

LEGAL AFFAIRS

**Effects of U.S. Adherence to
the Berne Convention**

**by Jon A. Baumgarten
and Christopher A. Meyer**

On October 31 1988, President Reagan signed into law the "Berne Convention Implementation Act of 1988" ("BCIA"). The BCIA seeks to place U.S. law in compliance with the 1971 (Paris) text of the Berne Convention for the Protection of Literary and Artistic Works. Both the law and U.S. adherence to the Convention became effective on March 1, 1989. The BCIA and U.S. membership in the Berne Union will affect American copyright interests outside of the United States and,

importantly, both U.S. and other copyright owners' rights in the United States.

I. Effects Outside the United States

A. Policy Objectives

Adherence to the Berne Convention may assist in accomplishing several policy objectives of United States rights holders and the U.S. government in the continuing effort to secure effective copyright protection abroad. For example, the credibility of the United States should be enhanced as it attempts by various means to encourage nations having deficient copyright relations with the United States - or, in some cases, no such relationship or no copyright law whatsoever - to adopt legislation or modernize their laws to accord an effective level of protection to U.S. works.

Similarly, the United States' efforts to urge that Berne Convention standards be meaningfully implemented by certain members of the Union, and that they be adopted as part of a Copyright Code under the General Agreement on Tariffs and Trade, now are less susceptible to objections - however inapt in any event - that its government is urging a standard of behavior on others that it is unwilling to adopt.

Additionally, the Berne Union has increasingly become the focal point for discussion of new technologies and cross-border exploitation of copyrighted works. It is believed that the stature and influence of the United States in these world copyright deliberations will be strengthened by its participation with full membership status.

B. Legal Effects of Adherence Outside the United States

For U.S. copyright owners, perhaps the most apparent effect abroad of Berne adherence will be the passage into history of the need to use the famous "back door to Berne." This procedure, by which U.S. companies sought to establish eligibility for protection in Berne countries by first publishing their works "simultaneously" in the U.S. and a Berne member nation, n1 need no longer be followed, for the most part, with respect to works first published on or after March 1, 1989. n2 Because the United States will then be a Berne member, first publication in the U.S. will render any work (whether emanating from the U.S. or elsewhere) automatically protected in other Berne countries. (By virtue of other Convention provisions, a work of which a U.S. national is an author will also receive protection within many countries of the Berne Union without regard to where or if it has been published.)

It may be noted, however, that other Berne countries are considered by some not to be obligated to consider sound recordings as "works" under the Berne Convention; those that do not may refuse protection to U.S. sound recordings unless falling within the obligations of a separate treaty. (Such refusal would affect only the particular recorded performance; it would not detract from Berne protection of the musical or literary composition embodied in the recording.)

Technically speaking, because the United States now has copyright relations with 80 nations (approximately 60 of whom are Berne members) under the Universal Copyright Convention (UCC) and with several more nations (a few of whom are Berne members) under bilateral arrangements, the number of countries with whom U.S. adherence to Berne will establish direct copyright relations where none (other than through the "back door") now appear to exist is relatively small. n3) Those

countries include: Benin (formerly Dahomey), Burkina Faso (formerly Upper Volta), Central African Republic, Chad, Congo, Cyprus, Egypt, Gabon, Ivory Coast, Libya, Madagascar (Malagasy Republic), Mali, Mauritania, Niger, Rwanda, Surinam, Togo, Turkey, Zaire, and Zimbabwe; since the Thai government has questioned its implementation of an earlier copyright treaty with the U.S., Thailand may be added to this list as well. (In Burkina Faso, Egypt and Zaire, protection for U.S. sound recordings, but not other works, may exist under the 1971 Geneva Phonograms Convention.)

At least four of these countries - Cyprus, Egypt, Turkey and Thailand - are believed to be sources of substantial numbers of unauthorized copies made for both domestic sale and export. In these cases Berne adherence should be of value to American copyright owners and their foreign distributors and licensees in facilitating prompt, effective challenges to piracy "at the source" -

without the burdens, delay, and uncertainty of effecting and proving simultaneous publication, and the difficulties of border (customs) detection and enforcement in importing nations. This may be contrasted with situations in the past where local authorities were apparently willing to take prompt action to seize piratical copies of British works but not of U.S. works present at the same location. The former were automatically, or presumptively, protected under Berne, while the latter required proof of simultaneous publication.

In addition, by adhering to Berne the United States may be able to improve the copyright security obtained in Berne countries (Philippines, Rumania, South Africa, Uruguay) with whom it has previously had relations based exclusively on older bilateral arrangements having possible shortcomings in certainty, terms, or conditions of protection.

Finally, it will be important to find how individual Berne members will deal with older U.S. works, including those first published (but not first or simultaneously in a Union country) before March 1, 1989 (or, for countries belonging to both the Berne and Universal Copyright Conventions, before the establishment of copyright relations with the United States under the Universal Convention).ⁿ⁴ Under Article 18 of the Berne Convention, copyrights in American works now in the public domain in Berne states but protected in the U.S. could be recaptured" and protected anew.

II. Effects of BCIA on U.S. Law

A. Eligibility

Works first or simultaneously (i.e., within 30 days of first publication) published in a Berne country on or

after March 1, 1989, and works whose authors include at least one national, domiciliary or habitual resident of a Berne country, will now be protected by the United States as "Berne Convention works." Motion pictures and other audiovisual works authored by a legal entity headquartered in a Berne country, and sculptural or pictorial works incorporated in a structure erected in such a country, will also be protected. For these purposes, a "Berne country" includes a member of any currently effective text of the Convention. In many cases, of course, such works would already receive equivalent protection under existing bilateral or UCC relationships.

It may be noted that these BCIA eligibility criteria will extend to sound recordings as well as other works. Thus (unlike the practice in some foreign countries and the Copyright Office's earlier interpretation of U.S. implementation of the Universal Convention), sound recordings emanating from non-signatories to the Geneva

Phonograms Convention can be protected in the U.S. and will be treated, for eligibility purposes, as Unionist works. This treatment will also extend to copyright notice, registration, and recordation matters. (See discussion below.) However, the United States has apparently determined that it has no obligation fully to consider sound recordings as "works" under the Berne Convention, since the Copyright Act has not been amended to accord them the broadcasting rights set out in Article 11bis.

The same conclusion does not apply to the surface and sub-surface configuration of semiconductor chips. The points of attachment for protecting these devices in the United States are governed by the special provisions of the Semiconductor Chip Protection Act of 1984, not by the Copyright Act or the BCIA amendments to that Act. (However, computer programs, data bases, and other literary and audiovisual works embedded in

semiconductor chips are protected by conventional copyright principles and are hence subject to the BCIA amendments.)

The BCIA does not provide protection to older works from Berne states that are now in the public domain in the United States. Thus, the following works will remain in the public domain in the U.S. even if still protected in their "home" Berne country: published works from countries that did not share copyright relations with the U.S.; pre-1961 foreign works that have not been formally "renewed" for copyright purposes in the United States; works first published or subsequently distributed in the United States without copyright notice before January 1, 1978; works first published without notice outside of the United States between June 18, 1959 (and perhaps earlier) and January 1, 1978; works published without notice outside of (or within) the United States on or after January 1, 1978 for which curative steps are

no longer possible; and some foreign artwork, periodicals, and books manufactured outside the United States in violation of the domestic manufacturing requirements of pre-UCC U.S. copyright law. n6

One Congressional committee acknowledged that this result had raised questions but concluded that "any solution to the question of retroactivity can be addressed after adherence to Berne when a more thorough examination of Constitutional, commercial, and consumer considerations is possible."

B. Subject Matter

The subject matter of U.S. copyright includes literary works (including the original coding, detailed structure, and audio and/or visual interface aspects of computer programs), pictorial, graphic, cartographic, and sculptural works (including elements of applied art and

embellishments of functional articles), musical and dramatic works, motion pictures and other audiovisual works, choreographic works and pantomime, sound recordings, and compilations of data and of preexisting works (including electronic data bases). This coverage remains untouched by the BCIA.

