RECENT CASES

United States Supreme Court declares New York's "Son of Sam" law unconstitutional

The United States Supreme Court, by a vote of 8-0 (Justice Thomas did not take part in considering or deciding the case), has ruled that New York Executive Law section 632-a, known as the "Son of Sam" law, is unconstitutional.

After hearing oral argument (reported by Michael R. Klipper at ELR 13:6:3) on October 15, 1991, the court promptly decided, on December 10, 1991, that section 632-a "singled out speech on a particular subject for a financial burden that it places on no other speech and no other income. The State's interest in compensating victims from the fruits of crime is a compelling one, but the

Son of Sam law is not narrowly tailored to advance that objective."

In reversing the Federal Court of Appeals decision (ELR 12:7:5) upholding the constitutionality of the statute, Justice Sandra Day O'Connor reviewed the background and operation of section 632-a. The statute basically requires that an accused or convicted criminal's income from works depicting his/her crime be deposited in an escrow account maintained by the state's Crime Victims Board. The Board is authorized to disburse the funds to crime victims and to creditors of the criminal.

The matter before the court involved a 1981 contract between Simon & Schuster, author Nicholas Pileggi and "career criminal" Henry Hill. In 1986, Simon & Schuster published "Wiseguy: Life in a Mafia Family," in which Hill discussed his participation in a number of crimes, his conviction of extortion, and the prison sentence he served.

The Crime Victims Board determined that the book was subject to section 632-a, ordered Hill to turn over to the escrow account about $96,000 paid to Hill's literary agent by the publisher, and ordered Simon & Schuster to transfer to the Board all payments due Hill at that time or in the future.

Justice O' Connor declared that section 632-a was a content-based statute, whether the "speaker" was considered to be Henry Hill or Simon & Schuster, and that the statute improperly imposed a "financial disincentive only on speech of a particular content."

Justice O'Connor agreed that the state has a compelling interest in providing compensation to crime victims, and noted that states have enacted tort laws and prejudgment remedies to serve this interest. States also have a compelling interest in preventing criminals from profiting from their crimes. New York statutes require the forfeiture of the proceeds and instrumentalities of crime. The

court, assuming, for purposes of the case, that the income subject to escrow under section 632-a would represent "the fruits of crime," stated that the statute, as a means of insuring that victims are compensated from the proceeds of crime, was significantly overinclusive.

It was noted that section 632-a would apply to works on any subject, provided that the works expressed the author's "thoughts or recollections about his crime, however tangentially or incidentally." Justice O'Connor then pointed out that the statutory definition of "person convicted of a crime" included "any person convicted of a crime in this state either by entry of a plea of guilty or by conviction after trial and any person who has voluntarily and intelligently admitted the commission of a crime for which such person is not prosecuted" (emphasis added by the court). The cited provisions would encompass "a potentially very large number of works,"

declared Justice O'Connor, and the statute therefore was inconsistent with the First Amendment.

The court noted that the federal government and many states have enacted statutes designed to serve the same purpose as the New York statute, and that the court's ruling was limited to the constitutionality of section 632-a.

Justice Blackmun concurred in the judgment, but expressed the view (without further discussion) that section 632-a was underinclusive as well as overinclusive.

Justice Kennedy, concurring in the judgment, would have based the finding of unconstitutionality on the ground that the regulated content was fully protected by the First Amendment. Justice Kennedy stated that it was unnecessary and incorrect to ask whether the state could show that the statute was necessary to serve a compelling state interest and was narrowly drawn to achieve that end, a test with "no real or legitimate place" when

considering whether a state may enact "a burdensome restriction of speech based on content only, apart from any considerations of time, place, and manner or the use of public forums." The speech in issue was not obscene, defamatory, equivalent to an otherwise criminal act, an incitement to lawless action, or calculated or likely to bring about imminent harm. The compelling interest and narrow tailoring analysis was "ill-advised" when the statute in issue was a content based restriction, emphasized Justice Kennedy, who cautioned that the court's use of the analysis should not be taken as a concession that states may censor speech "whenever they believe there is a compelling justification for doing so." For Justice Kennedy, section 632-a amounted to "raw censorship based on content, censorship forbidden by the text of the First Amendment and well-settled principles protecting speech and the press."

Simon & Schuster, Inc. v. New York State Crime Victims Board, Case No. 90-1059 (Dec. 10, 1991) [ELR 13:8:3]

United States Supreme Court lets stand decision awarding $843,000, plus interest, in royalties to singers B.J. Thomas and Gene Pitney and to the Shirelles

Performers B.J. Thomas, Gene Pitney, and the Shirelles sued Gusto Records, Inc. and G.M.L., Inc. seeking royalties from the use of master recordings of their songs; the Gusto parties purchased the master recordings in the mid-1980s.

A Federal District Court in Tennessee awarded the performers a total of about $843,000, plus prejudgment interest. The court apparently accepted an expert's

testimony that custom and usage in the music industry, absent a contractual provision to the contrary, would entitle a performer to half of the fees obtained from licensing masters to unaffiliated third parties.

On appeal, Gusto noted that Thomas and the Shirelles had entered into contracts with Scepter Records in 1968 and 1961, respectively, which provided that the Shirelles would receive a four percent royalty and Thomas would receive a five percent royalty of the net retail list price in the United States based on a specified percentage of Scepter's sales. Gusto argued that the fact that the contracts were silent on the issue of domestic licensing royalties meant that the parties agreed that there would be no such royalties.

Federal Court of Appeals Judge Boyce F. Martin, Jr., citing the ambiguities in the contracts, held that the District Court properly admitted evidence concerning industry custom and practice on domestic licensing royalties.

In considering the royalty rate for foreign license income, Judge Martin pointed out that the performers had received royalties at a rate of fifty percent on such income in the past. Neither Gusto nor G.M.L. were parties to the contract at the time those royalty payments were made, but this was "of little assistance to their argument," stated the court. In all, the court found that a fifty percent royalty rate was warranted for the foreign license income in issue in the Thomas and Shirelles contracts, and that the District Court also correctly applied the fifty percent rate to the licensing income in issue in Gene Pitney's contract.

The court then found that there was an assumption that the Gusto parties would accept the liability for royalties owed by the prior owner of the masters, Koala Records. It was noted that Gusto had claimed the rights to royalties earned before the March 1984 date of sale, and the right to charge expenses of prior owners against the

performers' royalties. Gusto's own expert, in the court's view, testified that Koala's sale and Gusto's purchase included Gusto's obligation to assume the payment of accrued but unpaid royalties.

Also upheld was the District Court's decision to accept the performers' expert's thirty-three percent incremental increase in the damage estimate. The increase was based on Gusto's "unorthodox" record-keeping - the company maintained "no sort of record which could document the relation of any income to a particular master or artist;" had "grossly inadequate inventory records;" and prevented access to its financial records. Evidence was presented concerning sales of comparable products, industry customs, and sales and leasing figures from parties in possession of the masters owned by G.M.L.; relying upon such evidence, as well as Gusto and G.M.L.'s limited records did not amount to clear error, concluded the court.

Judge Kennedy concurred in the court's opinion, except for the holding that Gusto and G.M.L. were liable for royalties earned and paid to Koala for the Thomas and Pitney masters prior to the Gusto parties' purchase of the masters. With respect to the Shirelles, Judge Kennedy would affirm "in full" since it appeared that Gusto had licensed those masters to third parties "years before its purchases from Koala."

Judge Kennedy also agreed that if a contract is silent and there is no integration clause, an assumption of liability can be found to be an implied term of a sale by resorting to extrinsic evidence. However, noted Judge Kennedy, the District Court did not make a factual finding that there was such an implied term. Although the District Court accepted the testimony of the expert witness, Judge Kennedy did not believe that such testimony was sufficient to support a finding that there was such a custom in the industry, and would have remanded the

case for a finding on the issue of whether there was an implied assumption of liability.

The United States Supreme Court has let stand the Federal Court of Appeals ruling.

Thomas v. Gusto Records, Inc., 939 F.2d 395 (6th Cir. 1991) [ELR 13:8:4]

Creator of "Paladin" character obtains $3.5 million in damages in trademark infringement action against Viacom and injunction restricting syndicated distribution of "Have Gun Will Travel"

A Federal District Court in Rhode Island has granted an injunction sought by Victor DeCosta in connection with broadcasts of the syndicated television series "Have Gun Will Travel." In order to continue

distributing the programs, Viacom International, according to news reports, must exhibit, before and after each episode, an acknowledgement that octogenarian DeCosta created the Paladin character, that he owns the "Have Gun Will Travel" logo, and that DeCosta has no relation to the show. Judge Ernest C. Torres also required Viacom to eliminate all references and pictures of the logo and not substitute any similar indicia.

In September 1991, a Federal District Court jury awarded DeCosta $1 million in actual damages, plus interest, and $2.5 million in punitive damages for infringing DeCosta's trademark. The court previously had found that DeCosta's trademark infringement action against Viacom was not barred by res judicata or collateral estoppel.

