys community property as a gift or without valuable consideration, without the consent of the other spouse.

If the unauthorized transaction occurred during the marriage, the non-consenting spouse has a right to recapture 100% of the interest wrongfully given away. (Britton v. Hammill, 4 C.2d 690, 52 P.2d 221 (1935); Novo v. Hotel del Rio, 141 C.A.2d 304 (1956); Lynn v. Herman, 72 C.A.2d 614, 165 P.2d 54 (1946); Matthews v. Hamburger, 36 C.A.2d 182, 97 P.2d 465 (1939).) If recovery by the non-consenting spouse is attempted after the community is terminated by divorce, or by the death of a spouse, only a one-half interest can be recovered. (Trimble v. Trimble, 219 C. 340, 26 P. 2d 477 (1933); Ballinger v. Ballinger, 9 C.2d 330, 70 P.2d 629

(1937); Dargic v. Patterson, 176 C. 714, 169 P. 360

The Prior Written Notice Requirement

The managing spouse's failure to give notice to the non-managing spouse under Section 5125(d) will not affect the validity of a contract entered into by the managing spouse. However, if the managing spouse fails to give written notice to the non-managing spouse, the provisions of Civil Code Section 5125.1 become effective, under certain conditions. Under Section 5125(d) the managing spouse must give prior written notice to the other spouse in the event of a sale, lease, exchange or other disposition of all or substantially all of the personal property used in the operation of the business. (This apparently means the complete or near complete sale or possible mortgage of the assets or stock of a business.)

The business of creating copyrights is unlike any other business. Under ordinary circumstances, a copyright is created one at a time, with perhaps considerable time passing from the creation of one copyright to the next. Suppose a novelist writes a novel and sells the book publishing and all other ancillary rights (motion picture, dramatic, merchandising, etc.) to a book publisher. The novelist then has no more inventory or assets left. The novelist has sold all the personal property that consists of his or her business that currently exists, namely the rights in the novel. The next novel may be in the novelist's mind but it is not yet a copyright. Is this a transaction that requires written notice to the other spouse? Probably yes.

It appears that each time an author creates a copyright and sells or otherwise disposes of the work, the author has sold all or substantially all of the personal property used in the operation of his or her business at that time. Accordingly, prior written notice to the other spouse should be given under Section 5125(d). In other words, it seems that the sale or transfer of rights to a single musical composition to a music publisher, a novel to a publisher, a screenplay to a motion picture producer, or any similar customary transaction, constitutes the sale of "all or substantially all of the personal property used in the operation of a business." There is no inventory remaining, unless the author has an accumulation of unsold compositions, novels or screenplays or other works, which, of course, is entirely possible. In that event, the unsold works are community property. Does the sale of one screenplay out of three or four unsold screenplays constitute a sale of community property that requires prior written notice to the other spouse? The answer is unclear.

Section 5125.1 provides remedies for a spouse's failure to give prior written notice to the other spouse of the sale of community property or for other breaches of duties under Section 5125(d). "A court may order an accounting of the property and obligations of the parties to the marriage to determine the rights of ownership in, the beneficial enjoyment of, or access to community property, and classification of all property of the parties to a marriage." (Section 5125.1(b) "A court may order a name of the spouse to be added to community property held in the name of the other spouse alone or that the title of community property held in some other title form shall be reformed to reflect its community character..." with certain exceptions. (Section 5125.1(c)

Employment for Hire Transactions

Worth will not effect employment for hire transactions. Typically a television or motion picture producer employs an author as an employee for hire to write a screenplay or teleplay. Under Copyright Act Section 101, the work created becomes a work for hire either because it is created by the author within the scope of his or her employment, or because it is a "work specially ordered or commissioned for use as a contribution to a collective work, as part of a motion picture or other audio visual work ... if the parties expressly agree in an instrument signed by them that the work shall be considered a work for hire."

Under Copyright Act Section 201(b), the employer or other person for whom the work for hire is prepared is considered to be the "author" for all copyright purposes and owns all the rights comprised in the copyright (unless the parties expressly agree otherwise in writing). Since the employer rather than the writer is the author, the writer's spouse has no interest in the copyright under Worth. But is the non-writer spouse entitled to notice from the writerspouse under Section 5125(d) when the writer-spouse enters into an employment or work made for hire contract? Is this a transfer of all or substantially all of the community property from the spouse who has management and control to the employer? Possibly. Even though the employer is considered the author under the Copyright Act, the actual "author" under California community property law still may be the spouse who creates a copyrighted work and under the California Civil Code is the one with primary management and control of the business of creating copyrighted works. Accordingly, the writer may be required to give written notice to the non-writer spouse.

It seems clear that the non-writer spouse would not be a co-owner of the work for hire, since even the writer spouse is not the owner of the work. The employer is the owner of copyright in the work, ab initio.

However, if the employer is a married person (as distinguished from a corporation), then it follows that the employer's spouse is the co-owner of the copyright in the work for hire. Since the employer is the "author" and stands in the same relationship to the creation and ownership of a copyright as the true writer under Copyright Act Section 201(a), then the employer's spouse becomes co-owner of the copyright, by operation of law, under Worth.

Testamentary and Intestate Disposition

Under California Probate Code Section 201.5, each spouse may make testamentary disposition of a one-half interest in their community property. In the absence of a will, the entire interest in community property belongs to the surviving spouse.

Copyright Act Section 304(a) provides: "Any copyright, the first term of which is subsisting on January 1, 1978, shall endure for a period of twenty-eight years from the year it was originally secured ... [and] the author of the work, if still living, or the widow, widower or children of the author, if the author be not living or if such author, widow, widower or children be not living, then the author's executors, or in the absence of a will his or her next of kin, shall be entitled to a renewal and extension of the copyright in such work for a further term of forty-seven years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one (1) year prior to expiration of the original term of copyright ......" If the author is not living when the renewal vests and therefore is unable to claim renewal rights, the rights automatically vest in the specified surviving classes of persons. If the author is living when the renewal vests and he or she has previously granted rights in the renewal copyright to a third party such as a publisher, then the publisher is entitled to retain the renewal rights under the contract of transfer and in such event, the renewal rights do not vest in the author. Although the renewal copyright must be registered in the name of the author, the third party owner maintains its rights under the original agreement granting the renewal copyright as a matter of contract law.

Worth will not change the rights of the author, widow or widower to the renewal copyright as a matter of copyright law. Worth did not change the status of the individual who actually authors the work with respect to the renewal copyright. If the copyright owners (both spouses) granted the copyright and renewal rights to a third party publisher, then upon the vesting of the renewal, if the author is still alive, the publisher will retain the renewal right, even if the non-author co-owner spouse is not then living. If the author (as distinguished from the non-author co-owner spouse) is dead when the renewal vests, then, but only then, the widow or widower and children or other survivor classes will be entitled to the renewal rights, regardless of whether the widow or widower is a co-owner of copyright.

However, there is still an issue concerning whether the renewal copyright is automatically community property "by operation of law" if the renewal actually vests in the author during his or her marriage to the non-author co-owner spouse. Copyright Act Section 304(a) expressly designates the "author" as the owner of the renewal right. The widow, widower or children and other survivor classes take the renewal only if the author is dead when the renewal vests. Compare this to the Court of Appeal's holding in Worth that under Copyright Act

Section 201(a) the original copyright vests initially in the author and then is automatically transferred to the author's spouse "by operation of law."

The legislative intent of Copyright Act Section 304(a) is to cause the renewal to vest first and exclusively in the author, if living. This may be the type of express federal benefit referred to in the Hisquierdo, McCarty, Free and Wissner cases (discussed above) where ownership of a federal benefit is expressly defined by Congress to be the separate property of the designated recipient. If so, then the renewal copyright will be the author's exclusive separate property, not community property. The supremacy clause of the United States Constitution may preempt the California community property laws. This, of course, would be very much contrary to California public policy which fosters the creation of community property during marriages.

What happens if both spouses are authors? Suppose husband and wife co-wrote a musical composition in 1975 and by contract transferred the copyright and renewal copyright to a publisher. The original twenty-eight year term of copyright will expire on December 31, 2003. If husband dies before expiration of the original copyright term, the widow acquires husband's renewal interest (under Section 304(a) which she in turn can convey to any third party either by testamentary disposition or otherwise. But the publisher retains wife's interest in the renewal copyright because wife, as co-author, is still living when the renewal copyright vests.

