

LEGAL AFFAIRS

I Never Promised You a Rose Jungle: John Huston's Heirs Invoke Moral Rights to Prevent Broadcast of Colorized Version of "Asphalt Jungle" in France

by Karen Elizabeth Dautresme

In French the title of the film "Asphalt Jungle" translates as "While The City Sleeps." The plaintiffs in the "Asphalt Jungle" French litigation, however, were awake and alert when they sought to obtain a temporary restraining order to prevent the broadcast by French Channel 5 of a colorized version of "Asphalt Jungle." Notwithstanding the absence of grounds on which to sustain an action in the U.S., French copyright law afforded the plaintiffs protection of the integrity of the

author's work as well as the right to the respect of his name.

Anjelica and Daniel Huston, joined by Ben Maddox, the screenwriter, instituted proceedings against Le Cinq, a French broadcasting station which, in turn, was joined by Turner Entertainment Corporation, the film's U.S. statutory copyright owner. The daughter and son of the late director derived their standing from the devolution of moral rights through their father's estate. n1 The screenwriter invoked his status as co-author under article 14 of the French copyright law. n2

The facts in the case involved the announcement by the French television station, Le Cinq, of its intention to broadcast a colorized version of "Asphalt Jungle." The plaintiffs filed a request for an order temporarily restraining the broadcast of the film in its colorized version. Citing John Huston's opposition in his lifetime to colorization n3 of his works, they argued that were the

film to be broadcast, the integrity of his work would be violated and the respect of his name and reputation would be impaired.

The "Asphalt Jungle" litigation presents foremost a unique opportunity to illustrate the juxtaposition of monistic concepts of copyright law with dualistic concepts as they interface in the international arena.

The conflict opposed U.S. monistic copyright concepts which confer on the statutory author solely economic rights and French dualist concepts which guarantee the protection of both economic and moral rights. The application of French copyright law enabled the heirs of John Huston to successfully invoke and defend the moral rights of their father's cinematographic work.

Without digressing to the obvious in international copyright relations, suffice it to reiterate that both the Universal Copyright Convention and the Berne Convention n4 provide for national treatment for the protection

of authors' works. Specifically, Article 11 of the Universal Copyright Convention requires that signatory members grant the same conditions of protection for the works of a national of a member country as they provide to their own citizens.

The treaties are silent, however, as to the issue of conflict of laws and the applicable governing law in the country in which protection is asserted. Therefore, one of the sub-issues to be raised in this case was that of the applicable law for the determination of the quality of author.

Three phases

The procedure evolved in three phases. In the first phase, a restraining order was granted on summary proceedings by the Tribunal de Grande Instance, in Paris, on June 24, 1988. The court held that pending a trial on

the issues of law, the film "Asphalt Jungle" could not be broadcast in its colorized version by Le Cinq, and any other film of John Huston's which had been colorized could not be broadcast by Le Cinq.

In the second phase, the issuance of the restraining order was confirmed by the Court of Appeals, Paris 14th Section, on June 25, 1988. In affirming the restraining order the appellate court examined the issues of the standing of the plaintiffs, and the existence of imminent and irreversible harm. As to the standing issue, the court held that article 11 of the French Civil Code specifically attributed the benefits of French law to foreigners, except where specifically reserved to French citizens, thereby applying the benefit and protection of French copyright law to the plaintiffs; and article 1 of the French copyright law applied to John Huston's heirs, finding a devolution of moral rights to the heirs. As to the imminent and irreversible harm issue, the court

found that the addition of color to a film conceived and created in black and white resulted in an "alteration" of the original work. In its finding the court stated that if the colorization process is not expressly authorized by the author or his heirs, it constitutes a violation of the author's moral rights, thereby creating actual harm. The court found this harm to be imminent and irreparable since the broadcast was scheduled for June 26, 1988, and it affirmed the restraining order pending a full trial on the merits.

In the third phase, the disputed issues of law were presented for a full trial on the merits before the Tribunal de Grande Instance, in Paris, on November 23, 1988. The following four issues were addressed by that court: (1) the basis upon which plaintiff's standing was predicated; (2) the applicable governing law for the determination of the quality of author; (3) whether the personal nature of moral rights had precluded their implicit assignment by

contract; and (4) whether the colorization had impaired the author's moral rights.

Standing

In defining the predicate for the basis of the plaintiff's standing, the court first examined the hypothesis of a national of a country with whom France has no reciprocal international copyright relations. In this context, the law of July 8, 1964 is controlling and mandates the threshold criteria of a fundamental condition of reciprocity. In citing the treatise of Prof. H. Desbois, n5 the court affirmed the principle that notwithstanding the absence of reciprocity, moral rights are nonetheless to be afforded protection in France. This delineation of the preeminence of moral rights was to remain the focal point of the entire case.

The court then analyzed the application of the French copyright law to foreign nationals of a country which is a signatory to either the Universal Copyright Convention or Berne Convention. While Article II of the U.C.C. sets forth the principle of protection of authors' works, it is Article III that specifically defines the obligations incumbent upon signatory countries.

"1. Published works of nationals of any Contracting State and works first published in that State shall enjoy in each other Contracting State the same protection as that other State accords to works of its nationals first published in its own territory.

"2. Unpublished works of nationals of each Contracting State shall enjoy in each other Contracting State the same protection as that other State accords to unpublished works of its own nationals.

"3. For the purpose of this Convention, any Contracting State may, by domestic legislation, assimilate to its own nationals any person domiciled in that State. n6

The French Civil Code in its Article 11 provides that in principle foreigners are beneficiaries of all the same rights as French citizens. Therefore, the court held that the plaintiffs who were citizens of a country signatory to the U.C.C. were entitled to claim the benefit of the protection afforded by Article 1 of the revised French copyright law of March 11, 1957.

In a supplementary analysis, the court referred to France's obligations as a signatory to the United Nations Universal Declaration of Human Rights. Article 17 provides in pertinent part that: "Each individual has the right to the protection of moral and economic interests in all scientific, literary or artistic works of which he is the author." Subsequent to France's ratification, the

Declaration was promulgated into French law by virtue of its publication in the "Journal Officiel." n7

Applicable Governing Law

The second issue raised was the applicable governing law for the determination of the quality of author. The respective copyright treaties mandate that protection is to be afforded by the host country consistent with the manner in which protection is granted to the works of its own authors. n8 They are silent, however, as to the governing law to be applied by the host country.

Therefore, the issue raised was whether U.S. or French law should be applied to determine the author. As stated earlier, Turner is the U.S. statutory author, n9 whereas French law confers the status of co-author upon the director and screenwriter. n10

A strict reading of the limited case law in the area might have led to the conclusion that the law of the country in which the work originated would have been controlling. However, the court declined to focus on the conflict of laws issue. Rather, the primary issue of the case was the preeminence of moral rights.

Non-Assignability of Moral Rights

The pivotal issue was whether the personal nature of moral rights precluded their implicit assignment by contract. (Maitre Henri Choukroun, of the Paris Bar, representing the plaintiffs for the restraining order on June 24, 1988, had successfully targeted this issue and concentrated the Court's focus on this cornerstone of French copyright law.)

Article 1 of the French law on literary and artistic property provides: "The author of an intellectual work

shall, by the mere fact of its creation, enjoy an exclusive incorporeal property right in the work, effective against all persons.

"This right includes attributes of an intellectual and moral nature as well as attributes of an economic nature, as determined by this law.

"The existence, or the conclusion by the author of an intellectual work, of a contract to make a work, or an employment contract, shall imply no exception to the enjoyment of the right recognized in the first paragraph."

This dual nature of French authors' rights makes clear the following pertinent points:

. Authors are granted protection of two separate and distinct rights.

- Economic rights and moral rights can be severed.
- Moral rights cannot be assigned.
- Moral rights are inherently attached to the creator and his creative process.

- Moral rights continue to exist even after the extinction of economic rights, i.e., after work enters public domain.

- Moral rights are transmitted with the author's estate upon death.

- The right to enforce moral rights vests in the author's heirs.