The new law does add an express reference to "architectural plans" to the Copyright Act's definition of protected "pictorial, graphic and sculptural works," but this has little substantive consequence since such plans have long been protected. (The questions of protecting architectural structures as works, and the extent of protection for plans, are both now under study by the Copyright Office independent of Berne adherence.)

A very recent case has held that U.S. adherence to the Berne Convention "will not abolish copyright protection for news reports." Although Article 2(8) of the Convention provides that protection does not extend to "news of

the day," the Court concluded that "the Convention gives no indication that this provision is not compatible with U.S. law, which gives copyright protection to the creative expression of facts in a news program, not the underlying factual basis of those news reports."

C. Rights

1. Moral Rights

Article 6bis of the Berne Convention provides for the protection of an author's right to "claim authorship ... and to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, [the] work which would be prejudicial to his honor or reputation."

The questions of (1) whether U.S. law is compatible with Article 6bis, (2) the impact of these "moral" rights

on U.S. business practices, and (3) whether to amend the Copyright Act to accord express moral rights were central to Congressional hearings on Berne adherence and implementation. The BCIA as finally enacted is designed to leave present American law on this subject entirely unaffected. It emphatically provides that the sum of existing U.S. legal principles (copyright "adaptation" rights, federal protection against "false designations," and common law doctrines of unfair competition, privacy, and defamation) is in full and sufficient compliance with moral rights (and other) provisions of the Convention, that Congress does not intend any part of the Berne Convention to be "self-executing," and that adherence neither expands nor reduces any such existing federal or state statutory or common law analogue of the rights of paternity (a creator's right to be credited as author of his or her work) or integrity (protection against harmful distortion or mutilation). Although the new

Congress is expected to consider certain moral rights-related issues, and individual plaintiffs may seek relief under current doctrine, the BCIA was structured to assure that these questions are addressed on their own merits, free of claims to Berne obligations and precedents.

2. Performance Rights

While the rights - of reproduction, adaptation, distribution, public performance and public display - comprising copyright are generally untouched by the BCIA, the right publicly to perform recorded music has been somewhat strengthened. Existing law subjects this right to a compulsory "Juke box" license, under which operators of "coin-operated phonorecord players" obtain the right, by paying a government- regulated fee into a royalty pool collected by the Copyright Office and distributed

by the Copyright Royalty Tribunal, to perform phonorecords of music. In view of the Berne Convention's exclusion of compulsory licenses for musical performances, the BCIA replaces this regime for music from all countries with a system strongly encouraging the parties to reach consensual licenses, with compulsory licensing available in reserve only if negotiations and arbitrations fail to result in voluntary agreement. The Congress (with the general support of U.S. performing rights societies) concluded that this "backup" system was sufficiently analogous to government regulation of performing rights societies in other Berne countries to be considered Berne-compatible.

D. Formalities

The most marked changes in domestic copyright law effected by the BCIA are those concerning the

formalities of copyright - notice, deposit, registration and recordation - that have long played major roles in U.S. copyright life for U.S. and foreign copyright owners alike.

(Another formality, the infamous U.S. "manufacturing clause," had been substantially limited in application to foreign works upon implementation of the Universal Copyright Convention in 1954, weakened still further in the General Copyright Revision Act of 1976, and finally eliminated on July 1, 1986.)

1. Copyright Notice

The most profound change made by the BCIA is probably the abolition - at least for all future works, domestic and foreign - of the requirement that a copyright notice (generally, the word "Copyright," the abbreviation "Copr.," or the symbol consisting of the letter "C"

("P" for sound recordings) enclosed within a circle, together with the name of the copyright owner and date of publication) be placed in reasonable fashion and location on published copies of works in order to maintain a copyright. This change implements the fundamental Berne principle that "the enjoyment and exercise" of copyright is to be free of formalities. The only domestic legal effect of publishing a work in the United States or elsewhere in copies with no notice on or after March 1, 1989, will be to permit infringers to raise a claim of "innocent infringement" for the courts to consider in mitigation of damages. (The courts will not be required to sustain such a claim, however.) If a proper copyright notice is used on published copies to which a defendant had access, the court is generally directed to give "no weight" to an attempt to diminish damages by reason of innocence. n7 (There is a limited exception for libraries, schools, and public broadcasters.) However, the absence

of a notice on copies distributed after that date should neither impair the copyright itself, avoid liability for infringement, nor defeat injunctive relief.

It should be noted that the language of the Act eliminating forfeiture by reason of (or need to cure) absence of notice would seem to apply (at least for post-March 1 infringements) to the absence of notice on any copies publicly distributed after March 1, 1989, including reprints new printings, re-releases, and other copies distributed after March 1 of works first published with notice before that date. However, some informal Copyright Office comments have raised questions about this conclusion, and practical issues (e.g., of proving the distribution date of particular copies) may arise.

Under the law in effect before March 1, 1989 (and after January 1, 1978), publication of a work in the United States or abroad in copies bearing no notice (or a defective notice) does not inject the work immediately into

the public domain, but generally does begin the running of a period during which "curative" steps (registration before or within five years of the defective publication, and addition of notice to domestic copies) must be taken to prevent forfeiture of the copyright. (Curative steps are unnecessary if notice is omitted in breach of express contract, or from a relatively small number of copies.)

Both domestic and foreign owners of copyrights in works published without copyright notice between January 1, 1978 and March 1, 1989 should still take the necessary curative steps - whether before or (although the statute is not entirely clear) after that date - because the BCIA will generally not affect acts of publication or causes of action arising before its effective date or restore protection to public domain works. n8

These changes in the law do not mean that foreign or domestic copyright owners should or will necessarily

refrain from using copyright notices, since the notice may still:

- assist in ensuring the availability of full damages in actions for infringement brought under U.S. law;
- as a practical matter, deter infringement by providing a clear warning that copyright is claimed in the work and is likely to be enforced;
- in some cases be viewed (in reliance on the year date) as an important indicia of currency or topicality (e.g., as it has in the past by certain state and municipal textbook adoption authorities in the United States); and
- alleviate, under the Universal Copyright Convention, the necessity of complying with little-known formalities found in copyright laws of some other countries that are not members of the Berne Convention.

The Copyright Act's provision of fines for fraudulent use of copyright notice, or its fraudulent removal, remain unaffected by the BCIA. (And a recent case has

affirmed that the use of a copyright notice on a public domain item can be a "false designation" actionable under federal unfair competition statute.)

2. Mandatory Deposit (Depot Legal)

The BCIA amends the "legal deposit" provisions of the copyright law to provide that copies of all copyrighted works published in the United States (except those exempted by regulation) must be deposited with the Copyright Office for the Library of Congress. This removes the condition found in the present law that only copies bearing a copyright notice are subject to deposit. Monetary penalties for failure to comply with the Library's demand for deposits are unchanged, as is the principle that copyright protection is not forfeited or otherwise affected by such failure.

The Copyright Office and Library of Congress take the position that these depot legal provisions and the legitimate interests of the Library in enhancing and maintaining its collections fully apply to works first published abroad and thereafter publicly distributed in the United States by license or import (whether in bulk or by direct mail), and that this conclusion remains unaffected by Berne adherence or assertions of comity. In a current dispute that may reach the U.S. courts, these positions have been disputed by one German journal publisher and its international association. The foregoing discussion of legal deposit must not be confused with the separate topic of copyright registration (which includes an independent deposit component), discussed next.

3. Copyright Registration

Under current law, registration of claims to copyright in all works, domestic and foreign, with the Copyright Office (1) is generally not a condition of protection, but (2) application for registration must usually be made and the process completed before starting an infringement action, and (3) if promptly made, registration does offer important procedural and remedial advantages. These principles are largely - but not entirely - unchanged by the BCIA.

Two important reasons to register continue without amendment and one of these is in fact enhanced. First, the law will continue to provide that certificates of registration sought before or within five years after first publication are prima facie evidence of copyright validity and of the truth of the statements contained therein, thus relieving copyright owners of the duty of initially proving a variety of facts and conclusions, and frequently easing the road to preliminary judicial relief.

