RECENT CASES

Tri-Star Pictures may terminate agreement to distribute "Return From the River Kwai" because holder of trademark rights to "Bridge on the River Kwai" raised material issues of fact concerning secondary meaning of film's title

In 1986, Tri-Star Pictures agreed to distribute, in the United States and Canada, the Leisure Time Productions film "Return From the River Kwai." Academy Pictures, alleging trademark rights to the film "Bridge on the River Kwai," claimed that the title of the new film would infringe those rights.

Tri-Star sued Leisure Time for breach of an express warranty which purportedly provided that the film would be delivered to the distributor free of all claims against it. Leisure Time argued that no such warranty existed, and, in the alternative, that the warranty was not breached because Academy did not have a valid trademark infringement claim.

A Federal District Court in New York has granted Tri-Star's motion for summary judgment against Leisure Time; denied Leisure Time's motion for summary judgment on Academy's trademark infringement claim; and denied Leisure Time's claims against Columbia Pictures, Inc. and Academy for tortious interference of contract based on the allegedly false assertion of Academy's trademark claim.

Judge Edelstein reviewed the background of the films, noting that Leisure Time, in 1978, registered the title "Return From the River Kwai" with the Motion Picture Association of America. Columbia, which had obtained the rights in the film subject to an interest held by Academy's predecessor, filed a protest. However, since the

MPAA received the protest one day after a seven day time limit, the protest was not considered.

In December 1987, recounted the court, Tri-Star and Columbia Pictures became "sister" companies as wholly owned subsidiaries of Columbia Pictures Entertainment, Inc.

In ruling on Tri-Star's declaratory judgment action, Judge Edelstein pointed out that one of the documents comprising the 1986 distribution agreement provided, in part, that Leisure Time represented and warranted that the film would be provided for distribution free from "claims, liens, encumbrances or rights of any nature...which can or will impair or interfere" with Tri-Star's distribution of the film." The agreement also warranted that the film would not "infringe upon the trademark" of another party.

Leisure Time cited a different document as the source of the company's warranty obligations. Under that document, Leisure Time warranted that it owned and controlled the rights being granted under the agreement and that "all such rights are hereby granted...free and clear of all liens, claims and encumbrances." The provision did not include any rights with respect to the film's title, and applied only to the rights granted at the time the agreement was executed, unlike the prospective warranties claimed by Tri-Star.

Judge Edelstein found that the warranties cited by Leisure Time added to, rather than replaced, the warranties of ownership and control contained in an exhibit to the distribution agreement; that the provisions were consistent; and that Leisure Time was bound by the warranties in both documents.

The court then found, contrary to Leisure Time's argument, that there was sufficient consideration to support the 1959 agreement between Columbia and Academy's predecessor, and that Columbia has paid royalties

pursuant to the agreement for the past thirty-one years. Academy's royalty interest in the revenues from the film was sufficient to confer standing under section 43(a) of the Lanham Act. It also was found that Academy's predecessor's agreement not to sue Columbia or its affiliates for any claims relating to the film (other than those arising under the parties' agreement) did not preclude the instant action. Academy's claim did not arise out of the distribution of the film and the company was not asserting a claim to the film. Rather, Academy was seeking to protect its royalty interest under the agreement, and thus was not barred from bringing a trademark infringement action against Tri-Star. And the agreement, in any event, did not prevent Academy from suing Leisure Time, noted the court.

Judge Edelstein stated that it was "doubtful" that Columbia's procedural error in filing, one day late, a protest with the MPAA, could preclude the company from bringing a Lanham Act claim in federal court, let alone preclude Academy from bringing such a claim. Academy was not a member of the MPAA, did not receive notice of the intended registration of the title "Return From the River Kwai," and had no opportunity to object to Leisure Time's registration of the title.

The court then found that there existed genuine issues of material fact concerning Academy's trademark infringement claim, and denied Leisure Time's motion for summary judgment.

Leisure Time's argument that Rogers v. Grimaldi, 875 F.2d 994 (2d Cir. 1989; ELR 11:2:5; 11:9:20) would apply to the company's use of the film title was too broad an interpretation of the privilege established in the case, in Judge Edelstein's view. Rogers only applies "to situations where a celebrity's name is used in a title and is therefore not applicable to Academy's claim here that the titles [of the films] are confusingly similar." And a

footnote in Rogers specifically stated that the court's holding did not apply to claims, like Academy's, of confusingly similar titles.

The court expressed interest in a complete factual record to determine whether "Bridge on the River Kwai" has attained secondary meaning, and whether a reasonable consumer would find the titles at issue confusingly similar. The existence of a genuine issue of material fact in Academy's trademark infringement claim was "more than sufficient" to constitute a "claim" under the distribution agreement, declared the court; such a claim threatened to interfere with Tri-Star's rights to distribute "Return From the River Kwai;" Leisure Time therefore breached its warranty to Tri-Star, and Tri-Star was entitled to terminate the agreement.

Tri-Star Pictures, Inc. v. Leisure Time Productions, B.V., 749 F.Supp. 1243 (S.D.N.Y. 1990) [ELR 12:10:3]

Writers Guild credit determination for "Beverly Hills Cop II" is upheld

Paramount Pictures Corporation hired Larry Ferguson to write a screenplay for the film "Beverly Hills Cop II." In April 1987, the Writers Guild determined that the writing credits for the film would read: Screenplay by Larry Ferguson and Warren Skaaren; Story by Eddie Murphy & Robert D. Wachs.

Soon after, Ferguson unsuccessfully petitioned a Los Angeles trial court to issue a writ of mandate requiring the Writers Guild to set aside its credit determination and to grant Ferguson sole screenplay credit and sole story credit.

In affirming the trial court decision, California Court of Appeal Judge Klein noted that the determination of writing credit for theatrical films is governed by the 1985 Theatrical and Television Basic Agreement entered into by the Alliance of Motion Picture and Television Producers, Inc., the three television networks, the Writers Guild of America, West, and the Writers Guild of America, East. The Writers Guild West's 1980 Credits Manual also is used in credit determinations.

After referring to the Basic Agreement's detailed provisions concerning writing credits, Judge Klein summarized the procedure, set forth in the Credits Manual, for arbitration proceedings. Three arbitrators review all script, outline, and story material prepared or used in the creation of the screenplay, together with source material. Each arbitrator, acting independently, notifies the Guild of his/her determination. Thereafter, any party may request the convening of a Policy Review Board. The Board has the authority to direct the arbitration committee to reconsider the matter or to order another

review by three new arbitrators. The Policy Review Board does not have the authority to reverse the decision of an arbitration committee in matters of judgment, observed Judge Klein, and the Board's decision approving a credit determination is final. Ferguson had provided the trial court with all screenplay and story materials, and asked the court to decide which of the writings represented "a contribution distinct from screenplay and consisting of basic narrative, idea, theme or outline indicating character development and action." With respect to screenplay credit, Ferguson sought a determination as to which writer or writers contributed more than thirty-three percent of "the final script (as represented on the screen) with individual scenes and full dialogue, together with such prior treatment, basic adaptation, continuity, scenario, dialogue, and added dialogue as shall be used in and represent substantial contributions to the final script."

Judge Klein agreed with the Writers Guild's position that under Schedule A and the Credits Manual - in particular, the finality provisions of each - "disputes over writing credits for feature-length photoplays are nonjusticiable." The court noted that the Guild members apparently have decided that the credit determination process "can be handled both more skillfully, more expeditiously, and more economically" by Guild arbitration committees than by courts. Judicial review therefore would be limited to a determination concerning whether there was a material breach of the terms of the Credits Manual.

The court rejected Ferguson's claims of procedural irregularities in the arbitration process. The fact that the Guild's Policy Review Board upheld the procedures was entitled to "considerable deference," stated Judge Klein. Ferguson contended, in part, that Murphy and Wachs were disqualified from story credit under a Credits

Manual provision with respect to writing credit for production executives, and that Skaaren's contribution to the screenplay represented substantially less than the thirty-three percent minimum required by the Credits Manual for screenplay credit. However, the court held that Ferguson did not preserve for judicial review the seven contentions raised; Ferguson did not demonstrate that he presented the arguments to the Board, and thus exhausted his administrative remedies.

Judge Klein proceeded to state that even if the court were to reach the merits of the seven claims, the claims would be found "devoid of merit." Again, judicial review of the Guild's credit determinations is restricted to considering "whether the party challenging the determination has demonstrated a material and prejudicial departure from the procedures specified in the Credits Manual." Under this standard, the record did not support Ferguson's claims.

Ferguson's contention that he should have been told the names of the arbitrators and permitted to interrogate the arbitrators and Skaaren was rejected. Judge Klein commented that while it is unusual to have an arbitration procedure in which the parties cannot appear in person before the arbitrators and cannot learn the arbitrators' identities, discovery of the names of the Guild arbitrators "could serve no legitimate function." For even when an arbitration is conducted under "more familiar rules...the losing party is not permitted to conduct an inquisition into the arbitrators' thought process in reaching their award."