During the 1940s, DeCosta, a former rodeo performer, created a character named "Paladin;" the mustached Western hero wore a black outfit and a hat bearing a

medallion, and carried calling cards containing the image of the white chess knight and the slogan "Have Gun Will Travel." The chess piece logo also was imprinted on Paladin's holster, and the character carried an antique derringer concealed under his arm. DeCosta appeared as Paladin at rodeos and other events where he distributed his cards to spectators.

In 1957, CBS began televising the series "Have Gun Will Travel," starring a character called "Paladin." The character wore a black costume identical to the costume worn by DeCosta's character, and carried a calling card embossed with the same chess piece logo used by DeCosta. The pilot episode of the CBS series included a scene in which Paladin used a concealed derringer in a gunfight.

In the mid 1960s, DeCosta attempted to register his mark and also sued CBS; the Patent Office deferred

action on DeCosta's application pending the outcome of the case.

A Federal District Court jury returned a verdict in favor of DeCosta in the amount of $150,000 on DeCosta's misappropriation claim. In 1967, a Federal Court of Appeals reversed the judgment entered on the verdict, finding that simply copying another's creation was not, by itself, actionable. It was noted that DeCosta's unfair competition claim had not been submitted to the jury, and that DeCosta's creation did not qualify for protection under the copyright laws as an unpublished work. In the court's view, DeCosta's creation was embodied in the cards that DeCosta distributed to others, such distribution constituted publication of DeCosta's work, and DeCosta, by failing to copyright the cards, allowed his creation to fall into the public domain.

On remand, a magistrate held that DeCosta's claims of common law trademark infringement and unfair

competition were not preempted, that the CBS parties had infringed DeCosta's marks and had unfairly competed by falsely advertising the marks as their own. The magistrate entered judgment requiring the CBS parties to account for about $12 million in profits.

In 1975, a Federal Court of Appeals, although acknowledging that it may have erred in previously finding that the misappropriation claim was preempted, declined to reopen the matter. The court stated that there was no evidence to support a finding that the CBS parties "passed off" their Paladin character or television program as DeCosta's creations, and did not find that the use of identical marks was sufficient to establish a likelihood of confusion. The matter was remanded with instructions to enter judgment for the CBS parties on DeCosta's common law service mark infringement and unfair competition claims.

DeCosta was unsuccessful in his petition to the United States Supreme Court for a writ of certiorari. However, in 1975, the Patent and Trademark Office granted DeCosta's application to register his mark, rejecting CBS's argument that registration would harm its syndication license agreement with Viacom International.

DeCosta's subsequent lawsuit alleged that Viacom, since 1975, licensed the "Have Gun Will Travel" series without DeCosta's authorization.

Judge Torres, in rejecting the res judicata claim, noted that Viacom's syndication of the series occurred after the original broadcasts that were the subject of the previous lawsuit had been completed. In the instant proceeding, DeCosta sought to protect federal trademark infringement rights; the registration of the mark provided DeCosta with new rights under the Lanham Act, and the federal claims thus were not part of the same transaction underlying the prior litigation.

With respect to the collateral estoppel claim, the court noted that the registration of the mark established a rebuttable presumption of likely confusion. Furthermore, when a party uses a mark for five consecutive years subsequent to registration, such use makes the mark incontestable, which, in turn, creates a presumption that the mark is a relatively strong one for purposes of likelihood of confusion. The presumptions had not existed when the prior cases were decided, and served "to alter the mix of factors bearing on likelihood of confusion" so that the prior judgments would not bar DeCosta's trademark infringement or unfair competition claims, declared Judge Torres.

The court proceeded to find that the prior litigation also did not bar the misappropriation claim; rejected Viacom's laches claim; and denied Viacom's motion for summary judgment.

DeCosta v. Viacom International, Inc., 758 F.Supp. 807 (D.R.I. 1991) [ELR 13:8:5]

ASCAP must provide source licenses and per-program licenses to cable program suppliers, rules Federal District Court

In 1989, Turner Broadcasting System, and about fifteen other cable program suppliers, sought an order from a Federal District Court in New York under the consent decree originally entered into in 1941 by the United States Department of Justice and the American Society of Composers, Authors and Publishers. The decree, as amended in 1950, regulates the manner in which ASCAP licenses for public performance the copyrighted music of the society's members.

The program suppliers asked for an order requiring ASCAP to make available a performance license that covered the transmission of programming, not only to local cable system operators, but also the transmission of the programming by the system operators to viewers. And the program suppliers sought to require ASCAP to issue, on demand, a per program license as an alternative to the society's standard blanket license.

Magistrate Michael H. Dolinger has ruled that the consent decree required ASCAP to make both licenses available to cable program suppliers.

The "through to the viewer" license also is known as "licensing at the source," noted Magistrate Dolinger, presumably because the license is issued to the entity that is the source of the programming. In 1988, ASCAP had announced that it no longer would license at the source for cable program suppliers, and would provide a license limited to the program suppliers' transmission of

programming to local system operators. The license thus would not cover the transmission of programs by system operators to viewers.

ASCAP argued that Article V(A) of the consent decree, which required the society to issue a source license to "telecasting networks" for programming aired by affiliated stations, did not cover cable program suppliers and their affiliated cable system operators. The court pointed out that Article V(A) referred to "a...telecasting network" and did not define the term. The phrase, as argued by ASCAP, may have been intended to cover only the networks existing in 1950, or only such entities operating in the same technological and financial manner as over-the-air television, but such an interpretation was not required by the language used. It was equally plausible, stated Magistrate Dolinger, that the provision was intended "to cover any entity that - like the then-existing networks - assembled a unique package of television

programming which it supplied to a number of locally-based telecasters with which it maintained a contractual relationship, and which in turn transmitted that programming, under the program supplier's name, to the television in its locality." The decree, so interpreted, would cover cable program suppliers.

The 1941 decree, noted the court, was designed to limit ASCAP's ability, by pooling copyrights for large amounts of music used in radio broadcasting, to extract unreasonable fees for the performance of the music. The availability of per-program licenses, if reasonably priced as compared to the alternative blanket license, was one means of accomplishing this purpose, since it gave the broadcaster "the ability to minimize its fees either by limiting the number of programs on which it played ASCAP music, or possibly by seeking direct licensing from the composers...a possibility that was kept at least theoretically alive by the additional requirement that

ASCAP members give the Society only a non-exclusive agency to license their music."

The 1950 amendments to the consent decree extended the protections of the 1941 decree to all forms of mass communication known at the time that might utilize significant amounts of ASCAP music, observed Magistrate Dolinger; such protections included the requirement for one license to cover the public performance of network programming and the availability of per program licenses to radio broadcasters.

It appeared to the court, upon extensive review of the negotiations surrounding the 1950 amendments, that the parties agreed to apply the licensing at the source principle to all industries in which it was potentially applicable, and that the language of Article V was not limited to over-the-air broadcasting, or to program suppliers whose financial arrangements with the ultimate

transmitters of the programming mirrored that of the three major television networks in 1950.

Comparing the operation of over-the-air and cable television, the court determined that program suppliers play the same role as the networks in distributing programming to local cable companies for transmission under their name to a local television audience. The division of function resulted in the application of the licensing at the source requirement to television - there was good reason, in Magistrate Dolinger's view, to infer that the licensing principle applied to the relationship between cable program suppliers and local system operators as well.

Magistrate Dolinger next considered the views of the Antitrust Division of the Department of Justice, which was invited by the court to brief the issue of whether Article V(A) should apply to the cable program suppliers. The government, although agreeing with many of the

arguments raised by the suppliers, concluded that cable system operators cannot be equated to "affiliated stations" because, as quoted by the court, a "station" in the context of Article V(A)'s reference to broadcasting and telecasting, describes "an over-the-air local transmitting facility, broadcasting a single program at a time and competing with transmission by other local stations servicing the same customers. These characteristics are very different from those of a local cable system which broadcasts many programs simultaneously (including those of local over-the-air stations) over its available channels."

The court found that neither ASCAP's arguments nor the government's analysis explained why the protection of Article V(A) should be limited to over-the-air television networks, and denied ASCAP's motion for summary judgment.

Based on the evidence before the court, Magistrate Dolinger concluded that the cable parties were "telecasting networks" within the meaning of Article V(A) of the consent decree, and therefore were entitled to a license that would cover the performance of their programming by their affiliated cable system operators.

The evidence also suggested to the court that the per-program license provisions of Article VII(B) of the consent decree encompassed television, whether the programming was transmitted over the air or by cable.

The court granted the cable program suppliers' petition for an order directing ASCAP to offer them reasonable terms for a blanket license that would cover the performance of the society's music when cable programming is transmitted by affiliated cable system operators, and the program suppliers' request for an order directing ASCAP to offer them reasonable terms for a per-

program license that would cover such performance of ASCAP music.

In a subsequent ruling, Magistrate Dolinger granted ASCAP's motion for a stay pending appeal of the court's order and judgment. It was noted that the judgment required ASCAP, within a limited time period, to specify fee formulas for two different types of licenses for as many as sixteen licensees, and that with respect to the per-program form of license, the determination of an appropriate fee demand was "likely to involve some complexity in evaluation." The significant investment of time and effort involved in specifying such fees might be wasted if ASCAP prevails on appeal, observed the court.