(Registrations made after five years from publication are only entitled to such evidentiary weight as a court may accord in its discretion.)

Second, as noted further below, registration before or within three months of publication will continue to permit successful plaintiffs in infringement suits to seek special "Statutory" damages (which, as noted below, have been increased) and attorneys' fees in virtually all cases. n10

However, for causes of action arising on or after March 1, 1989, application for registration of copyright will be a prerequisite to the filing of an infringement suit only (a) for works of United States origin (generally: works first or simultaneously published in the U.S.; works first published outside the U.S. without simultaneous publication in the U.S. if all the authors are nationals, domiciliaries, or habitual residents of the U.S.; and unpublished works of such U.S. authorship) and (b)

for foreign works not originating in a Berne nation. Works having a foreign Berne state as the country of origin (essentially those first published in a Berne state and not published in the United States for at least 30 days thereafter, or unpublished works whose authors include at least one national, domiciliary, or habitual resident of a Berne country other than the U.S.) will not be required to be registered or subject of a rejected application before filing an infringement suit for claims arising after March 1. n11

Notwithstanding this exemption, the value of the certificate as prima facie evidence will commonly outweigh any advantage seen in not registering a claim in a foreign Berne Convention work before filing a lawsuit in the United States n12; and the importance of statutory damages and attorneys' fees will still warrant at least consideration of prompt registration as a regular practice for foreign works having a likely U.S. market.

(Registration also remains pertinent to all domestic and foreign works as part of the way to assure priority over conflicting transfers [see discussion of "Recordation" below] and as a way to change the term of protection of pseudonymous and anonymous works [see discussion of "Duration" below].)

The application of this exception to causes of action arising on or after March 1, 1989, for infringement of unpublished works created before March 1, and of works published abroad before that date, is not clear. It now seems likely the Copyright Office, at least, will take the position that the exemption does not apply to such cases.

This "two-tier" treatment of registration as a condition to suit was adopted as a political compromise between interests with differing views as to whether such a condition violates the Berne Convention's prohibition on formalities to the "exercise or enjoyment" of copyright.

A principal objective of the compromise was to avoid creating precedent for the imposition by any country of obstructive or burdensome registration (or other "procedural") conditions that could impair prompt action against infringements of foreign works.

4. Recordation of Licenses and Transfers

The law in effect before March 1, 1989, required that the written transfer or exclusive license through which a plaintiff, other than an author, claims ownership of a right must be formally "recorded" in - placed in the microform records of - the Copyright Office as a precondition to filing an infringement suit. The BCIA eliminates this requirement for infringements of all works, whether of U.S. or foreign origin, arising after March 1, 1989, as incompatible with the Berne prohibition on formalities. But ownership of copyright remains a fundamental

element of copyright infringement claims, and the fact of a written exclusive license or transfer will generally still have to be shown in the course of a lawsuit. (Additionally, the timely recordation of a transfer, together with registration of a copyright claim in its subject matter, remains the key to establishing priority when conflicting transfers are made of the same rights to different parties in the same domestic or foreign work.)

5. Duration and Renewal

For copyrights secured by publication (or, in some cases, registration in unpublished form) prior to 1978, the copyright renewal requirements of U.S. law remain unchanged for all domestic and foreign works: during the calendar year in which the 28th anniversary of the copyright (i.e., of the date of first publication or earlier registration) falls, ⁿ¹³ renewal registration must be

made in the Copyright Office in order to permit the copyright to last for a full term of 75 years from original publication (or earlier registration). Absent such renewal, U.S. copyright will expire at the end of the twenty-eight years. (Thus works first published or registered prior to January 1, 1961 are no longer capable of renewal.)

This requirement was apparently retained for all works as a transitional exception to the Convention's prohibition of formalities. (Although the Copyright Office will usually not enter a renewal in the absence of a first-term registration having been made earlier or entered concurrently, an exception - substituting a special affidavit for first-term registration - was created in 1982 for Universal Copyright Convention works. It is not now known, but appears doubtful, whether a similar alternative will be made available to foreign works originating in a Berne country.)

Domestic and foreign works created before January 1, 1978, but neither published nor registered before that date, and works created on or after that date, are generally protected for a term of the life of the last surviving author and fifty years thereafter. Such works that are made "for hire," or that are anonymous or pseudonymous, are protected for a term of seventy-five years from publication or one hundred years from first fixation in tangible form, whichever first expires. (The term of copyright in anonymous and pseudonymous works can be converted to 50 years p.m.a. by disclosing the identity of the author in Copyright Office records. The term of copyright in older - pre-1978 unpublished / unregistered - works cannot expire before December 31, 2002, and if published before that date will not expire before December 31, 2027.) These durational provisions are not affected by the BCIA.

The BCIA also does not expressly address the "comparison of terms" provision of Article 7(8) of the Berne Convention. n14 Since the Copyright Act provides standard terms of protection for all works, it has arguably opted against ("otherwise provided") invoking this principle - hence, particular foreign works protected for shorter terms in their Berne countries of origin than under U.S. law (see fn. 11, above) will apparently continue to enjoy the longer term of U.S. law. (Also, the BCIA's declarations against self-execution would seem to apply to Article 7(8) [comparison of terms] as well as to Article 6bis [moral rights] of the Convention, so as to preclude the shortening of protection.)

E. Remedies

The BCIA doubles all of the monetary amounts prescribed in the Copyright Act as "statutory damages" -

amounts courts may award for infringements in lieu of actual damages. This means that, for infringements commencing on or after March 1, 1989, the standard range of such damages that may be awarded is between \$500 and \$20,000 per work infringed, with willful infringements subject to a maximum of \$100,000, and certain "innocent" infringements eligible for a reduction from the standard minimum to \$200.

While these changes were not made in order to comply with the Berne Convention, they are designed both to adjust for inflationary changes in the economy and to provide advantages that will induce prompt, voluntary registration of both U.S. and foreign works. (Registration must generally occur prior to the commencement of infringement, or within three months of publication, as a condition to any award of statutory damages or attorneys' fees for all domestic and foreign works.) n15

Although one Congressional memorandum states that these new levels of statutory damages will only be available to registrations made on or after March 1, 1989, the statute itself does not so provide. Since actual damages are frequently difficult to prove in infringement suits, the availability of statutory damages tends to be an important factor in both settlement negotiations and actual monetary awards.

Conclusion

Adherence to the Berne Convention brings about a number of changes in the political and substantive complexion of the United States' position in the law and arena of international copyright. We hope that the foregoing will provide readers with a useful guide to these changes.

NOTES

1. First, or simultaneous first, publication in a Union country has long been a traditional "point of attachment" or criteria for eligibility under the Convention, regardless of the nationality of the author of a work. The meaning of both "simultan[eity]" and "publication" has differed among Convention texts and national court decisions.

2. A number of Berne nations have adhered only to texts of the substantive provisions of the Berne Convention that predate the 1971 text to which the United States has adhered. A few of these countries (Chad, Madagascar, Turkey, Zimbabwe and, for practical purposes, Thailand) have no other copyright relationship with the United States. In these cases questions may arise as to the continued need for simultaneous

publication to secure Berne protection in the absence of a common substantive text. Under one theory, a Union relationship does exist between the United States and such countries, with each country's obligations set by the substantive provisions of the latest text to which it has adhered, and simultaneous publication should remain unnecessary in such cases. At least Thailand and Zimbabwe are arguably bound to this approach by their adherence to the "administrative and final clauses" (Articles 22 to 38) of the 1971 Text. See Berne Conv., 1971 Text, Art. 32(2).

3. Some of the following countries that achieved independence since the 1940s may protect U.S. works under a principle of succession to the obligations of a prior sovereign. This article follows U.S. Copyright Office practice of considering no copyright relationship to exist absent a direct bilateral or convention connection.

4. In some important cases (including that of the United Kingdom, certain other "British tradition" countries, and - less certainly - the Netherlands) although bilateral copyright relations with the United States existed before the UCC, the terms of protection under such arrangements were such that absent an effective first or simultaneous Berne or Commonwealth publication, American works entered the public domain upon publication.

