RECENT CASES

Giancarlo Parretti's breach of obligation to act in good faith and deal fairly with MGM and Credit Lyonnais bank entitled bank to remove Parretti directors from MGM board, rules Delaware court

Pathe Communications Corp., the parent of MGM-Pathe Communications Co., obtained about $145 million in loans from the Credit Lyonnais Bank Nederland pursuant to a Corporate Governance Agreement, one of a series of agreements entered into in April 1991. The loans were secured by Pathe's controlling block of MGM stock. Credit Lyonnais claimed that Pathe defaulted on the loans and sought a judicial determination as to the ownership of the stock and an injunction enforcing the governance agreement and barring future violations of the agreement.

The bank stated that in June 1991, it had removed from the MGM board Giancarlo Parretti, Maria Cecconi and Yoram Globus. In November 1990, Parretti, as described by Delaware Chancellor Allen, caused Pathe to acquire MGM. Cecconi was Parretti's wife. Globus formerly controlled Pathe (then known as Cannon Films) and continued to work for the company after Parretti obtained control. The Pathe parties claimed that the bank's purported removal of the directors was invalid and breached the April agreements. Pathe purported to remove the bank's designated directors and to appoint a new board, including Cecconi and Globus.

Chancellor Allen, in an 89 page opinion, found that Parretti "insistently and continually breached the foundational requirement of all contracting parties: to act with respect to the subject matter of the contract with good faith and to deal fairly," and concluded that from the outset of the corporate governance agreement, Parretti "willfully breached this obligation and as a consequence [Credit Lyonnais] was legally entitled to exercise its rights to remove him and his associates from the MGM board..."

The court reviewed Pathe's $1.33 billion acquisition of MGM from Kirk Kerkorian, noting that on November 1, 1990, Parretti installed himself as chairman and chief executive officer of MGM; Pathe owned 98.5% of MGM, and a company known as Sealion was a 1.5% owner.

In the course of the acquisition, observed Chancellor Allen, MGM had licensed away most of its films, factored the receivables resulting from such contracts, borrowed heavily and paid all the cash those transactions generated to Kerkorian; the company thus lacked cash and cash producing assets.

At the beginning of April, 1991, certain of MGM's vendors filed a Chapter 7 proceeding against the company in the United States Bankruptcy Court. Subsequently, MGM restructured its management under the corporate governance agreement. The bankruptcy proceeding was dismissed.

Chancellor Allen, evaluating Pathe's activities in April and May, 1991, remarked that "from the first moment, Giancarlo Parretti barely masked his efforts to continue to dominate and control the management of MGM." In order to provide a liaison between Pathe and MGM, Charles Meeker became president of MGM on May 29th. Alan Ladd Jr., as the chairman of MGM, continued to manage the company.

On June 14, 1991, a meeting was held at Pathe's offices in Los Angeles. Although Parretti, Globus and Cecconi attended the meeting, there was no quorum under the corporate governance agreement. According to the court, the resolutions adopted during the meeting induced the bank to exercise its voting power to remove the Pathe parties from the MGM board. Without reaching the question of whether the Pathe parties intended to take effective corporate action at the June meeting, Chancellor Allen concluded that Parretti and his associates "intended to use the meeting and the minutes...as pressure points to extract from the bank its agreement to allow Parretti and [Pathe] to exercise more power than the Corporate Governance Agreement had left them."

Parretti notified the bank that the corporate governance agreement was invalid because delegating authority to an executive committee was inconsistent with Pathe's obligations under a 1987 SEC consent decree requiring Pathe to maintain a system of internal accounting controls for its subsidiaries. Thus, stated Parretti, MGM could not engage in transactions without first obtaining Pathe's consent.

After the June meeting, the bank exercised its rights under a voting trust agreement (which the parties had entered into at the same time as the corporate governance agreement), had the MGM shares transferred into its name and executed a shareholders' consent purporting to remove Parretti, Globus and Cecconi from the MGM board.

In concluding that Parretti breached the corporate governance agreement, and that the bank did not breach its agreement with Parretti or his affiliates or behave towards Parretti in an inequitable or unfair way, Chancellor Allen stated that Parretti "continually breached the obligation to act with respect to the subject matter of the contract in good faith and to deal fairly, so that the bargain for which the other gave value should not, by his action, be defeated or materially impaired." Although contracting parties are not fiduciaries for each other, "there are outer limits to the self-seeking actions they may take under a contract."