The cable program suppliers did not claim that they would face any irreparable harm if the court granted the requested stay - the licenses currently in effect have been deemed to cover the transmission of programming

by local cable system operators. And the public interest would not be disserved by staying enforcement pending an appeal, concluded the court.

In a related proceeding, Magistrate Dolinger granted Madison Square Garden Cable Network's motion for an order compelling ASCAP to quote a fee for a license covering the transmission of Madison Square Garden's programming by local cable system operators. The court, in view of the pendency of ASCAP's appeal in the Turner proceeding, did not issue any orders with respect to the time frame for ASCAP to comply with the court's directive.

United States of America v. American Society of Composers, Authors and Publishers, In the Matter of the Application of Turner Broadcasting System, Case No. 13-95, 1991 U.S.Dist. LEXIS 10033 (S.D.N.Y., July 11, 1991), 1991 U.S. Dist. LEXIS 14274 (S.D.N.Y.,

Oct. 3, 1991); United States of America v. American Society of Composers, Authors and Publishers, In the Matter of the Application of Madison Square Garden Cable Network, Case No. 13-95 1991 U.S.Dist. LEXIS 15136 (S.D.N.Y., Oct. 21, 1991) [ELR 13:8:6]

The Disney Channel and Black Entertainment Television obtain licenses from BMI after court rules that blanket licenses for cable programmers and operators do not violate antitrust laws and awards over $2 million in copyright infringement damages to BMI

In August 1991, a Federal District Court in Washington, D.C. granted Broadcast Music, Inc.'s motion to dismiss an antitrust action brought by The National Cable Television Association, Community Antenna Television

Association, Black Entertainment Television, and The Disney Channel.

Judge Joyce Hens Green carefully considered the background of BMI's license practices, the structure of the cable industry, and the use of music in programming shown on cable television. In order to use theme or background music or to feature music in a program, producers either must hire a composer to write original music, or must obtain a license to preexisting music from a music publisher. The rights granted to producers include synchronization rights, the right, as described by Judge Green, "to record or synchronize the music with the visual image or other aural aspects of the program." However, the one right that is not granted to producers (other than producers of films for theatrical performance) is the non-dramatic performing right - the right to publicly perform the music. The performing rights to music owned by writers affiliated with BMI generally are licensed by

BMI to the ultimate "performer," such as a broadcast or cable television entity.

Judge Green next noted that two types of programming are carried by cable program services. In original programming, produced by the cable service itself or by independent producers specifically for the service, the program service acts as a producer and selects the music content. With respect to syndicated programming - previously produced programming, including pre-recorded theatrical film, videotape or other recorded work offered for sale or license by third-party distributors - the music is selected by the producer of the program and is synchronized in the program soundtrack at the time the program is created. Cable program services, in obtaining such programs, have no control over the selection of music.

When syndicators or other preexisting program producers license works to cable program services, the

contracts, among other provisions, contain warranties that the copyright rights of the program elements have been obtained by the producer or distributor. But such warranties usually exclude music performing rights, and state that any such rights controlled by a music performing rights society must be paid for by the party acquiring the program. Judge Green found it "evident that without music performing rights, cable television cannot lawfully transmit programming containing copyrighted music."

The cable parties challenged BMI's demand for a blanket license - whereby the licensee obtains the right to unlimited use of all the compositions in the BMI repertory for a specific period for a specific fee - for syndicated programming on cable television.

After reviewing the history of music licensing in the cable industry, Judge Green refused to assume, as suggested by the cable parties, that the blanket license constituted a de facto restraint of trade as applied to

syndicated cable television programming with regard to both the programmers' transmission to cable operators and the cable operators' transmissions to subscribers. Rather, the court cited the analysis conducted in Buffalo Broadcasting Co. v. American Society of Composers, Authors and Publishers, 546 F.Supp. 274 (1982; ELR 4:9:1, 4:19:2), rev'd, 744 F.2d 917 (1984; ELR 6:5:3), cert. denied, 469 U.S. 1211 (1985).

Although not binding on the court, and although based on a "significantly different trial record," Buffalo Broadcasting, stated Judge Green, was "instructive" in its emphasis on the question of whether "there are no realistically available alternatives" to the blanket license. And although the parties before the court were not local broadcast television stations, and the evidence presented at trial was different than that in Buffalo Broadcasting, Judge Green found that the record showed that in the instant matter, the parties did have a choice with respect

to obtaining music performing rights for the syndicated programming they transmit.

The court proceeded to set forth the licensing alternatives available to cable programmers, including contingent direct licenses for preexisting music and source licensing for original music. In discussing the alternative of direct licensing, Judge Green reiterated that the blanket license is a nonexclusive (emphasis by the court) arrangement; the cable parties could choose to obtain licenses directly from the composers and publishers of the musical works contained in syndicated programming. And such direct licenses, while "neither the easiest nor most convenient method," would be a realistically available alternative to the blanket license for cable program services, found the court. It then was noted that BMI has offered per program licenses to every cable programmer that asked for one. In all, cable program services had alternatives to the BMI blanket

license, and the license did not constitute a restraint of trade within the meaning of section 1 of the Sherman Act, concluded the court.

The situation of cable system operators was distinguished by the court not only due to "their distance from syndicated program production and the magnitude of the programming they carry" but also because of their contractual relationships with the cable programmers whose programming they transmit. Direct licensing of cable operators would be cumbersome, and, in the court's view, unrealistic. Nevertheless, it appeared to the court that source licensing would be available to cable system operators, and that the blanket license thus did not represent a restraint of trade.

The court next rejected the arguments that the existence of the blanket license created "disincentives" to source licensing; that BMI had "lopsided" bargaining power; and that an economic disincentive arose from the

fact that producers often receive the publisher's share of music performing royalties resulting from the transmission of their syndicated programming. It was noted that the Disney Studio testified that it did not consider royalties it receives from its wholly-owned publishers to be a factor in whether to issue source licensing for its syndicated programming. Furthermore, not all producers own or control publishing companies, and the amount of the publisher's share of BMI royalties, "even in the aggregate," stated the court, was "minuscule in comparison to the dollar figures involved in syndicated programming transactions." For Judge Green, "common sense indicates that this economic link between producers and music performing rights royalties is relatively insignificant and not a barrier to source licensing"

The court then found that even if it agreed that the blanket license constituted a restraint on trade, the license met the rule of reason analysis. The cable parties

argued that the blanket license unlawfully eliminated price competition for music performing rights in syndicated programming. However, there was no concrete evidence as to how the price of the rights was inflated beyond what it otherwise would be, and the court thus could not determine whether price competition among compositions would be promoted by the elimination of the blanket license. In any event, it did not appear that price competition was significantly restrained by the blanket license.

It was noted that evidence was presented of several procompetitive effects of the blanket license, including its "tremendous efficiency...which, ultimately, reduces costs to buyers and maximizes output." Judge Green stated that "without the benefits of the aggregating function of the blanket license, output would be reduced because individual composers and publishers would not be financially able to accomplish these ends [i.e.,

negotiating licenses, and monitoring of use, sale and enforcement of copyrights]."

Judge Green recalled the policies of copyright law and noted that "efficiency of the blanket license in promoting the goals of the copyright laws is obvious. It protects copyright holders from infringements and provides them compensation." Musical compositions, continued the court, are "strikingly unique; their value reflects not only the perceived quality of the music but also the reputation of the composer, the popularity of the composition (if preexisting), historical circumstances, and other factors...price is simply not the most critical attribute in selection or purchase."

Judge Green next found that the split blanket license proposed by BMI would not violate the antitrust laws. Even were the split license a restraint - and even were there no realistically available alternatives - the split

license would survive rule of reason scrutiny, stated the court.

With respect to the issue of whether the split license would violate BMI's consent decree entered into in 1966 as settlement of an antitrust action brought by the United States Department of Justice, Judge Green found that although cable system operators do have realistic alternatives to the blanket license and possess considerable power in the marketplace, the split blanket license offered by BMI was unlawful because it violated BMI's consent decree. The court relied on the decision in United States v. ASCAP, In the Matter of the Application of Turner Broadcasting System (see below), a decision issued after the instant case was tried and submitted.

Judge Green concluded by finding that the transmission by cable programmers of programming containing copyrighted music constituted public performance of that

music, and that the cable programmers were liable for infringement for performing those works without authorization. The court, although acknowledging that it recognized the equitable defense of copyright misuse raised by the cable parties, rejected the claim on the basis that the cable parties failed to show violation of the antitrust laws, or that BMI otherwise illegally extended its monopoly or violated the public policy underlying copyright law.

Upon finding that The Disney Channel and Black Entertainment Television engaged in willful infringement, the court awarded BMI statutory damages of $45,000 per work, for a total of $1.98 million against The Disney Channel for forty-four compositions infringed, and $225,000 against Black Entertainment Television for five compositions infringed.