Renewal Rights as an Expectancy

Because the renewal copyright may never vest in the author or any survivor classes, the right to renewal copyright is considered to be an expectancy. Cresti v. Music Publishers Holding Corp., 210 F.Supp. 253 (S.D.N.Y. 1962), states the principle: "Under the scheme Congress adopted in section 24 (of the 1909 Copyright Act), the renewal right is severed from the right to the original copyright. The renewal copyright does not accrue until the filing of an application in the twenty-eighth year of the original term. Such an application may be filed by the person or persons designated by statute only if the appropriate circumstances provided by statute then prevail. Until then the rights of the author, the widow, widower or children of the author, or his next of kin, remain merely expectancies."

In Marriage of Brown, 15 C.3d 838, 126 C.R. 633, 544 P.2d 561 (1976), the California Supreme Court explained that the defining characteristic of an expectancy is that the holder (e.g., an heir apparent) has no enforceable right to the future beneficence. Brown made the distinction between expectancies and contingent property interests in the case of non-vested pension rights. Brown held that "non-vested pension rights are not an expectancy but a contingent property interest. Pension rights, whether or not vested, represent a property interest; to the extent that such rights derive from employment during coverture, they comprise a community asset subject to division in a dissolution proceeding. An expectancy is not a contractual right or property interest and therefore is not community property.

If during marriage, an author-spouse dies before the renewal vests, the other spouse, as widow or widower, takes the renewal copyright under Copyright Act Section 304(a) regardless of whether that spouse was a co-owner. If the non-author spouse dies first during the marriage, the renewal copyright vests entirely in the surviving authorspouse. Because the renewal is not community property during the marriage (because it is merely an expectancy), a deceased non-author spouse cannot validly transfer a onehalf interest in the renewal through testamentary or intestate disposition. (See also Marriage of Fithian, 10 C.3d 592, Ill C.R. 369, 517 P.2d 449.)

If the renewal vests after the community is terminated, there is a question of whether the co-ownership of a copyright carries through to the renewal. If renewals are expectancies, and therefore are not community property, and accordingly do not vest in the non-author spouse by operation of law, then renewal rights are retained by the author spouse. If the renewal vests after termination of the community, then it would vest only in the author spouse if he or she is still living, or in his or her contractual grantees. If the community has been terminated and the authorspouse is not living when the renewal vests, the renewal would not vest in the ex-spouse, because the renewal can only vest in the widow, widower or children of the author. An ex-spouse would not be a "widow" or "widower," and therefore could take no interest in the renewal. The nonauthor spouse could not convey a renewal right by will, because being an expectancy, the renewal may never vest in the non-author spouse as co-owned community property.

What happens if the renewal vests in the author-spouse during the marriage? The vested renewal would be a property interest, not an expectancy. It is a property interest. Since the renewal would be property acquired during the marriage, it would be community property as defined in California Civil Code Section 5110. In this event, California community property law would again conflict with federal preemption principles. However,in this case, Worth may not tilt the balance in favor of community property law, because the Copyright Act expressly designates the author as owner of the renewal right. The concept of transfer to the non-author-spouse "by operation of law" does not apply to the renewal right in the Copyright Act. The Copyright Act (i.e., federal law) may prevail and the renewal would be the author's separate property.

Termination of the Community Interest

Community property rights cease under two circumstances. First, Civil Code Section 5118 provides that the earnings and accumulations of one spouse while living separate and apart from the other spouse are separate property. (The phrase "separate and apart" means permanent separation with no intention of resuming marital relations. Whether spouses are living separate and apart is a question of fact that depends in part on the intention of the spouses and the circumstances of their lives apart.) Second, Civil Code Section 5119 provides that after a judgment of legal separation, the earnings and accumulations of each spouse are separate property.

Community property is property "acquired" during marriage by a married person domiciled in the state. When dealing with the creation and ownership of copyrights, the term "acquired" is critical, because a copyright may be created over a long period of time during which spouses may terminate their community be dissolution of their marriage, legal separation, or by living separate and apart. This raises the question of how a court would deal with a copyright created partially during a marriage and partially after the spouses separated. For example, a novel may take years to complete, and thus a court may have to place a value on a novel begun during marriage and finished after the spouses separated.

Three legal principles have a bearing on this question. The first is known as the "inception of title" rule which was explained in Giacomazzi v. Rowe, 109 C.A.2d 498,240 P.2d 1020 (1952), as follows: "The status of property as separate or community property is fixed as of the time when it is acquired. The word 'acquired' contemplates the inception of title and as a general rule the character of title depends upon the existence or non-existence of the marriage at the time of the incipiency of the right by virtue of which the title is finally extended and perfected: the title would so be extended and perfected relates back to that time. Stated in another way, the status of title, as belonging to one estate or the other, is determined by the status of the original right, subsequently matured into full title."

Second, Civil Code Section 4800(a) provides: "Except upon the written agreement of the parties, or an oral stipulation of the parties in open court, or as otherwise provided in this section, the court shall, either in its judgment of dissolution of the marriage, in its judgment decreeing the legal separation of the parties, or at a later time if it expressly reserves jurisdiction to make a property division, divide the community estate of the parties equally. For purposes of making this division, the court shall value the assets and liabilities as near as practical to the time of trial, except that upon 30 days' notice by the moving party to the other party, the court for good cause shown may value all or any portion of the assets and liabilities at a date after separation and prior to trial to accomplish the equal division of the community estate of the parties in an equitable manner. . .. "

Third, Civil Code Section 4800(b) provides: "Notwithstanding subdivision (a), the court may divide the community estate as follows: 1. Where economic circumstances warrant, the court may award any asset to one party on such conditions as it deems proper to effect a substantially equal division of the property. 2. As an additional award or offset against existing property, the court may award, from a party's share, any sum that it determines to have been deliberately misappropriated by the party to the exclusion of the interest of the other party in the community estate. . . "

Based on these principles, a court has several options in dealing with the equal division of copyrights:

1. The court could award all the interest in the copyrights created during a marriage to one spouse and grant the other spouse cash or the value equivalent to the copyrights, if ascertainable, in other community property.

2. The court could award each spouse the exclusive right to administer and enter into agreements for the exploitation of his or her one-half interest in the copyrights, subject to the preexisting rights of any third parties. In such event, each spouse would be entitled to receive one-half of the earnings derived from exploitation of his or her share directly from the source. Each

spouse would be free to negotiate a separate agreement with the same or any other third party for the acquisition of such spouse's share. In this event, any third party wishing to acquire rights in the work must receive permission from both spouses. In the highly emotional aftermath of a divorce or while the parties are living separate and apart or legally separated, mutual consent of the divorced or separated spouse may be difficult if not impossible to obtain.

3. The court could determine that the value of all the copyrighted works is equal and arbitrarily award the first copyrighted work to one spouse, the next to the other spouse and so on. For example, of ten copyrighted works, each spouse could receive an entire indivisible interest in five. Each spouse would be entitled to retain 100 % of the earnings derived from exploitation of his or her copyrighted works. One method for dividing the copyrights would be to have one spouse prepare two

lists, each containing half the copyrighted works. The other spouse could then choose the works on one of the lists.

4. The court could determine that one spouse should exclusively administer the copyrighted works, subject to the consent of or consultation with the other spouse, not to be unreasonably withheld, with each spouse entitled to receive 50% of the earnings derived from exploitation of the work.

5. The spouses could agree on a third party to administer and exploit the copyrighted works, and the court could retain jurisdiction over the activities of the third party.

In many cases, only one substantial copyrighted work may have been created during a marriage. In those cases, under Civil Code Section 4800(b)(1), the court could award the major asset of the community to one party and compensate the other with a half interest in cash or a greater share of other community property. The court could easily grant one spouse a one-half interest in all the earnings generated from the exploitation of the copyright after dissolution of the marriage and, in effect, grant the other spouse the entire ownership of the copyright. This would effect orderly and consistent administration and exploitation of the copyright while giving both spouses an equal interest in the earnings.

Conclusion

Worth raises many questions. While not thoroughly examining the effects of spousal co-ownership of copyright, Worth found that application of California community property law to copyright ownership did no major damage to the federal Copyright Act. State law prevailed. Thus, Worth potentially creates diversity between California and the other states with respect to ownership and exploitation of copyrights created during a marriage.

Entertainment industry lawyers and contract and copyright administrators should review their contracts and copyright administration procedures to deal with the logical effects of Worth. They will have to answer such questions as: what rights can a spouse transfer, whether both spouses must sign a contract, the proper names in the copyright notices and as copyright claimants on copyright registration applications, voidability of transfers made without valuable consideration, and ownership and conveyance of renewals.