The court stated that Parretti's entire course of conduct violated the agreement, citing, among other acts: Parretti's attempt to obtain a right of prior approval on the rehiring of former employees; a memo by a Parretti associate instructing MGM department heads to report to Pathe; the memo of Pathe's general counsel to MGM lawyers requiring pre-signing review of all agreements; and Parretti's "elaborate maneuvering" designed to force the bank to abandon its right to have Ladd manage MGM.

It was further found that Parretti failed to disclose material information to Credit Lyonnais concerning the financial condition of MGM at the time of the April agreements, even as the bank continued to extend additional credit to MGM.

The court concluded that neither the Ladd management team nor Credit Lyonnais breached a fiduciary duty or a duty of good faith and fair dealing owed to Parretti and Pathe, and, in all, that the bank's action in removing Parretti, Cecconi and Globus was valid and effective.

Credit Lyonnais Bank Nederland, N.V. v. Pathe Communications Corporation, Case No. 12150 (Del. Chancery Ct., Dec. 30, 1991) [ELR 13:10:3]

Producer of "Young Guns" is entitled to trial in federal court on Lanham Act and copyright infringement claims against Capital Cities/ABC and producer of "The Young Riders" television series; in companion state court case, a Los Angeles trial court grants injunctive relief to producer of "Young Guns" in unfair competition action against Capital

Cities/ABC and requires disclaimers to appear on "The Young Riders" broadcasts and advertisements

In 1988, Morgan Creek Productions released a film entitled "Young Guns" about six teenage gunfighters in the Old West. The film featured contemporary themes and language and modern rock music, and included a character portraying the historical figure Billy the Kid. In 1990, Morgan Creek released the sequel "Young Guns II." The advertising campaign for Young Guns included a poster containing a photograph of the six young actors in costume with the film's title and the phrase "Six Reasons Why the West Was Wild."

Capital Cities/ABC, Inc., in 1989, began broadcasting a weekly television program entitled "The Young Riders." The one-hour western drama about six teenage Pony Express riders in the Old West featured young actors, contemporary themes and language, modern rock music, and two characters portraying the historical figures "Wild Bill" Hickok and William F. Cody. One advertisement for The Young Riders included a poster containing a photograph of the program's cast in costume with the program's title and the phrase "When the West was Young and Wild."

Federal District Court Judge Ronald S.W. Lew, in considering Morgan Creek's trademark infringement claim, noted that the company had obtained a non-exclusive one-film waiver to use the title Young Guns from Lorimar Telepictures, which owned the rights to a 1957 film called The Young Guns. The ABC parties challenged the apparent assignment in gross, but the court stated that Lorimar may not even have held a valid trademark in the title. It was observed that a film's title may not be copyrighted, and that a literary title cannot be a trademark unless it has acquired secondary meaning. The record did not indicate, stated Judge Lew, that Lorimar's title acquired a secondary meaning - registration with a film industry association such as the Motion Picture Association of America - does not create a protectible trademark under federal law.

After rejecting an abandonment argument based on Morgan Creek's agreement to license back rights in the title to Lorimar, the court stated that Morgan Creek was free to establish that the title Young Guns had acquired a secondary meaning dating from the l988 release of the film.

The ABC parties next argued that The Young Riders, as an artistic title, was protected expression under the First Amendment. Thus, once the artistic relevance of the title to the underlying work was established, the title would be protected unless Morgan Creek could demonstrate that The Young Riders title was explicitly false and misleading as to source or that it explicitly misstated the source. The court declared that ABC's reliance on

New Kids on the Block v. New America Publishing, Inc, 745 F.Supp. 1540 (C.D.Ca. 1990; ELR 12:6:3; 12:10:18) and on Rogers v. Grimaldi, 875 F.2d 994 (2d Cir. 1989; ELR 10:4:13) was misplaced. Neither case, in the court's view, involved the issue of whether one artistic title was confusingly similar to another. In Rogers, the performer lost because she could not establish that the producer's title lacked any artistic relevance or that it explicitly misled as to source or content. But Judge Lew cited the cautionary footnote of the Rogers court, in which the court stated that its limiting construction "would not apply to misleading titles that are confusingly similar to other titles" and that where confusingly similar titles are involved, the "public interest in sparing consumers...confusion outweighs the slight public interest in permitting authors to use such titles."