Ferguson v. Writers Guild of America, West, Inc., Case No. B031656 (Ca.Ct.App., Jan. 17, 1991) [ELR 12:10:4]

"Saturday Night Live" skits featuring fictional interviews with gangster character and "Fifth Beatle" did not infringe copyrighted works

A Federal District Court in New York has granted summary judgment to National Broadcasting Company, Inc. and various parties involved in writing and producing the television program "Saturday Night Live" in a longstanding action (see ELR 11:9:12) brought by writers E.J. Novak and Debra Studer.

The copyright infringement claim involved the writers' fictional talk show interview segments with a gangster character, "Yucky Moosiano," and with the self-proclaimed Fifth Beatle, "Wingo Murray." The segments were broadcast on WOR-TV.

In 1985, Saturday Night Live presented the allegedly infringing gangster skit; the show's allegedly infringing Fifth Beatle segment aired in late 1988.

Judge Robert W. Sweet found that Novak and Studer did not raise a genuine issue of fact concerning the NBC parties' access to the gangster skit script.

Even assuming access and substantial similarity, the NBC parties submitted evidence concerning their sources for the allegedly infringing material. It was noted that in 1973, Don Novello wrote and performed a skit featuring a mock interview between a television personality and a gangster. In its prior opinion, the court described how both of the segments at issue involved the misguided use of a black box - in the Saturday Night Live skit, the box unsuccessfully covered the face of the gangster; in the Novak-Studer piece, the box covered the face of the interviewer, rather than the gangster who needed the disguise.

Novello claimed that the idea for the black box device was suggested by two former colleagues.

The court stated that the NBC parties conclusively showed that the gangster skit was independently created.

In turning to the Fifth Beatle skit, the court found that the differences between the works were great enough to preclude a finding of substantial similarity. In its prior opinion, the court had found that a fictional Fifth Beatle was "a concept, an idea, which has been used for various purposes in entertainment..." The allegedly infringing elements of the skit -an incongruous instrument played by the Fifth Beatle, the talk show format, and the Fifth Beatle's exaggerated songwriting claims - were "scenes a faire," concluded the court, in dismissing the complaint.

Novak v. National Broadcasting Company, Inc., 752 F.Supp. 164 (S.D.N.Y. 1990) [ELR 12:10:5]

VOLUME 12, NUMBER 10, MARCH 1991

Author of play about Jackie "Moms" Mabley obtains summary judgment in copyright infringement action

Alice Childress wrote a play entitled "Moms," subtitled "A Praise Play for a Black Comedienne," about the life of the late performer Jackie "Moms" Mabley. Clarice Taylor produced and starred in two productions of the play in 1986 and 1987. Taylor also starred in another 1987 production of a play entitled "Moms." The latter production, at the Astor Place Theatre, was subtitled "The First Lady of Comedy." Ben Caldwell was listed as the author of the play, "based on a concept by Clarice Taylor."

When Childress sued various parties involved in the Astor Place production for copyright infringement, Federal District Court Judge Charles S. Haight first reviewed the background of the play. It was undisputed

that Taylor gave Childress the idea of writing a play about Moms Mabley. But Childress alone wrote the script. Although Taylor stated that she contributed significant research and original material to the work, both before and during rehearsals, the court found that the record did not support Taylor's claim of co-authorship. The Copyright Act does not protect research, noted Judge Haight, and facts are not copyrightable. Taylor's "creative suggestions" did not constitute the substantial and significant contributions required to reach a finding of joint ownership. Childress therefore was entitled to summary judgment that she was the sole author of the play.

In turning to the infringement issue, the court found that the Astor Place production was "a transparent copy" of Childress' copyrighted play. Judge Haight observed that, among other similarities, both plays had only two characters in addition to Moms Mabley; the same "loosely jointed" structure; and Moms' reflections on her career and philosophy, interspersed with song, dance, and minstrel show jokes. After citing three specific examples of similarity, the court concluded that there was no factual dispute requiring trial on the issues of authorship and copying, and granted summary judgment to Childress on her claim of copyright infringement.

The court also granted Childress' motion for summary judgment on the author's claims under section 43(a) of the Lanham Act and New York's anti-dilution statute.

Judge Haight concluded by granting summary judgment to Bruce Mailman, an owner of the Astor Place Theatre, dismissing Childress' copyright infringement claim against Mailman. The theater owner and the theater manager "knew nothing of the gathering storm" at the time the theater entered into its lease with the company producing the Caldwell play. Judge Haight also noted that Childress did not seek a preliminary injunction to

bar the play from being produced, and that even if Mailman knew of the earlier production of a play about Moms Mabley, it did not follow that he knew the second play infringed the first.

Childress v. Taylor, Case No. 87 Civ 6924 (S.D.N.Y., Nov. 27, 1990) [ELR 12:10:5]

National Endowment for the Art's non-obscenity certification requirement for grant recipients is ruled unconstitutionally vague

A Federal District Court in California has granted summary judgment to the Bella Lewitzky Dance Foundation and the Newport Harbor Art Museum in an action challenging the non-obscenity "pledge" of the National Endowment for the Arts.

The Endowment, advised by the National Council on the Arts, provides financial support for art programs. During the past 18 years, the Endowment awarded the Foundation a total of \$1.4 million, and awarded the museum a total of about \$1.2 million.

Judge John G. Davies, after describing the Endowment's grant procedure, noted that section 304 of the Interior and Related Agencies Appropriation Act of 1990 provided: None of the funds authorized to be appropriated for the [Endowment] may be used to promote, disseminate, or produce materials which in the judgment of the [Endowment] may be considered obscene, including but not limited to, depictions of sadomasochism, homoeroticism, the sexual exploitation of children, or individuals engaged in sex acts, and which, when taken as a whole, do not have serious literary, artistic, political or scientific value.

The Endowment added a certification requirement to its "General Terms and Conditions for Organizational Grant Recipients;" one such term contained the abovenoted statutory language. Thus, observed Judge Davies, in order to obtain grant funds, the recipient would have to certify in advance that none of the funds would be used "to promote, disseminate, or produce materials which in the judgment of the NEA...may be considered obscene."

In early 1990, the Endowment, in notifying the Dance Foundation of a grant of \$72,000, advised the organization that submitting a request for funds constituted an agreement to comply with the Endowment's terms and conditions; the terms and conditions included the condition derived from section 304.

When the Foundation subsequently requested a partial payment of \$15,000, the company manager indicated

that the Foundation refused to be bound by the new condition.

The Endowment sent \$15,000 to the Foundation, but stated that the organization was required to abide by all of the terms and conditions in the grant award in order to use grant funds. The Foundation segregated, and did not spend, the \$15,000 payment.

The Endowment awarded \$100,000 to the museum in 1990; the museum's Board of Trustees resolved not to comply with the certification requirement and the museum did not receive any portion of the grant.

Judge Davies found that the arts organizations possessed standing to challenge the advance certification requirement, It was noted, in part, that if the organizations refused to sign the certification, they would be "cut off indefinitely from the grant awarded them on the basis of merit. No administrative alternative is available."

The arts organizations argued that the obscenity provisions of the certification were unconstitutionally vague and violated the due process clause of the Fifth Amendment. Judge Davies stated that although the Endowment adopted the standard of Miller v. California, 413 U.S. 15 (1973), this would not "cure the vagueness arising from the fact that the obscenity determination has been left to the judgment of the...Endowment..." The Endowment's policy statement "promising" to rely on Miller was not legally binding on the agency, noted the court, and the Endowment could not provide the procedural safeguards outlined in Miller, particularly the requirement calling for a jury of citizens applying community standards for obscenity.

The Endowment's certification requirement was unconstitutionally vague in leaving the determination of obscenity with the agency, declared the court.

Judge Davies further found that the chilling effect on the arts organizations arising from the Endowment's vague certification requirement was "unmistakably clear," and that the requirement therefore violated First Amendment rights. The chilling effect caused by the certification provision was "exacerbated," continued the court, by "the practical realities of funding in the artistic community," i.e., the Endowment's dominant and influential role in the financial affairs of the art world in the United States.

The certification requirement placed "an obstacle in the grant recipient's path to [the] exercise of his constitutional speech rights," commented the court. Pointing out that certain private funding often follows Endowment grants, the court reasoned that if an artist chooses not to be bound by the requirement, the artist might not be able to obtain private funding and would be "worse off" than if he/she had not applied for an Endowment grant - "an

obstacle in the path of the exercise of fundamental speech rights that the constitution will not tolerate."

In February 1991, the National Endowment for the Arts issued new guidelines stating that art projects funded in 1990 would be considered obscene only if classified as such by state courts on appeal.

It has been reported that the policy memorandum applies retroactively to all 1990 Endowment grants, whether or not the grantees already have received their funds. Essentially, the Endowment will apply to the 1990 fiscal year the provisions of legislation effective in 1991; the new legislation did not include any anti-obscenity certification requirements.

In response to the policy change, a Federal District Court in New York has dismissed an action filed by the New School for Social Research challenging the Endowment's antiobscenity pledge requirement. The Endowment had granted the institution \$45,000 in 1990,

but the New School refused to pledge that the funds would not be used for works that might be judged obscene.

Lewitzky v. Frohnmayer, Case No. CV 90-3616; Newport Harbor Art Museum v. National Endowment for the Arts, Case No. CV 90-5142 (C.D.Ca., Jan. 9, 1991) [ELR 12:10:6]

Capital Cities/ABC and Treasury Department settle dispute over telecasting of Pan American games

ABC Sports and Turner Broadcasting will be allowed to telecast the 1991 Pan American Games from Cuba under a recent agreement with the United States Treasury Department.