Community ownership of the renewal copyright remains a grey area. It is a logical and consistent application of Worth, California community property law, and public policy for the renewal copyright to become community property if the original copyright was created during the marriage and then vests in the author spouse during the marriage. But the holding in Worth seems to apply only to copyrights to which ownership is transferred by operation of law. The Copyright Act provides that the renewal vests exclusively in the author, if living, or in the survivor classes if the author is dead. The Supremacy Clause may prevail in the case of renewals. Congressional intent under the Copyright Act has always been to protect the author from the consequences of a possible bad deal early in the author's career, by giving the author or his family the opportunity to recapture the copyright.

As a result of Worth, Congress may have to amend the Copyright Act to clarify the rights of spouses in community property states. If subsequent cases in different community property states develop the law, then diversity may be created where uniformity is necessary.

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[ELR 9:11:3]

RECENT CASES

United States Supreme Court lets stand decision rejecting Easter Seal Society's copyright infringement claim against Playboy Enterprises for using footage of staged Mairdi Gras parade in adult film; Federal Court of Appeals ruled that Society was not the author of the footage under work made for him doctrine

The Easter Seal Society was not the copyright owner of certain videotapes depicting a Mardi Gras style parade under the "work made for hire" doctrine, a Federal Court of Appeals in Louisiana has ruled, in upholding a District Court decision granting summary judgment to Playboy Enterprises in an infringement action alleging the unauthorized use of portions of the tape in an "adult" movie. The United States Supreme Court has let stand the Court of Appeals ruling.

Prior to the March 1982 National Easter Seal Telethon, the Easter Seal Society, via entertainer Ronnie Kole, contracted to have the New Orleans public television station WYES videotape a staged Mardi Gras style parade and a Dixieland musical jam session. The videotape, produced under the supervision of a WYES unit director, was to be edited into a 16 minute segment for the Telethon. Kole was one of the performers in the jam session, and also suggested certain camera positions, but was not in charge of the production.

WYES kept the raw video footage on file (the field tape) and used portions of it in several station-produced shows. The station also complied with a request from a Canadian television producer for Mardi Gras parade footage, and sent forty minutes of tape copied from the field tapes to the producer.

The producer or his associates used portions of the field tape in an adult film entitled "Candy, the Stripper;" the film was produced and distributed by various parties including Playboy, Inc. In May 1983, the film was shown nationally on cable television. When the Society objected to the use of the field tape material, Playboy removed the contested footage from "Candy" Nevertheless the Society sued Playboy for copyright infringement.

A Federal District Court determined that John Beyer, the WYES unit director, was not an employee of the Society within the meaning of the work for hire doctrine of the Copyright Act of 1976, and that WYES held the copyright in the field tapes.

On appeal, Judge Gee first set forth the statutory definition of a work made for hire as "(1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation ... if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire"

And section 201(b) of the Act provides that "In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright"

Characterizing as "ambiguous" the basic terms of the statute, Judge Gee, before considering the various interpretations of works made for hire doctrine, adopted the term "buyer" to mean the putative legal employer claiming ownership under the work for hire doctrine, and the term " seller" to mean the person against whom a buyer claims, whether an employee or an independent contractor.

The literal interpretations of section 101, according to Judge Gee, would require a court to first determine, using agency law rules, whether or not the seller is an employee or an independent contractor. Then the court would apply section 101(1) to sellers who are employees; if the work was in the scope of employment, the employee would be a copyright employee, and the employer would be the "author" Section 101(2) would apply to independent contractors; works by independent contractors would not be works for hire unless the work was within one of the nine narrow statutory categories and the parties had signed the requisite instrument.

Judge Gee states that the problem with the literal interpretation was that the language in section 201(b) referring to "or other person for whom the work was prepared..." meant that the section seemed to affirm the work for hire doctrine of the 1909 Act. But this reading was too broad to apply to the apparently narrow class of buyers who can be authors by complying with the requirements of section 101(2). And if the literal interpretation were accurate, it would mean, stated Judge Gee, that Congress intended to "radically" revise the work for hire doctrine. Under the 1909 Act, buyers were almost always "authors" Under the literal interpretation of the 1976 Act, independent contractors would almost always be statutory authors.

It then was noted that a conservative approach taken by some courts has resulted in a traditional work for hire analysis-if the work was undertaken at the instance and expense of the buyer, and if the buyer had the right to control the work, regardless of whether or not the right was exercised, then the seller was an employee within the meaning of section 101(1). If the buyer would prevail under the traditional analysis, the court then determined whether the disputed work was within one of the nine section 101(2) categories. If so, the buyer could be the author only if there was a written instrument.

For Judge Gee, it seemed that Congress meant to "tighten up" the work for hire doctrine under the 19176 Act. And the nine section 101(2) categories would be "completely mysterious" under the conservative interpretation.

A compromise "interpretation" was set forth in Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548 (ELR 6:12:10), cert. denied, 469 U.S. 982 (1984), involving the copyright in certain statutes. According to Judge Gee, the Aldon Accessories court looked to how the work was produced, and found that the buyer must supervise and control the creation of the disputed work to be the statutory "author." Such a rule would make business arrangements exceedingly difficult, stated the court, because buyers and sellers would have to predict whether a buyer's actual control over a given work will make the buyer the "author" Judge Gee also rejected Aldon Accessories because he found "no way to milk the 'actual control' test ... from the language of the statute."

Judge Gee, concluding that the "literal" interpretation was the best interpretation of the 1976 Act, held that a work is "made for hire" if and only if the seller is an employee within the meaning of agency law, or the buyer and seller comply with the requirements of section 101(2). This "radical break" from the work for hire doctrine under the 1909 Act was required by the language of the statute, particularly in order to make sense out of the nine section 101(2) categories. And the interpretation would tie the meaning of work for hire to a well-developed doctrine in agency law, and give buyers and sellers the greatest predictabilityactual control or the right to control would be relevant, but could not alone make an otherwise independent contractor into an employee.

Under any interpretation of the 1976 Act, the Easter Seal Society probably would not succeed in claiming that the field tapes were works made for hire, stated the court. Applying the literal interpretation, it was noted that the Society did not contend that WYES was not an independent contractor hired to create the disputed work.

Also rejected was the Society's argument that the parade and jam session were original works of authorship and that WYES merely provided the mechanical fixation of those works in a tangible medium. WYES "worked cooperatively and dynamically with the performers to create the field tapes,' stated Judge Gee-the tape was a work of authorship.

However, with respect to the taping of the musical performances of the Society's volunteers, Judge Gee found it clear that the field tapes of the performances were interdependent joint works of authorship by the Society and WYES. But the District Court's "probably incorrect" ruling that WYES was the sole author and owner of the field tapes was not vacated by Judge Gee because the Society never argued that it was a co-author of the field tapes; even if it had done so, the use of the tapes by co-author WYES would not be an infringement of the Society's interests.

Easter Seal Society for Crippled Children and Adults of Louisiana Inc. v. Playboy Enterprises, 815 F.2d 323 (5th Cir. 1987) [ELR 9:11:12]

Federal Communications Commission's interim must-carry rules violated First Amendment rights of cable television system operators, rules Federal Court of Appeals

Its "must-carry" rules have become a heavy burden indeed for the Federal Communications Commission. The rules originally required cable television operators, upon request and within the limits of their channel capacity, to transmit to their subscribers every over-the-air television broadcast signal that was "significantly viewed in the community" or otherwise considered "local" under the Commission's rules. In Quincy Cable TV, Inc. v. Federal Communications Commission, 768 F.2d 1434 (1985; ELR 7:6:15), a Federal Court of Appeals found that the rules violated the First Amendment rights of cable television operators to select programming.

The Commission voted to terminate the must-carry rules in 1992 (ELR 8:12:20). However, certain scaled-down interim rules were imposed on cable system operators. The Court of Appeals, finding that the new rules did not advance any substantial governmental interest so as to justify an incidental infringement of speech, has invalidated the "latest incarnation" of the FCC's must-carry rules.