ABC then claimed that the title Young Guns was generic because the term "young guns" was, as described by the court, "a common descriptive phrase which denotes young men out to prove themselves." Judge Lew, although declining to make a broad ruling that all literary titles are per se descriptive rather than generic, found that in the instant case, Young Guns was descriptive and would be protected against an infringing film title if it acquired secondary meaning. Connecting the title Young Guns with the underlying film required "an act of imagination which makes the title descriptive rather than generic," declared the court.

The fact that the word "young" was generic did not necessarily make the entire title unprotectible. Judge Lew noted that "words which could not, standing alone, become a trademark may become one when taken together." The use of the word would be considered with respect to whether a competing mark containing the same word would be likely to create confusion.

Judge Lew next found as a matter of law that the title Young Guns had acquired secondary meaning, but reserved for the jury the issue of whether there was a likelihood of confusion between Young Guns and The Young Riders.

Morgan Creek also presented a trade dress claim based on the parties' promotional posters, each of which featured photographs of the cast members in costume with the titles and slogans of the works prominently displayed. Judge Lew pointed out that Morgan Creek did not seek merely to protect the photograph, or even the combination of the photograph with the words "wild" and "west." Morgan Creek's claim was based on the total combination of the photograph, slogan and title. While none of the elements of the poster, in and of itself, was necessarily unique or legally protectible, the court described the combination as "quite distinctive," and found that the poster was fundamentally aesthetic and not a functional work, as argued by ABC. ABC's motion for summary judgment based on the alleged functionality of Morgan Creek's trade dress was denied accordingly.

Judge Lew then declared that Morgan Creek provided sufficient evidence of secondary meaning to create a genuine issue of material fact with respect to whether the company's artwork, allegedly copied by ABC, had acquired secondary meaning.

It also was found that Morgan Creek presented sufficient evidence for a jury to conclude that ABC's advertisement was likely to confuse consumers, and that summary judgment in favor of ABC therefore was inappropriate.

In turning to Morgan Creek's copyright infringement claim, Judge Lew began the extrinsic analysis by pointing out that basic story ideas are not protectible, nor are the situations and incidents which flow from a basic plot premise. The court responded to viewing Young Guns and the pilot for The Young Riders by finding many dissimilarities between the works, citing, in part, the fact that the essential theme of Young Guns was revenge; the theme of the television program was "sheer adventure." Furthermore, The Young Riders, including one women, worked for the Pony Express; the Young Guns did not have a woman rider, and the teenagers were "more akin to vigilante gunfighters than honest working boys."

However, Judge Lew remarked that in comparing a single feature film with an entire series of shorter television episodes, it would be difficult to find a one-to-one correspondence between the sequence of events in the works. The court declined to rule that a television series can never, as a matter of law, infringe a feature film, even where the episodes copy major plot lines, themes, dialogue, mood, setting, pace and characters from the feature film and "simply mix them up in different weekly shows.."

Judge Lew refused to find as a matter of law that there was a lack of substantial similarity between Young Guns and The Young Riders under the extrinsic test.

The court also refused to grant summary judgment to ABC based on the company's claim of independent creation. Apparently, a television treatment, entitled, at various times," On the Plains" and "The Kid" featured a Pony Express rider engaged in adventures in the Old West. The treatment was not purchased or produced until after the successful release of Young Guns. The court noted that Morgan Creek's claim was based on more than just the pilot script of The Young Riders, but that it was the pilot script alone which allegedly existed prior to the release of Young Guns. A basic story concept involving teenaged Pony Express riders may have existed prior to Young Guns, but the copyright laws do not protect basic story concepts, reiterated Judge Lew, and Morgan Creek was entitled to a trial on its copyright infringement claim.

ABC also sought summary judgment on Morgan Creek's request for damages on the ground that the producer failed to provide specific evidence as to the fact, causation and amount of injury. Morgan Creek stated that it incurred injury by losing the opportunity to produce its own television series based on Young Guns; by the loss of merchandising, ancillary marketing, and syndication opportunities involved in a television sequel to Young Guns; by the decreased box office revenue for Young Guns II allegedly caused by ABC's "oversaturation" of the teenage Western consumer market and because of the allegedly inferior quality of ABC's television series; and by incurring reputational injury.