In June 1990, Federal District Court Judge John E. Sprizzo ruled that Office of Foreign Assets Control did not violate the First Amendment in refusing to license an agreement for the exclusive live broadcasting rights to the Pan American Games. As described by Judge Sprizzo, in 1962 President Kennedy declared a national emergency and placed an embargo on Cuba. The Treasury Department, the agency charged with administering the Trading With the Enemy Act of 1917, delegated this authority to the Office of Foreign Assets Control. Regulations adopted by the agency prohibited transactions with either the Cuban government or Cuban nationals unless such transactions fell within certain licensing provisions. However, the regulations specifically prohibited the issuance of specific licenses for transactions involving the payment to Cuba for television rights, appearance fees, royalties, pre-performance expenses, or other such payments in connection with or resulting from any public exhibition or performance in the United States or in Cuba.

In 1988, Congress amended the Trading With the Enemy Act by providing that the President's authority under the Act did not include the authority to regulate or prohibit the importation or the exportation of, among other items, publications, films, posters, phonograph records or other informational materials.

ABC, also in 1988, agreed to pay \$8.7 million to the Pan American Sports Organization for the exclusive rights to broadcast the games live; the parties agreed that the organization would remit seventy-five percent of this amount to Cimesports, a Cuban entity and the host organizer of the games.

ABC notified the Office of Foreign Assets Control of the agreement and subsequently applied for a license. The negotiations of the parties were unsuccessful, and ABC brought an action seeking a declaratory judgment with respect to the proposed transaction.

Judge Sprizzo held that the court would defer to the agency's interpretation of the phrase at issue, "other informational materials." It was noted that the congressional or executive power to regulate speech when dealing with foreign affairs was not subject to the same limitations that the First Amendment would impose in the domestic context, and that even in the domestic context, certain regulations of speech have been upheld. It was "far from clear," stated the court, that the agency's construction of the amendment violated the First Amendment.

The court also rejected the claim that the regulations impermissibly discriminated between the print and broadcast media. The agency would permit coverage of the games on a non-exclusive basis for all types of media so long as royalty payments were not made to the Cuban government.

Furthermore, the agency did not misapply its own regulations in determining that a broadcasting rights agreement did not fall within the news gathering license provisions of the statute.

In all, the regulations were not contrary to the 1988 amendment; the amendment, as construed, was constitutional; and the court therefore granted the Treasury Department's motion for summary judgment.

According to news reports, the parties' settlement agreement allows ABC and Turner to telecast the games and to spend between \$1.2 million and \$1.3 million on necessities for production crews; however, no fee may be paid for telecast rights.

Capital Cities/ABC, Inc. v. Brady, 740 F.Supp. 1007 (S.D.N.Y. 1990) [ELR 12:10:7]

David Wojnarowicz obtains injunctive relief and \$1 in damages in action against American Family Association under New York's Artists' Authorship Rights Act, but court dismisses trademark infringement, copyright infringement, and defamation claims

In April 1990, the American Family Association began distributing a pamphlet entitled "Your Tax Dollars Helped Pay For These 'Works of Art.'" The pamphlet, written by Donald Wildmon, the executive director of the Association, sought to stop funding by the National Endowment for the Arts, of "offensive" and "blasphemous" art.

Photographs of fourteen fragments of works by artist David Wojnarowicz appeared in the pamphlet. Eleven of the images explicitly depicted sexual acts; the other images portrayed Christ with a hypodermic needle inserted in his arm, and, according to the artist, an African purification ritual and two men dancing together. The works were among those presented in an exhibition, entitled "Tongues of Flame," at the Illinois State University in Normal, Illinois; the university galleries also published a catalog which contained reproductions of over sixty of the artist's works as well as essays by Wojnarowicz and other writers. The Endowment had awarded the university galleries \$15,000 to help pay for the exhibit and the catalog.

The Wildmon pamphlet, and the envelope in which the pamphlet was mailed, noted that the photographs were part of the exhibit catalog; the envelopes were marked "Caution - Contains Extremely Offensive Material."

Federal District Court Judge William C. Conner first noted that New York's Artists' Authorship Rights Act provides, in relevant part, that "no person other than the artist or a person acting with the artist's consent shall knowingly display...or publish a work of fine art...in an altered, defaced, mutilated or modified form if the work is displayed, published or reproduced as being the work of the artist, or...would reasonabl[y] be regarded as being the work of the artist, and damage to the artist's reputation is reasonably likely to result therefrom..."

Wojnarowicz's state law claim was not preempted by the federal Copyright Act, stated the court. The cited provision was "qualitatively different than federal copyright law in both its aim and its elements." Judge Conner did not agree with the Wildmon parties that the Copyright Act would authorize a copyright owner other than the creator to publish or display an altered work, attributing that altered work to the original creator (emphasis by the court). Thus, the New York statute did not conflict with the Copyright Act and was not preempted under the Supremacy Clause.

The Wildmon parties then argued that distributing a photocopy of cropped images from Wojnarowicz's work did not alter, deface, mutilate or modify the artist's original work. But the statute prohibits the alterations of reproductions as well as of the original works, noted the court. Also rejected was the argument that the reproduction and publication of "minor, unrepresentative segments of larger works, printed wholly without context" did not violate the statute. Judge Conner observed that the use of small portions of Wojnarowicz's work served to reduce the artist's "multi-imaged works of art to solely sexual images, devoid of any political and artistic context," thereby altering and modifying such work.

The court found "disingenuous" the claim that the pamphlets were not publicly displayed or published. It was noted that over 200 pamphlets were mailed into New York and that the pamphlet was a "public message" to obtain support for the Association's position.

Wojnarowicz presented evidence showing that there was a reasonable likelihood that the Wildmon parties' action jeopardized the monetary value of the artist's works and impaired his professional and personal reputation. According to expert testimony, museums unfamiliar with the artist might believe that the pamphlet contained representative images, and therefore would fail to review Wojnarowicz's work, although many of his works do not include sexual images. Other museums might not consider showing the artist's work because of "his perceived association with pornography." Such selfcensorship, stated the expert, would have an adverse impact on the value of Wojnarowicz's work because individuals are less likely to purchase art without "the pedigree of museum shows and accompanying reviews."

Judge Conner then found that the alteration or defacement of works of art would not be considered protected speech. Although the pamphlet contained protectable

speech, the reproduction of the altered art works, falsely attributed to the artist, was "not the type of speech or activity that demands protection, because such deception serves no socially useful purpose."

After upholding the constitutionality of the statute, Judge Conner concluded that by attributing the modified photographs in the pamphlet to Wojnarowicz, the Wildmon parties created a likelihood of damage to the artist's reputation and earning potential and therefore violated the statute.

In turning to Wojnarowicz's claim of false designation of origin in violation of section 43(a) of the Lanham Act, the court pointed out that the statute applies to false representations in connection with the sale of goods or services. The Association's pamphlet was not used to advertise or promote goods or services, and thus was not subject to a claim under the Lanham Act.

In response to Wojnarowicz's copyright infringement claim, the Wildmon parties cited the fair use doctrine. Upon reviewing the factors relevant to determining whether the challenged use was "fair," the court concluded that the Wildmon parties' use of the artist's copyrighted works in the given circumstances was protected. It was noted, in part, that criticism and comment are uses expressly recognized by the fair use provision of the Copyright Act; that although the pamphlet was used as part of a fund-raising campaign, the dominant objective was to oppose federal funding of certain types of contemporary art; and that the allegedly infringing material did not supplant the market for the original work. The argument that the misrepresentative nature of the critical material in the pamphlet harmed the value of the artist's work was "inapposite to an infringement claim."

Judge Conner found it significant to the scope of fair use that Wojnarowicz accepted public funds to support the display of the artist's work, for there is a strong public interest, protected by the First Amendment, in free criticism of the expenditure of federal funds. Based on a balancing of all the relevant factors, the court ruled that the challenged use was a fair use.

Wojnarowicz also claimed that in using fragments of his work, the Wildmon parties removed the artistic and political content of the works, reduced them to "banal" sexual images, and, by attributing the excerpted fragments to Wojnarowicz, defamed his work and damaged his reputation.

The court found that by presenting "what are, standing alone, essentially pornographic images as [Wojnarowicz's] works of art, without noting that the images are merely details from larger composite works, the pamphlet is libelous per se." However, it appeared to the court that Wildmon, in writing the text accompanying the reproductions, "did not consider that his words could

be construed as a representation that the fragments were complete works of art by Wojnarowicz..." While the deliberate omission of qualifying information may demonstrate actual malice, it was not established that Wildmon "knowingly omitted qualifying language that would have rendered his descriptions less misleading." Wojnarowicz did not show with convincing clarity that Wildmon acted with the recklessness required for actual malice, and the defamation claim was dismissed.

The court enjoined the Wildmon parties from further distribution of the subject pamphlet. Any other material distributed by the parties must not suggest to reasonable readers that a fragment of one of Wojnarowicz's art works constitutes the complete work.