Judge Patricia Wald noted that both the justification offered by the Commission for the new regulations and the scope of the regulations differed from the justification for and scope of the initial must-carry rules struck down in Quincy Cable TV According to the FCC, the interim regulations were needed to keep local broadcasting accessible to viewers until viewers became accustomed to using a new switch-and-antenna technology to receive such broadcasts. But the Commission did not present substantial evidence that consumers were not now aware or could not become aware in fewer than five years that the installation of an A/B switch could provide access to off-the-air signals. In a culture, stated Judge Wald, "in which even costly items like the videocassette recorder, the cordless telephone, the compact disc-player and the home computer have spread like wildfire, it begs incredulity to simply assume that consumers are so unresponsive that within the span of five years they would not manage to purchase an inexpensive hardware-store switch upon learning that it could provide access to a considerable storehouse of new television stations and shows."

The court also questioned the Commission's assumption that in the absence of must-carry rules, cable companies no longer would carry local broadcast signals.

Furthermore, even if the FCC had provided support for the new rules, the court declared that the five-year transition period was "too broad to pass muster.. " Judge

Wald expressed skepticism that any consumer education campaign would have much impact so long as viewers could continue to rely on the must-carry rules to obtain local broadcasts.

The court cautioned that it was not suggesting that mustcarry rules were per se unconstitutional, or that the FCC might not regulate the cable industry to advance substantial governmental interests. In this case, however, the absence of empirical support "or at least sound reasoning" required the invalidation of the must-carry rules.

Century Communications Corporation v. Federal Communications Commission, 835 F.2d 292 (D.C.Cir. 1987) [ELR 9:11:13]

Motown Productions obtains permanent injunction barring local cable television company from claiming exclusive trademark rights in the name "Nightlife"

Motown Productions was entitled to use the name "Nightlife" for a nightly television program produced in association with King World Productions, a Federal District Court has ruled, notwithstanding the prior limited use of the name by Cacomm, Inc. in connection with a cable television interview program broadcast in New Jersey.

In response to Motown's action seeking a declaratory judgment that Cacomm did not have exclusive trademark rights in the name "Nightlife," Cacomm alleged that Motown violated section 43(a) of the Lanham Act in using the name for a series of television programs. Judge Peter K. Leisure found that Cacomm did not establish that the name had acquired the requisite secondary meaning; that " no 'purchaser,' whether it be a programming executive, potential advertiser, or ordinary television viewer," could confuse the sources of the two programs; that there was no evidence that a single member of the public ever associated the name "Nightlife" with the Cacomm program or Cacomm itself; that there was not even a "remote possibility" that Cacomm would enter the market occupied by the Motown parties; that there was no actual confusion; and, again, due to the different content and quality of the programs, no likelihood of confusion even among ordinary television viewers. Judge Leisure emphasized that the Cacomm program was not shown or promoted to the public over any medium for 13 months before the premiere of the Motown program.

Cacomm also alleged that the Motown parties engaged in unfair competition under New York and New Jersey common law. The company's inability to prove secondary meaning or likelihood of public confusion required the dismissal of the unfair competition claims, as well as the Lanham Act claim, ruled the court in permanently enjoining Cacomm from making the claims of any exclusive trademark rights in the name "Nightlife."

Judge Leisure, pointing out that none of the relevant factors used to determine either secondary meaning or likelihood of confusion supported Cacomm's position, and that "the tactics employed by Cacomm's counsel smack[ed] of bad faith," granted the Motown parties' motion for sanctions. Cacomm was ordered to pay the Motown parties $500; the company's counsel was ordered to pay the Motown parties, without reimbursement from Cacomm, the sum of $4500.

Motown Productions, Inc. v. Cacomm, Inc., 668 F.Supp. 285 (S.D.N.Y. 1987) [ELR 9:11:14]

Publisher of "Marketing Week" prevails in claim alleging infringement of its unregistered trademark by publisher of "Adweek's Marketing Week;" case is remanded for determination of attorney's fees

A Federal Court of Appeals in New York has upheld a District Court decision (ELR 9:1:19) holding that Centaur Communications, the publisher of "Marketing Week" magazine, was entitled to a permanent injunction barring A/S/M Communications from changing the title of its competing magazine from "Adweek" to "Adweek's Marketing Week."

The court agreed with the District Court's determination that A/S/M violated section 43(a) of the Lanham Act by its use of the term "Marketing Week." Judge Cardamone first reviewed the criteria relevant to establishing secondary meaning, and found that Centaur's advertising efforts "were effective in causing the relevant group of consumers to associate Marketing Week with it;" that it was "fairly clear that A/S/M deliberately copied Centaur's mark;" that Centaur, since 1978, had continuously and exclusively used "Marketing Week" as its mark; and that, in all, the District Court did not clearly err in concluding that "Marketing Week" had achieved a secondary meaning.

With respect to the likelihood of confusion criteria, Judge Cardamone noted that the District Court correctly concluded that "Marketing Week" had achieved relative strength in its market context; that the two titles were quite similar and presented a potential for consumer confusion; that there existed "competitive proximity" because consumers might mistakenly assume that "Adweek's Marketing Week" was another Centaur publication; and that Centaur planned to expand its coverage of American marketing news. It was further found that A/S/M's awareness of Centaur's use of "Marketing Week" as its mark may have given rise to an inference of bad faith. The District Court erred in finding actual consumer confusion, stated Judge Cardamone, but the error did not detract from the ultimate conclusion on the existence of the likelihood of confusion as to source.

Although Centaur's trademark was unregistered, the company was entitled to an award of attorney's fees, and the matter was remanded accordingly. The court declined, however, to award Centaur attorney's fees in connection with the appeal.

Federal District Court Judge John E. Sprizzo, sitting by designation, concurred in the court's conclusion, but emphasized that evaluations of the likelihood of confusion factors should not be conducted in a "mechanistic" fashion. Judge Sprizzo also suggested that two instances of confusion cited by Centaur might not necessarily have been an inadquate basis for a finding of actual confusion.

Centaur Communications, Limited v. A/S/M Communications, Inc., 830 F.2d 1217 (2d Cir. 1987) [ELR 9:11:14]

Village Voices republication of front page of earlier issue as part of subscription advertisement did not violate rights of individual whose photograph was reprinted, rules New York appellate court

In its December 31, 1985 issue, the "Village Voice" newspaper published an investigative report entitled "How Ramon Velez Bleeds New York." The report was critical of Velez, "a well-known activist in the Hispanic community," according to a description by New York appellate court Judge Sullivan. Velez' picture and the title of the article were featured on the cover of the issue.

The Village Voice's January 7, 1986 issue included a subscription advertisement containing a reproduction of the December 31st cover. A cartoon balloon appearing next to Velez' face included the words "What's your address?" and an asterisk which directed readers to a subscription coupon.

Velez claimed that the publication of the advertisement violated his rights under sections 50151 of the New York Civil Rights Law. A trial court granted Velez' motion for injunctive relief to the extent of issuing a preliminary injunction barring the republication of the advertisement.

A New York appellate court has found that Velez, complaint should have been dismissed, stating that "the periodical publisher's incidental use of covers or other portions of past editions of its own publications in promotional materials or advertisements is a necessary and logical extension of the clearly protected editorial use of the content of the publication exempt from section 51 of the Civil Rights Law." The context in which the cartoon balloon appeared could not reasonably have been taken literally, for "it was satiric at worst," stated Judge Sullivan and no reasonable reader would have believed that Velez actually endorsed the newspaper. It also was noted that the entire cover of the December 31st issue was reprinted, including the title of the Velez piece, five other headlines, and the masthead. The court found that the advertisement at issue was, as a matter of law, a "hyperbolic expression," and therefore could not have constituted an implied endorsement.

Velez v. VV Publishing Corp., New York Law Journal, p. 1, col.6 (N.Y.App., Jan.28, 1988) [ELR 9:11:15]

Insurance company was not contractually obligated to defend special effects company in dispute over the film "Aliens"

In May 1985, the L.A. Effects Group, Inc. agreed to produce visual special effects for use in the Twentieth Century Fox movie "Aliens" During the production of the movie, a dispute arose between the parties and the effects company refused to continue work on the film.

In February 1986, Fox sued L.A. Effects in a Los Angeles trial court, asserting various claims in connection with the dispute involving "Aliens." The effects company then brought a copyright infringement action against Fox in a Federal District Court; Fox raised counterclaims against the company.

When L. A. Effects attempted to invoke its coverage under a general liability policy issued by Gulf Insurance Company, Gulf filed an action seeking a declaration that it had no obligation under the terms of the insurance contract to defend or indemnify the effects company in the various legal proceedings.

A Federal District Court granted summary judgment to Gulf, and the judgment has been affirmed on appeal.