Judge Lew found that Morgan Creek did not introduce evidence of lost profits and granted ABC summary judgment with respect to the first two areas of injury, and further found that Morgan Creek presented sufficient evidence to withstand ABC's motion for summary judgment on the latter two areas of injury.

The court concluded by granting a motion for summary judgment sought by Michael Ogiens and Josh Kane who helped MGM/UA Television Production Group produce the pilot and a few initial episodes of The Young Riders. MGM delivered the program to ABC for broadcast. The alleged trade dress infringement did not pertain to Ogiens and Kane who were not involved in any way with the advertising campaign for The Young Riders, stated Judge Lew. And Ogiens and Kane were not, on several grounds, vicariously or contributorily liable for the alleged infringement.

Ogiens and Kane also obtained summary judgment with respect to Morgan Creek's title infringement claim.

In a companion state court action, a Los Angeles trial court has granted Morgan Creek's motion for summary judgment in the company's unfair competition action against Capital Cities/ABC, Inc.

In its tentative ruling (subsequently adopted by the court, except for certain specified language), the court found that Morgan Creek established that the title "Young Guns" had acquired a secondary meaning, and rejected ABC's arguments that Morgan Creek did not demonstrate the validity of the Young Guns trademark, that the title was a generic term not subject to trademark, and that Morgan Creek had obtained an assignment in gross in the title.

The court granted Morgan Creek a permanent injunction barring the ABC parties from using the title "The Young Riders" in advertising, promoting, broadcasting, syndicating or distributing the television series of that name unless the parties cause to be broadcast, "either immediately preceding or immediately following the title at the outset of each episode, in prominent and legible type the following disclaimer: A production of MGM Worldwide Television Group. Not based on Morgan Creek's films Young Guns and Young Guns II." The disclaimer also must appear in all print advertisements, press releases, and publicity materials.

The court also required the ABC parties to include in all television and radio advertisements and promotions the following disclaimer: "Not based on Morgan Creek's films Young Guns and Young Guns II;" and to place, once a month for three consecutive months, beginning in December 1991, in Daily Variety or Hollywood Reporter, a full page advertisement stating that pursuant to the order of the court, the ABC parties advise that "the television series The Young Riders is a production of MGM Worldwide Television Group. It is not approved, produced, sponsored or endorsed by the producer of the motion pictures Young Guns and Young Guns II, Morgan Creek Productions, Inc."

Morgan Creek Productions, Inc. v. Capital Cities/ABC, Inc., Case No. CV-89-5463 (C.D.Cal., Oct. 25, 1991); Morgan Creek Productions, Inc. v. Capital Cities/ABC, Inc., Case No. C743395 (Cal.Super.Ct., L.A.Cnty., Nov. 15, 1991) [ELR 13:10:4]

Federal Communications Commission affirms relaxation of financial interest and syndication rules

In October 1991, the Federal Communications Commission, by a 3-2 vote, affirmed an April 1991 order which substantially relaxed the Commission's financial interest and syndication rules.

The April Report and Order deleted the restrictions on network ownership and syndication of network programming as to all day parts and all programs other than prime time entertainment; allowed networks to retain all rights in all "in-house" productions of network programs; permitted networks to produce "in-house" up to forty percent of their prime time entertainment schedules; allowed networks to acquire all rights, including financial interest, domestic syndication rights and foreign syndication rights, in outside productions on their own or another network, subject to certain safeguards; allowed networks to engage in domestic syndication of all "in-house" productions aired on their network, subject to certain safeguards; allowed networks to engage in foreign syndication of network programs without limitations; and allowed limited network participation in first-run syndication.

The Report and Order also established a new definition of "network" and imposed certain reporting requirements.

In response to the filing of petitions for reconsideration, the Commission clarified certain definitions relevant to co-productions - program production arrangements in which a network and producer share in each of three criteria of control: copyright ownership; financial responsibility; and business and production control. A network, stated the Commission, may engage in co-productions with entities in which it holds a non-controlling interest. The Commission clarified the definitions of domestic and foreign production entities so as to distinguish between the two, based, in part, on the location of an entity's principal production headquarters.