Therefore, the argument advanced by Turner that as the U.S. statutory author, the protection afforded by the Universal Copyright Convention conferred on it the full benefits of both economic and moral rights was rejected.

Simply stated, moral rights cannot vest in a legal entity. They derive from the intellectual creative process of an individual and as such belong to the individual. (Hence, one can readily understand the French concept of "paternity" of a work as being one of the multiple moral rights. n11)

Once the courts established that the moral rights did not vest in Turner, it examined whether the moral rights had been impaired.

Ramifications of Colorization

Was the colorized film a derivative work, or was the work denatured, thereby impairing the author's moral rights?

The court examined the premise advanced by Turner that colorized film was merely a derivative work since the underlying black and white work was left intact. However, criteria employed by French case law and doctrine in determining a derivative work has consistently been that of a work comprised of new composition and expression (emphasis added) incorporated into elements of a preexisting work. n12 In finding the film in question to have been denatured by the colorization,

the court relied upon John Huston's opposition in his lifetime to colorization of his films. The fact that despite the existence of color at the time the film was made he purposely chose to shoot in black and white was controlling in finding the alteration of his initial work as he conceived and executed it was an impairment his moral rights.

The rationale of the court, premised upon the initial intent of the author and the ensuing alteration of his work, was that colorization of the work without authorization from its original creator was deemed to impair the integrity of the author's work, thereby creating damage to his reputation.

In support of its rationale, the court relied upon the precedent of *Societe Roy Export et Ch. Chaplin v. Societe Les Films Richebee*.¹³ In that case, a soundtrack had been added to "Le Kid," a Chaplin silent film. The analogy was drawn between the adjunction of sound and

color and its impact upon the viewers perception of the creator's initial work.

This case reflected an underlying concern of the public's recognition of an author's work, as well as its faithful conservation. In so many words, the message sent down was that if Rodin had intended otherwise, the Thinker would have been fully clothed.

The Asphalt Jungle decision has been appealed and a hearing is scheduled in the Paris court of Appeals on May 12, 1989.

Comment

One important comment remains to be made about this case from the standpoint of international copyright relations. The Court did not raise the issue of inapplicability of the U.C.C. per se as a source of international obligation to the facts at hand. Simply stated, the film was

created in 1952. U.S. adhesion to the U.C.C. was effective on September 16, 1955. France's adhesion took effect on January 14, 1956. The application of the U.C.C. is prospective only. n14 Nor does it abrogate previously existing multi-lateral or bilateral agreements. n15

However, these facts do not alter the scope of the decision, since the film was already protected under French law. France and the U.S. have had bilateral copyright relations in effect since 1891. Specifically, the Presidential Proclamation issued by Benjamin Harrison on July 1, 1891 extended copyright relations to France, Belgium, Great Britain and her possessions, and Switzerland. n16 The proclamation itself states that "satisfactory assurances have been given that in ... France.... the law pen- nits to citizens of the United States the benefit of copy- right on substantially the same basis as to citizens of those countries."

Clearly, despite the inapplicability of the U.C.C. to the film *Asphalt Jungle*, the prior 1891 multi-lateral treaty would be controlling and produce the same effect.

The holding in this case does not in any way imply that all colorized films are henceforth banned in France. But rather as the occasion arises, on a case by case basis, an author (in the broad sense of the French definition embodied in Article 14) or his heirs may, based on the predicate of preservation of moral rights, prevent such broadcast.

Conclusion

The interest of this case is not one of a respect of cultural heritage, nor is it divine justice listening to the pleas of Woody Allen.

With adhesion to Berne the U.S. has extended copyright relations to another 24 countries, and Berne affords

protection of moral rights. This is certainly not to be interpreted as an indication that a plethora of Asphalt Jungle cases will arise. It is, however, meant to imply that the the U.S. Copyright Act is not the only game in town. Nor is a cursory reading of Berne and U.C.C. sufficient on which to base an analysis. In some instances, other treaties interface, i.e., the Treaty of Rome affecting the 12 member nations of the EEC, or the existence of pre-existing treaties must be considered.

In this case the court neatly side-stepped the issue of governing law and focused on moral rights. Were colorization not the issue, the case could have gone the route of *Ionesco v. Metro Goldwyn Mayer, Romania Films*.
n17

This case proved the prescience of the small but persistent international copyright community who have foreseen the significance of international copyright transactions and their ancillary trade issues. Gone are

the days when it was sufficient to base evaluations in distribution or syndication contracts merely on territories granted and revenues generated. The French example demonstrates that each country involved has its particular evolving legislation and applicable treaties, the application and implications of which must be understood. Absent such comprehension and foresight, the unnecessary expenditure of time and money will be a persistent reality.

NOTES

1. Law No.57-298, March 11, 1957, official French text published in the Journal Officiel, March 14, 1957 p.2723, English translation: CLTW, France Item 1. Article 6 provides: "The author shall enjoy the right to respect for his name, his authorship, and his work. This right shall be attached to his person. It shall be

perpetual, inalienable and imprescriptible. It may be transmitted mortis causa to the heirs of the author. The exercise of this right may be conferred on a third person by testamentary provisions."

2. Id. with amendments incorporated by law No. 85-660, July 3, 1985. Article 14 provides:

"Authorship of an audiovisual work shall be deemed to belong to the physical person or persons who brought about the intellectual creation thereof.

"In the absence of proof to the contrary, the co-authors of an audiovisual work made in collaboration are presumed to be:

"1) the author of the script.

"2) the author of the adaptation.

"3) the author of the dialogue.

"4) the author of the musical compositions, with or without words, especially composed for the work.

"5) the director (realisateur).

"When an audiovisual work is adapted from a preexisting work or script which is still protected, the authors of the original work shall be assimilated to the authors of the new work."

3. The statutory requirement of the obligatory consent of the director to modifications of his completed audiovisual work is set forth in Article 16 of the law No. 57-298 of March 11, 1957, amended July 3, 1985, law (No. 85-660), which provides:

"An audiovisual work shall be considered completed when the final version has been established by common accord between the director or possibly, the joint authors, on the one hand, and the producer, on the other.

"Destruction of the master copy of such version shall be prohibited.

"Any change made to such version by adding, deleting or modifying any element thereof shall require the agreement of the persons referred to in the first paragraph.

"Any transfer of an audiovisual work to another medium with a view to a different mode of exploitation shall require prior consultation with the director.

"The author's own rights, as defined in Article 6, shall be exercised by them only in respect of the completed audiovisual work."

4. The Berne Convention, since the Paris revision in 1971, specifically guarantees, in Article 6 bis, the protection of moral rights after the death of the author.

5. H. Desbois, *Le Droit D'Auteur en France*, Dalioz (1978) Sec. 802, p. 934. "Creative works are too intimately linked to the personality of the author to permit

the exercise of moral rights to be subject to reciprocity."
(Translation)

6. Universal Copyright Convention, Article II. C.L.T.W.
Item A.1.

7. J.C. February 2, 1949.

8. Universal Copyright Convention, Article 2; Berne
Convention Articles 5 and 6. (Art. 5 governing authors
of member countries, Art. 6 governing authors of non-
member countries.)

9. 17 U.S.C. Sec.103.

10. Law No. 57-298, March 11, 1957, Article 14, *supra*.

11. The right to make work known to the public, right to withdraw work from publication, right to have author's name associated with the work, right to have the work respected which encompasses the right to prevent the work from being mutilated or destroyed as well as the right to the integrity of the work.

12. Colombet, "La Propriete Litteraire et Artistique"
Dalloz p. 53-54.

13. Cours d'appel, Paris, April 29, 1959, J.C.P. 1959 11.
11134, G.P. May 23-26, 1959. See also Dalloz 1959
402.

14. 3 Nimmer on Copyright Sec. 17.04[B].

15. U.C.C. art. xix.

16. The Statutes at Large of the United States of America, from December 1891 to March 1893. Vol. 27, 8 vo. Washington, 1893, pp. 981-982, cited in Library of Congress Publication "Copyright Enactments of the United States 1783-1906."