Judge Conner also ordered the Wildmon parties to undertake a corrective mailing to all those to whom they sent the original pamphlet, and, upon finding that there was no showing that any galleries had cancelled showings of Wojnarowicz's work and no showing of the cancellation of a planned sale, awarded the artist nominal damages of \$1.00.

Wojnarowicz v. American Family Association, 745 F.Supp. 130 (S.D.N.Y. 1990) [ELR 12:10:8]

Investors in "First Blood" limited partnership are time-barred in claims against accounting firm, but court grants leave to replead

First Blood Associates, a limited partnership, was formed in 1981 for the purported purpose of acquiring all right, title and interest in the Sylvester Stallone film, "First Blood." Stanley B. Block, the owner of a partial unit of a limited partnership interest in First Blood, alleged, on behalf of himself and other investors, that the

partnership's placement memorandum contained various false and misleading statements, and sued First Blood alleging securities fraud and common law fraud claims.

In 1987, a Federal District Court in New York ruled that the investors were entitled to proceed with their claims (ELR 9:7:15). After a series of proceedings, the court, in July 1990, granted a motion to dismiss the amended complaint, although granting leave to replead.

The amended complaint's claims against Touche Ross & Co. were time-barred, concluded the court, for whatever action Touche took occurred before the issuance of the 1982 memorandum upon which the investors purportedly relied. The Internal Revenue Service's disallowance of benefits "in no way affected or altered whatever it was that Touche had already done. Confirmation is not synonymous with discovery," declared Judge Sweet.

Any alleged loss caused by a violation of section 10(b) that was allegedly caused by Touche, was caused in 1982 when Touche prepared its report and when the investment at issue took place. The statute began to run at that time. The claims against Touche were filed in July 1989, more than six years after the alleged fraud and about three years after the investors sued the "insider" parties, and therefore were time-barred.

The statute of limitations also served to bar the investors' malpractice and negligent misrepresentation claims.

However, Judge Sweet granted leave to replead, noting that there was a suggestion that certain of Touche's misrepresentations as to the scope and performance of its work may have not been known to the investors in 1982, "leaving open the possibility of concealment," and the availability of some ground for the tolling of the statute of limitations other than the revenue agent's report.

Block v. First Blood Associates, 743 F.Supp. 194 (S.D.N.Y. 1990) [ELR 12:10:10]

Publisher of religious music loses tortious interference with contract relations claim against Chicago Archdiocese

In 1985, a Federal Court of Appeals upheld a District Court decision refusing to award Dennis Fitzpatrick, doing business as F.E.L. Publications, statutory damages in addition to or in lieu of a jury award of about \$190,000 in the music publisher's copyright infringement action against the Catholic Bishop of Chicago (ELR 7:10:8).

Fitzpatrick also had alleged that the Vicar General of the Chicago Archdiocese tortiously interfered with F.E.L.'s contractual relations. Monsignor Brackin, the Vicar General, in letters sent to institutions within his jurisdiction, mentioned the then-pending litigation and requested the institutions to stop using F.E.L.'s religious music. Monsignor Brackin, apparently in response to inquiries from other Roman Catholic clergy, mailed copies of his letters to all dioceses in the United States. Subsequently, F.E.L. lost considerable sales and went out of business.

The jury awarded Fitzpatrick \$2 million in actual damages and \$1 million in punitive damages for the tortious interference claim. The Federal Court of Appeals reversed, and remanded for further proceedings, the judgment entered on the award.

The District Court, on remand, granted summary judgment to the church parties on the ground that F.E.L. did not present any evidence indicating that Monsignor Brackin's letters caused the decline in sales. On appeal, Judge Harlington Wood, Jr. noted that Monsignor Brackin presented twenty-four affidavits in which the

affiant organization claimed no knowledge of the challenged letters, or cited other factors leading to the termination of business relations with F.E.L. The court agreed that Fitzpatrick's loss of his business was "regrettable," but stated that the tort of interference with contractual relations was not "insurance against business failure." Given the lack of evidence in support of Fitzpatrick's claim and the affidavits presented by the church parties, the court affirmed the judgment of the District Court.

Fitzpatrick v. Catholic Bishop of Chicago, 916 F.2d 1254 (7th Cir. 1990) [ELR 12:10:10]

Federal Court of Appeals upholds dismissal, for lack of personal jurisdiction, of libel action against musician Daryl Hall A Federal Court of Appeals has affirmed, in part, a District Court decision (ELR 11:12:11) dismissing John Madara's (previously referred to as Madera) libel action against musician Daryl Hall.

Madara's action alleged that a statement by Hall which was published in a 1986 issue of Music Connection magazine damaged Madara's reputation in the entertainment industry for professionalism and personal integrity.

The District Court concluded that the cause of action arose in California; that under Florida's borrowing statute, California's one year statute of limitations governed the action; and that Madara's action was time-barred. The District Court also based the dismissal on the ground that Hall, a New York resident, was not subject to personal jurisdiction.

Federal Court of Appeals Judge Cox found that the District Court should have addressed the personal jurisdiction issue first, and affirmed the dismissal on the ground that due process did not permit the exercise of personal jurisdiction over Hall in Florida with respect to Madara's claim. The court vacated the District Court's holding regarding the application of California's statute of limitations.

Judge Cox stated that the tortious act provision of the Florida long-arm statute was sufficient to provide a basis for asserting personal jurisdiction over Hall since the tort of libel generally is held to occur wherever the offending material is circulated. However, Hall "did not purposefully establish sufficient minimum contacts with Florida so that he should reasonably anticipate being haled into court there." The court distinguished the case of Keeton v. Hustler Magazine, 465 U.S. 770 (1984), noting that for the instant case to be parallel with Keeton, Hall would either have to have been the publisher of Music Connection magazine or the alleged libel would have to have arisen from the activities through which Hall exploited the Florida market. But the litigation did not arise from the minimal activities Hall engaged in in Florida and the fact that Hall's comments were related to the music business was not significant, declared the court. Hall's mere awareness, "if he indeed was aware," that a small number of copies of the magazine might find their way to Florida did not justify the exercise of personal jurisdiction.

Madara v. Hall, 916 F.2d 1510 (11th Cir. 1990) [ELR 12:10:11]

Former Penthouse model obtains damages of over \$4 million in sexual harassment action against Penthouse and Robert Guccione

In 1973, Marjorie Thoreson signed a management agreement with Penthouse International, the publisher of Penthouse Magazine. Thoreson made several promotional appearances for Penthouse, and appeared in two films produced by the company. Beginning in 1978, Thoreson, at the behest of Penthouse principal Robert Guccione, engaged in sexual activities with certain individuals designated by Guccione. When Thoreson refused to promote the film "Caligula" in Japan, citing her "degrading and humiliating" experience on the United States promotional tour for the film, she was fired.

A New York trial court, although dismissing Thoreson's claims alleging, in part, fraud, misrepresentation, and breach of contract, awarded Thoreson \$60,000 in compensatory damages and \$4 million in punitive damages on her sexual harassment claim.

New York's Human Rights Law, as described by Judge Wilk, prohibits an employer "from exploiting a dominant

position of power in the workplace by imposing sexual demands upon an employee as an implicit condition of continued employment." The court found that Guccione utilized his employment relationship with Thoreson to coerce her to participate in sexual activity with third parties in order to advance his business. The compensatory damage award was based on Thoreson's testimony about the emotional impact of these experiences.

In carefully considering the punitive damages issue, the court noted that the evidence demonstrated that Guccione's acts of discrimination were intentionally committed and that "the cold and calculating use of his authority as [Thoreson's] employer, in precisely the manner deemed by the legislature to be harmful to society, affects a public trust. Because that abuse of power within a protected relationship entailed sexual coercion, it is precisely the sort of extreme misconduct that would

justify the imposition of punitive damages even under traditional common law principles."

Guccione's request for sexual compliance, by itself, constituted an act of sexual harassment, stated Judge Wilk, without regard to Thoreson's response; the attempt at sexual extortion was "precisely the type of insult and indignity that the statute is designed to eradicate...Forcing [Thoreson], because she is female, to choose between her right to liberty (bodily and personal integrity) and property (the right to earn a living) is [per] se discriminatory."

The court then noted that the offensiveness of Guccione's conduct was not mitigated by the fact that Thoreson's job as a model and actress for Penthouse involved, in part, the commercial exploitation of her physical appearance, for "sexual slavery was not a part of her job description." Thoreson's work may have exploited her sexually but this did not constitute a waiver

of her right to be free from sexual harassment in the workplace.

In assessing the amount of damages, the court adverted to the parties' stipulation, for purposes of the action, that Penthouse International possesses assets with a market value of \$200 million and that Guccione's net worth is \$150 million. Only a substantial award would have the effect of punishing the Penthouse parties and vindicating the right of the community, declared Judge Wilk. Given that "conduct of the sort committed by [Penthouse and Guccione] represents the quintessential violation of our constitutionally-based relational norms of equality," and represented "a flagrant abuse of power, violating [Thoreson's] civil rights and denigrating women as a class," the court found appropriate an award of punitive damages of \$4 million.