In December 1991, The Disney Channel and Black Entertainment Television agreed to obtain music licenses

from BMI; it has been reported that the companies agreed not to proceed with further litigation in the above-discussed case, and that the cable parties have agreed to compensate BMI for uses of its music during the entire period in issue.

Disney apparently has obtained a "through to the viewer" license, but no other license terms were reported. Black Entertainment Television has agreed to pay BMI 0.3 percent of gross revenues and also is through to the viewer.

The National Cable Television Association and the Community Antenna Television Association also have agreed not to appeal Judge Green's decision.

National Cable Television Association, Inc. v. Broadcast Music, Inc., 772 F.Supp. 614 (D.D.C. 1991) [ELR 13:8:7]

Zenith Productions perfected its security interest in the film "Patty Hearst," but not in two foreign films, rules Bankruptcy Court, in AEG Acquisition Chapter 11 proceeding

In 1987, Atlantic Entertainment Group, Inc., the predecessor to Chapter 11 debtor AEG Acquisition Corp., entered into three distribution agreements with Zenith Productions, Ltd.. Zenith delivered the films "Patty Hearst," "For Queen and Country," and "The Wolves of Willoughby Chase" to Atlantic.

As described by United States Bankruptcy Judge Samuel L. Bufford, Atlantic failed to pay the guaranteed minimum advances under the original agreements. The parties subsequently entered into a series of renegotiated option contracts, and Atlantic executed confessions of judgment in favor of Zenith for the entire $6 million

debt. As of November 1988, Atlantic had not exercised any of the options under the new agreements.

In February 1989, Zenith entered a restructuring agreement with Atlantic; Kartes Video Communications, Inc., an investment group which eventually acquired Atlantic, was a co-obligor with Atlantic (renamed AEG). AEG, among other obligations, agreed to reacquire the distribution rights to the three films for $6 million, executed new confessions of judgment totalling $6 million, and gave Zenith a security agreement that granted a security interest in the films and a UCC-1 financing statement which Zenith filed in California, Indiana and New York. Zenith recorded a copyright mortgage for each of the films with the United States Copyright Office, and filed a certificate of copyright registration with respect to "Patty Hearst." AEG paid Zenith a total of $2.06 million in April and May of 1989. On July 28, 1989, AEG filed its Chapter 11 petition, and then filed an adversary

proceeding to recover the payments to Zenith as both avoidable preferential transfers and fraudulent transfers under section section 547 and 548 of the Bankruptcy Code.

Judge Bufford first found that the Zenith-AEG agreement was a conditional sales contract, rather than an option contract, as argued by Zenith. If the agreement was an option contract, the remaining film rights would belong to Zenith. However, the court noted that AEG, in addition to the agreement, executed a written security agreement, a financing statement and copyright mortgages, and that Zenith recorded the documents. Zenith argued that the confessions of judgment and the security agreements were ancillary to the main agreements. But the court, upon considering the understanding of the parties as a whole, stated that a security agreement and a mortgage were "important documents in a conditional sale, but they have no role to play in an option contract."

The fact that Zenith had delivered the three films to Atlantic before the negotiation of the agreement also suggested to the court that the film rights were sold, and not retained by Zenith pending payment by AEG. The agreement, noted Judge Bufford, further provided that all amounts payable to Zenith immediately became due upon AEG's default, indicating that AEG "could not escape liability should it terminate the Agreement." In an option contract, a party may decline to continue performance at any time with no further liability.

The most important factor for the court was that the confessions of judgment rendered the agreement more than an option contract - AEG was obligated to pay the $6 million even if it decided to terminate performance under the agreement; Zenith was obligated to destroy the confessions of judgment only upon AEG's payment of the $6 million.

Therefore, AEG's payments to Zenith were on account of an antecedent debt, ruled the court ($60,000 of the payments constituted reimbursement for Zenith's attorneys fees and "were clearly paid on account of an antecedent debt").

Judge Bufford, citing the "pervasiveness of the confessions of judgment," rejected Zenith's claim that it gave new value for AEG's payments. According to Zenith, Atlantic had no rights in the films at the time the AEG-Zenith agreement was negotiated, because all rights to the films terminated upon Atlantic's alleged breach of the prior agreements. The AEG-Zenith agreement may have changed the amount of the debt slightly, stated the court, but AEG retained possession of the films and exploited the rights in the films, even after the termination of the prior agreements. The AEG-Zenith agreement accomplished a restructuring of the debt, declared Judge

Bufford, and did not pass new value to AEG to support the payments to Zenith.

Judge Bufford then found that Zenith perfected its security interest only in the film "Patty Hearst. In a footnote comment, the court noted Zenith's argument that the company's security interest was not limited to the copyright in the three films, but extended also to the prints of the films, contract and distribution rights, and to related accounts - the claimed interests appeared to the court to be integral to the copyrights themselves.

A security interest in a film is perfected under the United States Copyright Act, continued the court. The film must be registered with, and the security interest recorded in, the Copyright Office.

Zenith's security interest in "Patty Hearst" had been perfected at the time of the bankruptcy filing, and outside the ninety day preference period, stated the court. AEG did not attack the registration and recordation as a

preference to an insider, and the court thus assumed that Zenith's security interest was valid.

Zenith argued that the two foreign films were governed by the Berne Convention, and that the registration of the underlying works was not a prerequisite to the perfection of the company's security interests. Judge Bufford held that registration with the Copyright Office was required to perfect the claimed security interests.

After reviewing treaty law, Judge Bufford determined that the language of the Berne convention alone would not excuse Zenith from complying with United States law to preserve its rights as a secured creditor, except to the extent that internal United States law provided for such rights. Since Zenith did not register the underlying foreign films, third parties were not put on notice of the copyright mortgages for the films. Zenith's interests therefore remained unperfected.

The court, after discussing the meaning of a "good faith" transfer, found the AEG was entitled to set aside Zenith's unrecorded security interest in the two foreign films.

AEG also prevailed on its argument that the April 1989 transfer of $250,000 was avoidable as a preferential transfer.

Judge Bufford concluded by finding that the agreement was not an executory contract. Zenith's only remaining obligations under the agreement were those of a secured or unsecured creditor, and "where the seller has already delivered the subject of the transfer, and the principal remaining obligation between the parties is the purchaser's obligation to pay, a contract is not executory."

A hearing was scheduled to value Zenith's security interest in the rights to "Patty Hearst," and to determine the extent to which the payments in issue were on account of that secured debt.

In re AEG Acquisition Corporation v. Zenith Productions, Ltd., 1991 Bankr. LEXIS 638 (C.D.Ca. 1991) [ELR 13:8:9]

Sale in bankruptcy proceeding of contract between actor George C. Scott and producer is upheld, but remand is ordered on disposition of debtor's colorization contract with Otto Preminger Films

A Federal Court of Appeals in California has affirmed, in part, a District Court order approving the sale of certain entertainment assets of Qintex Entertainment, Inc. but has reversed the court's ruling with respect to a contract between Otto Preminger Films, Inc. and Hal Roach Studios, a wholly owned subsidiary of Qintex.

In 1987, Preminger granted Hal Roach the exclusive right to distribute five films, and to colorize and distribute the colorized versions of four of the films. Preminger retained creative control over the colorization process. Hal Roach agreed to colorize two of the films by June 1988 and the remaining two by June 1990, and to pay Preminger $1 million and a percentage of gross receipts after retaining the first $2.3 million of gross receipts and recouping certain expenses.

Hal Roach colorized only the first two films. In October 1989, the company, along with Qintex, sought protection from creditors, by filing voluntary petitions in bankruptcy under 11 U.S.C. section 301.

The Qintex debtors also included Robert Halmi, Inc. Between 1982 and 1986, Halmi contracted with Campbell-Devon Productions for the services of actor George C. Scott. Scott, who appeared in four television films produced by Halmi, received a fixed fee for his

acting services and was entitled to future royalties for any distribution of the films after the first two network runs in the United States and Canada.

In September 1990, the bankruptcy court authorized the sale of Qintex's entertainment assets to RHI Entertainment. After further proceedings in a Federal District Court, the court approved the sale of Qintex's entertainment assets "free and clear of third party financial interests" to RHI Entertainment. Chief Judge Manuel L. Real ruled that the Preminger and Scott contracts were not executory within the meaning of section 365(a) of the bankruptcy code; that Qintex's failure to colorize two of the four films was not a material breach of the Preminger contract; that Qintex's agreement to distribute the films was severable from the colorization obligation; and that Qintex's obligation to colorize the remaining two films was severable from its obligation to colorize the first two films.

Federal Court of Appeals Judge Jerome Farris noted that an executory contract does not become an asset of the estate until it is assumed pursuant to section 365 of the code; the sale of Qintex's assets would not include any executory contract unless Qintex first assumed the contract. The court stated that it would consider a contract executory if "material unperformed obligations remain for both (emphasis by the court) parties."

The Preminger contract was executory, ruled Judge Farris, who noted that the contract contained several significant unperformed obligations. Qintex must assume or reject the contract. The District Court erred, stated Judge Farris, in finding that the Preminger contract was severable. And although Qintex, by failing to colorize the second pair of films, materially breached the contract, the company may attempt to cure any defaults. The matter

was remanded to the District Court to allow Qintex to assume or reject the contract.