17. Tribunal de Grande Instance, 3 eme Chambre, Paris, February 14, 1977, RIDA, July 1978, p. 179.

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[ELR 10:10:3]

Copyright Protection for Live Performances

by David A. Gerber

Until the early years of this century, dramatic works were presented on stage rather than on films or video-cassettes. The same type of technological development partially supplanting live performance has occurred with musical entertainment. But despite the emergence of entertainment received through the intermediary of tape or film, live shows maintain a spontaneity and intimacy that cannot be entirely recreated in these media. Whether a huge rock concert in a sports stadium or an improvisational comedy act in a small nightclub, live performance remains an important genre of public entertainment.

"Fixation" requirement of copyright law

Yet there remain fundamental questions about the protectability of live shows under the Copyright Act. Under section 102(a) of the Copyright Act, federal copyright protection is limited to works "fixed" in a tangible form. The Copyright Act defines "fixation," but with only an oblique reference to live events, in section 101:

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

Under this definition it is clear that a line show that has not been so "embodied" is not "fixed." As a practical matter this means that if the performance is not

recorded, it is not protected. It is also clear that if a show is being "transmitted" (that is, communicated "by any device or process whereby images or sounds are received beyond the place from which they are sent"), a simultaneous recording "fixes" the performance. This entitles the work to statutory copyright.

In contrast to the clear lack of protection for "unfixed" live shows and the clear protection for "fixed" live shows that are "transmitted," the copyrightability of live performances that are "fixed" but not "transmitted" is uncertain. Examples are a "performance art" piece that is filmed with the consent of the artist, and a reading audiotaped with the permission of the poet who is presenting his work. Whether the definition of "fixed" encompasses such entertainments is a debated proposition.

Nimmer on fixation of live performances

The masterful treatise on copyright law authored by the late Mel Nimmer and ably continued by David Nimmer takes a firm position on this issue, saying the statute:

"[A]pplies the simultaneous recordation concept for the purpose of defining the term 'fixed' only to 'sounds, images, or both that are being transmitted....' To 'transmit' is further defined as to communicate a performance 'by any device or process whereby the images or sounds are received beyond the place from which they are sent.' This effectively precludes the nightclub performer from claiming protection for his improvisations at the moment of his live performance. Since only works which are 'fixed' are entitled to statutory copyright, and since Congress has elected to define 'fixed' for this purpose in a manner more limited than their [sic] constitutional authorization, it follows that a live but nontransmitted performance is not entitled to statutory protection notwithstanding its simultaneous recordation."

Nimmer's position is that simultaneous transmission is a prerequisite for protecting live performances that is distinct from simultaneous recodation; only those performances that are recorded and transmitted fall under the statutory definition of "fixed." Because Nimmer views transmission as a necessity for "fixation," the treatise proposes an odd but interesting "solution" for the performer - gratuitously "telephoning his live performance" to create a "transmission" by communicating the performance to a different place.

A dissenting view

I dissent from Nimmer's view. There are two reasons why the supposed ineligibility for copyright protection of non-transmitted "live" performances is unpersuasive. First, the Nimmer analysis is inconsistent with the Copyright Act's congressional history. The authoritative

House Report on the bill that became the statute amplifies the statutory definition of "fixed" as follows:

"Under the first sentence of the definition of 'fixed' in section 101, a work would be considered 'fixed in a tangible medium of expression' if there has been an authorized embodiment in a copy or phonorecord and if that embodiment is 'sufficiently permanent or stable' to permit the work 'to be perceived, reproduced, or otherwise communicated for more than transitory duration.' The second sentence makes clear that, in the case of 'a work consisting of sounds, images, or both that are being transmitted,' the work is regarded as 'fixed' if a fixation is being made at the same time as the transmission."

Thus the purpose of the second sentence in the section 101 definition of "fixed" is to clarify that simultaneous recordation will suffice to "fix" a transmitted performance. The sentence simply reiterates in the case of transmitted live performances that simultaneous recordation

constitutes fixation. It does not imply that transmission is an additional requirement beyond recordation for "fixation" of live performances. By the first sentence in the definition all works including but not limited to transmitted works are deemed "fixed" when a tangible embodiment is simultaneously produced with the consent of the copyright owner.

Policy and practice

The second problem with Nimmer's view is on the merits. To ask a live performer to engage in the artificial ritual of transmitting his work by telephone to ensure protection under federal law is to require a meaningless ceremony. The absence of any conceivable policy rationale for requiring such a bizarre "transmission" strengthens the suggested reading of Congress' intent. The irrationality of requiring this peculiar type of

transmission resolves any ambiguity as to whether the "fixation" definition requires that a live performance be transmitted to entitle it to copyright protection.

Indeed, Nimmer's interpretation of the definition of "fixed" in the context of live performances yields results that are entirely inconsistent with the practice of the entertainment industry for decades. Nimmer's view is that only those "sounds, images, or both that are being transmitted" are capable of fixation. This necessarily implies that when musicians create sounds in a recording studio, the simultaneous recordation (for example, by tape recording) of these sounds is insufficient to "fix" them; a telephonic or other "transmission" is also required. Likewise for motion pictures that are being recorded by means of videotape or celluloid film; absent "transmission" they cannot be "fixed."

But this means that the millions of sound recordings and movies that have been made through the years are

ineligible for copyright. This in turn means that no liability can attach under the Copyright Act for motion picture or record piracy - a result that is inconsistent with years of case law and is truly a reductio ad absurdum of the Nimmer view.

Conclusion

Whether this analysis or Nimmer's is correct must necessarily await an authoritative judicial application of the statute. Apart from depriving the Baby Bell phone companies of revenues from the transmission-to-nowhere that Nimmer proposes, however, it is submitted that my analysis is the better view.

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NEW LEGISLATION AND REGULATIONS

**Legislative Accomplishments of the 100th Congress:
New Statutes Deal with Record Rentals, Satellite TV,
Film Preservation, Intellectual Property in Bank-
ruptcy, and Taxation of Authors and Artists**

by David Goldberg

In the twilight hours of the 100th Congress, several important pieces of legislation were passed that have a significant impact on copyright holders and users. The most notable of the new developments is, of course, the U.S. adherence to the Berne Convention for the Protection of Literary and Artistic Works. Several other significant pieces of legislation survived the process in the shadow

of Berne, and it is these laws that will be the focus of this article. What follows is a wrap-up of the other copyright legislation enacted in the second session of the 100th Congress.

The Record Rental Amendment Act

On November 5, 1988, President Reagan signed Public Law 100-617, extending for eight years the Record Rental Amendment of 1984 (PL 98-450). The Record Rental Amendment of 1984 was enacted in response to a then-growing trend of commercial record rental outlets, stores whose primary purpose was to encourage customers to tape rented recordings instead of buying them. A Senate committee, charged with investigating the impact of these rental stores, found that record rentals were directly displacing record sales. The net effect of the lost sales translated into lost revenue for the

record companies and lost royalties for artists, songwriters and music publishers. n1

The 1984 act, codified at 17 U.S.C. Sec.109(b), prohibits record rentals for direct or indirect commercial advantage, unless otherwise authorized by the copyright owners of the sound recording. It specifically exempts nonprofit libraries and educational institutions from its scope. In addition, the act amended section 115(c) of the Copyright Act to indicate that the compulsory license granted to record companies by section 115 also allows record companies to authorize the rental of their records of nondramatic musical works, subject to the payment of an additional royalty which allows the various copyright owners to share proportionately in all royalties paid. The legislation thus insured record companies and other copyright owners of compensation for their labors.

The 1984 act also included a "sunset provision" under which that part of the statute pertaining to record rentals would have expired in 1989.

Early in the congressional session, Senator Dennis De-Concini (D.-Arizona) introduced S. 2201 that would have made the 1984 act a permanent part of the Copyright law by repealing the sunset provision entirely. S. 2201 was passed by the Senate on June 7, 1988.

Meanwhile, in the House, Representative Robert Kastenmeier (D.-Wisconsin) introduced a bill that merely extended the record rental provision for another five years, rather than making it permanent. The Kastenmeier bill sought to preserve the opportunity for later evaluation of the appropriateness of justification for the provisions on record rental. The House passed this bill, H.R. 4310, on August 1st.