L.A. Effects argued, according to Federal Court of Appeals Judge O'Scannlain, that Fox's allegation that the special effects sequences created by the effects company were inexpertly produced and either excised from or detrimentally incorporated into the final cut of Aliens stated a claim for physical injury to the film. The court stated, however, that an uncompleted contractual obligation by an insured party may not constitute "property damage" In this case, Fox's alleged injury resulted solely from L.A. Effects' nonperformance, rather than inadequate performance, of its contractual obligations, and the effects company therefore had the sole responsibility for defending itself.

It was further noted that Fox did not allege that L.A. Effects caused physical damage to the film, or that there was any overall diminution in the economic value of Aliens, or in Fox's box office receipts. Judge O'Scannlain disagreed with the effects company's argument that the artistic value of a movie was a form of tangible property encompassed within the coverage of the insurance policy.

The court concluded by noting that Gulf clearly and unambiguously excluded from its coverage liability for the effects company's failure to meet its contractual obligations. The complained-of actions by L.A. Effects thus were beyond the scope of the coverage of the policy or fell under the policy's exception.

Gulf Insurance Co. v. L.A. Effects Group, 827 F.2d 574 (9th Cir. 1987) [ELR 9:11:15]

University of Washington is denied preliminary injunction in action against NCAA involving school's court-ordered termination of drug test program for student athletes

Pursuant to a temporary restraining order (apparently followed by a preliminary injunction) issued by a trial court judge in Seattle (ELR 9:4:19), the University of Washington ceased conducting its drug test program for student athletes. The court found that the program, which required the school's athletes to submit to a urine test at their annual physical, was an unconstitutional violation of the students' right to privacy.

Subsequently, the court joined the NCAA as a party to the action and entered a temporary restraining order barring the NCAA from imposing sanctions against the University of Washington; the NCAA removed the action to a Federal District Court.

The university then sought a preliminary injunction barring the NCAA from sanctioning the school because of its compliance with the trial court order.

Federal District Court Judge McGovern denied the university's motion because neither the constitutionality of the school's drug testing program, nor the NCAA's program requiring students to sign a drug testing consent as a condition of athletic eligibility, had been reviewed by the court. There was no demonstration of irreparable harm since the university was entitled to seek a hearing from the NCAA, and to appeal from an attempted sanction.

A motion to remand the matter to state court was denied.

O'Halloran v. University of Washington, 672 F.Supp. 1380 (W.D.Wash. 1987) [ELR 9:11:15]

Jury verdict on behalf of film distributors in antitrust action by theater owner was supported by evidence, rules Federal District Court in Tennessee in denying motion for new trial

A trial of Balmoral Cinema's antitrust claims against several motion picture distributors resulted in a jury verdict on behalf of the distributors (ELR 8:8:21). Balmoral sought a new trial against three of the distributors - Buena Vista, Paramount and Universal - claiming that there was a lack of substantial evidence to support the jury's verdict and that the verdict was contrary to the weight of the evidence.

Federal District Court Senior Judge McRae has denied the motion for a new trial, finding that considerable evidence was presented on which the jury could base its conclusion that the distributors did not conspire with exhibitors to split product in Memphis, or enter into any agreement to deprive the Balmoral Theatre of access to first-run films. Sufficient evidence also was presented to support the conclusion that the loss suffered by the theater was not due to the distributors' activities. The three distributors licensed films to the theaters offering them the best opportunity to earn the most revenue, noted the court, and the jury was justified in finding that no action of the distributors was the proximate cause of the theaters injuries.

Balmoral Cinema, Inc. v. Buena Vista Distribution Co., Inc., 673 F.Supp. 219 (W.D.Tenn. 1987) [ELR 9:11:16]

Exclusive agreement between ballpark owner and concert promoter did not violate antitrust laws

In May 1986, The Triple-A Baseball Club granted Don Law Company the exclusive right to promote concerts at the Old Orchard Beach Ballpark for a two year term with an option to renew for an additional five years. Law guaranteed Triple-A a minimum return per concert season or a percentage of the gross receipts, whichever was higher.

Gemini Concerts, a competing concert promoter, alleged that the club's agreement with Law was an unreasonable restraint of trade and concerted refusal to deal in violation of the antitrust laws.

In denying Gemini's request for injunctive relief, a Federal District Court in Maine noted that the record was "replete" with legitimate business justifications for the agreement, including the fact that Triple-A required considerable cash in order to render the ballpark a suitable concert facility. And, among other factors, the court noted that Law's investment in capital improvements to the ballpark meant that the company had a legitimate interest in preventing its competitors from "taking a free ride on its investment." The exclusivity provision of the agreement was reasonably related to the recoupment and justification of Law's investment, concluded the court, and the net result of the agreement was to increase, rather than to impair competition.

Gemini Concerts, Inc. v. Triple-A Baseball Club Associates, 664 F.Supp. 24 (D.Me. 1987) [ELR 9:11:16]

British publisher was subject to jurisdiction in Federal District Court in Florida in action brought by National Enquirer involving allegedly unauthorized publication of photographs of Joan Collins-Peter Holm wedding

At a time when the wedding of actress Joan Collins and Peter Holm was still considered newsworthy, the National Enquirer obtained (for $160,000) the exclusive right to publish and syndicate photographs of the nuptial ceremony. When News Group Newspapers, Ltd. printed four pictures of the wedding in the November 10, 1985 edition of the British publication "News of the World," the Enquirer sued News Group alleging copyright infringement, breach of contract and other causes of action.

A Federal District Court in Florida has refused to grant News Group's motion to dismiss the action for lack of personal jurisdiction over News Group and lack of subject matter jurisdiction over the copyright claim.

News Group argued that London was the preliminary site of its negotiations with the Enquirer concerning the British rights to the photographs, and that said site was switched to Florida at the Enquirer's direction.

Judge Aronovitz determined, however that for purposes of the motion to dismiss, the Enquirer sufficiently established its allegation that "substantive negotiations" about the pictures did not take place in London. Emphasizing that the merits of the action, i.e., whether the parties arrived at an agreement, were not before the court, Judge Aronovitz noted that according to the Enquirer, a News Group courier in Los Angeles received the subject photographs from an Enquirer representative but soon after was advised that there was no agreement and that the pictures should be returned; the News Group's courier did not comply with the request.

In addition to the circumstances of the instant matter, News Group had the following contacts with Florida, observed the court: purchasing source material from freelance writers about 55-60 times a year; purchasing photographs from the Enquirer about six times a year; and sending an occasional journalist to the state. But the company did not solicit United States subscribers, and had no Florida offices, employees, telephone numbers, mailing addresses or bank accounts.

In accordance with News Group's request to evaluate jurisdiction on the basis of whether the company's contacts with Florida constituted the minimum contacts required by the due process clause, Judge Aronovitz stated that if the Enquirer successfully demonstrated that the court had subject matter jurisdiction over the copyright infringement claim, then News Group's distribution to its twelve Florida subscribers of the November 10, 1985 edition "clearly [gavel rise to the copyright claim."

The telephone calls and telexes to Florida concerning a possible agreement to publish the photographs also were related to the copyright claim.

With respect to the Enquirer's other claims, the court found that News Group's attempt to purchase the wedding photographs gave rise, directly, to the breach of contract and the unjust enrichment causes of action, and that News Group's "continuous and substantial" purchases from Florida writers were related to these causes of action. And News Group's "routine of doing business" with the Enquirer placed the company on notice that it would be subject to jurisdiction in Florida in the event of a dispute over such business. In all, the court had "little difficulty" in concluding that personal jurisdiction was available over News Group.

Judge Aronovitz then noted that although, in general, United States copyright laws do not have extraterritorial effect (citing Peter Starr Prod. Co. v. Twin Continental

Films, 738 F.2d 1440, ELR 8:2:20), in this case News Group distributed 85 copies of the subject edition in the United States; the 85 copies were sufficiently distinct from the United Kingdom sales to constitute a separate infringement (or infringements) and subject matter jurisdiction therefore was present.

National Enquirer, Inc. v. News Group News, Ltd., 670 F.Supp. 962 (S.D.Fla. 1987) [ELR 9:11:16]

Music publisher's allegation that home video distributor breached agreement to pay for past infringement of copyrighted works, and engaged in continuing infringement, arose under Copyright Act, rules Federal District Court in New York

In December 1982, CBS Inc. purchased from United Artists Corporation and MGM/UA Entertainment Co. all of United Artists's and MGM/UA's music publishing assets. In September 1983, CBS assigned said assets to the CBS Catalogue Partnership.