Safeguards against affiliate favoritism were clarified to apply to a new network as soon as the network meets the "network" definition threshold. And corrections were made to conform the new rules to the express language of the Report and Order. Language was added to the rules to state explicitly that the networks remain prohibited from actively syndicating domestically any first-run programming, including programs produced solely in-house and aired outside of prime time.

Commission Chairman Alfred C. Sikes, who dissented from the April decision, issued a statement in which he adverted to the proliferation of competition in the television industry and questioned the continued regulation of network program acquisition and syndication activities. Sikes noted that many of the restrictions on the networks were enacted in the 1970s - "light years away from today's video market realities."

Commissioner James H. Quello dissented from the overall result, but concurred in the decision to reject "numerous requests to adopt an even more burdensome set of rules."

A statement by Commission Sherrie P. Marshall expressed the view that the Commission's proceeding accomplished the goal of "providing the networks with far-reaching new liberties while maintaining minimal safeguards to protect the diversity of programming the American viewing public expects and deserves."

Federal Communications Commission, Relaxation of Financial Interest and Syndication Rules with Minor Clarifications, Docket No. 90-162, 1991 FCC LEXIS 5609 (Oct. 24, 1991) [ELR 13:10:6]

FCC denies Major League Baseball's petition to bar concurrent airing of games by local broadcasters and cable television superstations

Under the Federal Communications Commission's program exclusivity rules, television broadcast station licensees who have contracted for network program nonduplication rights, subject to proper notification and certain exceptions, may require cable systems located within the geographic zone for the network program to refrain from carrying the program as broadcast by any other television signal.

A network program, as defined by the Commission, includes "any program delivered simultaneously to more than one broadcast station, regional or national, commercial or noncommercial." According to the Commission, a network program is not necessarily a program of one of the major national television networks, but can be a program distributed by a regional sports network. A network program's geographic zone usually is a thirty-five mile zone extending from a specified reference point in the broadcast station licensee's community.

Major League Baseball sought a clarification or a waiver of the network program nonduplication rules in the situation arising when a game is broadcast in the market where the game is played, and the visiting team's games are broadcast by a distant station that is carried by cable systems located within the home team's market. The baseball parties stated that they would not require cable operators to black out all distant signal broadcasts of baseball games, but to require deletions of simultaneous distant signal broadcasts of games to which a local area broadcaster had been granted exclusive rights from a baseball club.

In denying Major League Baseball's request, the Commission emphasized that the complained-of duplication by a distant station did not arise from a single telecast. The baseball parties had authorized two separately created telecasts, "albeit of the same event," noted the Commission, by separate and unconnected broadcasters.

The telecasts, each with its own audio and video, were separate programs; they were not "network programs" within the meaning of the Commission's rules and were not entitled to protection under the network program nonduplication rules. The argument that it was the game itself rather than its telecast that was entitled to exclusivity was rejected, given the many authorities holding that baseball games are not copyrightable, although the fixed telecasts of the games may be. Furthermore, the baseball parties' own licensing arrangements created the situation where the broadcasts of some games compete nationwide by means of certain superstations, noted the Commission.

The Commission concluded by stating that granting the baseball parties' petition would not be in the public interest.

In re Major League Baseball, Federal Communications Commission, 1991 FCC LEXIS 5206 (Oct. 1, 1991) [ELR 13:10:7]

U.S. Supreme Court declines to review decision holding that FCC's order barring all broadcasts of "indecent" material violates First Amendment

In October 1988, the President signed into law a 1989 appropriations bill containing the following rider: By January 31, 1989, the Federal Communications Commission shall promulgate regulations in accordance with section 1464, title 18, United States Code to enforce the provisions of such section on a 24 hour a day basis" (emphasis added by Federal Court of Appeals Chief Judge Mikva). The Commission, accordingly, issued a rule order barring all broadcasts of "indecent" material.

In June 1989, the United States Supreme Court, in Sable Communications of California, Inc. v. FCC (ELR 11:4:20), found that a blanket ban on indecent commercial telephone messages was unconstitutional.

Subsequently, the Federal Communications Commission, upon consideration of public comments on the validity of a total ban on broadcast indecency, concluded that no alternative to a total ban would serve the government's compelling interest in protecting children from such indecency.