Thoreson v. Penthouse International, Ltd., New York Law Journal, p. 24, col. 3 (Oct. 29, 1990) [ELR 12:10:11]

Donald Trump obtains summary judgment dismissing trademark infringement and unfair competition claims of owner of Washington, D.C. "Taj Mahal" restaurant

The owner of the Taj Mahal Indian restaurant in Washington, D.C. was not entitled to a preliminary injunction to prevent Donald Trump and Trump Taj Mahal Associates from using the name Trump Taj Mahal for a casino and hotel in Atlantic City.

Federal District Court Chief Judge Gerry, after describing the nature of the restaurant and the fact that at least twenty-four other restaurants and seventy

businesses in the United States have used the name Taj Mahal, mentioned that in early 1990, the Trump parties attempted to buy the registered Taj Mahal service mark from the restaurant owner. Taj Mahal Enterprises responded by requesting that the Trump parties cease using the name.

Judge Gerry reviewed the ten factors relevant to determining a likelihood of confusion, pointing out, in part, that the similarity between the two names was not great enough to weigh very heavily in favor of finding a likelihood of confusion between the two marks, that the mark was relatively weak, that the Trump parties' intent in adopting the name was not to obtain an unfair commercial advantage from the restaurant's reputation, that there was no evidence of actual confusion, and that the parties' respective sales efforts were largely dissimilar.

In all, since there was no likelihood of confusion between the Taj Mahal restaurant and the Trump Taj Mahal hotel and casino, the restaurant owner did not demonstrate a reasonable likelihood of success on the merits of the service mark and unfair competition claims; the court therefore denied the motion for an order preliminarily enjoining the Trump parties' use of the term Taj Mahal.

In August 1990, the court granted the Trump parties' motion for summary judgment, but denied a motion for attorneys' fees.

Taj Mahal Enterprises, Ltd. v. Trump, 742 F.Supp. 892; 745 F.Supp. 240 (D.N.J. 1990) [ELR 12:10:12]

Federal Communications Commission's nominal policy statement requirement for license applicants is upheld, as is elimination of anti-trafficking regulations

Applicants for new broadcast licenses or the transfer of existing licenses are required to provide only a brief description of their planned program service; the description should indicate cognizance of Federal Communications Commission policies and express an intention to comply with such policies.

In 1986, subsidiaries of the Home Shopping Network applied to the Commission for permission to acquire the licenses of three television stations. The applicants stated that they intended "to offer programming relating to the issues of public concern facing the community...These issues will be addressed through a variety of non-entertainment and public affairs programming. The balance of the station's schedule will offer a unique format of twenty-four hour informational and entertainment programming."

Several television program distributors petitioned the Commission to deny the applications on the ground that the programming statement was inadequate and that the proposed programming would not serve the public interest. The Mass Media Bureau dismissed the petition and granted the applications.

The Commission denied the distributors' applications for review and rejected a petition filed by the United Church of Christ seeking to intervene.

A Federal Court of Appeals in the District of Columbia, after finding that the United Church of Christ was entitled to appeal the Commission's decisions, noted that the Commission has broad discretion to define the public interest, and to determine the procedures to protect that interest. The court declared that the Commission adequately explained why the required program statement was sufficient to ensure that the public interest would be served.

The Commission's decision to waive its duopoly rule also was upheld. It was observed that the two stations involved were in separate, highly competitive markets, that the overlapped area was served by many stations located in both markets, and that an undue concentration of economic power would not result from the waiver; there was no basis for finding that the waiver was arbitrary or capricious.

In a separate decision, the court denied a petition by the United Church of Christ and other parties for review of the Commission's denial of the church parties' application for new rulemaking with respect to an "antitrafficking" policy. In 1982, the Commission amended its rules to eliminate the policy, under which the purchase and resale of broadcast licenses was presumed to be contrary to the public interest. The court found that the Commission acted within its broad discretion to define the public interest and reasonably concluded that

the church parties' arguments did not justify a new rulemaking.

Office of Communication of the United Church of Christ v. Federal Communications Commission, 911 F.2d 803; 911 F.2d 813 (D.C.Cir. 1990) [ELR 12:10:12]

Owner of copyright in computer program designed to scramble satellite transmissions obtains damages and injunctive relief against distributor of "pirate chips"

Home Box Office and Showtime/The Movie Channel provide pay television programming through electromagnetic signals via a communications satellite to subscription television services, such as cable television systems, and to individual subscribers. The audio and video portions of the satellite transmissions are scrambled, but consumers paying a subscription fee receive descrambled programming.

The "core" of the descrambling system's technology, more technically described by Federal Court of Appeals Judge Fay, is a computer program stored in a key integrated circuit in the system's descrambler module. The owner of two versions of the computer program registered the works with the Copyright Office, and affixed copyright notices to and in the appropriate areas of the works.

When Cable/Home Communication Corporation, a licensee of the copyright owner, sued Network Productions, Inc. alleging the violation of copyright and communications laws, a Federal District Court in Florida granted summary judgment to the Cable/Home parties. The court awarded Cable/Home damages in the amount of \$20,000 against Network and two associated

individuals; damages of \$110,000 against Network and Shaun Kenny; attorneys' fees and costs amounting to about \$450,000; and a permanent injunction barring Network from manufacturing and distributing any device capable of assisting in the unauthorized interception of transmission signals carrying pay programming by compromising the copyrighted computer programs with a "pirate chip."

On appeal, Judge Fay determined that the "undisputed, operative facts concerning the open promotion and sale of pirate chips by [Network] for financial gain" did not create a genuine issue of material fact warranting trial. The court rejected Network's fair use claim, stating, in part, that because the computer program was copyrighted, "a pirate chip copying this program and performing its function violates the copyright laws. Any decoding pirate chip is unlawful, not fair use."

The court also affirmed the District Court's holding that Network violated section 605 of the Federal Communications Act, as amended. The Network parties claimed that their activities in discussing encryption technology, and the existence and availability of pirate chips constituted informational reporting and editorial commentary protected under the First Amendment. Judge Fay found that the permanent injunction entered by the District Court was limited in scope and included only Network's actions which violated section 605.

Judge Fay then noted that the Network parties' "informational" material was commercial expression; that such commercial speech "not only violated the copyright and communications laws, but also encouraged third parties to do so;" and that the Network parties were not protected by the First Amendment for their "unlawful expression."

The violations of section 605 were "willfully committed for direct and indirect financial gain," observed the court, and the District Court, although failing to describe the manner of calculating the statutory damage amount, did not abuse its discretion. The Network parties were not entitled to a jury or bench trial as to an award of damages within the statutory limits of both the Copyright Act and the Communications Act, "provided that the parties may submit all of their supporting evidence to the district court."

The award of attorneys' fees also was upheld, particularly given the Network parties' willfulness. And the District Court properly denied a motion to dismiss on the basis of personal jurisdiction. The various broadcasts by Network, which stimulated Florida purchases of the pirate chips in violation of the copyright and communications laws, constituted a substantial aspect of the alleged tortious acts, stated Judge Fay, who concluded

that jurisdiction under Florida's long-arm statute also met federal due process requirements.

Cable/Home Communication Corporation v. Network Productions, Inc., 902 F.2d 829 (11th Cir. 1990) [ELR 12:10:13]

Major General Richard V. Secord loses libel action against author of book about Contra movement in Nicaragua

The 1987 book, "Out of Control: The Story of the Reagan Administration's Secret War in Nicaragua, the Illegal Pipeline, and the Contra Drug Connection," written by Leslie Cockburn, and published by Atlantic Monthly Press, concerned the purported activities of a group of

Americans that supported the movement of the Contras to overthrow the Sandinista government in Nicaragua.

Retired Major General Richard V. Secord claimed that "Out of Control" portrayed him as a member of a "secret team" which had engaged in illegal drug trafficking, torture, murder and attempted assassination as part of a conspiracy to overthrow the Sandinista government. Secord also challenged statements allegedly implicating him in the bribery of government officials in Iran and unconscionable profiteering in United States weapon sales to Iran.

Federal District Court Judge Revercomb, although expressing "some serious doubt" with respect to whether the complained-of statements were of a defamatory nature of and concerning Secord, focused only on the issue of whether the statements were published with actual malice.

ENTERTAINMENT LAW REPORTER

After finding that there was no evidence of actual malice on the part of the editors and distributor of "Out of Control," and after carefully reviewing the challenged statements, Judge Revercomb concluded that Secord failed to present facts from which a reasonable jury could find, under the clear and convincing standard, that Leslie Cockburn knowingly or recklessly disregarded the truth in making those statements. The court therefore granted the Cockburn parties' motions for summary judgment.

Secord v. Cockburn, 747 F.Supp. 779 (D.D.C. 1990) [ELR 12:10:14]

Human rights worker may proceed with libel action against estate of Rev. Ralph Abernathy based on book's reference to unnamed "friend" of Dr. Martin Luther King, Jr.

The late Rev. Ralph Abernathy's 1989 autobiography, "And the Walls Came Tumbling Down," contained a passage describing certain events on the night before the assassination of Dr. Martin Luther King., Jr. Rev. Abernathy, Dr. King and Bernard Lee were invited to dinner at the home of a friend of Dr. King; after dinner, according to Rev. Abernathy, he and Lee fell asleep. "When I awoke," continued the book, "I saw an empty living room, except for Bernard stretched out on the sofa. Shortly, thereafter, Martin and his friend came out of the bedroom."