5. It is important to note that both U.S. and non-U.S. works first published (or, in some cases, registered in unpublished form) from 1961 through 1977 must still be renewed by formal, timely proceedings in the U.S. Copyright Office to be protected beyond a first term of twenty-eight years. See discussion below.

6. The views that manufacturing clause violations and, with some exceptions, first publication abroad without notice (at least between June 18, 1959 and January 1, 1978) placed works "in the public domain" in the United States have long been held by the Copyright Office, but have occasionally been questioned. No court has squarely resolved these issues.

7. In the case of a work consisting "predominantly" of U.S. government-created material, this remedial advantage will apply only if the notice includes a statement identifying the copyrighted elements of the work. (U.S. government-authored material is not protected by copyright in the United States.) In the case of certain advertisements inserted in periodicals and other collective works, a separate notice must be used, rather than a single notice for the entire collective work, to gain this remedial advantage. In all cases, the notice must generally

consist of the elements listed earlier (except that the year date may be omitted for certain pictorial , graphic, and sculptural works), and must be affixed in such manner and location as to give reasonable notice, to secure this remedial advantage. Copyright Office regulations give conclusive, but non-exhaustive, examples of "reasonable" means of affixation and location.

8. Works published in the United States before January 1, 1978 without notice, and - with some exceptions - works first published outside the United States without notice between June 18, 1959 (and perhaps earlier) and December 31, 1977, generally entered the public domain in the United States and are not protected by prior law or the BCIA. See also, fn. 6, above.

9. Registration involves submission of a formal application on a form prescribed by the Copyright Office,

together with deposit of copies of the works (or in some cases of identifying material) and payment of a fee; and examination of these materials by the Copyright Office for facial copyrightability and technical sufficiency. This "registration deposit" is conceptually distinct from the "legal deposit" discussed earlier, but the same copies may serve both purposes.

10. As a remedial detail, the conditioning of statutory damages and attorneys' fees on registration was considered not to be barred by the Berne prohibition on for-

taken a similar position, under the UCC, that these particular remedies are generally not provided for in foreign laws and represent a legitimate, Convention-compatible "bonus" given for registration. The "attorneys' fees" awarded by U.S. courts are commonly not the full amount of counsel fees incurred.

11. This exemption from registration also extends to works whose authors include at least one national, domiciliary, or habitual resident of a foreign Berne country that are first published outside of the United States and other members of the Union and not subsequently published within the U.S. for at least 30 days thereafter. In each case, the applicability of the exception is subject to detailed consideration of: (a) whether the work is published or unpublished; (b) whether it is a "Berne Convention work" (see discussion of "eligibility," above); and (c) if it is a "Berne Convention work," whether its country of origin is or is not the United States. (Foreign works eligible for protection in the United States only under the terms of a bilateral arrangement or the Geneva Phonograms, Buenos Aires, or Universal Convention are not exempt from registering before suit.) In determining whether the country of

origin is or is not the United States, "simultaneous publication" means a publication within thirty days of first publication; if such a simultaneous publication occurs in the United States and a Berne country with a shorter term of protection, as might occur for works of applied art, photographs, motion pictures, anonymous and pseudonymous works and, at least in the case of one country (France), software, the country of origin is not the U.S. and the exemption apparently applies.

12. In a few particular cases it is sometimes thought that the registration standards of the Copyright Office are more restrictive than the copyrightability standards of the courts. In these situations, tactical consideration may be given to establishing the "foreign Berne origin" exemption from registration as a condition to suit to avoid a record rejection from the Office and the need to invite the Office to participate in the action on the

question of registrability. However, equivalent consideration should be given to the burdens of proceeding without prima facie evidence, the potential adverse implications of avoiding the registration process, and the elimination of statutory damages and attorneys' fees. In some cases, registration may also be considered disadvantageous because of the need to deposit copies that will disclose trade secret or confidential matter on the public record. However, it is usually possible to negotiate arrangements with the Copyright Office to provide a form of deposit that is constructed to eliminate or diminish such disclosure. In the case of computer programs, for example, standard forms of such "special relief" are readily available.

13. If a work was published before January 1, 1978, with a copyright notice that included a year date prior to the actual year of first publication, renewal should be

made during the twenty-eighth year from the year stated in the notice, rather than from the year of actual publication.

14. "... the term of protection shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work." Berne Conv. (1971) Art. 7 (8) (emphasis added).

15. Registration as a condition to statutory damages and attorneys' fees has been retained for foreign Berne Convention works; see fn. 10, above. Remedies other than statutory damages and attorneys' fees - actual damages, profits, injunctions, impounding, costs - are not affected by the comparative dates of registration and infringement and, in the case of Berne works of

non-U.S. origin, are not conditioned on registration as a prerequisite to suit.

Mr. Baumgarten, a former General Counsel of the U.S. Copyright Office, is a member of the law firm Proskauer Rose Goetz & Mendelsohn, United States and London, a member of the International Copyright Advisory Panel to the U.S. Department of State, and has served on the Ad Hoc Working Group on U.S. Adherence to the Berne Convention and as a member and advisor to various private and government delegations to the Berne Union. Mr. Meyer, a former Policy Planning Advisor to the U.S. Register of Copyrights on domestic and international copyright matters, is an associate with the firm and Adjunct Professor of Copyright Law at the Georgetown University Law School. Copyright 1989 by J. Baumgarten & C. Meyer. [ELR 10:11:3]

RECENT CASES

Author was allowed to pursue claim that "Simon and Simon" episode aired by CBS infringed copyrightable historical nonfiction works concerning the death of John Dillinger, but case has since been dismissed for lack of substantial similarity

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 afaire, 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.

In a subsequent ruling, Judge Grady recently dismissed the action on the grounds that "The Dillinger Print" and Nash's books are not substantially similar. The Entertainment Law Reporter will report the judge's opinion in that ruling in an early issue.

Nash v. CBS, Inc., 691 F.Supp. 140 (N.D.Ill. 1988)
[ELR 10:11:11]

Andy Warhol's estate may not prevent publication of calendar featuring works of the late artist, because use of works sold without reservation of rights is not trademark infringement

The executor of the estate of Andy Warhol was not entitled to a preliminary injunction to prevent Design Look, Inc. from producing a calendar containing twelve

images created by Warhol, but no longer owned by the artist's estate, a Federal District Court in New York has ruled.

Design Look received permission to reproduce the works it planned to use in its calendar from various museums and galleries which had purchased the works. The estate claimed that except for an authorized licensing agent, no one had the right to reproduce any image created by Warhol, and asserted causes of action against Design Look under section 43(a) of the Lanham Act and under New York law.

Judge Robert Sweet found that the estate did not make any showing of secondary meaning, pointing out that no evidence was presented to show that any of the twelve images was associated with any product or service originated by Warhol. Furthermore, Design Look planned to include a disclaimer on the calendars denying any endorsement from the estate; the company avoided the use

of any mark attached to the Warhol name; and the rights asserted by the estate were "rights which have been sold en masse. Each of the images in question here have been sold to museums, galleries, and the public at large. This is akin to a mark that has become widely accepted as part of public usage... Nothing prevents this multitude of third parties from doing with their property as they see fit."

Emphasizing that Warhol's works were sold outright with no retention of rights whatsoever in the creator, Judge Sweet found that the estate did not establish a likelihood of success on the merits of its Lanham Act claim to warrant an injunction. The estate's claim under the common law of unfair competition and under New York's anti-dilution statute also were rejected, given that the estate did not have a competing business or product good will upon which Design Look might capitalize, and

that there was no proof of a "blurring or tarnishing of the Warhol reputation."

Hughes v. Design Look Incorporated, 693 F.Supp.1500 (S.D.N.Y. 1988) [ELR 10:11:12]

Casting agent may recover fee from Sears Roebuck for merchandising work performed by Stephanie Powers as well as for Powers' catalog promotion services

In late 1983-early 1984, Sears, Roebuck and Company hired casting director Ken Carlson to locate a celebrity to pose for the cover of Sears' Summer 1984 catalog. Sears attempted to hire Stephanie Powers, but did not reach an agreement with the actress. Nevertheless, the company paid Carlson the specified fee of \$3,500.