A Federal Court of Appeals in Washington, D.C., in reviewing the Commission's order, noted that in an earlier ruling, the court had rejected vagueness and overbreadth challenges to the Commission's generic definition of indecency, but found that the Commission was required to establish a reasonable "safe harbor" rule. The Commission defines indecency as "language or material that, in context, depicts or describes, in terms patently offensive as measured by contemporary community standards for the broadcast medium, sexual or excretory activities or organs." The court reiterated its earlier ruling with respect to the reasserted claims of unconstitutional vagueness and overbreadth.

Chief Judge Mikva then recalled that the court previously had instructed the Commission, on remand, to "afford broadcasters clear notice of reasonably determined times at which indecent material safely may be aired." Although Congress mandated the total ban on broadcast indecency, the court emphasized such a prohibition would be unconstitutional. It also was observed that the introduction of the appropriations rider preceded the issuance of the court's earlier decision. In all, Congress' action could not preclude the Commission from creating a safe harbor exception to its regulations of indecent broadcasts, held the court, in remanding the matter to the Commission for further proceedings.

The United States Supreme Court has declined to review the court's decision.

Action for Children's Television v. Federal Communications Commission, 932 F.2d 1504 (D.C.Cir. 1991) [ELR 13:10:7]

Importer of sound recordings manufactured abroad is not entitled to "first sale" defense in copyright infringement action

BMG Music, CBS Inc. and A&M Records, Inc. sued Edmundo Perez and his wholly owned corporations, alleging that Perez purchased copyrighted sound recordings manufactured abroad, exported them to the United States and sold the recordings without authorization from the copyright owners.

A Federal District Court granted the BMG parties' motion for a preliminary injunction barring Perez from importing or selling any of the works in issue. Apparently, Perez, while the injunction was in force, did engage in the sale of such works. The District Court found Perez in contempt and imposed a sanction of $10,000 for each violation of the preliminary injunction.

After a bench trial, the court found that Perez wilfully infringed the BMG parties' copyrights and awarded statutory damages of $15,000 for each infringement and attorneys' fees (ELR 11:10:21).

A Federal Court of Appeals has upheld the District Court's decision. Section 602(a) of the Copyright Act prohibits the importation, without the copyright owner's permission, of copies acquired outside the United States. Section 109(a) of the Act prevents a copyright owner who has sold copies of a work from interfering with the later sale of those copies if "lawfully made under this title."

Judge Robert R. Beezer stated that the first sale doctrine does not provide a defense to infringement for goods manufactured abroad; the statutory protection extends only to copies legally made and sold in the United States.

Perez' argument that the infringement was de minimis also was rejected. Perez imported multiple copies of sound recordings for commercial resale, noted Judge Beezer, "exactly the behavior proscribed by the statute."

The court denied Perez' claim that the fact that the works were unavailable in the United States provided him with a First Amendment defense to liability for copyright infringement, and upheld the orders awarding the BMG parties statutory damages, attorneys fees and sanctions.

BMG Music v. Perez, Case No. 89-56318 (9th Cir., Dec. 24, 1991) [ELR 13:10:8]

Court dismisses libel action against Forbes Magazine arising from article on financing of Walt Disney films by Silver Screen limited partnerships

A New York trial court has dismissed a libel action brought by Silver Screen Management Services against Forbes Magazine.

An article entitled "So You Want to be in Pictures" appeared in the March 21, 1988 issue of the magazine. The article reviewed the financing of Walt Disney Company films by Silver Screen limited partnerships and, as described by Judge Fingerhood, concluded that an investment in Disney stock would be more profitable than an investment in the partnerships. Soon after the article was published, there was a public offering of units of the fourth Silver Screen limited partnership. Various Silver Screen parties claimed that the public offering was less successful and more expensive due to the appearance of the article and the subsequent television and radio broadcasts based on the article.

Judge Fingerhood found that Forbes refuted Silver Screen's allegation of gross irresponsibility by showing that the magazine's investigation met appropriate "standards of information gathering. The court also stated that the article was constitutionally protected because it consisted of opinion based on facts which were "free of material error." Silver Screen did not show that the factual statements in the article were false. Judge Fingerhood observed that the statements of fact in the article were not substantially different from those in the limited partnership prospectus, and that certain statements of fact alleged to be false either were true or not defamatory.

The court dismissed the cause of action for defamation; found that Silver Screen's claims alleging injurious falsehoods, tortious interference with business relations and prima facie tort were based on a publication concerning matters of public concern; and granted Forbes' motion for summary judgment.