The court next found that Scott contractually gave all future rights to Qintex; thus, the District Court properly sold the nonexecutory Scott contracts.

Judge Farris concluded by rejecting the argument that the asset sale violated the good faith requirement of the bankruptcy code.

In re Qintex Entertainment, Inc., Case Nos. 90-56338; 90-56351 (9th Cir., Dec. 20, 1991) [ELR 13:8:11]

"My Sweet Lord"/"He's So Fine" copyright infringement action is remanded for further consideration of allocation of revenues between ABKCO Music and George Harrison

In 1976, a Federal District Court found that George Harrison's song "My Sweet Lord" infringed Bright Tunes Music's copyrighted work "He's So Fine," composed by Ronald Mack.

Bright Tunes had filed its infringement action in 1971. At that time, ABKCO Music and its president, Allen B. Klein, handled Harrison's business affairs. Klein, acting for Harrison and seeking to end the litigation, offered to buy out Bright Tunes. In late 1975 and early 1976, Bright Tunes indicated an interest in Harrison's settlement offer. However, Klein, who had ended his relationship with the Beatles, offered to buy Bright Tunes for an amount almost double that offered by Harrison - Harrison was unaware of the offer. Bright Tunes declined both offers, and proceeded to trial.

In 1978, ABKCO purchased all of Bright Tunes' interest in "He's So Fine" for $587,000. ABKCO was substituted for Bright Tunes in the action against Harrison.

In 1980, Harrison and Essex Music International, Harrison's agent and a sub-publisher of "My Sweet Lord," agreed to settle the "foreign claims" (those arising outside the United States, the United Kingdom and Canada) involving the songs in issue. Essex agreed to pay ABKCO a $600,000 non-returnable advance to be recouped through a pooling of the parties' respective interests in the royalties from both songs. Harrison proposed to pay forty percent of the "My Sweet Lord" revenues to any parties owning interests in "He's So Fine" in the foreign territories. The agreement also provided that when Essex recouped the $600,000, the parties would pool their interests in the earnings from both songs. Throughout the rest of 1980, as described by Federal Court of Appeals Judge Cardamone, the foreign claims were settled on the same sixty/forty percent basis used in a 1980 United Kingdom settlement.

In 1981, a Federal District Court (ELR 3:4:1) held that the Harrison parties owed about $1.6 million to ABKCO. However, the court also found that ABKCO had breached its fiduciary duty to Harrison between 1975 and 1978, and was not entitled to profit from the purchase of the rights in "He's So Fine." The court declared that ABKCO's "covert intrusion" into the settlement negotiations between Harrison and Bright Tunes "irreparably destroyed the ability" of the Harrison parties to settle the case for an amount comparable to their settlement offer, and ordered ABKCO to hold the "fruits" of the 1978 acquisition in a constructive trust for the benefit of the Harrison parties, to be transferred to them upon the payment to ABKCO of $587,000.

A Federal Court of Appeals affirmed the finding that Klein breached a fiduciary duty owed to Harrison, but, noting that the foreign infringement claims had been settled, ruled that the trust should not include the portion of

ABKCO's acquisition relating to the purchase of such rights (ELR 5:8:10). The case was remanded for an allocation of the purchase price.

On remand, the District Court found that $316,000 of ABKCO's purchase price was attributable to the foreign rights, and that Harrison would have to pay $270,000 to Klein to obtain the remainder of the rights in the constructive trust.

After another appeal and remand, the District Court made further findings with respect to the attribution of revenues. Federal Court of Appeals Judge Cardamone upheld most of the findings, stating, in part, that the District Court did not err in finding that in 1978, ABKCO attributed 100 percent of "My Sweet Lord" gross foreign revenues to the purchase price of the "He's So Fine" rights obtained from Bright Tunes. The District Court also did not err in finding that fifteen percent of "My Sweet Lord's" revenues earned outside the United States

and Canada were from the United Kingdom, and in decreasing the foreign revenues by this percentage to arrive at the final figure for the song's revenues.

Judge Cardamone agreed with the Harrison parties that the District Court erred in allowing ABKCO to deduct a twenty percent administration fee. There was no proof that ABKCO incurred any actual expenses or hired additional personnel for the service allegedly rendered. Furthermore, under the court's prior opinions all of the fruits of Klein's acquisition of "He's So Fine" were required to be turned over to the Harrison parties, unless such amounts were affected by the foreign settlements - the arbitrary twenty percent charge had no connection to those settlements, stated Judge Cardamone.

The court determined that ABKCO's ownership of the "He's So Fine" copyright was not affected by the 1980 settlements, and that ABKCO was required to surrender the copyright to Harrison upon proper payment. And the

District Court incorrectly permitted ABKCO to retain "He's So Fine" revenues from the foreign territories, according to Judge Cardamone, who pointed out that "What ABKCO received from [the 1980 settlements] was the right to a portion of 'My Sweet Lord' revenues. We do not disturb this right by causing ABKCO to surrender its interest in 'He's Do Fine' revenues from the foreign territories and conclude ABKCO must do so."

It will remain for the District Court to determine on remand what portion of the $600,000 payment ABKCO received under the April 1980 agreement with Essex was made in exchange for ABKCO's "He's So Fine" revenues and "cause ABKCO to disgorge that amount to the Harrison interests."

Harrison alleged that newly discovered evidence revealed a "covert" involvement by ABKCO in negotiations between Harrison and Essex, Harrison's agent. Judge Cardamone declined to find that Harrison's

argument would require the court to change either the scope of the constructive trust or to sanction ABKCO.

Federal Court of Appeals Judge Mahoney agreed with the court's opinion except for the affirmance of the District Court's allocation of the $587,000 purchase price paid by ABKCO in 1978 for Bright Tunes' interest in "He's So Fine." It seemed to Judge Mahoney that the District Court erred in not making an allowance for the fact that the foreign revenues from "My Sweet Lord" were subject to significant participations by foreign subpublishers, and the domestic revenues were not, and would have required reconsideration of this issue on remand.

ABKCO Music, Inc. v. Harrisongs Music, Ltd., 944 F.2d 971 (2d Cir. 1991) [ELR 13:8:12]

Court remands decision granting CNN an injunction preventing video monitoring service from copying network's programming

Video Monitoring Services, Inc., a company which provides clients with copies of television program segments, taped Cable News Network's transmission programming, and, during 1988, earned about $300,000 from sales of CNN material. Video Monitoring's clients included the copyright owners of certain commercials and other works; the company recorded and monitored CNN's use of the copyrighted works in order to verify the time and content of the broadcast and the context in which the broadcast occurred.

CNN sued Video Monitoring for copyright infringement, claiming that the company copied and sold the October 17, 1988 "Crossfire" segment entitled "Barry Goldwater: Mr. Conservative."

A Federal District Court in Georgia granted CNN a preliminary injunction barring Video Monitoring from copying or selling copies of any of CNN's programming, either in whole or in part.

A Federal Court of Appeals, on interlocutory appeal, has reversed the grant of the preliminary injunction and remanded the matter to the District Court.

Judge Stanley F. Birch Jr. noted that the copyrighted material in issue was only a thirty minute program segment; that CNN had not registered its claim of copyright in its broadcast day of October 17, 1988, or for that week, month, or year; that the segment was an example of CNN's special programming, rather than its basic daily news, sports and weather transmissions; and that the injunction was directed to future transmission programming.

Judge Birch focused on the fact that the District Court granted an injunctive remedy extending, in part, to

unregistered claims of copyright and for putative copyrights in works not yet in existence. The Copyright Act provides, in relation to television broadcasts, that "a work consisting of sounds, images, or both, that are being transmitted, is 'fixed' for the purposes of this title if a fixation of the work is being made simultaneously with its transmission." A "future" work thus cannot be "fixed" emphasized the court, since the work, by definition, has not yet been created. And without fixation, copyright protection is not available.

The court, citing Feist Publications, Inc. v. Rural Tele. Serv. Co., 111 S.Ct. 1282 (1991; ELR 12:12:17), a case decided after the District Court entered the challenged injunction, rejected granting protection to future works under an "equitable" concept "apart from the letter of copyright law." An injunction restraining the copying of such works would enable copyright claimants to avoid registration, according to Judge Birch, and would grant

"generic protection for works which may or may not fulfill the constitutional requirement of originality."

Judge Birch, in turning to the issue of the injunctive relief available for the infringement of unregistered copyrights in existing works, commented that in the instant case "an aggressive and overreaching copyright owner has seduced a court into affording it control over too broad a territory in which it seeks exclusive dominion." If CNN had registered a claim of copyright in a typical broadcast day, the registration application would have had to identify preexisting works, such as prerecorded segments and commercials. The District Court, upon reviewing the registration certificate and supporting material, would have had the opportunity to issue an injunction "that balanced the rights of the copyright owner fairly against the rights of the public. Such a balance would permit access to unpublished works, control over which frequently lies exclusively in the hands of

the broadcaster. Significantly, the only access which may exist to such material may be through the alleged infringer."