Adjua Abi Naantaanbuu claimed that she was the person referred to as the "friend" of Dr. King and the

hostess of the dinner, and that the book defamed her by conveying the false impression that she "engaged in adulterous behavior and sexual relations with Dr. Martin Luther King on the last night of his life."

The book did not mention Naantaanbuu's name or provide a description of the "friend." However, Naantaanbuu, a longtime participant in the civil rights movement, claimed that on the evening of April 3, 1968, she prepared a dinner for Dr. King and several members of his staff, and that that dinner was the one to which Rev. Abernathy referred.

The argument that it was not shown that the passage was "of and concerning" Naantaanbuu was rejected on the basis of extrinsic evidence consisting of an affidavit in which Naantaanbuu stated, in part, that she had received more than thirty telephone calls from individuals who knew her, in which calls the parties stated that they recognized her as the "friend" of Dr. King.

In denying a motion to dismiss the complaint, Federal District Court Judge Charles S. Haight mentioned that the parties "may well conclude that the case is not appropriate for a motion for summary judgment."

Naantaanbuu v. Abernathy, 746 F.Supp. 378 (S.D.N.Y. 1990) [ELR 12:10:14]

Costume company may seek damages from building owners for losses due to flooding, but sprinkler and fire alarm system companies are not subject to liability, rules New York Court of Appeals

The Eaves Brooks Costume Company leased the top four floors of a building owned by Y.B.H. Realty and Photostam Companies, Inc. The building's owners had a contract with a sprinkler inspection company, and there was a central station fire alarm system in the building.

In November 1981, a sprinkler head malfunctioned and began discharging water. The building was unoccupied over the weekend, the alarm system failed to operate, and Eaves Brooks' inventory of costumes was severely damaged.

When Eaves Brooks sued the building's owners and the sprinkler and alarm system companies, the trial court dismissed the causes of action for breach of contract. However, the court held that the various building parties could be liable in tort for the negligent performance of their contractual duties if their conduct amounted to misfeasance, but not if the conduct was nonfeasance; there was an issue of fact concerning the proper characterization of the companies' conduct.

An appellate court decision dismissing the complaint in its entirety as against the sprinkler installer and alarm system companies has been upheld by the New York Court of Appeals. The court noted that Eaves Brooks may seek damages from the building's owners and that those parties were in a position to insure against the type of losses such as those sustained by the costume company. The sprinkler and alarm system companies did not have contracts with Eaves Brooks; the companies calculated the cost of their services based on the understanding that the risk of loss remained with the owners of the building; and the liability limits in the companies' contracts with the building's owners served to maintain an affordable rate for the services. In all, the companies had no cognizable duty owing to Eaves Brooks.

Eaves Brooks Costume Company, Inc. v. Y.B.H. Realty Corp., 557 N.Y.S.2d 286 (N.Y. 1990) [ELR 12:10:15]

Briefly Noted:

Noncompetition Clause/Disc Jockey.

A Florida appellate court has affirmed a trial court order granting a temporary injunction in favor of Spanish Broadcasting System of Florida to prevent disc jockey Beatriz Pino from violating a contractual covenant not to compete, although the employer seeking enforcement of the covenant was not a party to the original contract.

In 1985, Pino agreed not to engage in the broadcasting business in Dade or Broward Counties, Florida for a period of twelve months after the termination of her employment with two radio stations subsequently acquired by Spanish Broadcasting System. In 1989, Pino agreed to work for Viva America Media Group as program director and "on the air personality" at Viva's FM radio

station. Pino's position was to begin when her legal obligations to Spanish Broadcasting had terminated.

The court agreed with the trial court's findings that the express terms of Pino's employment contract provided for its assignment, that the statute of frauds defense was not an issue because Pino consented to the assignment in writing in the original employment contract, and that Pino was barred from working for any Dade or Broward radio station as a disc jockey, announcer, or program director for six months. (In a footnote, the court commented that the trial court ordered that, prior to the termination of the six month period, a hearing would be held to further consider the reasonableness of the length of time and scope of the noncompetitive provisions.)

Pino v. Spanish Broadcasting System of Florida, Inc., 564 S.2d 186 (Fla. App. 1990) [ELR 12:10:15]

Copyright Infringement/Music.

When Broadcast Music, Inc. sued Hearst/ABC Viacom Entertainment Services, doing business as Lifetime Television, for copyright infringement, Lifetime filed a counterclaim alleging that BMI violated the antitrust laws and engaged in copyright misuse. A Federal District Court in New York has refused to dismiss Lifetime's antitrust counterclaims. However, the court, although noting that the affirmative defense of copyright misuse has been recognized, rejected the assertion of the doctrine "as a vehicle for affirmative relief," stating that such a claim was "unprecedented."

Judge Kennan also rejected certain of Lifetime's defenses, including the argument that the company did not publicly perform the subject musical works because it transmitted programming to cable operators who, in turn, would relay the signal to the television sets of viewers. Thus, according to Lifetime, the cable operators publicly performed the works.

However, the court refused to dismiss, "at this stage," Lifetime's defense asserting that BMI was equitably estopped from suing for copyright infringement due to anticompetitive and unlawful behavior, and the company's defense that such behavior constituted unclean hands barring recovery.

Judge Kennan dismissed Lifetime's third-party complaint against Frances W. Preston, the President and Chief Executive Officer of BMI, but agreed that Lifetime was entitled to join Preston as a counterclaim defendant.

Broadcast Music, Inc. v. Hearst/ABC Viacom Entertainment Services, 746 F.Supp. 320 (S.D.N.Y. 1990) [ELR 12:10:15]

Contracts/Book Publishing.

In October 1984, Random House agreed to publish a book about Jesse Jackson; the authors agreed to provide the company with a manuscript "of approximately 100,000 words in length, satisfactory to the Publisher...not later than September 30, 1985."

Random House, in November 1985, received a draft of the book. In January 1987, the publisher terminated the contract for failure to deliver a satisfactory manuscript and subsequently sued to recover the \$50,000 advance paid to the authors.

A Federal District Court in New York has refused to grant the publisher's motion for summary judgment, finding that there was a genuine issue of disputed fact on the issue of whether the publishing contract was terminated in good faith. Random House, Inc. v. Curry, 747 F.Supp. 191 (S.D.N.Y. 1990) [ELR 12:10:16]

Prop Rental.

Props for Today, Inc. rents visual properties for photography, motion pictures and videos; the company specializes in props consisting of kitchen fixtures and decorative accessories. Props for Today claimed that Maxine Kaplan, a former employee, misappropriated confidential information concerning photography stylists and suppliers of kitchenware items. A New York appellate court has ruled that the trial court properly granted Props for Today a preliminary injunction, and upheld the court's decision denying Kaplan's motion for summary judgment.

Props for Today, Inc. v. Kaplan, 558 N.Y.S.2d 38 (N.Y.App. 1990) [ELR 12:10:16]

Costs/"As Nasty As They Wanna Be" Matter.

The decision in Skyywalker Records, Inc. v. Navarro was reported at ELR 12:3:4. The parties subsequently filed applications for costs. A Federal District Court in Florida granted Nicholas Navarro, the sheriff of Broward County, judgment in the total sum of about \$1,800, as a partial award of the costs sought. The court then found that Skyywalker Records' request for costs of about \$550 was allowable in whole. After calculating the "lodestar" amount of attorneys' fees and the enhancements thereof, Judge Gonzalez granted Skyywalker attorneys' fees of about \$23,000. Upon adding this amount to the judgment for non-attorney fee costs

and deducting the cost judgment in favor of Navarro, the total amount recoverable was set at about \$22,900.

Skyywalker Records, Inc. v. Navarro, 742 F.Supp. 638 (S.D.Fla. 1990) [ELR 12:10:16]

Off-Track Betting Revenues.

The Capital District Regional Off-Track Betting Corporation in New York collects a statutory five percent surcharge from all winning bets placed at the company's locations. Half of the surcharge revenues are distributed to municipalities participating in off-track betting within the company's territory. The company has retained ninety percent of all of the second fifty percent of surcharge revenues generated from races at Finger Lakes Racetrack, which is located in Ontario county, and has

distributed the other ten percent to the county. The company operates a total of 52 off-track betting parlors in its geographic territory; of these locations, 42 "simulcast" Finger Lakes races, and the remaining ten branches conduct off-track betting on Finger Lakes races without simulcasting them.

Ontario County argued that the statutory ninety percent-ten percent distribution should apply only to revenues generated from the particular company branches which simulcast, and that, as to the nonsimulcasting locations, the county should receive the full second fifty percent of the revenues.

The New York State Racing and Wagering Board adopted the position that the ninety percent-ten percent distribution applied to all surcharge revenues generated by the company, not only to revenues from those branches engaged in simulcasting.

A New York trial court's decision upholding the Board's decision has been upheld. The court correctly determined that the Board's interpretation of the statute was entitled to judicial deference, stated appellate Judge Levine, who further noted that the relationship between municipalities, off-track betting operators and racing associations is "highly complex;" and that the Board's decision was reasonable.

Ontario County v. Capital District Regional Off-Track Betting Corporation, 557 N.Y.S.2d 768 (N.Y.App. 1990) [ELR 12:10:16]

Tax/Football Film Collection.