Silver Screen Management Services, Inc. v. Forbes, Inc., New York Law Journal, p. 30, col. 6 (N.Y.Cnty., Dec. 16, 1991) [ELR 13:10:9]

New York court dismisses "libel in fiction" claim against author and publisher of novel "Disappearing Acts"

In April 1991, a New York trial court dismissed a libel action brought by Leonard Welch against Terry McMillan, the author of "Disappearing Acts," and publisher Penguin Books USA.

Welch, who had a three year relationship and a son with McMillan, claimed that the protagonist of the novel, Franklin Swift, could be identified as Welch. Welch and Swift, as described by Judge Jules L. Spodek, had the same physical appearance, education, and employment, and shared similar breakfast and bathing habits. Each man owned a fish tank, had a trick knee, and was the only son in a family with three children. The men met their girlfriends while performing carpentry services at their respective apartments, and both couples had identical vacations, dates and arguments.

The differences between the men included the fact that McMillan characterized Swift as an alcoholic who once raped his girlfriend, used drugs, and was "occasionally lazy, hostile, a racist, homophobic and emotionally unbalanced. He was wrongfully discharged from the Navy due to his uncontrollable temper, hates his parents and accepts payoffs by contractors not to go to work." Leonard Welch, stated the court, was none of those things.

In addition to alleging that his relationship with McMillan paralleled and imitated that of Swift and the book's female protagonist, Welch set forth causes of action for negligence based upon the purportedly erroneous labelling of the book as a novel, and for the intentional infliction of emotional distress arising from the book's dedication to the parties' son.

Judge Spodek agreed with a commentator who stated that in a libel in fiction claim, "the identity of the real and fictional personae must be so complete that the defamatory material becomes a plausible aspect of the real life [individual] or suggestive of the [individual] in significant ways. Identification alone is insufficient. Only when the immediate context of the allegedly defamatory statement convinces the reader of the statement's literal truth - when, that is, it ceases to be merely imaginable or plausible and begins to be believed - do damages to reputation, and thus liability, become possible."

In the instant matter, a sample of individuals who might have known Welch and read the book indicated that while they recognized the main male character in the work as Welch, they denied that Welch possessed any of the fictional Swift's defamatory characteristics. It appeared that those who knew Welch had no difficulty differentiating him from Swift; the allegedly defamatory material was not believed. For Judge Spodek, a libel in fiction action requires a showing that the reader is totally convinced that the book, in all those aspects related to the complaining party, is not fiction at all.

Welch may have been a model or inspiration for Swift, but the complained-of statements created "a profound, characterological alteration" of Welch such that a reasonable reader could not possibly attribute the defamatory aspects to him.

The court, accordingly, dismissed all causes of action against the McMillan parties.

Welch v. Penguin Books USA, Inc., 1991 N.Y.Misc. LEXIS 225 (Kings Cnty., April 3, 1991) [ELR 13:10:9]

Court upholds record promoter's convictions for bribing radio station directors in violation of Travel Act and "payola" statute

Howard Goodman promoted records for various companies by, in part, contacting radio stations throughout the United States in order to persuade the stations to add records to their playlists.

In 1982, Goodman contacted Kirk Clyatt, the program director of WQID, a radio station in Jackson, Mississippi. Goodman purportedly told Clyatt that he would pay the program director to add records to the station's playlist and report the playlist additions to Radio and Records, a weekly music industry newspaper. When Clyatt began working for a California radio station, Goodman purportedly continued the payments.

Clyatt apparently added about five records a week, and stated that in 1982 he received between $8,000 and $10,000 from Goodman, and that in 1983, 1984 and 1985, he received between $15,000 and $20,000, about $10,000, and $25,000, respectively. Clyatt did not report the payments to the stations.

Goodman allegedly also paid Jim Chick, the program director at WTYX in Jackson, for playlist additions, averaging two to three payments a month; Chick testified that he added records which he would not have included were he not being paid by Goodman.

Goodman was convicted of violating the Travel Act, 18 U.S.C. 1952; the counts were based upon the mailing of cash from Tennessee to Mississippi. The government argued that the payments constituted bribes under Mississippi's commercial bribery statute.

Goodman claimed that his mailings to Chick occurred after Chick had added records to the playlist and informed Goodman of such additions, and that the government did not prove that Goodman engaged in any proscribed conduct after Goodman used the mail.