A compromise was easily reached between the two sides regarding the length of the extension, and on

September 26th, Representative Kastenmeier offered an amendment that extended the act for eight years instead of five. An amended S. 2201 was passed by the Senate on October 21st. n2

Satellite Home Viewer Act

Over the years, Congress has had to amend and redraft the copyright laws to take account of changes in technology. The Satellite Home Viewer Act of 1988 (PL 100-667) is perhaps the most technologically sophisticated of all the copyright legislation passed last year. n3 It deals with issues that have arisen from a recent development in telecommunications technology - the retransmission of broadcast and cable television network signals to home satellite dish owners.

Beginning several years ago, so-called "satellite dishes" became commercially available to private

persons. These dishes allowed viewers to watch, without authorization, television signals transmitted by "over the air" or broadcast networks, such as NBC, CBS and ABC, to their local affiliates across the country, as well as signals transmitted by cable networks, such as ESPN, to local cable television systems. Many of the home dish owners resided in rural areas that were not served by local broadcast network affiliates or cable television systems. The satellite dishes thus provided these owners with their only opportunity to watch television. Yet, other home satellite dish owners lived in areas that were served by local broadcast network affiliates or cable systems. These viewers were thus bypassing the affiliates and the subscription cable systems by using their dishes to receive television programs.

Frustrated by these unauthorized uses of their copyrighted signals, the broadcast and cable networks began "scrambling" their signals - that is, they altered them in

such a way that they became unintelligible to dish owners who did not have special equipment to "descramble" the signal.

For the broadcast networks, scrambling did not end the problem of unauthorized use of their programming. So-called "satellite carriers" began retransmitting without authorization the signals of over-the-air network television affiliates as well as certain independent television stations, in scrambled form.

The satellite carriers offered to provide descrambling equipment to home dish owners in exchange for a subscription fee. Again, the problem was not so much with the satellite carriers' customers who were located in rural areas not served by any affiliates or cable systems. The broadcast networks' primary concern with this unauthorized use of their copyrighted programming was in non-rural areas where their affiliates would lose

viewership if dish owners subscribed to the satellite carriers' service.

One of the networks, NBC, brought an action against a satellite carrier, Satellite Broadcast Networks (SBN), alleging that SBN's retransmission of the programming of NBC's Atlanta affiliate infringed NBC's copyright interest in that programming. The court granted NBC summary judgment on its copyright claim, finding that the satellite carriers did not come within the compulsory license provisions of section 111(c) of the Copyright Act that apply to cable systems. n4

The Satellite Home Viewer Act sought to resolve the legal issues raised by home satellite dishes by striking a compromise between the interests of the networks, the satellite carriers and the home satellite dish owners.

The act first amends the Federal Communications Act to make it clear that over-the-air and cable networks may legally scramble their signals. The act further

provides for stiffer penalties for piracy of satellite signals by making the manufacture, assembly and modification of unauthorized descramblers a felony punishable by a fine of up to \$500,000 and imprisonment of up to five years. Thus, the act reaffirms the networks' right to protect from unauthorized use and viewership the signals that they send to their affiliates and cable systems.

But the act, by adding a new section 119 to the Copyright Act, does give the satellite carriers a limited right to retransmit the signals of broadcast network affiliates. These carriers may engage in such retransmission if they pay a compulsory license fee - a prescribed royalty to a governmental agency, the Copyright Royalty Tribunal, which redistributes the payments to the copyright owners of the retransmitted programs. The Copyright Act of 1976 provides for a similar compulsory license system

for cable systems which retransmit to their subscribers programming of over-the-air television stations.

The Satellite Home Viewer Act became effective January 1st, and under a sunset provision will expire in six years. For the first four years, the act sets forth a formula for computing the fee payable pursuant to the license. For the remaining two years, it provides for arbitration to determine the fee.

The act also limits the satellite carriers by allowing them to fully service only certain customers. The carriers may provide retransmissions of network programming only to customers who live in areas not served by local network affiliates and who have not subscribed to a cable television system for 90 days prior to subscribing to the satellite carriers' service. Thus, the retransmission of network programming will be made available only to rural viewers who would not otherwise be watching network television. In order to ensure that only

these viewers are being served, the act requires that the satellite carriers provide the broadcast networks with lists of their subscribers.

As the act is set to expire on December 31, 1994, the legal issues it attempts to resolve will reappear in six years, absent further action by Congress.

Film Preservation Act

The National Film Preservation Act (PL 100- 446), signed into law by President Reagan on September 27th, is the first legislative measure designed to recognize the impact of colorization and similar "material alterations" of motion pictures.

The debate over colorization of old black-and- white films has been heated over the past few years. In the summer of 1987, the Copyright Office concluded that certain colorized films may be copyrightable as

derivative works, to the extent they contain a minimal amount of original human authorship. The Copyright Office was also directed by the House Subcommittee on Courts, Civil Liberties and the Administration of Justice to conduct a study on the legal issues regarding film colorization. In 1987, Representative Richard Gephardt (D.-Missouri) introduced the Film Integrity Act of 1987 (H.R. 2400), which would have amended the Copyright Act to prohibit material alteration, including colorization, of motion pictures without the consent of the artistic authors of the work. In another approach, Representative Kastenmeier introduced the Film Disclosure and Preservation Act of 1988 (H.R. 4897) as an amendment to the Trademark Act, which would have required a clear and conspicuous disclosure that a film has been materially altered.

The bill that finally was enacted came about through neither of these ways. At the behest of Representative

Robert J. Mrazek (D.-New York), the House Appropriations Committee added a provision entitled the National Film Preservation Act of 1988 (H.R. 4867) to the Interior Department funding legislation. The bill was amended on the House floor and again revised in conference committee with the Senate. The act establishes a 13-member National Film Preservation Board which will select up to 25 significant films each year for inclusion in a National Film Registry. The act empowers the board to designate motion pictures that are culturally, historically, or esthetically significant and to provide those designated films with limited protection against material alteration. A film is not eligible for inclusion on the Registry until 10 years after its first theatrical release.

The Library of Congress (rather than the Interior Department, as originally proposed) is responsible for maintaining the board and carrying out the provisions of

the act. In addition to identifying films for inclusion in the Registry, the responsibilities of the Librarian include assembling experts from time to time to update and revise the definition of "material alteration," providing films that have been included in the Registry with a seal, and publishing in the Federal Register the titles of films that have been selected for inclusion.

If a designated film is altered by colorization or other technologies, the act requires labeling to disclose if the principal director, screenwriter or other creators of the original film wish to be dissociated from the altered version. Explicitly excluded from the definition of "material alteration" are commercials and public service announcements for television broadcasts. The legislation also specifically exempts films packaged prior to the effective date of the act, and it also excepts retail distributors of colorized or otherwise altered films for home use

who rely in good faith on the manufacturer's compliance with the act.

The legislation became effective upon enactment and contains a sunset provision of three years.

Intellectual Property in Bankruptcy

Under the Bankruptcy Code, a trustee or a debtor-in-possession has the right to reject or disaffirm executory contracts. This can create havoc for a copyright licensee (or licensee of other intellectual property rights) whose rights might be unilaterally cut off in the event of a licensor's bankruptcy.

Several recent court decisions, most notably *Lubrizol Enterprises Inc. v. Richmond Metal Finishers Inc.*,⁵ have interpreted section 365 of the Bankruptcy Code to allow in effect an intellectual property licensor who files for bankruptcy to strip its licensee of any continuing

right to use the licensed intellectual property under the auspices of rejecting or disaffirming the license as an executory contract. The net effect of this practice has been termination of a licensee's use of unique property without regard to whether a business had been built around it. Insistence by potential licensees on total ownership transfers to prevent this possible loss of rights was not always possible, since licensors often wished to retain certain rights.

To remedy the situation, Senator DeConcini and Representative Don Edwards (D.-California) introduced virtually identical legislation. The Senate version (S. 1626) became the bill President Reagan signed into law (PL 100-506) on October 18th, the effective date of the act.