Robert A. Hall donated his football film collection to the National Football Foundation and Hall of Fame. Hall's charitable contribution deduction for the films on his 1977 tax return was \$17,500; in 1978, Hall claimed a \$50,000 deduction.

Section 170(a)(1) of the Internal Revenue Code provides that when property other than money is contributed to a charitable organization, "the amount of the contribution is the fair market value of the property at the time of the contribution." The Internal Revenue Service allowed Hall a value of about ten cents per foot for the films. Hall valued the films at from \$5 to \$25 per foot.

The Tax Court found that Hall did not prove that the value of the donated films exceeded the amount determined by the Internal Revenue Service, and was liable for certain additions to tax.

Hall v. Commissioner, T.C. Memo 1990-127 (1990)

Tax/Cable Television.

A Pennsylvania trial court has ruled that that several cable television companies were not entitled to a manufacturing exemption under the state's capital stock tax or sales and use tax, but were entitled to a processing exemption. The processing exemption should not have been restricted only to broadcasters licensed under federal law, found the court, in reversing the decision of the Commonwealth's Board of Finance and Revenue.

Suburban Cable TV Co., Inc. v. Commonwealth, 570 A.2d 601 (Pa.Cmwlth. 1990) [ELR 12:10:17]

Horse Breeding Fee Tax.

From October 1982 through February 1985, Calumet Farm sold a number of "lifetime breeding rights" in its stallion, Alydar. Each purchaser acquired a right to breed one mare each year, and one additional mare in each alternate year, to Alydar, during the lifetime of the stallion. The rights took priority over other breeding interests, were fully insurable and transferable, subject to a right of first refusal in the stallion manager. The purchaser of the rights acquired no interest in Alydar, but only an interest in the breeding rights.

Calumet's argument that the lifetime breeding right was a tax-exempt interest in the stallion has been rejected by a Kentucky appellate court. The court agreed with the trial court decision upholding a deficiency assessment imposed by the Board of Tax Appeals, and found that the interest conveyed by a lifetime breeding right was not substantially equivalent to a share, i.e., an ownership interest, in the horse.

The Kentucky Supreme Court has denied discretionary review.

Calumet Farm, Inc. v. Revenue Cabinet, Commonwealth of Kentucky, 793 S.W.2d 830 (Ky.App. 1990) [ELR 12:10:17]

Horse Trainer Suspension.

On March 13, 1985, a post-race urine sample taken from a horse trained by Adrian Devaux tested positive for a prohibited drug. The New York State Racing and Wagering Board suspended Devaux for sixty days, but stayed the suspension pending a final determination. On April 1st, Devaux requested that the remaining portion of the urine sample be sent to a laboratory for independent testing. The sample was not provided to the

laboratory until mid-July, at which point accurate testing no longer was possible.

The initial test results of the urine sample were admitted into evidence at a hearing, and the Board proceeded to suspend, for sixty days, Devaux's license to participate in racing.

Devaux argued that the delay in forwarding the urine sample had effectively deprived him of his only defense to the charge and thus denied him due process. A trial court in Saratoga County agreed with Devaux and annulled the Board's determination.

A New York appellate court has reversed the trial court decision, pointing out that the Board had preserved a portion of the urine sample and had directed the original laboratory to forward the sample to the independent laboratory. Devaux's due process rights were not violated merely because an "inadvertent" delay in sending the sample to the independent laboratory

precluded accurate testing, concluded Judge Casey, who noted that at best, the sample was only potentially exculpatory, and that the reliability of the initial test also could have been challenged by questioning the methods and procedures employed in the taking and testing of the sample.

Devaux v. New York State Racing and Wagering Board, 551 N.Y.S.2d 686 (N.Y.App. 1990) [ELR 12:10:17]

First Amendment/Lottery Advertising.

A Federal District Court in Virginia has declared that two provisions of the federal lottery statute unconstitutionally infringed commercial speech. The statutes prohibited the radio broadcast of lottery advertising and information by licensees located in non-lottery states. Edge Broadcasting, a corporation with its principal place of business in Virginia, operated a North Carolina-based radio station, known as Power 94. Virginia has been authorized by statute to sponsor a lottery; the state of North Carolina does not sponsor a lottery, and its statutes make participation in and advertising of non-exempt raffles and lotteries a misdemeanor.

The court decreed that the statutes, together with the related FCC regulations, as applied to Edge, violated the First Amendment and the equal protection clause of the Fourteenth Amendment, and granted Edge's motion for injunctive relief against the enforcement of the statutes and regulations. While recognizing that commercial advertising is entitled to less protection under the First Amendment than noncommercial speech, the court found that the statutes were "ineffectual means" of reducing lottery participation by the North Carolina

residents in Power 94's service area because the North Carolina residents within the area of the station's signal received most of their radio, newspaper and television from Virginia-based media. For various reasons, a narrowing construction which would avoid the invalidation of applying the statutes to Power 94 was not appropriate, stated the court, and such invalidation therefore was required.

Edge Broadcasting Company v. United States, 732 F.Supp. 633 (E.D.Va. 1990) [ELR 12:10:17]

High School Sports.

As a result of a federal court order involving the modification of school district boundaries, John Scaffidi voluntarily transferred from a private to a public high

school. The director of the Alabama High School Athletic Association issued a ruling denying Scaffidi athletic eligibility for one year after his transfer because the student had not transferred as a result of the rezoning of the public school districts. An Alabama trial court enjoined the school parties from enforcing the ineligibility ruling. The Alabama Supreme Court has reversed the trial court's ruling, finding that the decision of the Athletic Association was not arbitrary.

Alabama High School Athletic Association v. Scaffidi, 564 S.2d 910 (Ala. 1990) [ELR 12:10:18]

Securities Law.

In 1988, a Federal District Court in Wyoming dismissed as time-barred certain investor claims charging

that a tax shelter program violated section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5. The court, citing In re Data Access Sys. Sec. Litig., 843 F.2d 1537 (3d Cir.) (en banc), cert. denied, 488 U.S. 849 (1988), found that the proper limitations period was one year after a party discovers the facts constituting the violation, and in no event more than three years after such violation.

A Federal Court of Appeals has reversed the decision, noting that the rule in the circuit provides that such actions are subject to the appropriate limitations statute of the state in which the alleged violation occurred. The matter was remanded for further proceedings "under the most analogous state law limitations period..."

The court also found that no private action exists under section 17(a) of the 1933 Securities Act. And with respect to the investors' claims under the Racketeer Influenced and Corrupt Organizations Act, the court declared

that for each independent injury to a party, "a civil RICO cause of action begins to accrue as soon as the [party] discovers, or reasonably should have discovered, both the existence and source of his injury and that the injury is part of a pattern." Stating that the District Court did not consider the limitations issue in terms of injury and pattern, and observing that standard tolling exceptions might apply, the Court of Appeals vacated that portion of the judgment dismissing the civil RICO claims and remanded the RICO accrual determination for reconsideration.

Bath v. Bushkin, Gaims, Gaines and Jonas, 913 F.2d 817 (10th Cir. 1990) [ELR 12:10:18]

Tax.

For many years, CBS used a three factor formula to apportion an appropriate part of its taxable income to the state of Maryland. CBS included all income from network advertising receipts in its total apportionable business income. In 1980 and 1981, the state required the network to change the manner of dealing with network advertising receipts by using a ratio calculated to compare the network audience in Maryland to the total network audience; the comptroller's approach produced a significant increase in taxes.

A Maryland appellate court has found that the comptroller, rather than proceeding by adjudication, was required to undertake a rule-making proceeding in order to change the audience share method of apportioning advertising revenue; the matter was remanded to the trial court with directions to affirm the judgment of the Tax Court on behalf of the network.

CBS Inc. v. Comptroller of the Treasury, 575 A.2d 324 (Md.App. 1990) [ELR 12:10:18]

____X

Previously Reported:

The following cases, which were reported in previous issues of the Entertainment Law Reporter, have been published: Cook v. Cantor, 561 N.Y.S.2d 777 (12:8:6); Miramax Films Corp. v. Motion Picture Association of America, Inc., 560 N.Y.S. 2d 730 (12:3:3); New Kids on the Block v. News America Publishing, Inc., 745 F.Supp. 1540 (12:6:3); Newton v. National Broadcasting Company, Inc., 913 F.2d 652 (12:4:10); Robi v. Five Platters, Inc., 918 F.2d 1439 (12:8:5); Screen Actors Guild v. A. Shane Co., 275 Cal.Rptr. 220 (12:8:4); Simon & Schuster, Inc. v. Fischetti, 916 F.2d 777 (2d Cir.

1990); United States v. Noriega, 917 F.2d 1543 (12:8:9).

A Federal Court of Appeals has denied a rehearing and rehearing en banc in Shaw v. Lindheim, 919 F.2d 1343 (12:5:10).

[ELR 12:10:18]

NEW LEGISLATION & REGULATIONS

Visual Artists Rights Act of 1990 becomes law

The Visual Artists Rights Act of 1990 became law when President Bush, on December 1, 1990, signed the omnibus legislation known as the Judicial Improvement Act of 1990.