The Partnership brought a lawsuit against CBS/Fox Company, claiming that CBS/Fox was infringing the Partnership's copyrighted musical compositions by using the works without authorization in home video products.

United Artists and MGM/UA, as third party defendants, sought the dismissal of the action for lack of copyright jurisdiction, citing a May 1983 royalty agreement between the Partnership and CBS/Fox. However, noted Federal District Court Judge Leisure, although the Partnership performed its obligations under the agreement, CBS/Fox continued to refuse to pay royalties on account of its past infringement or to enter into a license agreement. At no time before or after May 1983, did

CBS or the Partnership authorize CBS/Fox to distribute the allegedly infringing material, noted the court, and copyright jurisdiction thus was available to the Partnership.

Furthermore, as distinguished from Berger v. Simon & Schuster, 631 F.Supp.915 (ELR 8:3:21), the Partnership was not seeking to set a license aside, but rather, alleged that no license or other authorization even existed. The "heart" of the controversy was the Partnership's claim for recovery for unauthorized use, stated Judge Leisure; the claim therefore arose under the Copyright Act, and the motion to dismiss was denied.

CBS Catalogue Partnership v. CBS/Fox Company, 668 F.Supp. 282 (S.D.N.Y. 1987) [ELR 9:11:17]

Natalia Makarova may proceed with action against Kennedy Center Productions and producer Roger L. Stevens arising from injuries suffered by ballerina when performing in "On Your Toes"

Ballerina Natalia Makarova may proceed with her action seeking $25 million in damages for personal injuries suffered in December 1982, a New York trial court has ruled. The injuries, including a broken shoulder blade, occurred when a piece of scenery fell on Makarova during her performance in a production of "On Your Toes" at the Kennedy Center for the Performing Arts in Washington, D.C.

State Supreme Court Judge Carmen B. Ciparick rejected a motion seeking summary judgment dismissing the complaint on the ground of sovereign immunity. Kennedy Center Productions, and its president Roger L. Stevens, argued that the Kennedy Center, as an arm of the Smithsonian Institution, was entitled to the protection of the Federal Tort Claims Act; that such protection extended to Kennedy Center Productions, the fundraising operation of the Center, and to Stevens (who also served as the producer of "On Your Toes"); and that Makarova had not complied with the Act.

Judge Ciparick noted that Kennedy Center Productions is not an agency created by statute, and does not receive any financial support from the federal government. Although Kennedy Center Productions "functions in conjunction with the Kennedy Center and acts to provide private financing for Kennedy Center and acts to provide private financing for Kennedy Center's program of performing arts, its existence and operations appear to be sufficiently independent, separate and private so that it cannot be cloaked in the same immunity of Kennedy Center as a government agency," found the court. Kennedy Center Productions therefore was not protected under the Federal Tort Claims Act, and sovereign immunity did not preclude the court's exercise of subject matter jurisdiction.

The defense of sovereign immunity also was unavailable to Stevens based on his affiliation with Kennedy Center Productions. However, the record was not clear as to whether Stevens was acting as an independent producer or as the chairman of the Kennedy Center. If Stevens was acting within the scope of his employment with the Kennedy Center, a federal agency, he might be entitled to claim sovereign immunity; this question of fact necessitated a trial, stated Judge Ciparick.

The court also found that Makarova raised a factual issue concerning control over the premises or instrumentality which caused the accident, but noted that upon completion of discovery the Kennedy Center parties may renew their motion for dismissal based on lack of control.

Makarova v. Stevens, New York Law Journal, p. 7, col.2 (N.Y.Cnty.) Oct. 28, 1987) [ELR 9:11:17]

Option traders were not entitled to recover damages in action against Warner Communications, rules Federal District Court

Sheldon and Donna Starkman, traders in call options to buy stock in Warner Communications, Inc., were not entitled to recover damages from the company or from various Warner directors and officers in an action alleging the violation of Section 10(b) of the Securities and Exchange Act of 1934 and related claims under state law. A Federal District Court in New York rejected the Starkmans' claim that their losses in connection with trades in Warner call options resulted from material misrepresentations made by the company to the public and to the Securities and Exchange Commission concerning Warner's financial prospects.

After reviewing the lengthy litigation history occasioned by Warner's financial difficulties in late 1981-1982 (see ELR 8:4:18), Judge Walker noted that Warner did not participate in the process of issuing, selling, purchasing or matching options; that the company Is management did not have a fiduciary obligation to the options holders similar to those owed to shareholders; that it was not alleged that corporate "insiders" traded in Warner options at any time or that any manipulative or deceptive acts were directed at the options market. Characterizing options trading as "inherently more risky than investing in shares," and finding that the required relationship between the Starkmans and the corporate parties was not close enough to impose liability, the court granted Warner partial summary judgment.

Also rejected by the court was the Starkmans' allegation in their reply to the motion for summary judgment (but not in their complaint) of a "fraud on the market" theory. Judge Walker observed that the theory does not eliminate a reliance requirement, as suggested by the Starkmans, but permits "a more flexible construction" of it. In this case, the Starkmans had "all but admit[ted]" that they did not rely on either the alleged material misrepresentations or the market price.

The court concluded by dismissing the Starkmans' claims under New York law and for common law fraud.

Starkman v. Warner Communications, Inc., 671 F.Supp. 297 (S.D.N.Y. 1987) [ELR 9:11:18]

Untimely registration of accessory designs barred artist's claim for statutory damages and attorneys' fees in copyright infringement action

A Federal District Court in North Carolina has ruled that the creator of certain designs used on nursery room accessories did not timely register the designs and thus was precluded from recovering statutory damages and attorneys' fees in a copyright infringement action against Pansy Ellen Products, Inc., a nursery room accessories manufacturer.

Pansy Ellen displayed products allegedly containing two of Brenda P. Thomas' designs at a trade show in October 1985. Thomas did not register her designs until April 1986. Thomas argued that the display to the restricted audience at the trade show was a "limited publication" and did not constitute the "commencement of infringement."

Chief Judge Robert a Potter stated that the right of public display, a "newly sanctioned right" under the Copyright Act of 1976, was not equivalent to the concept of "publication" under the Copyright Act of 1909. Although attendance at the trade show may have been restricted, the public display of the allegedly infringing designs constituted the commencement of infringement under section 412 of the Copyright Act. And since October 1985 was more than three months prior to Thomas's registration of the copyrights, the court found it unnecessary to decide whether the designs were published or unpublished. Even if the designs were published, Thomas did not register within the statutory three month grace period, and her motion for partial summary judgment therefore was denied.

With respect to a third design, the only act which Pansy Ellen committed prior to Thomas's registration of her copyright was requesting a Taiwan manufacturer to produce "a few samples" of the product bearing the design. Judge Potter noted that the right "to authorize" infringement acts was, along with the right of public display, a right newly recognized by Congress. Citing Peter Starr Production Co. v. Twin Continental Films, Inc., 783 F.2d 1440 (ELR 8:2:20) as presenting the same situation as the instant case, the court pointed out that Pansy Ellen's authorization of the allegedly infringing reproduction was contained in a December 1985 letter sent from the United States; the authorization constituted the commencement of infringement under section 412-it was not necessary that a contract be executed in order for an infringing authorization to occur. Thomas thus was not entitled to statutory damages and attorneys' fees for the alleged infringement of the third design, concluded the court. However, the artist's motion to reschedule discovery was granted.

Thomas v. Pansy Ellen Products, Inc., 672 F.Supp. 237 (W.D.N.C. 1987) [ELR 9:11:18]

Standard & Poor's obtains dismissal of investors' action arising from publication of allegedly erroneous information about corporate bonds, except to the extent that investors alleged fraud based on publisher's actual knowledge of error

Volume 46, No. 11 of Corporation Records, a work published by Standard & Poor's, allegedly contained an inaccurate description of information contained in the prospectus for certain convertible secured trust notes issued by Pan American World Airways, Inc. Two clients of First Equity Corporation of Florida, an investment banking firm, claimed that they relied on the purportedly erroneous Corporation Records report in deciding to invest in the notes.

In dismissing the investment parties' claim for negligent misrepresentation, a Federal District Court in New York first pointed out that "it is widely recognized that in the absence of a contract, fiduciary relationship, or intent to cause injury, a newspaper publisher is not liable to a member of the public for a non-defamatory negligent misstatement of an item of news, 'unless he wilfully... circulates it knowing it to be false, and it is calculated to and does... result in injury to another person."