In February 1984, Powers presented an unsolicited merchandising proposal to the Sears Apparel Group; the proposal was rejected.

In the summer of 1984, Powers agreed to appear on the covers of four seasonal Sears catalogs to be published over a one year period in return for a fee of \$250,000. Powers also agreed to perform various promotional services, including personal appearances. For services with respect to the catalogs and catalog promotions, Sears paid Carlson \$25,000.

In July 1985, Sears and Powers entered into a written merchandising agreement with respect to a clothing line for the company's Apparel Group.

Carlson sued Sears, seeking ten percent of the amount Sears paid to Powers under the merchandising agreement in accordance with his letter agreement with the retailer. The trial court ordered Sears to pay Carlson ten

percent of the money it had paid and would pay to Powers.

An Illinois appellate court has upheld the trial court's finding that Carlson and Sears intended their letter agreement to extend to services rendered by Powers beyond the scope of the catalog. If Sears had intended to limit the scope of its agreement with Carlson, the negotiations with Powers should have been disclosed, stated the court, and excluded from the letter agreement.

Ken Carlson & Associates, Inc. v. Sears, Roebuck and Company, 528 N.E.2d 294 (Ill.App. 1988) [ELR 10:11:12]

Decision ordering Benton & Bowles to pay damages of \$1,750 to Cream Records for unauthorized use of "The Theme from Shaft" in beer commercial is remanded for recalculation

After a Federal Court of Appeals upheld a jury decision finding that Schlitz Brewing Company and its advertising agency, Benton & Bowles, were liable for copyright infringement for the unauthorized use of "The Theme from Shaft" in a commercial (dramatically reported at ELR 6:11:8), the court remanded the matter for the recalculation of the damages against the agency.

Cream Records, the copyright holder, introduced evidence establishing that the agency was paid about \$175,000 for producing the commercial; the agency did not introduce evidence of either its deductible expenses or the elements of profit attributable to factors other than the infringement. However, the District Court awarded

Cream only \$1,750, amounting to one percent of the agency's profits.

The Court of Appeals, in its per curiam ruling, noted that although the District Court's grounds for apportioning damages were "unclear," the amount of the award suggested that the court found that the infringing material made a de minimis contribution to the commercial as a whole. The Court of Appeals disagreed, stating that the infringing material contributed more than a de minimis amount to the commercial, and that the one percent award was clearly erroneous. The award of profits was vacated, and the case was remanded with instructions that the District Court award Cream more than a de minimis portion of the \$175,000 in profits that the agency was deemed to have earned from the commercial.

In a footnote, the court pointed out that in affirming an award of one-tenth of one percent of Schlitz's profits,

the court based its apportionment on the total profits Schlitz earned from its nationwide sale of malt liquor; only a small fraction of those sales were attributable to the infringing commercial. With respect to Benton & Bowles, the court stated "we are dealing with profits derived entirely from the infringing work."

In dissent, Judge Hall recalled that in its earlier ruling, the court had found the infringement "minimal," and had upheld the District Court's conclusion that Cream was entitled only to one-tenth of one percent of Schlitz's profit. The District Court was asked to determine Benton & Bowles' profits and apportion those attributable to the infringement. In Judge Hall's view, the doctrine of the law of the case supported the District Court's award of minimal damages.

Judge Hall, in his footnote, noted Cream's earlier argument that the infringing music was responsible for -ten percent of the commercial's sales impact. But the Court

of Appeals had upheld the District Court's award of only \$5,000 to Cream, a decision that, for Judge Hall, "can only be understood as accepting the district court's contrary conclusion that the infringing music was responsible only for about three- fourths of one percent of the commercial's advertising power."

Cream Records, Inc. v. Joseph Schlitz Brewing Co.,
Case No. 85-5986 (9th Cir., Jan. 6, 1989) [ELR
10:11:13]

Damages are recalculated in fraud and breach of contract action by foreign sublicensee against feature film licensor

In accordance with a Federal Court of Appeals decision (ELR 8:4:18), a Federal District Court in New

York has reconsidered the issue of damages in an action brought by Ostano Commerzanstalt and Dr. Herbert Jovy against Telewide Systems, Inc. in connection with a distribution contract for certain feature films.

The District Court originally found Telewide liable to the Jovy parties for fraud and breach of contract, and awarded damages to the Jovy parties as follows: compensatory damages of \$3,750,000, representing the value of the license of the Telewide films in Austria, Belgium, France, the two Germanies, Luxembourg, the Netherlands and Switzerland; damages of \$500,000 - the amount paid for the license; and punitive damages of \$500,000.

The Court of Appeals held that the damage award on the fraud claim against Telewide and Bernard L. Schubert, the president and sole shareholder of Telewide, was limited under New York law solely to out-of-pocket losses. With respect to the breach of

contract claim against Telewide, the court held that the Jovy parties were entitled to benefit-of-the-bargain damages. However, the court did not agree with the method used by the District Court to calculate those damages; held that the Jovy parties were not entitled to recover the amount paid for the license as part of their benefit-of-the bargain damages on the breach of contract claim; and remanded the case for clarification of the punitive damages award.

Federal District Court Judge Robert L. Carter noted that during the remand hearing, evidence was presented of the prices paid in Europe for films to be shown on television, and the expenses incurred and revenues received by the Jovy parties in seeking to license the Telewide films. Judge Carter determined that the Jovy parties were entitled to recover benefit-of-the-bargain damages on their breach of contract and warranty claims against Telewide; that such damages should include the

value of what the Jovy parties "could reasonably have expected to obtain monetarily in having an exclusive license to commercially exploit the 26 Telewide films in the territory;" and that on the basis of the evidence, a judgment of about \$3.6 million, plus prejudgment interest from May 13, 1980 would be entered against Telewide.

Judge Carter also awarded the Jovy parties out-of-pocket expenses of about \$330,000 (plus interest), based on the amount of the consideration paid for the fraudulent license, and all reasonable expenses incident to any attempts to market the films less certain revenues earned in the process.

Punitive damages of \$500,000 were awarded against Schubert, with Judge Carter noting that "Schubert entered this transaction from the outset with a clear and blatant intent to defraud," given that he lacked the authority to grant rights to eleven of the twenty-six

licensed films and that Schubert's conduct at trial indicated "the deliberate, premeditated nature of the fraud." Attorneys' fees of about \$150,000 also were awarded to the Jovy parties against Schubert, Telewide and the Schubert parties' attorneys, jointly and severally.

Ostano Commerzanstalt v. Telewide Systems, Inc., 684 F.Supp. 1172 (S.D.N.Y.1988) [ELR 10:11:13]

Damage award of \$10,500 to owners of music copyrights is upheld in action against restaurant owner for willful infringement via unlicensed radio play

The decision of a Federal District Court in Chicago (ELR 9:8:17) finding Tadeusz Kowalczyk liable for infringing seven copyrighted musical compositions has been upheld by a Federal Court of Appeals. The

copyright holders had claimed that Kowalczyk, without a license to do so, used a radio receiver connected to eight remote speakers to provide music in his Chicago restaurant. The District Court found willful infringement by Kowalczyk in view of the restaurant owner's failure to heed ASCAP's repeated warnings to obtain a license, and imposed a fine of \$10,500 as well as attorney's fees and costs.

Kowalczyk's restaurant, as described by the court, was divided into three areas. An audio receiver, located in Kowalczyk's office and tuned primarily to one Chicago radio station, was connected to eight speakers via built-in concealed wiring; the remote ceiling mounted speakers were placed throughout the restaurant's dining room, coffee shop and bar. Kowalczyk also regularly allowed two musicians to play music for tip money.