The new act amends the Bankruptcy Code to define "intellectual property" to include works of authorship protected under the Copyright Act, mask works protected under Chapter 9 of Title 17, trade secrets, n6

inventions, processes, designs, and plant varieties. Under this new legislation, if the trustee rejects an executory contract, the licensee may elect to retain certain rights under the license, as such rights existed in the underlying intellectual property at the time of the bankruptcy filing. A licensee who elects to retain its rights would be required to make all payments with respect to such rights under the contract, to waive any rights of administrative claims and to set off damages for prepetition claims. Despite this waiver, the licensee does retain a general claim for damages.

With respect to obligations under the contract, the licensee would not be able to demand specific performance of the licensor's affirmative obligations under the contract, except certain obligations necessary to implement the license agreement. For example, an exclusive licensee is given the right to enforce exclusivity provisions of the agreement. The licensee could not,

however, compel the licensor to perform covenants calling for improvements to the licensed property.

Tax Technical Corrections Act

Signed into law by President Reagan on November 10th, the Technical Corrections Act of 1988 (PL 100-647) specifically allows freelance artists and authors to deduct work expenses during the tax year in which the expenses were incurred.

This deduction, which had traditionally been taken by artists and authors, was removed by the Tax Reform Act of 1986 (PL 99-514). To the relief of artists and authors, the deduction has been restored as part of a long series of corrections made to the 1986 act.

The deduction applies only to individuals whose personal efforts create or may reasonably expect to create a literary manuscript, musical composition, dance score,

photograph, photographic negative or transparency, picture, painting, sculpture, statue, etching, drawing, cartoon, graphic design or original print edition. Further, the amendment specifically provides that individuals who are employees or owners of a personal service corporation and who are photographers, writers, or artists, qualify for the deduction if substantially all of the stock of the organization is owned by the individual or members of his or her family.

In determining whether an item is deductible, factors such as the item's originality and uniqueness will be considered together with balancing the item's aesthetic and utilitarian value. Thus, examples of items not deductible include expenses incurred or paid for producing furniture, silverware and other household items. Other items that are not deductible include expenses related to printing, photographic plates, motion picture films, video tapes or similar physical items.

The 1988 act is effective as if included in the Tax Reform Act of 1986.

Conclusion

As in any legislative session, numerous bills were left in political purgatory. Among these were Senator Thad Cochran's perennial attempt to amend the "work made for hire" definition of the Copyright Act; the on-going dispute between broadcasters and the performing rights societies over a source licensing bill that would require music performing rights in syndicated TV programming be licensed at the time all other copyright rights are licensed; a bill to provide for royalties to be paid to the original creator when works of art are resold; and numerous others. Whether they will resurface in the 101st Congress with any vitality remains to be seen. What is fairly certain, however, is that the enacted legislation of

the 100th Congress will surely find its way into the courts to be interpreted.

NOTES

1. S.Rep. No. 162, 98th Cong., 1st Sess. (1983). See also, *A & M Records v. A.L.W. Ltd.*, 7 USPQ 2d 1475, 1476 (7th Cir. 1988).

2. It is interesting to note that a bill so important to the rights of copyright owners was jeopardized by an unrelated amendment added by Senator Robert Dole (R.-Kansas). The Dole amendment would have authorized a grant to the University of Kansas, slowed the progress of the bill to the point where industry lobbyists feared that the bill would die. Fortunately, Senator Pete Wilson (R.-California) and Senator DeConcini were able to persuade Senator Dole to attach his amendment

to another bill, thereby enabling S. 2201 to pass before expiration of the 1984 act.

3. Passage of the act reflected some of the usual legislative compromises undertaken in the closing days of any Congress. The Satellite Home Viewer Act was a priority item with many members of the House of Representatives, which had passed the bill (H.R. 2848) on October 5th as a separate act. Certain members of the Senate, who were pressing for Trademark Act reform, needed quick approval by the House of the amended Trademark Law Revision Act of 1988 (S. 1883). The compromise involved attaching the Satellite Act as Title 11 of the trademark bill and passing them both as a package.

4. *Pacific & Southern Co. v. Satellite Broadcast Networks*, 694 F.Supp. 1565 (N.D.Ga. 1988).

5. 756 F.2d 1043 (4th Cir. 1985), cert.den., 106 S.Ct. 1285 (1986).

6. The inclusion of trade secrets as part of the definition of "intellectual property" is unusual for a federal statute as that concept is normally reserved for development by the states. The term was included because the Bankruptcy Code refers to and preempts certain rights created by state law. In addition, the act intentionally excludes trademarks, trade names and service marks from its definition of intellectual property. As originally introduced, the act required a trademark licensee to comply with the trademark licensor's ongoing quality assurance program in order to continue under the license. However, this requirement and the consequent reference to trade and service marks were dropped when Representative Edwards re-introduced the act in May, in

order to relieve the burden this requirement placed on the debtor in bankruptcy.

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[ELR 10:10:10]

RECENT CASES

John Cougar Mellencamp may proceed with royalty and accounting claims against music publisher, but court rejects performer's claim of breach of fiduciary duty and finds that publisher did not enter into binding oral agreement to transfer copyrights to Mellencamp

During the years 1977 through 1985, performer John Cougar Mellencamp entered into publishing contracts with several companies, the "Riva companies," owned and/or controlled by William A. Gaff. Mellencamp assigned to the companies his copyrights in various compositions in return for receiving a percentage of the royalties earned from the exploitation of his music.

Mellencamp eventually brought a lawsuit alleging that the Riva companies breached their fiduciary duties by

failing to actively promote his songs and to use their best efforts to obtain all the monies due him from third parties. The complaint also alleged the underreporting of royalties, and the companies' failure to timely render royalty statements and payments Mellencamp further claimed that the Riva companies agreed to release him from all obligations under the publishing contracts and to return all the rights in his musical compositions in exchange for \$3 million.

Federal District Court Judge Kenneth Conboy first noted that under New York law, every contract includes an implied covenant of good faith and fair dealing "which precludes a party from engaging in conduct that will deprive the other contracting party of his benefits under their agreement. In the court's view, the express and implied obligations assumed by a publisher in an exclusive licensing contract are not, as a matter of law, fiduciary duties. Mellencamp's first two claims, based

solely upon his professional relationship with the Riva parties, did not plead any specific conduct or circumstances indicating the existence of a fiduciary relationship and therefore were dismissed by the court.

However, Judge Conboy rejected the Riva parties' motion to dismiss Mellencamp's breach of contract claim, except as to Avir Music, Inc. and H.G. Music, Inc.; these companies were not alleged to be parties to the publishing contracts and the pleadings did not provide any basis upon which relief could be granted against the companies. In response to the Riva parties' contention that the breach of contract claim was defective with respect to a publishing contract dated June 15, 1981 because John Cougar, Inc. and not John Cougar Mellencamp was the party to the contract, the court granted Mellencamp twenty days to submit evidence on the issue of his rights under the 1981 contract.

In turning to the Riva parties' claim that the statute of frauds provision of the Copyright Act barred Mellencamp's claim based on an alleged oral agreement to transfer to him the copyrights in his compositions, Judge Conboy found no merit to Mellencamp's argument that a contract to transfer a copyright can be enforced without a writing. The statute of frauds provision of the New York Uniform Commercial Code also might apply to bar recovery, notwithstanding Mellencamp's claim that the principal asset to be transferred under the oral agreement was his services as a songwriter rather than the copyrights. The court pointed out that Mellencamp did not attempt to apportion the proposed \$3 million payment to the various rights to be transferred by the alleged oral agreement, and that copyright sales are not excluded from the coverage of the Uniform Commercial Code's statute of frauds provision. Nevertheless, a dispositive ruling on the statute of frauds question was

inappropriate, stated Judge Conboy - the Riva parties established that no written agreements were entered into for the sale to Mellencamp of the Riva copyrights, but a note or memorandum may have been executed after the meeting during which the alleged agreement was discussed, and such a writing might satisfy the requirements of the statute of frauds.