The court cautioned that approving a grant of injunctive relief for the infringement of unregistered, copyrighted transmission programs would allow broadcasters "to close the door on public access to their work product. In a society where the free flow of and access to ideas is mandated by the First Amendment, it would be particularly pernicious to allow the news media, cloaked in the privileges of the First Amendment, to thwart such access and to control such flow under the title of a copyright owner."

A typical television newscast may be copyrightable in its entirety as a compilation only, stated Judge Birch, who commented that after Feist, "it cannot be assumed that every newscast would qualify for even compilation copyright status." Feist reasserted the principle that a

copyright in a compilation "cannot be used to protect uncopyrightable or uncopyrighted material existing as part of the compilation." Thus, any injunction preventing the copying of CNN's newscasts "in any part" would be inconsistent with the Copyright Act, particularly its fair use provisions, and both the Copyright Clause and the First Amendment, concluded the court. The District Court therefore erred in finding that CNN had shown a substantial likelihood of success on the merits and that injunctive relief served the public interest.

Cable News Network, Inc. v. Video Monitoring Services of America, Inc., 940 F.2d 1471 (11th Cir. 1991) [ELR 13:8:13]

Purchaser of invalid option to purchase film rights to novel obtains enforcement of French court judgment entered against author's literary agent

In 1984, Prosper Pariente purchased an option for the film rights to Clark Howard's novel "The Arm." Subsequently, Pariente and two collaborators wrote a screenplay derived from the novel. However, Howard previously had sold the film rights to the novel to another buyer - Pariente's purchase was void.

The Court of Appeals of Paris, modifying a lower court judgment, held Howard's literary agent, the Scott Meredith Literary Agency, liable to Pariente and to Regis Ander (one of the collaborating writers) for 412,0000 and 212,000 French francs, respectively. The Pariente parties were found liable to KUIV Productions, a company with which they had contracted to produce their screenplay. Howard, but not the agency, was required to

indemnify the Pariente parties for any amounts they were required to pay the production company.

In a proceeding in a Federal District Court in New York to enforce the French court judgment, Pariente initially sought indemnification from the agency for the amount the judgment held Pariente and Ander liable to KUIV; however, the Pariente parties conceded that the agency was entitled to summary judgment on the request for indemnification.

Judge Leisure then requested supplemental briefing on the issue of whether the court possessed subject matter jurisdiction to consider Ander's claims - the amount due Anders, as converted into United States currency, never exceeded $50,000.

With respect to the literary agency's liability, it was argued that the French court had relied on a custom requiring literary agents to verify that their author-clients own the literary rights they are purporting to sell. The

agency stated that no evidence of such a custom was presented to the French court, and that the judgment therefore violated due process and was contrary to the public policy of New York.

Judge Leisure rejected the agency's arguments, commenting that it appeared that the French court afforded the agency a full opportunity to be heard, that the judgment was not obtained by fraud, that the agency was not the victim of any prejudice in the French judicial or legal system, and the agency was found liable because of its failure to exercise reasonable precaution in connection with its role in the sale of literary rights. The court, accordingly, granted summary judgment to Pariente enforcing the foreign judgment.

Pariente v. Scott Meredith Literary Agency, Inc., 771 F.Supp. 609 (S.D.N.Y. 1991) [ELR 13:8:14]

Dispute over insurance coverage in connection with television licensing of "Hopalong Cassidy" films is remanded for trial

"Hopalong Cassidy," a character created by the late writer Clarence E. Mulford, was portrayed by the late actor William Boyd in several films produced between 1935 and 1939. Paramount Pictures owned the copyright in the films, but the copyrights were not renewed, and, as of 1967, the films were in the public domain.

During the 1950s through the 1970s, Boyd Enterprises, pursuant to a license from Mulford's representatives, distributed and licensed the films for television broadcasts.

In 1973, Filmvideo Releasing Corporation and its president and sole shareholder, Maurice H. Zouary, proposed to distribute seventeen of the Hopalong Cassidy films on television in the United States. Zouary was

advised that the films were in the public domain, but that some of the films were based on certain Mulford novels. David and Peter Hastings owned the renewal copyrights in the novels.

When Zouary sought to acquire an insurance policy covering producer's liability for the films, Fireman's Fund Insurance Company agreed to issue a $1 million liability policy to Filmvideo for a term of three years, beginning in January 1974. The policy, in part, provided indemnification to Filmvideo against "any liability resulting from, among other things, infringement of copyright, whether under statutory or common law, and unfair competition."

In November 1973, representatives of William Boyd Enterprises after reading a flier advertising the films, notified Zouary of their claim to control the television rights in the films, based on the existence of renewal copyrights in the underlying novels. The Boyd parties

demanded that Filmvideo refrain from engaging in unfair competition.

In March 1974, Fireman's Fund notified Zouary that the claim raised by the Boyd parties apparently was not covered by Fireman's policy since such claim, although not formally filed, first was made in 1973.

Zouary responded that Filmvideo had chosen to delay the effective date of the policy from October 25, 1973 until January 1, 1974 because the company did not plan to exhibit the films until after January 1st, and also pointed out that as of July 1974, the Boyd parties still had not presented a formal claim.

As described by California appellate court Acting Judge Florence M. Cooper, Fireman's continued to collect premiums and kept the policy in force for the three year term. In 1976, Fireman's agreed to amend the policy to include six additional Hopalong Cassidy films,

and confirmed that the policy issued in 1973 covered the television exhibition of the first seventeen films.

In 1975, Filmvideo sought declaratory relief in a Federal District Court in New York with respect to the licensing of the films. Mulford's representatives filed a counterclaim for copyright infringement. In 1977, the Mulford and Boyd parties sued Filmvideo and Zouary, among others, in a Federal District Court in Los Angeles, alleging copyright infringement.

In 1977, Fireman's notified Filmvideo that the insurer would not provide a defense since both lawsuits were based on claims made prior to the commencement of the policy.

In Filmvideo Releasing Corp. v. Hastings, 509 F.Supp. 60 (S.D.N.Y. 1981; ELR 3:24:8), the court found that the Hopalong Cassidy films were protected as derivative works of the Mulford novels and that Filmvideo's exhibition of the films would infringe the copyrighted

novels. The Federal District Court in California awarded the Boyd and Hastings parties a judgment in the amount of $960,000 based on the court's finding that 192 separate licenses for television exhibition constituted infringements of the renewal copyrights in the novels.

By 1983, the judgment, including interest, amounted to more than $1.3 million. In filing for bankruptcy, Zouary assigned to Boyd/Hastings any claim or cause of action which Zouary had against Fireman's.

Boyd/Hastings, as judgment creditors and as assignees of Filmvideo's claims, eventually sued Fireman's alleging breach of contract and failure to defend.

In 1989, a Los Angeles trial court denied Fireman's motion for judgment on the pleadings and granted Boyd/Hastings' motion to preclude Fireman's from presenting certain defenses. The court then found that the Boyd letters sent in November 1973 constituted a claim within the meaning of the Fireman's policy; that there

was no distinction between an intent to exhibit the films, as indicated in fliers distributed by Zouary in October 1973, and the showing of the films in 1975; and that the Boyd/Hastings claim, although arising out of copyright infringements dating from 1975, was excluded from the coverage of the insurance policy. The court entered judgment finding that, as a matter of law, the Fireman's policy did not provide liability coverage, and dismissed the Boyd/Hastings complaint.

Acting Judge Cooper, in reversing the trial court judgment, first agreed with the parties that, as there was no formal motion before the trial court, the court's action "most closely resemble[d] the granting of a motion for nonsuit after opening argument." In ruling on a motion for nonsuit, the court may not weigh evidence. However, the trial court decided several factual questions, including whether the 1973 Boyd correspondence was a claim or a threatened claim; whether the correspondence

was a claim against the policy for unfair competition, rather than for copyright infringement; whether the distribution of the 1973 flier was the same conduct as the 1975 copyright infringement conduct; and what Zouary's intent may have been in delaying the effective date of the policy. A number of factual questions were involved in resolving such issues.

The trial court also erred when it interpreted the insurance contract in a manner most favorable to Fireman's and did not resolve all ambiguities against the insurer, stated Acting Judge Cooper, who pointed out that the insurance contract did not define "claim" or "act," but that the court defined each term broadly, "thereby precluding a finding of coverage."

More importantly, in Acting Judge Cooper's view, was that upon recognizing that certain terms were not defined, the parties acknowledged that the contract was ambiguous. And when extrinsic evidence is required to

determine the intent of the parties, the interpretation of the contract is a question of fact for the trier of fact. Boyd/Hastings had asserted the right to a jury trial on these issues and the trial court erred in denying their request.

The trial court properly denied Fireman's motion for summary judgment, concluded Acting Judge Cooper, as well as the motion to preclude the presentation of evidence on affirmative defenses, except the defense alleging that the claim was made before the effective date of coverage. The court asked whether Fireman's could have discovered the other bases for coverage denial, which were asserted in the affirmative defenses, if Fireman's had engaged in reasonable investigation. The trial court answered affirmatively and Acting Judge Cooper found that the evidence supported this conclusion. At no time prior to filing its answer to the Boyd/Hastings complaint did Fireman's assert other grounds for the denial of

coverage, and also had not acted to protect its interest in the federal court actions.