After reviewing the technical capabilities of the audio receiver, the physical size of the restaurant and the

restaurant's annual revenues, the District Court concluded that the restaurant had sufficient space and generated enough revenue to justify the use of a commercial background music service. The statutory exemption for small business did not apply to Kowalczyk's enterprise because the receiving apparatus used was not of a kind that is commonly used in private homes; the performances were further transmitted to the public; and the business was not a small commercial establishment. Kowalczyk therefore was found liable for the radio performances of the copyrighted works and for the live performances by the two musicians.

In rejecting Kowalczyk's argument that the finding of willful infringement was erroneous, Federal Court of Appeals Judge Ripple stated that the record contained "ample evidence" to support the District Court's finding of willfulness. In addition to the fact that Kowalczyk did not inquire into the validity of ASCAP's demands, the

District Court apparently did not find Kowalczyk to be a credible witness with respect to a claim of good faith reliance upon the exemption contained in section 110(5) of the Copyright Act.

The damages awarded -- \$1500 per infringement -- were "squarely within the statutory scheme established by Congress;" would serve to deter future violations; and were substantially below the amount authorized by statute of \$50,000 for each violation (emphasis by the court). The award of attorney's fees of about \$21,500, and costs of about \$1,600 also was upheld.

International Korwin Corp. v. Kowalczyk, 855 F.2d 375 (7th Cir. 1988) [ELR 10:11:14]

Court of Appeals remands copyright infringement action for reconsideration of evidence of defendant's ownership of unregistered jukeboxes

After a Federal District Court in Louisiana found Xanthas, Inc., which does business in the state as TAC Amusement Co., liable for 182 counts of copyright infringement in an action brought by Broadcast Music, Inc. alleging that the company operated unregistered jukeboxes, the court awarded BMI statutory damages of \$319,500 and attorneys' fees (ELR 10:1:18).

In a subsequent opinion, the court awarded BMI almost \$50,000 in attorneys' fees and about \$4,400 for costs. It was noted, in part, that the Xanthas parties made the case "more difficult than normal" because of their failure to answer certain interrogatories, their failure to stipulate to certain facts until the trial, and their "unreasonable contention" that they were innocent

infringers of the Copyright Act. However, BMI was not granted attorneys' fees and costs in the amount of about \$62,000 because, in the court's view, the case was not novel, and some hours that were billed were " more than necessary to accomplish the stated task. "

A Federal Court of Appeals has upheld the District Court's finding that the infringements were willful. However Judge Alvin B. Rubin, stating that some of the evidence proving that Xanthas owned the jukeboxes on which the infringements occurred was inadmissible hearsay, declined to uphold findings of infringement based solely on this evidence. The matter therefore was remanded for the District Court's determination of how many infringements were proved by the remaining, admissible evidence.

Judge Rubin noted that the District Court had observed that "rounding off the number of jukeboxes that ... Xanthas owned in 1984-87 to 500 per year is in the best

interest of justice." The court then awarded damages based on three times the amount of Xanthas' unpaid registration fees for each jukebox. Judge Rubin pointed out that BMI and the District Court mistakenly focused on the number of infringements in calculating damages. However, since Xanthas did not challenge the District Court's failure to enter a finding concerning the number of "separate and independent" works infringed, Judge Rubin would have permitted the entry of the damage award based, albeit incorrectly, on the number of infringements.

However, Judge Rubin next addressed Xanthas' argument that 138 alleged infringements were proved by inadmissible evidence. In order to establish the ownership of the jukeboxes in issue, BMI apparently relied on questionnaires distributed by the organization to owners of establishments in which the jukeboxes were located. It did not appear to Judge Rubin that the proprietors

"had any incentive to fill out the questionnaires from BMI with precision or completeness."

The court concluded that BMI proved infringements on seven jukeboxes, representing 44 infringements, that Xanthas admitted owning; that the finding of forty other infringements, on five jukeboxes, was supported solely by inadmissible hearsay evidence and, accordingly, was overturned; and that the District Court must reconsider the sufficiency of proof with respect to the remaining 98 alleged infringements.

Broadcast Music, Inc. v. Xanthas, Inc., 855 F.2d 233
(5th Cir. 1988) [ELR 10:11:15]

**Disc jockey's claim under Age Discrimination in
Employment Act is remanded on issue of willfulness
of termination**

After a series of proceedings (see ELR 9:9:15; 9:6:16), the United States Supreme Court, in May 1988, granted a petition for writ of certiorari filed by Illinois radio station WCLR, vacated the judgment of a Federal Court of Appeals, and remanded the dispute between the station and former WCLR disc jockey Leo Rengers to the court for further consideration. On reconsideration, the Federal Court of Appeals vacated a jury verdict awarding damages of about \$97,000 to Rengers, and ordered the case remanded for retrial in the District Court on the issue of whether WCLR willfully violated section 7(b) of the Age Discrimination in Employment Act of 1967 when the radio station fired Rengers.

Federal Court of Appeals Judge Cummings noted that the Supreme Court, in *McLaughlin v. Richland Shoe Co.*, 108 S.Ct. 1677 (1988), decided after the Federal Court of Appeals decision in *Rengers*, declared that a

finding of unreasonableness would not suffice as proof of knowing or reckless disregard. The trial court's willfulness instruction in this case thus was erroneous. Judge Cummings expressed no view as to whether, under the proper standard, WCLR's conduct would be found willful - this determination was left to the District Court.

Rengers v. WCLR Radio Station, 857 F.2d 363 (7th Cir. 1988) [ELR 10:11:15]

Briefly Noted:

Copyright Infringement/Music.

A Federal District Court in New Hampshire has found Edward Santy, the owner of a Littleton, New Hampshire

lounge and bowling alley named "Ed's Place," liable for infringing several copyrighted musical compositions. Santy offered live band entertainment in the lounge; the band performed several unlicensed works and unlicensed songs also were played on a jukebox and via a speaker system. Santy challenged the jurisdiction of the court, claiming that the copyright owners' assignments of licensing rights to ASCAP were not recorded prior to the filing of the copyright infringement action. The court noted that recordation following the filing of an infringement action is permitted under the Copyright Act, with recordation relating back to the date of filing. Santy's attempt to add ASCAP as a party was denied for the following reasons: ASCAP complied with its limited duty toward Santy by informing him that he could obtain information from the organization as to whether specific songs were under ASCAP control; the fact that ASCAP may or may not have "controlled" the litigation, as a

licensing agent, did not provide a basis for making the organization a party; and no evidence was presented to warrant the impleader of ASCAP as a third party defendant. The court permanently enjoined Santy from performing the musical compositions in issue, and awarded damages of \$5,000 to the ASCAP parties, as well as costs and attorneys' fees.

Hulex Music v. Santy, 698 F.Supp. 1024 (D.N.Hamp. 1988) [ELR 10:11:16]

Previously Reported:

The following cases, which were reported in previous issues of the Entertainment Law Reporter, have been published: BV Engineering v. University of California, Los Angeles, 858 F.2d 1394 (10:8:9); Midwest

Television, Inc. v. Scott, Lancaster, Mills & Atha, Inc., 252 Cal.Rptr. 573 (10:7:12); Ridgeway v. Montana High School Association, 858 F.2d 579 (10:7:13); Rogers v. Grimaldi, 695 F.Supp. 112 (10:4:13); Rotz v. City of New York, 532 N.Y.S.2d 245 (10:5:11); United States v. United States District Court for Central District of California, 858 F.2d 534 (10:6:14).

The United States Supreme Court has let stand the decision in *Kneeland v. National Collegiate Athletic Association* (10:7:12) in which a Federal Court of Appeals in Texas ruled that the NCAA and the Southwest Athletic Conference were not governmental bodies subject to the Texas Open Records Act and thus were not required to disclose information obtained during an investigation of football recruiting at Southern Methodist University.