The Riva parties were entitled to a dispositive ruling, found the court, granting their motion to dismiss Mellencamp's claim based on the alleged oral agreement on the ground that the parties did not enter into a binding agreement for the sale of Mellencamp's copyrights and songwriting services. Mellencamp did not establish that the parties intended to be bound in the absence of an executed contract. Indeed, noted Judge Conboy, the evidence of the tentative nature of a draft agreement was "manifest."

The court found it significant that key provisions of the draft agreement would be triggered only by the execution of a final agreement, and further stated that "the tenor of the draft agreement is wholly inconsistent with the notion that it would constitute a mere memorialization of a prior binding oral agreement." Among the terms left to be agreed upon were the Riva parties' rights to Mellencamp's services as a songwriter, "sweeping warranties and indemnifications," and provisions granting Mellencamp the sole discretion to assume or terminate agreements which the Riva parties had with third parties. The fact that a due diligence investigation was undertaken was "inexplicably inconsistent with the pre-existence of a binding deal." And the proposed \$3 million purchase price also supported the conclusion that a written agreement was contemplated.

An independent basis for dismissing Mellencamp's claim, as well as confirming the absence of a binding

agreement, was the appearance in several of the publishing contracts between the parties, of "no oral modification" clauses, "no oral cancellation" clauses, or both.

Mellencamp v. Riva Music Ltd., 87 Civ. 6207
(S.D.N.Y., Nov. 2, 1988) [ELR 10:10:15]

NCAA's recommendation that UNLV basketball coach Jerry Tarkanian be suspended was not state action, thus making 14th Amendment inapplicable, rules United States Supreme Court

The National Collegiate Athletic Association did not violate Jerry Tarkanian's constitutional rights in seeking to have Tarkanian suspended as head basketball coach at the University of Nevada, Las Vegas, according to a recent 5-4 decision of the United States Supreme Court.

Tarkanian was suspended in 1977 after the NCAA reported that the university committed 38 violations of association rules, including 10 violations involving Tarkanian. The NCAA placed the university's basketball team on probation for two years and ordered the school to show cause why the NCAA should not impose further penalties unless the school severed all ties during the probation between its intercollegiate athletic program and Tarkanian.

Tarkanian, who had become a tenured professor in 1977, sued the NCAA in Nevada state court, alleging that he was deprived of his Fourteenth Amendment due process rights in violation of 42 U.S.C. section 1983, and obtained injunctive relief and an award of attorney's fees of almost \$196,000 against both the university and the NCAA. The Nevada Supreme Court held that the NCAA engaged in state action when it conducted its investigation of the University of Nevada, Las Vegas and

recommended Tarkanian's suspension; that Tarkanian had been deprived of both property and liberty protected by the Constitution; and that the coach was not afforded due process before the suspension.

United States Supreme Court Justice John Paul Stevens first reviewed the history of the NCAA's investigation of the university. In 1976, the university, after conducting its own investigation, denied all of the NCAA's allegations, and concluded that Tarkanian was completely innocent of wrongdoing. Nevertheless, the NCAA's Committee on Infractions proposed a series of sanctions against the university, including a two-year period of probation during which its basketball team could not participate in post-season games or appear on television. The university, in accordance with the NCAA's report, notified Tarkanian that he was to be "completely severed of any and all relations, formal or informal, with the University's Intercollegiate athletic

program during the period of the University's NCAA probation."

In reaching the conclusion that the NCAA did not engage in state action in the case, Justice Stevens recalled that private conduct, "no matter how unfair that conduct may be," is not subject to scrutiny under the due process clause of the Fourteenth Amendment. The final act challenged by Tarkanian - his suspension - was committed by the university, a state entity. But although the university had "some impact" on the NCAA's policy determinations, several hundred other public and private member institutions also affected those policies, noted Justice Stevens. The source of NCAA policy is its "collective membership, speaking through an organization that is independent of any particular State."

In all, for the court, neither the university's decision to adopt the NCAA's standards nor the school's minor role in their formulation was a sufficient reason for

concluding that the NCAA was acting under color of Nevada law when it set standards governing athletic recruitment, eligibility, and academic performance. The NCAA did not have governmental powers, such as the power to subpoena witnesses, to facilitate its investigation. Indeed, the university could have retained Tarkanian, risked additional sanctions, or even have withdrawn from the NCAA.

Justice Byron R. White, with whom Justices Brennan, Marshall and O'Connor joined in dissent, would have found that the NCAA acted jointly with the University of Nevada, Las Vegas, a public university, in suspending Tarkanian, and thereby also became a state actor. Justice White found it significant that the NCAA conducted the hearing which the Nevada Supreme Court held to have violated Tarkanian's right to procedural due process, and noted that the NCAA and the university

agreed that the NCAA's findings of fact would be binding on the university.

National Collegiate Athletic Association v. Tarkanian, 109 S.Ct. 454 (1988) [ELR 10:10:16]

United States Supreme Court refuses to hear Vanessa Redgrave's free speech claims against Boston Symphony Orchestra, after Court of Appeals ruled against her statutory civil rights claims

The United States Supreme Court has declined, without comment, to review a Federal Court of Appeals decision rejecting actress Vanessa Redgrave's claim against the Boston Symphony Orchestra under the Massachusetts Civil Rights Act.

In August 1988, Federal Court of Appeals Judge Coffin, in a 37-page opinion, denied Redgrave's civil rights claim after carefully reviewing the proceedings (see ELR 9:1:10; 7:8:11) occasioned by the orchestra's cancellation, in April 1982, of the actress' contract to appear as the narrator for certain performances of Stravinsky's "Oedipus Rex." Judge Coffin declined to reach any federal constitutional issues.

Redgrave had been awarded her stipulated performance fee of \$27,500 and consequential damages for breach of contract. The court remanded the matter for the entry of a reduced judgment, amounting to \$12,000, for consequential damages in accordance with the evidence presented by the actress.

Judge Bownes, questioning the majority's refusal to consider "important and difficult federal constitutional issues" raised by the case, would have found that the orchestra, by operation of the Massachusetts Civil Rights

Act, had obligations "like those of the Commonwealth itself not to abridge the free speech rights of others," and that in cancelling its contract with Redgrave, the orchestra "repudiated that obligation and thwarted the Commonwealth's compelling interest in preventing the abridgement of speech."

Redgrave v. Boston Symphony Orchestra, Inc., 855 F.2d 888 (1st Cir. 1988) [ELR 10:10:17]

Author may pursue claim that "Simon and Simon" episode aired by CBS infringed copyrightable historical nonfiction works concerning the death of John Dillinger

Jay Robert Nash has written several books in which he claimed that bank robber John Dillinger was not killed

by FBI agents outside Chicago's Biograph Theatre on July 22, 1934, but rather, that the agents mistakenly shot and killed an individual named Jimmy Lawrence. According to Nash's theory, shortly after the shooting incident, Dillinger moved to the West Coast where he lived until at least 1979.

In March and August of 1984, CBS aired an episode of the television series "Simon and Simon." The episode, entitled "The Dillinger Print," concerned an investigation into the death of a retired FBI agent who believed that Dillinger did not die in 1934. During their investigation of the agent's murder, the series' main characters, the Simons, discover various discrepancies surrounding the Dillinger shooting, including some of the discrepancies mentioned in Nash's books. The episode concluded with a "teaser" suggesting that Dillinger still may be alive.

When Nash sued CBS and the parties responsible for writing, editing, and producing the "Simon and Simon"

episode at issue, a Federal District Court in Illinois, in an opinion issued in July 1988, but only recently published, was asked to consider the question of whether Nash's material was entitled to copyright protection. The court, for the purpose of deciding the parties' cross-motions for summary judgment on the copyrightability issue, assumed that Nash owned a valid copyright in all respects (except for copyrightability), that the CBS parties had access to the material, and that the television episode was "substantially similar" to Nash's allegedly copyrightable work.

Chief Judge Grady first rejected the CBS parties' claim that Nash's books were similar to directories or other compilations of fact, and characterized Nash's work as "historical nonfiction." Nash argued that his books were works of "fancy and speculation," but the author had represented his books as factual accounts of Dillinger's

life and death, noted Judge Grady, and thus was estopped from claiming that his works were fictional.