The statute, comprised of various amendments to the Copyright Act, defines a work of visual art as "a

painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of two hundred or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author.." The statute also will apply to photographs produced for exhibition purposes only, existing in a single copy that is signed by the author or in a limited edition. Excluded from the coverage of the statute are, among other works: posters, map globes, charts, technical drawings, motion pictures or other audiovisual works, books, magazines, newspapers, electronic publications, and advertising and promotional material. The statute also does not apply to any work made for hire, or to any work not subject to copyright protection under the Copyright Act.

The statute adds section 106A to the Copyright Act. Section 106A grants to the author of a work of visual art (subject to section 107 and independent of the rights provided in section 106) the right to claim authorship of the work and to prevent the use of his or her name as the author of any work of visual art which he or she did not create.

The author of a work of visual art also will have the right to prevent the use of his or her name as the author of the work in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation; the right to prevent any intentional distortion, mutilation, or other modification of that work which would be prejudicial to his or her honor or reputation; and the right to prevent the destruction of a work of recognized stature - the intentional or grossly negligent destruction of a work would violate that right.

The above-noted rights accrue to the author of a work, whether or not the author is the copyright owner. The authors of a joint work of visual art are co-owners of the rights conferred.

The modification of a work of art as a result of the passage of time or the inherent nature of the materials used does not constitute distortion, mutilation or other modification, nor does a modification resulting from conservation or the public presentation of a work, including lighting and placement, unless such modification is caused by gross negligence in maintaining or protecting the work.

The rights granted to visual artists take effect on June 1, 1991. With respect to works of visual art created on or after the effective date of the statute, the granted rights endure for a term consisting of the life of the author. With respect to works created prior to the effective date of the statute, in which works the author has

not transferred title, the rights are coextensive with, and expire at the same time as, the rights conferred by section 106 of the Copyright Act. In the case of a joint work, the term of protection endures for the life of the last surviving author. The term of the rights conferred extends to the end of the calendar year in which the rights would otherwise expire.

The rights of attribution and integrity conferred by the statute may not be transferred, but may be waived if the author expressly agrees to such waiver in a written instrument signed by the author. The writing must identify the work, and the uses of that work to which the waiver applies. In the case of a joint work, a waiver of rights made by one author waives such rights for all authors.

The ownership of the rights of attribution and integrity in a work is distinct from the ownership of any copy of that work, or the ownership of a copyright or any exclusive right under a copyright in the work. Transferring the ownership of a copy of a work of visual art, or of a copyright or exclusive right under a copyright, does not constitute a waiver of the statutory rights. And a waiver of the statutory rights with respect to a work does not constitute a transfer of ownership of any copy of the work, or a transfer of the ownership of a copyright or other exclusive right in the work.

The Visual Artists Rights Act amends section 113 of the Copyright Act by adding a section pertaining to the removal of works of visual art from buildings. The statute first refers to the situation that occurs when a work of visual art has been incorporated in or made part of a building in such a way that removing the work from the building will cause the destruction, distortion, mutilation or other modification of the work. If the author consented to the installation of the work in the building before the effective date of the statute, then the rights of attribution and integrity may not be invoked. Such rights

also do not apply if there exists a writing executed on or after the effective date, signed by the owner of the building and the author, specifying that the installation of the work may subject the work to destruction, distortion, mutilation, or other modification upon its removal.

If the owner of a building wishes to remove a work of visual art which is a part of the building and which can be removed from the building without the destruction, distortion, mutilation or modification of the work, the owner must make good faith efforts to notify the author prior to the removal of the work. Notice and record-keeping requirements are set forth.

The statute next provides that all legal or equitable rights that are equivalent to any of the rights conferred by the statute are governed exclusively by the Visual Artists Rights Act; no one is entitled to any such right or equivalent right in any work of visual art under the common law or statutes of any state. State law will continue

to apply to causes of action arising from "undertakings" begun before the effective date of the statute; to activities violating legal or equitable rights that are not equivalent to the rights conferred by the statute; or to activities violating legal or equitable rights which extend beyond the life of the author.

Criminal penalties are not available for the infringement of the statute. The fair use provisions of section 107 of the Copyright Act will apply to section 106A.

Pursuant to the statute, the Register of Copyrights, in consultation with the Chair of the National Endowment for the Arts, will consider the feasibility of implementing a royalty, after the first sale of a work of art, on any resale of the work. Other alternatives to allow an author to share in the enhanced value of a work also will be reviewed.

The statute shall apply to works created before the effective date of the statute, but title to which was not, as of such effective date, transferred from the author, and to works created on or after the effective date; the statute does not apply to the destruction, distortion, mutilation or other modification of any work which occurred before such effective date.

Visual Artists Rights Act of 1990, 41 BNA's Patent, Trademark & Copyright Journal 133 (Dec. 6, 1990) [ELR 12:10:19]

President Bush signs bill clarifying liability of state government entities for copyright infringement claims

The Copyright Remedy Clarification Act, signed by President Bush on December 15, 1990, will prevent state "instrumentalities" and officers and employees of states acting in their official capacity from claiming immunity from liability for copyright infringement under the Eleventh Amendment to the United States Constitution or any other doctrine of sovereign immunity.

Under section 50l(a) of the Copyright Act, "anyone who violates any of the exclusive rights of the copyright owner..., or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright." The bill adds to section 501(a) the following: "As used in this subsection, the term 'anyone' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity."

The bill also adds section 511 to the Copyright Act. The section provides that the above-noted parties shall not be immune under the Eleventh Amendment or under any other doctrine of sovereign immunity from being sued for violating the exclusive rights of a copyright owner, for importing copies of phonorecords, or for any other violation of the statute. The state parties may be subject to remedies at law and in equity.

Copyright Remedy Clarification Act, 41 BNA's Patent, Trademark & Copyright Journal 85 (Nov. 22, 1990) [ELR 12:10:20]

Bill regulating rental of sound recordings and computer programs, and public display of electronic video games becomes law

The Judicial Improvement Act of 1990, signed by President Bush on December 1, 1990, included the Computer Software Rental Amendments Act of 1990.

The statute amends section 109(b) of the Copyright Act by striking paragraph (1) and inserting as section (b)(1)(A) a provision concerning the rental of copies of sound recordings (including the musical works embodied therein) and computer programs (including any tape, disk, or other medium embodying such program). Neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program by rental, lease, or lending.

The statutory restriction does not apply to the rental, lease or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational

institution. The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational institution or to faculty, staff, and students also does not constitute rental, lease, or lending for direct or indirect commercial purposes.

The statute does not apply to a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product, or to a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.

And the statute does not apply to the lending of a computer program for nonprofit purposes by a nonprofit library, if each copy of the program has affixed to the packaging containing the program a warning of

copyright in accordance with requirements prescribed by the Register of Copyrights.

The distribution of a phonorecord or a copy of a computer program in violation of the above-noted restrictions constitutes copyright infringement; the remedies set forth in section 502 through 505 and section 509 of the Copyright Act are available to the copyright holder, but any such violation does not constitute a criminal offense.

Notwithstanding the above, in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular, lawfully made, copy of such a game is entitled to publicly perform or display the game in coin-operated equipment. However, the provision does not apply to any "work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship."

The statute, which is effective immediately and runs through October 1, 1997, concludes by setting forth termination dates and record-keeping provisions.

Computer Software Rental Amendments Act of 1990, 41 BNA's Patent, Trademark & Copyright Journal 135 (Dec. 6, 1990) [ELR 12:10:20]

Architectural Works Copyright Protection Act becomes law

The Judicial Improvement Act of 1990, signed by President Bush on December 1, 1990, also included the Architectural Works Copyright Protection Act.

The statute amends section 10l of the Copyright Act by adding the definition of architectural work as follows: the design of a building as embodied in any tangible

medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features.

The scope of the copyright in an architectural work that has been constructed does not include the right to prevent the making, distribution or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place.

Notwithstanding the provisions of the Visual Artists Rights Act, the owners of a building embodying an architectural work may, without the consent of the author or copyright owner of the architectural work, make or authorize the making of alterations to such building, and destroy or authorize the destruction of such building.

The statute does not preempt regulations involving state and local landmarks, historic preservation, zoning, or building codes relating to architectural works.

Protection for constructed architectural works took effect on December 1, 1990. The statute also applies to any architectural work that, on the date of the enactment of the statute, was unconstructed and embodied in unpublished plans or drawings, except that protection for such works will terminate on December 31, 2002, unless the work is constructed by that date.

Architectural Works Copyright Protection Act, 41 BNA's Patent, Trademark & Copyright Journal 134 (Dec. 6, 1990) [ELR 12:10:21]

Broadcasters obtain immunity from federal antitrust laws in order to develop limits on violent programming

President Bush has signed a measure granting the television networks, cable operators and independent broadcasters a three year exemption from the antitrust laws in order to develop voluntary guidelines limiting violence in programming. [Mar. 1991] [ELR 12:10:22]

New law expands visa eligibility for entertainers

President Bush has signed a bill creating special immigration eligibility categories for entertainers and affiliated professionals, such as road crews, makeup artists and camera operators.

ENTERTAINMENT LAW REPORTER

"Aliens of extraordinary ability in the arts, demonstrated by national or international acclaim," may obtain an "O" visa. A "P" visa will be granted to other entertainers upon a showing that a United States citizen is not available to perform the proposed project. [Mar. 1991] [ELR 12:10:22]