The United States Supreme Court has declined, without comment, to review *Richard Anderson Photography v. Brown*, 852 F.2d 114 (4th Cir. 1988; ELR 10:8:8)

and BV Engineering v. University of California, Los Angeles, Case No. 87-5920 (9th Cir., Oct. 3, 1988; ELR 10:8:9). In Anderson, a Federal Court of Appeals in Virginia ruled that a photographer's copyright infringement claim against Radford University, a state educational institution, was barred by the Eleventh Amendment. In BV Engineering, a Federal Court of Appeals in California also cited the Eleventh Amendment's sovereign immunity doctrine in rejecting a computer program distributor's claim that the University of California, Los Angeles, was engaged in the unauthorized copying of the company's computer programs and accompanying user manuals. Federal Court of Appeals Judge Pregeron, in his opinion in BV Engineering, noted that the case would "allow states to violate the federal copyright laws with virtual impunity," and suggested that copyright holders seek their remedy in Congress.

The United States Supreme Court also has refused to reinstate the pandering conviction of adult film producer Harold Freeman. The California Supreme Court (ELR 10:6:15; 10:9:17) held that applying section 266i of the state Penal Code to Freeman's conduct, i.e., paying actors to appear in a nonobscene film which portrayed sexually explicit acts, was unconstitutional. [Apr. 1989] [ELR 10:11:16]

NEW LEGISLATION AND REGULATIONS

Maryland enacts statute regulating sports agents

The state of Maryland has enacted a statute regulating sports agents. It is the fifteenth state to have done so.

California was the first in 1981 (ELR 5:10:3). It was followed by Oklahoma in 1985 (ELR 8:2:3); Texas,

Louisiana and Alabama in 1987 (ELR 9:8:7); and Georgia, Indiana, Iowa, Kentucky, Minnesota, Ohio, Tennessee, Florida and Mississippi in 1988 (ELR 10:2:5, 10:6:18). The NFL, NBA and Major League Baseball Players Associations also have adopted agent regulation plans of their own (ELR 5:10:3, 8:2:3, 10:6:18, 10:7:18).

Maryland's statute generally requires sports agents to obtain a license from the Maryland Secretary of State, before contacting certain athletes in that state. The statute applies to agents who seek to represent athletes who reside in Maryland, or who are, or within the last year have been, members of a collegiate or high school team in that state.

Even when licensed, agents are prohibited from entering into a contract with, or even communicating with (except in limited ways), an athlete prior to the athlete's last intercollegiate or high school contest, including

postseason games. Prior to their last games, agents are permitted to send written materials to athletes; and athletes and their parents, guardians or other advisors are permitted to contact and interview agents.

Once an agent has signed a contract with an athlete - either to represent the athlete in negotiations with professional teams, or to render financial services - the agent must file a copy of the contract with the Secretary of State and with the athletic director of the athlete's college or high school. Athletes may cancel contracts with agents within 15 days after signing simply by notifying the agent in writing.

Agents are prohibited from offering anything of value to school employees in return for referrals of potential clients. And agents are prohibited from offering anything of value to athletes, except reasonable entertainment and travel expenses, to induce them to become clients.

Contracts entered into by athletes with agents who do not comply with the statute are voidable by the athlete. In addition, agents who violate the statute may have to refund any fees already collected, and may have to forfeit the right to be repaid anything given to the athlete as an inducement to become a client. A willful violation of the statute is a misdemeanor and can result in a \$10,000 fine and one year's imprisonment.

Maryland Sports Agents Act, Maryland Code Annotated, Article 56, Secs. 632-640 (1988) [ELR 10:11:17]

WASHINGTON MONITOR

MPEAA reports to U.S. Trade Representative on barriers to international distribution of American movies which cause major Hollywood studios to lose almost \$1 billion annually

The Motion Picture Export Association of America has filed a report with the U.S. Trade Representative, detailing trade barriers and lack of adequate copyright protection in certain foreign countries which cause annual losses of as much as \$987 million to the MPEAA's members, Buena Vista (Disney), Columbia Pictures, MGM/UA, Orion, Paramount, Twentieth Century Fox, Universal and Warner Bros.

The MPEAA's report has detailed entries for 58 countries, as well as summaries for the European Community and regions such as the Caribbean and Central America.

Because loss estimates were not available for every country surveyed, the actual cost to MPEAA members may exceed \$1 billion a year. This figure is fully 25% of the \$4 billion that the MPEAA estimates is contributed annually to the U.S. economy by the motion picture industry. And it is almost 40% of the \$2.53 billion that American movies bring into the U.S. from abroad each year.

American distributors face a variety of barriers in overseas markets.

Piracy and screen quotas:

Piracy is the number one problem facing American film distributors overseas. It is typically the result of weak or ineffective copyright laws and treaties. Last year, the U.S. Trade Representative announced the results of a major study of foreign protection of intellectual property rights which concluded that U.S. industries suffered losses of between \$43 billion and \$61 billion

annually because of copyright, patent and trademark infringement. Overseas film, video, cable and satellite piracy alone account for approximately \$740 million in lost revenues. Countries that present particularly difficult piracy problems include Cyprus, Egypt, Korea, the Philippines, Sri Lanka and Turkey.

Screen quotas are the next most common trade barrier facing American motion pictures. Fifteen countries maintain some type of screen quota, and some countries use several.

Other barriers:

Other common barriers include:

Import and distribution quotas, which include such market mechanisms as screen or broadcast quotas that set limits on the amount of foreign product that can be shown. These quotas exist in such countries as Burma, Colombia, India and Indonesia.

Lack of adequate and effective copyright protection, which serves as an invitation to widespread piracy in such countries as Greece, Korea, Taiwan, Turkey and many countries in the Caribbean and Latin America.

Service barriers, which are controls placed on film distributors dictating what services they must employ. For example, the use of local film duplicating or dubbing facilities may be required in order to generate business for local companies. These barriers often force filmmakers into distributing their movies through third parties, or force them to use over-priced services that can negate any commercial advantage in doing business in that market. Such barriers exist, for example, in Argentina, Brazil, Korea, Indonesia and Mexico.

Subsidies, including tax rebates, cash awards, government loans or outright grants to local filmmakers. These cost of providing these benefits is often imposed on foreign filmmakers, who in some cases are denied access

to the very pool of funds they supply. Subsidy programs of this sort exist in countries such as Australia, Egypt, Italy and India.

Video levies are a recently developed mechanism that unfairly burdens American filmmakers overseas. They are fees put on blank tapes and sometimes VCRs to compensate copyright owners for home taping of their films. Unfortunately, in many cases, these fees are siphoned off by governments - mostly in Europe - for special projects, or are otherwise redistributed at the expense of American producers who should be entitled to a share of these payments. Austria, France and West Germany are examples of countries with video levies.

Worst barriers:

Among those countries which present some of the worst trade barriers to the American film industry are Brazil, Colombia, India, Indonesia, Korea and Taiwan.

In Indonesia, for example, the government has refused to permit the opening of distribution offices by foreigners, which prevents MPEAA members from directly entering the theatrical market and developing the home video market. An array of taxes, duties and fees also impede business development, and an outright ban on feature films for television further curtails market entry.

Korea has one of the harshest screen quotas, and local film distributors have historically enjoyed a statutory monopoly on the importation and distribution of all foreign films. The MPEAA has twice filed complaints under Section 301 of the Trade Act against Korea for these kinds of practices, and some changes are underway. The law against direct distribution of films by U.S. companies has been rescinded, but local distributors have attempted to block foreign access by intimidation and vandalism. A new copyright law was adopted in 1987, but enforcement has been lax or nonexistent, and the

Korean video market is currently plagued with a 40% to 60% piracy level. In terms of American movies, the home video market is as much as 90% pirated. MPEAA member company losses due to piracy in Korea are estimated at \$10 million to \$20 million. [Apr. 1989] [ELR 10:11:18]

Federal Communications Commission will consider, on "case-by-case" basis, broadcaster requests for waiver of ban on cross-ownership of radio and television stations in same market

The Federal Communications Commission has voted to examine, on a case by case basis, whether media companies may own both a radio station and a commercial television station in the same market. The Commission has not abandoned the "one-to-a-market" restriction

enacted in 1970. However, broadcasters in the top twenty-five markets in the United States now may apply for a waiver of the cross-ownership ban, so long as there are at least thirty separately owned broadcast licenses in the same market, and certain other criteria are met.