However, on the basis of the holding in *Toksvig v. Bruce Publishing*, 181 F.2d 664 (7th Cir. 1950), and certain language in *Eisenschiml v. Fawcett Publications*, 246 F.2d 598 (7th Cir.), cert. denied, 355 U.S. 907 (1957), Judge Grady stated that interpretative theories contained in historical nonfiction are susceptible to copyright. (In a footnote comment, the court pointed out that the case of *Hoehling v. Universal City Studios*, 618 F.2d 972 (2d Cir. 1980; ELR 1:24:4) which "repudiated" *Toksvig*, was not binding authority in the circuit, and that the Seventh Circuit has not overturned *Toksvig*.)

The court therefore held that Nash's "Dillinger Story," as expressed in the author's books, was copyrightable. Cautioning that the holding was "very narrow," Judge Grady noted that neither the idea that Dillinger did not

die in 1934 nor the historical facts cited by Nash in support of the Dillinger Story were protected. Furthermore, the court emphasized that it did not reach the question of whether the television series episode was "substantially similar" to Nash's Dillinger Story nor whether the show constituted "fair use" of the story.

An argument by the CBS parties on the basis of the scenes a faire doctrine also was rejected. Under Seventh Circuit case law, observed Judge Grady, the scenes a faire doctrine may limit only the scope of a given material's protection, not its copyrightability. And even assuming that many of the basic facts surrounding Dillinger's life were scenes a faire, Nash's Dillinger Story involved more than a recounting of those facts. Again, for the court, "the contribution of a collection of facts lies in their presentation, not in the facts themselves. If an interpretive historical theory were always uncopyrightable because the facts pertaining to the

historical subject matter were considered scenes a faire, then it is difficult to imagine how any work of historical nonfiction could receive copyright protection." In another footnote comment, the court stressed that it did not address, in granting Nash's motion for summary judgment on the issue of copyrightability, whether any of the alleged similarities between Nash's Dillinger story and the television series episode were scenes a faire.

Nash v. CBS, Inc., 691 F.Supp. 140 (N.D.Ill. 1988)
[ELR 10:10:17]

Judgment awarding \$450,000 in damages to Frank Sinatra in action against Swiss clinic is upheld because jurisdiction was properly exercised as to claim for unauthorized use of performer's name

Frank Sinatra sued Clinic La Prairie, S.A. and the National Enquirer in a California trial court under section 3344 of the California Civil Code, claiming that clinic employees falsely stated, in an article published by the Enquirer in October 1984, that the entertainer visited and was given youth regeneration treatments at the clinic.

The action was removed to federal court on the basis of diversity, and the Enquirer settled Sinatra's claim. But the clinic, a Swiss corporation, responded to Sinatra's lawsuit by challenging the court's jurisdiction. A Federal District Court found that jurisdiction was properly asserted. The clinic refused to participate in the ensuing courtroom proceedings during which Sinatra presented expert testimony concerning the value of the unlicensed use of his name and deposition testimony and documentary exhibits concerning the clinic's business activities in the United States. The District Court entered judgment

in Sinatra's favor, and awarded the entertainer \$350,000 in compensatory damages and \$100,000 in punitive damages.

In affirming the District Court's ruling, Judge Nelson set forth the events preceding the publication of the Enquirer interview, and determined that the facts established that the clinic "concocted" the false story as part of "a continuing effort to solicit clients through the use of American media and advertising." The clinic, according to the court, had maintained an information and reservations center in Kansas City, Missouri since 1976; engaged in activities to "purposefully avail" itself of the benefits of the California market; and was "more than merely aware that its services were known to or used by California clients. In effect, the Clinic created, controlled, and actively used the reservation and advertising system that brought customers from the United States to

Switzerland." Thus, the clinic should have reasonably anticipated being brought into court in California.

Furthermore, the clinic, according to the District Court's findings, knew of Sinatra's residence in California and recognized the economic value of the performer's implied endorsement in a publication that receives considerable sales from California. Using Sinatra's name without compensation and potentially diluting the commercial value of his name produced a "situs" of the injury in California. In all, the clinic's statements, and actions taken through its agent, were found sufficient to establish the requisite minimum contacts with California to justify the District Court's exercise of jurisdiction.

Judge Nelson next reviewed seven factors related to the reasonableness of exercising limited personal jurisdiction, and concluded that jurisdiction with respect to the clinic's forum-related activities was reasonable

under the due process clause of the Fourteenth Amendment. In particular, the court noted that "California has an overriding interest in safeguarding its citizens from the diminution in value of their names and likenesses, enhanced by California's status as the center of the entertainment industry."

Sinatra v. National Enquirer, Inc., 854 F.2d 1191 (9th Cir. 1988) [ELR 10:10:18]

Appeals court upholds sanctions against plaintiff's law firm in unsuccessful copyright infringement suit against Marvel Entertainment; sanctions against client to be redetermined

In 1982, Northern Calloway, an actor best known for his role as David in the program "Sesame Street,"

claimed that Marvel Entertainment Group infringed his copyrighted script for a proposed animated science fiction movie musical, "The Skyrider." Calloway, alleging copyright infringement, defamation, civil conspiracy, tortious interference, misrepresentation, fraud, breach of fiduciary duty, forgery and document tampering, sought \$11 million in compensatory damages and \$33 million in punitive damages from his two business partners; his theatrical agent, Scott Shukat; his attorney, Peter Shukat; and from Marvel. However, according to written contracts attached to his original complaint, Calloway had sold his rights in "The Skyrider" to LMN Productions, and LMN had transferred those rights to the Marvel parties. Calloway challenged the validity of the contracts on various grounds, but after a six-week trial, a jury returned a verdict for the Marvel parties, who (in post-trial motions for sanctions) then sought to recover \$900,000 in defense costs.

Federal District Court Judge Sweet imposed sanctions under Rule 11 of the Federal Rules of Civil Procedure, based on Calloway's pursuit of a claim designated the "facsimile" claim, as follows: \$50,000 on Calloway's attorney, Ray L. LeFlore; \$50,000 on the laws firm Pavelic & LeFlore; and, in a separate judgment, \$100,000 on Calloway. Under 17 U.S.C. section 505, which authorizes an award of fees to a prevailing party in a copyright action, the court imposed an additional sanction of \$10,000 on Calloway. And an additional \$23,000 of sanctions was imposed on Pavelic & LeFlore under 28 U.S.C. section 1927 arising from the failure to accept a particular settlement.

In a 30-page opinion, Federal Court of Appeals Judge Winter has affirmed the award of sanctions against LeFlore and his firm (except for the sanctions imposed under 28 U.S.C. section 1927), but, on the court's own motion, it has reinstated Calloway's appeal of the Rule

11 sanctions. Judge Winter noted that LeFlore and his firm had a "blatant conflict of interest" and should have withdrawn as Calloway's counsel in defending the motions for sanctions, particularly since no argument was made on Calloway's behalf that LeFlore was solely responsible for pursuing the facsimile claim, nor that even if Calloway was subject to sanctions, LeFlore and his firm should have been found jointly and severally liable. On remand, the District Court was asked to determine, in addition to the above-mentioned issues, whether, if the sanctions against Calloway are reduced, the lawyers should be liable for those sanctions from which Calloway is relieved.

Calloway v. Marvel Entertainment Group, 854 F.2d 1452 (2d Cir. 1988) [ELR 10:10:19]

British musical group Judas Priest is subject to jurisdiction in Nevada in action alleging injury-by-music

The Nevada Supreme Court has ruled that the members of the musical group Judas Priest and their corporations, although residents of Great Britain and British corporations, respectively, were subject to jurisdiction in the state in action alleging injury-by-music.

On December 23, 1985, Raymond Belknap committed suicide and James Vance sustained serious injuries in attempting suicide. According to news reports, Belknap, then 18, and Vance, then 19, engaged in these actions after listening to Judas Priest albums non-stop for six hours. The families of the youths claimed that the group's album "Stained Class" directly caused the suicide attempts.