The court remanded the matter for trial; Fireman's Fund's petition for rehearing was denied.

William Boyd Enterprises v. Fireman's Fund Insurance Company, Case No. B042967 (Ca.Ct.App., Dec. 16, 1991) [ELR 13:8:14]

City of Miami improperly refused to renew lease of Cuban Museum of Arts and Culture

The Cuban Museum of Arts and Culture, Inc. has obtained an injunction preventing the City of Miami from evicting the museum from premises leased from the city for over nine years. In 1988, a controversy arose over the museum's display and auction of certain works

created by artists who had not renounced the Castro regime or who continued to live in Cuba. The controversy divided the local Cuban community, and the Miami City Commission responded by authorizing an investigation, and increasing the supervision, of the museum's activities.

In 1990, the City Commission voted not to renew the lease with the museum.

When the museum sought injunctive relief, a Federal District Court in Miami first noted that although the museum did not necessarily have a "right" to the renewal of its lease, that fact was not dispositive. The museum claimed that the decision to exhibit particular works was constitutionally protected conduct. The city argued that pursuant to the Trading With the Enemy Act, the controversial paintings were prohibited contraband.

In rejecting the city's argument, the court stated that the museum's exhibition of certain works, regardless of the

political beliefs and ideology of the artists, was constitutionally protected. There was no evidence indicating that any of the controversial art work was prohibited by the Trading With the Enemy Act. And even if some of the works were within the scope of the statute at the time of the initial controversial auction and exhibition, the 1988 amendments to the statute served to remove "any possible intrusion on the full and free exercise of First Amendment rights..." The amendments restored full constitutional protection to any formerly prohibited conduct on a retroactive basis. Such protection was restored prior to the city's decision not to permit the museum to continue occupying the leased premises.

Chief Judge James Lawrence King stated that the museum parties' views and the manner in which they expressed them was "a substantial and motivating factor" in the city's decision to end the museum's lease. The court rejected other grounds advanced by the city as the

basis for terminating the lease, finding that the city's denial of the continued use and possession of the premises was motivated by the museum parties' controversial exercise of their First Amendment rights.

Declaring that for three years, the city held the "proverbial sword of Damocles" over the museum parties and chilled their exercise of First Amendment rights by creating a fear that the museum might suffer future penalties and denials of governmental benefits, Judge King enjoined the city from evicting the museum parties, and reserved jurisdiction to consider a motion for costs and fees.

Cuban Museum of Arts and Culture, Inc., 766 F.Supp. 1121 (S.D.Fla. 1991) [ELR 13:8:16]

Decision barring PGA from enforcing ban on clubs with U-shaped grooves is upheld

A Federal District Court in Arizona, as reported at ELR 12:4:17, granted several professional golf players and Karsten Manufacturing Corporation a preliminary injunction preventing the PGA Tour from prohibiting the use of clubs with U-shaped grooves in Tour-sanctioned events.

In affirming the District Court's decision, Federal Court of Appeals Judge Thomas Tang agreed that the balance of hardships was in favor of Karsten and the professional players. The players claimed that they would be irreparably harmed if they were forced to change clubs because they would be at a competitive disadvantage - the forced club change "would have an immediately discernible but unquantifiable adverse impact on their

earnings, their ability to maintain their eligibility for the tour, and for endorsement contracts."

The court found that the District Court's determination that Karsten brought its lawsuit with reasonable diligence was not clearly erroneous. It was noted that the PGA rule would require Karsten "to redesign its clubs, retool its manufacturing process, and abandon its...U-groove market. And evidence was presented that the U-groove ban appeared to have harmed Karsten's reputation as a golf club manufacturer.

The PGA, in contrast to the above, demonstrated injury only to its reputation.

Judge Tang concluded by finding that the District Court did not abuse its discretion in determining that there were serious questions indicating that the golfers and Karsten would have "a fair chance of success on the merits with regard to the circumstances surrounding the PGA Board's vote to approve the U-groove ban," and

did not err in finding that a preliminary injunction was necessary to preserve the status quo pending a hearing and a decision on the merits.

Gilder v. PGA Tour, Inc., 936 F.2d 417 (9th Cir. 1991) [ELR 13:8:16]

Shoe manufacturer loses antitrust claim against United States Golf Association

The United States Golf Association determined that a shoe manufactured and distributed by Weight-Rite Golf Corporation did not conform to the association's rules. The shoe featured a patented sole design which incorporated an angled wedge on the outside of the sole in order to assist golfers in distributing their weight. The association's rule provided that a player "shall not use any

artificial device or unusual equipment...which might assist him in gripping the club, in making a stroke or in his play." Weight-Rite sued the association, alleging the violation of sections 1 and 2 of the Sherman Act, and state law claims.

A Federal District Court in Florida granted the association's motion for summary judgment. The court concluded that a fact finder could not reasonably find, based on the evidence, that the association required member courses to enforce the association's interpretation of the Rules of Golf in tournaments conducted by its members; the section 1 element of conspiracy was not established.

Furthermore, the Weight-Rite parties did not create a genuine issue of fact as to whether the association unreasonably restrained trade. Assuming that the relevant product market was the market for golf shoes in the United States, the court commented that the affidavit submitted by Weight-Rite did not contain facts to

support the conclusion that the association's ruling substantially restrained competition in the golf shoe market in the United States. At most, stated the court, Weight-Rite presented evidence from which a fact finder could conclude that the association had the power to substantially decrease the marketability of certain types of golf shoes and that the marketability of Weight-Rite's shoe was substantially diminished. But "evidence that a single competitor has been removed from a relevant product market, in and of itself, is insufficient to establish a violation of the rule of reason." It was not shown that the association's ruling significantly restrained the operation of the free market with respect to the golf shoe industry. The association claimed that the purpose of its rule was to "preserve the traditions of the game, and to insure that a player's score is the product of his skill, rather than his equipment;" Weight-Rite did not present contrary

evidence and summary judgment therefore was appropriate on the section 1 claim, concluded the court.

Weight-Rite stated that it did not oppose the motion for summary judgment with respect to the company's monopolization claim under section 2 of the Sherman Act. The court also granted summary judgment to the association on the state law antitrust, defamation and tortious interference claims.

Weight-Rite Corporation v. United States Golf Association, 766 F.Supp. 1104 (M.D.Fla. 1991) [ELR 13:8:17]

Former San Diego Chargers player is limited to workers' compensation remedy in claim against team doctor, rules California Supreme Court

As reported at ELR 12:9:12, John Hendy injured his right knee while playing football for the San Diego Chargers. When Hendy consulted team doctor Gary Losse about the injury, Losse, on several occasions, advised Hendy to continue playing football.

In September 1987, the Chargers terminated Hendy's employment. A doctor who was not employed by the team informed Hendy that Losse had failed to properly diagnose and treat the player's condition. Hendy suffered irreparable and permanent injury to his right knee.

After a series of proceedings, a California appellate court ruled that Hendy was entitled to proceed with his malpractice claim against Losse as a coemployee.

The California Supreme Court has reversed the appellate court's decision, finding that Losse was acting within the scope of his employment when the complained-of conduct occurred, and therefore was entitled to immunity under section 3601 of the state Labor

Code. Judge Baxter noted that the statute was clear that "If one employee is acting within the scope of employment at the time the employee injures another employee, workers' compensation is the injured employee's exclusive remedy against the coemployee."

The court found that Losse was under an obligation, arising out of his employment relationship with the Chargers, to provide treatment to Hendy, and that, in all, Hendy's exclusive remedy was a workers' compensation claim.

Hendy v. Loss, Case No. S018325 (Ca., Nov. 18, 1991) [ELR 13:8:17]

Court reinstates action against Circus Circus and Colorado Belle hotels arising from pontoon injury in Nevada upon finding that advertising in California supports jurisdiction

Therese and Roy Alexander were injured when the pontoon boat on which they were passengers capsized while crossing the Colorado River from the Edgewater Hotel to the Colorado Belle Hotel in Laughlin, Nevada. When the Alexanders sued Circus Circus Enterprises and two wholly owned hotel subsidiaries, a Federal District Court in California found that it lacked both general and specific personal jurisdiction over the hotel parties.

A Federal Court of Appeals, assuming, for purposes of the appeal, the truth of the Alexanders' assertions, found that Circus Circus' "substantial advertising program directed at Southern California and the maintenance of toll-free numbers [was] significant affirmative conduct"

which promoted the transaction of business within the forum state. The court agreed with the principle that the solicitation of nonresident tourists through advertising directed at a specific geographic market was sufficient to indicate an intent to serve the market in that state.

The hotels argued that when personal jurisdiction was found in other cases, the assertion of jurisdiction was based on more than advertising alone. But Judge Edward Leavy stated that "none of the cases cited stand for the proposition that substantial advertising, without more, is insufficient to establish personal jurisdiction, because none of them involved advertising alone." Furthermore, Circus Circus' use of toll free numbers provided California customers access to information, advice, and reservations, noted the court. In all, the hotel engaged in "affirmative conduct to promote the transaction of its business in California."