The fact that the $1,300 annual subscription price for Corporation Records far exceeded the cost of ordinary general circulation newspapers, and that the work was marketed primarily to securities brokers rather than the public at large did not, as argued by the investors, require the application of a different standard to measure the duties and obligations on the part of Standard &

Poor's. And Standard & Poor's did not have a greater duty of accuracy to First Equity as a subscriber than the publisher would have had to an ordinary reader. The "indeterminate" size of the publication's readership also raised the possibility of an unlimited liability, noted Judge Goettel in rejecting the investors' negligent misrepresentation claims.

The motion to dismiss the cause of action for fraud also was granted except to the extent that the investors alleged fraud based on actual knowledge that the description of the bonds was incorrect.

First Equity Corporation of Florida v. Standard & Poor's Corporation, 670 F.Supp. 115 (S.D.N.Y. 1987) [ELR 9:11:19]

Briefly Noted:

Art Gallery Contract.

In March 1985, Marco DiLaurenti entered a five year contract pursuant to which DiLaurenti Galleries agreed to act as the exclusive agent for sculptor Reuben Nakian, and to use its best efforts to promote the sale of the artist's works. The par-ties subsequently disagreed about the performance of the contract, and, after Nakian's death in December 1986, his son brought an action to rescind the contract and also moved for a pre-liminary injunction seeking the return of some of the 300 pieces of Nakian's art held by the gallery. Paul Nakian argued that a long-planned exhibition of Nakian's works at a Lisbon museum was scheduled for September 1988, and that the interests of Nakian's estate would be damaged "in an incalculable fashion" if the exhibition had to be canceled.

A Federal District Court in New York, noting that the gallery did not show that it would suffer a hardship if required to return certain pieces, ordered the gallery to return 32 works belonging to the Nakian family, to designate and make available the 65 pieces for the Lisbon exhibition and to provide the necessary cooperation to prepare for the exhibition, and to return another 100 pieces to Nakian, in the absence of any further showing by the gallery that it required additional works for exhibition. The gallery was allowed to retain 72 pieces to maintain its schedule of exhibition for six months. The court did not determine Nakian's right to rescission, finding "factual disputes galore" with respect to this issue.

Nakian v. DiLaurenti, 673 F.Supp. 699 (S.D.N.Y. 1987) [ELR 9:11:19]

Labor Relations/Arbitration.

Broadcast Arts Productions, Inc., the producer of the first thirteen episodes of the television program "Pee Wee's Playhouse," must arbitrate a claim for residual payments brought on behalf of the program's performers by the Screen Actors Guild, a Federal District Court in New York has ruled. The Labor Agreement signed by the parties contained a broad arbitration clause, and expressly required Broadcast Arts to make specified residual wage payments to the Guild for each rerun of the television program. The fact that a separate proceeding between Broadcast Arts and Pee Wee Pictures, Inc. also concerned, in part, the disputed payments to the Guild, did not bar the Guild from seeking arbitration of its claim. Judge Leisure found that Broadcast Arts did not show a likelihood of success on the merits of its claim that arbitration should be enjoined, and did not raise sufficiently serious questions going to the merits; the producer's motion for a preliminary injunction was denied accordingly.

Broadcast Arts Productions, Inc. v. Screen Actors Guild, Inc., 673 F.Supp. 701 (S.D.N.Y. 1987) [ELR 9:11:19]

Copyright Infringement/Fabric Design.

A Federal District Court in California has granted summary judgment to Spectravest, Inc. in an action alleging that Mervyn's, Inc. infringed Spectravest's copyrighted

"Puzzle Teddy" fabric design. The court found that the "Puzzle Teddy" design and the heart-teddy design used by Mervyn's on sweatshirts and other outfits were substantially similar in expression, for "not only [were] the outstretched teddies overwhelmingly similar, but the interconnecting lines attaching the teddies to each other, creating the 'jigsaw puzzle' impression, [were] virtually indistinguishable to the viewer" The designs used the same strong primary colors, and gray or white background colors, on the same type of garments. Furthermore, a qualitatively important portion of the copyrighted work was copied, observed the court, in granting Spectravest about $54,000, Mervyn's admitted profit, as well as permanent injunctive relief, and attorney's fees.

Spectravest, Inc. v. Mervyn's, Inc., 673 F.Supp. 1486 (N.D.Ca. 1987) [ELR 9:11:19]

Advertising.

American Home Products Corporation, the maker of the over-the-counter analgesic "Advil" sought injunctive relief under section 43(a) of the Lanham Act and under the common law of unfair competition, claiming that McNeilab, Inc., (a wholly owned subsidiary of Johnson & Johnson), the maker of the analgesic "Extra-Strength Tylenol" presented advertisements and television commercials falsely claiming that the Tylenol product was more effective for relief of headache and minor pain than other analgesics, including Advil. After reviewing the lengthy litigation history of the dispute, Federal District Court Judge William C. Conner noted that American Home claimed that the overall message of McNeilab's advertisements, including the context in which certain comparative claims were made and the effect of visual elements, appeared to state claims of superiority for Extra-Strength Tylenol, rather than equality in effectiveness. Since the court previously found false the claim that Extra-Strength Tylenol was as "potent" as Advil was, in certain defined circumstances, McNeilab's motion to dismiss the complaint was denied-American Home will be entitled to attempt to prove its claims concerning the message of McNeilab's advertisements.

American Home Products Corporation v. Johnson & Johnson, 671 F.Supp. 316 (S.D.N.Y. 1987) [ELR 9:11:20]

Advertising.

Johnson & Johnson's ninth counterclaim against American Home Products in the proceeding discussed, in part, above, was severed for separate trial. The counterclaim sought an injunction and damages for profits allegedly lost by Johnson & Johnson's subsidiary, McNeilab, because the labels used on American Home's Anacin products before 1986 failed to warn that certain young people with viral diseases, who took aspirincontaining products, incurred a significant risk of contracting Reye's Syndrome. Federal District Court Judge William C. Conner granted American Home's motion for summary judgment, noting that McNeilab did not cite any decision in which a product manufacturer recovered under the Lanham Act for its alleged loss of profits resulting from the failure of a competitor to mark its product with a warning of hazards involved in its use. American Home's compliance with FDA warning requirements was a complete defense to a competitor's action under the Lanham Act and under New York law, stated Judge Conner. However, American Home was urged to recall all pre-1986 packages of Anacin immediately (emphasis by the court); if American Home failed to promptly submit to the court evidence of such recall, Judge Conner stated that McNeilab might move for reinstatement of the ninth counterclaim.

American Home Products Corporation v. Johnson & Johnson, 672 F.Supp. 135 (S.D.N.Y. 1987) [ELR 9:11:20]

Copyright Infringement/Stuffed Lion Toy.

A Federal District Court in New York has granted Gund, Inc. a preliminary injunction barring Swank, Inc. from continuing to distribute a stuffed lion toy which the court found was a substantial copy of Gund's "Roarry" stuffed lion. Judge Sweet stated that the two lions did compete, although the Swank lion was a premium give-away in connection with the promotion of earrings portraying a lion's head; that Roarry contained a sewn-in label displaying a copyright notice; and that Swank had complete access to Roarry. Gund's request for a recall of the Swank lion was denied, but in addition to injunctive relief, the court found that Gund was entitled to costs, legal fees and its lost profits on 39,000 units.

Gund, Inc. v. Swank, Inc., 673 F.Supp. 1233 (S.D.N.Y. 1987) [ELR 9:11:20]

Copyright Infringement/Music.

A Federal District Court in Tennessee has granted summary judgment to the owners of the musical compositions "San Antonio Rose" and "Highway 40 Blues" in a copyright infringement action against Verlin Speeks, the owner and operator of the Country Music Theatre located in Clinton, Tennessee. Speeks argued that he was exempt from an infringement claim because the theater was not a commercial success and was used to further charitable purposes. But the theater was operated as a profit-making venture, noted the court, and the facility did not qualify for an exemption under section 110(4) because the proceeds from the performances of the copyrighted material were not used exclusively for educational, religious, or charitable purposes. A fair use defense also was unavailable to Speeks because the musical works were performed in their entirety and, again, for a commercial purpose. Speeks was permanently enjoined from presenting unauthorized performances of the copyrighted works at issue, and was ordered to pay damages and attorney's fees in an amount to be determined.