In its per curiam opinion, the court found that Judas Priest established "minimum contacts" with Nevada. It was noted that the creator of a product is subject to personal jurisdiction where his/her product is sold if he/she is aware of and uses a national distribution system to make the sale. The fact that the product passed through a middleman, in this case, CBS Records, did not destroy jurisdiction. In addition to its licensing agreement with CBS, Judas Priest made two concert appearances in the state of Nevada - this activity was sufficient for the court to find that the group "targeted Nevada as a market for sales of its products, and ... availed itself of the benefits of the forum."

Furthermore, jurisdiction was reasonably asserted on the basis of the state's strong interest in protecting its citizens from personal injury. And the burden of participating in a lawsuit in a distant country would be more equitably borne by the group's members who

"consciously and deliberately" chose to develop a world-wide market, concluded the court.

Judas Priest v. Second Judicial District Court, 760 P.2d 137 (Nev. 1988) [ELR 10:10:19]

Briefly Noted:

Contracts/Baseball Team Franchise.

When a letter agreement between Michael Shapiro and Ewing Kauffman for the sale of an interest in the Kansas City Royals did not close on the agreed date, Kauffman subsequently entered into an agreement of sale with Avron Fogelman. Shapiro brought a lawsuit against Kauffman, Fogelman and other parties on various grounds, including breach of contract. But a Federal District

Court jury in Missouri rejected Shapiro's claims, and his motion for a new trial was denied. In affirming the denial of the new trial motion, Senior Federal Court of Appeals Judge Henley agreed that Shapiro was not entitled to a change of venue despite a public opinion survey purportedly showing that the local population had a favorable attitude toward Kauffman, and that according to expert testimony, Shapiro could not receive a fair trial in Kansas City. Judge Henley pointed out that the public opinion survey was never formally introduced into evidence, and that the District Court reasoned that had it been introduced, the result would have been the same. The voir dire produced no evidence of actual prejudice by members of the jury panel, and there was no other evidence to support a clear finding of abuse of discretion by the District Court. The dismissal of other claims raised by Shapiro also was affirmed.

Shapiro v. Kauffman, 855 F.2d 620 (8th Cir. 1988)
[ELR 10:10:20]

Horse Racing.

A New Mexico appellate court has affirmed a trial court ruling upholding a decision by the New Mexico State Racing Commission to suspend the licenses of certain owners and trainers because post-race tests of their horses were positive for illegal drugs. The judgment of second trial court, which had issued a preliminary injunction restraining the Commission from using, for evidentiary purposes, the results of race horse drug tests conducted in out-of-state laboratories, was reversed and remanded. The trainers had argued that the Commission's testing procedure violated state statutes prohibiting out-of-state testing as well as retesting after an

official clear test and the distribution of the purse for the race. The court stated that it could not conclude that the legislative intent in enacting the relevant statutes was to prohibit out-of-state testing for illegal substances used to influence the outcome of state licensed horse racing. The Commission possessed the authority to designate an agent to perform testing and retesting, and to use the test results as evidence in disciplinary hearing, ruled the court. And the Commission did not err in admitting the test results of the urine specimens taken from the horses; the court rejected, among other arguments, the trainers' contention that the chain of custody of the specimens was not developed in sufficient detail to exclude the possibility of tampering.

Claridge v. New Mexico State Racing Commission, 763 P.2d 66 (N.Mex.App. 1988) [ELR 10:10:20]

Horse Racing/Jockey Suspension.

A Pennsylvania trial court has upheld a State Horse Racing Commission order affirming the ejection of John B. Luzzi, Jr. from the grounds of the Philadelphia Park Race Track. Also upheld was a Commission order affirming the suspension of Luzzi's apprentice jockey license until Luzzi completed a rehabilitation program. Luzzi was ejected by the Race Track from its grounds after lab tests disclosed that two straws taken from Luzzi during a search conducted by security personnel contained cocaine. The court rejected Luzzi's claim that he was denied due process because he was deprived of his jockey license without a hearing before the Commission - Luzzi was given notice and an opportunity to challenge the suspension prior to having his jockey license suspended. The Commission's hearings on Luzzi's ejection and suspension were timely; the warrantless

search which disclosed the straws was authorized under statutes governing the highly regulated horse racing industry; and Luzzi offered no evidence to refute the reliability of the techniques used by the lab to obtain the test results relied on by an official chemist in his testimony.

Luzzi v. State Horse Racing Commission, 548 A.2d 659 (Pa.Cmwlth. 1988) [ELR 10:10:20]

IN THE NEWS

Twentieth Century Fox appeals criminal contempt conviction and \$500,000 fine for violating block booking prohibition of Paramount consent decree

In late 1988, Federal District Court Judge Edmund L. Palmieri fined 20th Century Fox Film Corp. \$500,000 after finding the company guilty of criminal contempt for violating a 1951 consent decree prohibiting the block booking of films. Leila J. Goldstein, the former manager of Fox's Midwest theatrical distribution office, was fined \$5,000 for "flagrantly and repeatedly" violating the consent decree.

Block booking, a practice forcing exhibitors to schedule one or more less popular films in order to receive a major box office feature, was ruled a violation of the antitrust laws in *United States v. Paramount Pictures, Inc.*, 334 U.S. 131 (1948).

Fox has a corporate policy against block booking films, but was charged, in the instant proceeding, with requiring Midwestern theater owners, during the years 1985-1987, to screen "Prizzi's Honor" in order to show "Cocoon," "Black Widow" in order to show

"Mannequin," and "Johnny Dangerously" in order to show "Flamingo Kid."

Fox, claiming that it was not responsible for Goldstein's conduct and that it was denied a jury trial, has appealed the conviction. The Motion Picture Association of America and the New York Civil Liberties Union have filed amicus curias briefs on behalf of the company. [Mar. 1989] [ELR 10:10:21]

Actors' Equity and Associated Theatres of Los Angeles agree on revised guidelines for small theaters

The forty theater operators who belong to the Associated Theatres of Los Angeles have agreed, after a lengthy dispute, to operate under Actors' Equity's Los Angeles 99 Seat Theatre Plan.

The plan, which was adopted by the union's members in a spring 1988 referendum, provided, in part, for flat-fee payments to actors based on theater seating capacity, and limited the amount of rehearsal time and the length of a production's run. However, several revisions have been incorporated in the plan agreed to by the Associated Theatres, including a provision by which actors will be reimbursed according to a sliding percentage of the weekly box-office gross - as the theater operators had requested - but with a fixed minimum of \$5 per performance.

Actors' Equity has indicated that it will grant concessions to individual productions with respect to the requisite minimum payments, particularly for large-cast shows. And the parties will continue negotiations concerning productions that run for more than 80 performances or move into larger theaters.

Several Equity members, some of whom are also theater operators, had filed a lawsuit challenging the manner in which Equity conducted the spring 1988 referendum; their request for an injunction to block the October 3rd implementation of the plan was rejected by a Federal District Court judge. According to news reports, the actor-producers, notwithstanding the just-reached agreement, expect to proceed with the lawsuit. [Mar. 1989] [ELR 10:10:21]

DEPARTMENTS

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1988 Entertainment, Publishing and the Arts Handbook, edited by John David Viera, Robert Thorne and Stephen Breimer, has been published by Clark Boardman

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Green and Beverly Robin Green, 1988 Entertainment,
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Commissioning Public Works of Sculpture: An Examination of the Contract Issues Involved by Scott M. Martin and Peter W. Smith, 12 Columbia-VLA Journal of Law & the Arts 505 (1988)

High Court's Decision in the "Spycatcher" Case, 62 The Australian Law Journal 579 (1988) (44-50 Waterloo Road, North Ryde, N.S.W. 2113 Australia)

Merchandising and the Protection of Celebrity by Shane Simpson, 62 The Australian Law Journal 624 (1988) (for address, see above)

Film Assistance Changes by Shane Simpson, 62 The Australian Law Journal 626 (1988) (for address, see above)

The Role of the Expert Witness in Music Copyright Infringement Cases, 57 Fordham Law Review 127 (1988) [ELR 10:10:23]