The Colorado Belle Hotel, which also placed advertisements in California newspapers and maintained a toll free reservations number, also was found subject to jurisdiction. However, the Edgewater Hotel, although maintaining a toll free number, apparently only "occasionally" advertised in California; the toll free number, without more, was not sufficient to find "purposeful availment" of the opportunity to do business in California, stated Judge Leavy, in ruling that the complaint was properly dismissed as to the Edgewater Hotel.

The Alexanders' cause of action arose out of the Circus Circus and Colorado Belle contacts with California, declared Judge Leavy, who continued, "nor does it matter," that the Edgewater Hotel owned and operated the pontoon boat - the Alexanders had alleged that each of the hotels owned and operated the boat, and, for jurisdictional purposes, the court treated the allegations as true.

Judge Leavy concluded by finding that the exercise of jurisdiction over Circus Circus and the Colorado Belle would be reasonable, notwithstanding that the Alexanders travelled voluntarily to Nevada, that others injured in the accident filed suit in Nevada, and that almost all the witnesses were Nevada or Arizona residents.

Alexander v. Circus Circus Enterprises, Inc., Case No. 90-55452 (9th Cir., July 29, 1991) [ELR 13:8:18]

Briefly Noted:

Gambling Debt.

When George J. Aubin, a Texas resident, visited the Cable Beach Hotel and Casino during a January 1987 visit to the Bahamas, Aubin lost $25,000 while gambling

at the casino. Carnival Leisure, the owner of the casino, was unable to cash Aubin's bank drafts because Aubin had directed his bank to stop payment.

A Federal District Court in Texas granted Carnival Leisure's motion for summary judgment against Aubin.

A Federal Court of Appeals reversed the District Court's judgment, finding that Texas' longstanding public policy against enforcing gambling debts had not changed. The social gambling permitted under state law was "confined to private places where no one receives any benefit other than his personal winnings and all participants are subject to the same risks, a categorically vastly different kind of activity from the sort involved here."

Racing, bingo, and raffling were "narrow, strictly regulated exceptions to a broad public policy in Texas against most forms of gambling." And even if the evidence indicated a shift in public policy with respect to

legalized gambling, such a shift was not be inconsistent with a continued public policy disfavoring gambling on credit, stated the court.

In all, Texas public policy against gambling on credit prevented the enforcement of a debt incurred for the purpose of gambling and provided by a participant in the gambling activity.

Federal District Court Vela, sitting by designation, concurred in the court's opinion "reluctantly," declaring that the court's ruling "sends out a poor message to would be gamblers."

Carnival Leisure Industries, Ltd. v. Aubin, 938 F.2d 624 (5th Cir. 1991) [ELR 13:8:18]

Turkish Artifacts.

In a decision issued in June 1990, a Federal District Court in New York denied the Metropolitan Museum of Art's motion to dismiss an action brought by the Republic of Turkey seeking to recover certain artifacts in the museum's possession. Turkey claimed that the artifacts were excavated from burial mounds in Turkey and, contrary to the country's law, were exported to the United States.

Judge Vincent L. Broderick, in considering Turkey's conversion claim, noted that under New York law, an action to recover chattel must be brought within three years of the time the action accrues. An action does not accrue, in the case of a good faith purchaser of personal property until the person claiming to be the owner demands the return of the property and the demand is refused. Citing Solomon R. Guggenheim Foundation v. Lubell, 550 N.Y.S.2d 618 (1990; ELR 13:1:11; 13:5:16), Judge Broderick found that the museum's

claim that Turkey delayed in seeking the return of the property related solely to whether the defense of laches was available, and not to a defense based on the statute of limitations. Genuine issues of material fact were present as to whether the museum was prejudiced by the alleged delay, stated the court, in denying the museum's motion for summary judgment.

Turkey also had claimed that the museum acted in bad faith when it purchased the objects in issue, and that it concealed the illicit origin of the objects. Judge Broderick again denied the museum's motion for summary judgment, noting that there were issues of material fact as to whether the museum purchased the artifacts in good faith.

Republic of Turkey v. Metropolitan Museum of Art, 762 F.Supp. 44 (S.D.N.Y. 1990) [ELR 13:8:19]

Previously Reported:

The following cases, which were reported in previous issues of the Entertainment Law Reporter, have been published: Academy of Motion Picture Arts and Sciences v. Creative House Promotions, Inc., 944 F.2d 1446 (13:4:6); Ralph Andrews Productions, Inc. v. Writers Guild of America, West, 938 F.2d 128 (13:6:12); Botello v. Shell Oil Co., 280 Cal.Rptr. 535 (13:2:9); Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc., 944 F.2d 1525 (13:5:10); Edwards v. Hall, 285 Cal.Rptr. 811 (13:6:7); Elkus v. Elkus, 572 N.Y.S.2d 901 (13:3:8); People v. Anderson, 286 Cal.Rptr. 734 (13:6:12); Shaw v. Kastner, 573 N.Y.S.2d 595 (13:6:9); TV Communications Network, Inc. v. ESPC, Inc., 767 F.Supp. 1062 (13:3:8).

The California Supreme Court has agreed to review Hebert v. Los Angeles Raiders, Ltd. (13:5:10),

published at 285 Cal.Rptr. 449, in which a California appellate court held that a football player's claim that the NFL's free agent restraints violate California antitrust law was precluded by the federal commerce clause. However, the court stated that it would first rule in Hill v. National Collegiate Athletic Association (12:7:6), in which an appellate court upheld a trial court finding that the NCAA's drug testing program violated the right of privacy of Stanford University student athletes. The court rejected the NCAA's claim that the ruling violated the federal commerce clause.

In July 1991, a Federal District Court jury in Santa Ana, California (13:4:19) awarded Accent Films $11.6 million in damages in the company's breach of contract action against Universal Studios in connection with the Roman Polanski film "Pirates." It has been reported that Federal District Court Judge Alicemarie Stotler has

denied Accent Films' request for $3.5 million to $3.8 million in prejudgment interest on the award.
[ELR 13:8:19]

DEPARTMENTS

In the Law Reviews:

Toward a Theory of Copyright: The Metamorphoses of "Authorship" by Peter Jaszi, 1991 Duke Law Journal 455 (1991)

Freeing Literary and Artistic Expression During the Sixties: The Role of William J. Brennan, Jr. by Edward de Grazia, 13 Cardozo Law Review 103 (1991)

A Distinction Without a Difference - The Spectrum Scarcity Rationale No Longer Justifies Content-Based Broadcast Regulation by Jonathan O. Hafen, 1991 Brigham Young University Law Review 1141 (1991)

The Journal of the Copyright Society of the USA, available from the Center for Law and the Arts, Columbia University School of Law, 435 W. 116th St., New York, NY 10027, has published Volume 39, Number 1 with the following articles:

Are Copyrights for Authors or Their Children? by Pierre Leval and Lewis Liman, 39 Journal of the Copyright Society of the U.S.A. 1 (1991)

Refracting the Window's Light: Stewart v. Abend in Myth and in Fact by David Nimmer, 39 Journal of the Copyright Society of the U.S.A. 18 (1991)

Examining the "Rear Window" Decision by Herbert P. Jacoby, 39 Journal of the Copyright Society of the U.S.A. 49 (1991)

Copyright Protection for Artificial Intelligence Systems by Morton David Goldberg and David O. Carson, 39 Journal of the Copyright Society of the U.S.A. 57 (1991)

Combatting Piracy of Intellectual Property in International Markets: A Proposed Modification of the Special 301 Action by Theodore H. Davis, Jr., 24 Vanderbilt Journal of Transnational Law 505 (1991)

Metro Broadcasting, Inc. v. FCC: A Dilution of the Right of Nonminorities to Equal Protection under the Fifth Amendment or a Temporary Aberration in

Affirmative Action Jurisprudence? by Gary E. True, 35 Saint Louis University Law Journal 711 (1991)

The Public Interest in Public Culture by Kevin V. Mulcahy, 21 Journal of Arts Management and Law 5 (1991)

Point-The National Endowment for the Arts: Misusing Taxpayers' Money by Robert H. Knight, 21 Journal of Arts Management and Law 29 (1991)

Counterpoint-The National Endowment for the Arts: Fostering America's Artistic Expression by Hugh Southern, 21 Journal of Arts Management and Law 55 (1991)

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Professional Sports Leagues, Antitrust, and the Single-Entity Theory: A Defense of the Status Quo by Michael S. Jacobs, 67 Indiana Law Journal 25 (1991)

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Television Without Frontiers? by Suzanne Michele Schwarz, 16 North Carolina Journal of International Law and Commercial Regulation 351 (1991)

Radio for the 1990s: Legal Strategies in an Emerging Global Marketplace by Thomas Joseph Cryan, Susan V.

Massey, and James S. Crane, 22 The University of Miami Inter-American Law Review 377 (1991)
[ELR 13:8:21]