Bourne Co. v. Speeks, 670 F.Supp. 777 (E.D.Tenn. 1987) [ELR 9:11:20]

Previously Reported:

The following cases, which were reported in previous issues of the Entertainment Law Reporter, have been published: Tambrands, Inc. v. Warner-Lambert Company, 673 F.Supp.1190 (9:8:17); Parks v. Steinbrenner, 14 Med.L.Rptr. 1375 (9:4:14); Kamar International v. Russ Berrie & Company, Inc., 829 F.2d 783 (9:6:11); Orion Pictures Corporation v.Syufy Enterprises, 829

F.2d 946 (9:6:11); Worth v. Selchow & Righter Company, 827 F.2d 569 (9:6:11).

The United States Supreme Court has let stand a Federal Court of Appeals ruling (9:5:12) affirming the dismissal of a libel action brought by William Tavoulareas and his son Peter against the Washington Post.

The opinion in Redgrave v. Boston Symphony Orchestra (9:9:6) has been withdrawn because a rehearing en banc was granted.

The opinion in Pittman v. Dow Jones & Company, Inc. (9:6:14) has been affirmed in aper curiam ruling, 834 F.2d 1171 (5th Cir. 1987)

In the report on Bullfrog Films, Inc. v. Wick (9:9:8), it was noted that the United States Information Agency, in accordance with interim regulations adopted in late 1987, had reviewed the certification for duty-free distribution of several documentary films. The interim

regulations have been published at 52 Fed. Regis. No. 220 (Nov. 16, 1987, p. 43753).
[ELR 9:11:20]

IN THE NEWS

Wayne Newton will seek new trial in libel action against NBC rather than accept court-ordered reduction in damage award

As reported in ELR 9:9:10, a Federal District Court ordered a reduction in the $19.3 million in damages awarded by a jury to entertainer Wayne Newton in his libel action against NBC. According to news reports, Newton has chosen not to accept damages of about $5.3 million and will seek a new trial on the issue of damages.

NBC has announced that it still plans to appeal the jury's determination that the network libeled Newton. [Apr. 1988] [ELR 9:11:21]

Federal Communications Commission dismisses complaint against Utah radio station that broadcast white supremacist talk show

The Federal Communications Commission has dismissed a complaint filed by Rep. John D. Dingell (D.-mich.) against radio station KZZI in West Jordan, Utah. The Commission found that the station's now-canceled white supremacist talk show, the "Aryan Nations Hour" did not create an imminent danger of physical injury. [Apr. 1988] [ELR 9:11:21]

Federal District Court jury in Seattle awards $6.6 million in damages to Seven Gables Corp. in action alleging that Sterling Recreation Organization violated antitrust laws

A Federal District Court in Seattle has upheld a jury verdict awarding $6.6 million to Seven Gables Corp. in its action alleging that Sterling Recreation Organization violated federal antitrust laws and Washington's Unfair Business Practices-Consumer Protection Act.

Seven Gables claimed that Sterling, along with several major distributors and two exhibitors, participated in product splits in order to restrain the exhibition of first run feature films. Seven Gables settled its claims with the other parties prior to trial, on terms which were not disclosed.

The $6.6 million award represents trebled damages. Sterling Recreation has announced that it plans to appeal the award. [Apr. 1988] [ELR 9:11:21]

DEPARTMENTS

In the Law Reviews:

The Loyola Entertainment Law Journal, Volume 8 has been published by Loyola Law School of Los Angeles and contains the following articles:

Strategies for the International Production and Distribution of Feature Film in the 1990's by Thomas Joseph Cryan, David W. Johnson, James S. Crane and Anthony Cammarata, 8 Loyola Entertainment Law Journal 1 (1988)

Children in the Entertainment Industry: Are They Being Protected? An Analysis of the California and New York Approaches by Robert A. Martis, 8 Loyola Entertainment Law Journal 25 (1988)

The Regulation of Artist Representation in the Entertainment Industry by Bradley W. Hertz, 8 Loyola Entertainment Law Journal 55 (1988)

The Seventh Circuit Beans Performer Publicity Rights in Baseball's Telecast Rights Rhubarb, 8 Loyola Entertainment Law Journal 75 (1988)

What You See Is What You Get ... To Copy, 8 Loyola Entertainment Law Journal 93 (1988)

A Curtain Call for Docudrama-Defamation Actions: A Clear Standard Takes a Bow, 8 Loyola Entertainment Law Journal 113 (1988)

A Loss for LaRouche Doesn't Mean a Victory for Reporter's Privilege, 8 Loyola Entertainment Law Journal 127 (1988)

The Department of Justice Moves Into the Movies, 8 Loyola Entertainment Law Journal 143 (1988)

Neither Rain, Nor Sleet ... Nor the United States Congress ... Will Prevent the U.S. Postal Service From Delivering Hustler Magazine, 8 Loyola Entertainment Law Journal 159 (1988)

A "Handy Man's" Guide to Copyright Infringement: Standing, Public Domain and Registration, 8 Loyola Entertainment Law Journal 169 (1988)

The Winning Word for Scrabble Champion Is "Contract': 8 Loyola Entertainment Law Journal 185 (1988)

Warning to the Press: Knock Before Entering, 8 Loyola Entertainment Law Journal 201 (1988)

Comm/Ent, Hastings Journal of Communications and Entertainment Law, has published Volume 10, Number 1 containing the following articles:

Constitutional Struggle Over Telecommunications Regulation by Rita M. Cain, 10 Comm/Ent 1 (1987)

Allocation of Risk Based on the Mechanics of Injury in Sports: A Proposed Presumption of Non-Fault by Gerald J. Todaro, 10 Comm/Ent 33 (1987)

California Art Preservation Act: Proving Actual Damages by Ronald T. Michioka, 10 Comm/Ent 61 (1987)

West v. Mead Data Central: Has Copyright Protection Been Stretched Too Far? by Thomas R Higgins, 10 Comm/Ent 95 (1987)

Philadelphia Newspapers v. Hepps: Unanswered Defamation Questions by John L. Diamond, 10 Comm/Ent 125 (1987)

The Right of Publicity: A Research Guide by Lisa A. Lawrence, 10 Comm/Ent 143 (1987)

The Entertainment & Sports Law Journal, Volume 4, Number 1, has been published by the University of Miami School of Law with the following articles:

A Survey of Legal Issues Facing the Foreign Athlete by Debra Dobray, 4 Entertainment & Sports Law Journal 1 (1987)

Franchise Relocation in Major League Baseball by Jeffrey M. Eisen, 4 Entertainment & Sports Law Journal 19 (1987)

A Critical Look at Professional Tennis Under Antitrust Law by George Andrew Metanias, Thomas Joseph Cryan and David W. Johnson, 4 Entertainment & Sports Law Journal 57 (1987)

Anderson v. Liberty Lobby: A New York "State of Mind" by Lawrence D. Goodman and Howard D. DuBosar, 4 Entertainment & Sports Law Journal 101 (1987)

A Player's View of the NFL Reserve System by Edward Newman, 4 Entertainment & Sports Law Journal 129 (1987)

Law of Defamation by Rodney A. Smolla, reviewed by Thomas R. Julin, 4 Entertainment & Sports Law Journal 191 (1987)

Law and Business of the Sports Industries by Robert C. Berry and Glenn M. Wong, reviewed by Debra Dobray, 4 Entertainment & Sports Law Journal 199 (1987)

Sports Agents Representing Professional Athletes: Being Certified Means Never Having to Say You're Qualified by Gary P. Kohn, 6 The Entertainment and Sports Lawyer 1 (1988) (published by the ABA Forum Committee on the Entertainment and Sports Industries, 750 North Lake Shore Drive, Chicago, IL 60611)

Directors Guild versus Film and Television Producers: Strike 1 by Todd Alan Price and Steven R. Gordon, 6 The Entertainment and Sports Lawyer 3 (1988) (for address, see above)

"Popeye the Sailor".. Man of Letters- The Copyright Protection of Literary Characters by Tony Martino, 10 European Intellectual Property Review 76 (1988) (published by ESC Publishing, Mill Street, Oxford OX2 OJU, England)

The Practical Scope of the Intellectual Rights of the Author in French Law by Christian Le Stanc, 10 European Intellectual Property Review 88 (1988) (for address, see above)

Artists' Moral Rights by Steven Mark Levy, 11 Los Angeles Lawyer 11 (1988) (published by the Los Angeles County Bar Association, PO Box 55020, Los Angeles, CA 90055)

Privacy and the Constitution by Stephen F. Rohde, 11 Los Angeles Lawyer 45 (1988) (for address, see above)
[ELR 9:11:23]