Broadcasters in smaller markets also may request a waiver of the cross-ownership restriction; in such cases, the Commission will consider factors such as the number of stations already owned by the applicant, the financial status of the stations, and the availability of cable in the market. And waiver applicants must show that the public interest benefits of the proposed cross-ownership would outweigh the costs of broadcast combinations, i.e., that viewpoint diversity and economic competition would be maintained. [Apr. 1989] [ELR 10:11:19]

Federal Communications Commission will consider broadcaster requests for waiver of distance requirements between FM stations

The Federal Communications Commission has announced that it will consider broadcaster requests for the waiver of distance requirements between FM stations. Fixed mileage requirements have been used to control interference between FM stations. Waiver applicants must demonstrate that they will protect other stations from interference by using directional antennas. [Apr. 1989] [ELR 10:11:19]

IN THE NEWS

Turner Broadcasting will appeal \$9.75 million damage award to actor Timothy Hutton

A Los Angeles Superior Court jury has awarded Timothy Hutton \$2.25 million in compensatory damages and \$7.5 million in punitive damages in the actor's breach of contract and fraud action against MGM.

Hutton claimed that MGM executives falsely stated that the 1983 film "Roadshow," in which Hutton was to appear, was canceled because the director, Richard Brooks, had suffered a heart attack. According to Hutton, Brooks had not agreed to direct the film - MGM simply decided to cancel the project without compensating the actor under the terms of a play-or-pay contract. Hutton stated that because MGM did not promptly notify him of the cancellation, he was denied an opportunity to work in other films.

Turner Broadcasting plans to appeal the damage award. Turner, the current owner of the MGM film library, is responsible for certain MGM liabilities,

including any liability to Hutton. [Apr. 1989] [ELR 10:11:20]

Turner Entertainment will not colorize "Citizen Kane"

Turner Entertainment Company has announced that it will not colorize the film "Citizen Kane." According to news reports, the contract between RKO Pictures, Orson Welles, and Mercury Productions specifically referred to the use of black and white, and provided the late director with almost total creative control of the film. [Apr. 1989] [ELR 10:11:20]

Trial is ordered in dispute over story idea for "Superman IV" film

A dispute over a story idea for the film "Superman IV" will proceed to trial, a Los Angeles Superior Court judge has ruled.

Writers Barry Taff and Kenneth Stoller, in a \$45 million lawsuit against actor Christopher Reeve, Warner Bros. and the Cannon Group, alleged that Reeve used their idea, without authorization, for the 1987 film. A previous ruling by a Los Angeles trial court found a lack of similarity between Taff and Stoller's story treatment entitled "Superman: The Confrontation," and a story treatment written by Reeve, Lawrence Konner, and Mark Rosenthal, and denied Taff and Stoller's claim for credit on the film (ELR 9:2:21).

In the recent ruling, Judge Billy G. Mills found that a release form signed by Taff and Stoller was sufficiently ambiguous to require further consideration at trial. [Apr. 1989] [ELR 10:11:20]

"Fatal Vision" settlement payment received by Jeffrey MacDonald in his suit against author Joe McGinniss is impounded in a separate action brought by parents of MacDonald's slain wife

A Los Angeles trial court judge has ruled that former Army doctor Jeffrey MacDonald will receive only \$50,000 of the \$325,000 settlement payment agreed to by author Joe McGinniss (ELR 9:7:19) to resolve MacDonald's claims in connection with the publication of the book "Fatal Vision."

MacDonald, who was convicted of the 1970 killings of his wife and two young daughters, had sued McGinniss in federal court, disputing the author's account of the killings and subsequent trials. After a mistrial in the summer of 1987, McGinniss without admitting any liability in connection with MacDonald's claims, agreed to pay MacDonald \$325,000 to settle his lawsuit.

However, Mildred and Alfred Kassab, the mother and stepfather of MacDonald's slain wife, brought an action seeking to impound the settlement payment, claiming that California law bars a convicted criminal from profiting from his crime.

Judge Edward Ross agreed to impound \$275,000 in a constructive trust, but allowed MacDonald to keep the remaining \$50,000. Judge Ross then deducted \$92,000 from the trust account to cover MacDonald's attorneys' fees arising from the dispute with McGinniss, stated that court costs from the lawsuit also will be deducted from the account, and divided the remaining sum between Mildred Kassab and MacDonald's mother. [Apr. 1989] [ELR 10:11:20]

Carsey-Werner Productions will pay \$10,000 to settle union discrimination claim

Carsey-Werner Productions will pay two union costumers \$10,000 to settle a discrimination claim, according to news reports.

The International Alliance of Theatrical Stage Employees filed charges with the National Labor Relations Board contending that the production company did not rehire the costumers, who had worked on the first season of the television show, "A Different World," because of their union membership. The Board ordered the matter to trial, but Carsey-Werner apparently agreed to pay lost wages to the costumers before any further proceedings were held. [Apr. 1989] [ELR 10:11:21]

Wayne Newton will accept court-reduced damage award of \$5.3 million in libel action against NBC

Wayne Newton has agreed to accept a court- reduced damage award of \$5.3 million plus interest in his libel action against NBC arising from an October 1980 network news report suggesting a link between the entertainer and organized crime interests.

A Federal District Court judge in Nevada ordered the reduction in the jury's damage award of about \$20 million (ELR 9:9:10), stating that the court would grant NBC's motion for a new trial unless Newton agreed to accept \$5 million in punitive damages, \$225,000 for physical and mental injury, and \$50,000 for presumed damages to reputation.

NBC intends to appeal the the District Court's decision. [Apr. 1989] [ELR 10:11:21]

Los Angeles Raiders and National Football League agree to settle antitrust dispute

The Los Angeles Raiders and the National Football League have agreed to settle an antitrust action in which the Raiders claimed that the League impeded the team's relocation from Oakland to Los Angeles. Although the terms of the settlement were not disclosed, unidentified sources cited in news accounts of the settlement suggested that the Raiders would receive about \$18-\$20 million from the League.

The antitrust action originally was filed in 1978 by the Los Angeles Coliseum Commission; the Raiders subsequently joined the lawsuit. In May 1982, a Federal District Court jury found the National Football League and its member clubs liable to the Coliseum Commission and the Raiders for violating section 1 of the Sherman Act, and to the Raiders for breach of the covenant of good faith and fair dealing implied (under California law) in the League's constitution and bylaws. The jury

awarded the Coliseum Commission damages of about \$4.9 million, trebled by the court to about \$14.6 million, and awarded the Raiders damages of about \$11.5 million, trebled to about \$34.5 million, plus contract damages of \$11.5 million.

In late 1987, after a series of federal court rulings (ELR 8:6:13; 8:9:11; 9:5:17), the League paid the Coliseum Commission damages of \$19.6 million. A Federal District Court in Los Angeles also ordered the League to pay the Coliseum Commission over \$5 million in legal fees (ELR 9:6:20).

The Raiders, between 1982 and the present, encountered the reversal by a Federal Court of Appeals of the judgment entered on the verdict with respect to the team's breach of contract claim. And the court remanded the award of antitrust damages, noting, among other factors, that any increased value in the Raider franchise resulting from the team's 1982 relocation should have

been considered in determining damages. [Apr. 1989]
[ELR 10:11:21]

Arbitration panel rules that BMI must continue paying bonus royalties to former members on same basis as payments to currently affiliated songwriters

Broadcast Music Inc. must pay royalties to former affiliates on the same basis as the organization pays current affiliated writers, according to an arbitration panel ruling.

BMI responded to the issuance of the ruling by noting that for the past six months, the organization has been paying bonuses to songwriters no longer represented by BMI.

The American Arbitration Association panel found that BMI violated its contractual payment schedule in 1987

by denying bonus payments to former BMI affiliates who subsequently joined ASCAP. The panel also ordered BMI to pay \$30,000 in arbitrators' and attorneys' fees. [Apr. 1989] [ELR 10:11:21]

DEPARTMENTS

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