Federal Court of Appeals Judge Alan E. Norris described the activities in issue as "multiple payments for multiple 'adds'...the events were thus linked together in a continuing scheme.

Chick had testified that the money from Goodman influenced his decision to use Goodman's promotional lists. It was reasonable to conclude, stated Judge Norris, that the receipt of the mailed payments had the effect intended by Goodman - "it influenced Chick's decision to continue the relationship. The mailing served both to reward a past transgression and to influence or promote a future one." In all, a rational juror could find that Goodman committed acts in furtherance of bribery after using the mails.

Goodman's conviction of conspiring to violate the Travel Act also was upheld, as were convictions on charges that Goodman violated the "payola" statute, 47 U.S.C. 508. The statute forbids the payment of money to radio station employees "[f]or the inclusion of any matter as a part of [the] program or program matter" unless the payment is disclosed to the employer of the person being paid.

Goodman argued that the statute required the actual broadcast of the material for which payment was made.

And assuming that the records actually were played on the radio stations, Goodman further argued that the government failed to prove that he intended the playing of the records.

The court disagreed with Goodman's argument that the payola statute required proof of an actual broadcast - the government was required to prove only that Goodman paid money for the purpose of having the records broadcast. The evidence showed that Goodman paid program directors to put his records on their playlists, and since paying to have records placed on the playlists contemplated having the records played on the air, stated Judge Norris, this evidence was sufficient to meet the requirements of the statute.

The court reversed Goodman's conviction on one charge of mailing a bribe in violation of the Travel Act because of insufficient evidence that there was a mailing on the date in issue.

United States v. Goodman, 945 F.2d 125 (6th Cir. 1991) [ELR 13:10:10]

Public Enemy obtains national multi-district injunction and order of seizure for distribution of unauthorized merchandise

A Federal District Court in Missouri has granted the rap group Public Enemy and the group's merchandising licensee, Winterland Productions, a national, multi-district injunction and order of seizure.

The court prohibited the manufacture and distribution of clothing, posters and other merchandise bearing the trademarks, logos and other indicia of the group, and ordered the seizure of unauthorized items sold by various named and other unidentified individuals in the vicinity of the St. Louis Arena at the Public Enemy concert on December 1, 1991.

Judge George F. Gunn, Jr. authorized law enforcement officers throughout the United States to enforce the order with respect to the manufacture and distribution of infringing and imitation merchandise within three miles of any Public Enemy concert during the group's 1991 tour.

Winterland Concessions Company v. Douglas, Case No. 91-2397-C-6 (E.D.Mo., Dec. 2, 1991) [ELR 13:10:10]

Limited partner is entitled to ordinary loss arising from abandonment of interest in film production limited partnership

In September 1980, B. Philip Citron became a limited partner in a California limited partnership known as Vandom. The general partner of Vandom was Vandom, Inc. Robert Burge, a motion picture producer and director, was the president of Vandom, Inc.

When Vandom completed production of a film entitled "Girls of Company C," also known as "The Girls of Charley Company," the negative of the film was sent to Pacific Film Lab. The lab apparently delivered the negative to Joe Bardo. Bardo, doing business through a corporation known as Millionaire Productions, was an executive producer of the film, and held certain distribution rights. Bardo refused to return the negative to Burge for cutting and editing.

Burge notified the limited partners that he proposed to convert a work print of the film (a copy of the negative) into an X-rated film. In December 1981, Citron advised Burge that he did not intend to advance more money to the limited partnership or participate in any further activities of Vandom. The limited partners then voted to dissolve Vandom.

Vandom's final partnership return for the period ending December 31, 1981, indicated no assets, liabilities, or capital. Citron's 1981 income tax return claimed a $60,014 loss. The Commissioner of Internal Revenue disallowed the entire amount of the claimed loss, and determined a federal income tax deficiency of about $34,000.

The United States Tax Court, although rejecting Citron's claim that he had incurred a "theft or embezzlement" loss under section 165(a), found that Citron abandoned his partnership interest during the 1981 taxable year. Judge Gerber agreed that Citron had shown affirmative acts of abandonment during 1981, and had no further dealings with, or distributions from, Vandom or Burge after December 1981.

Judge Gerber then rejected the Commissioner's arguments that if a loss occurred, it was from a sale or exchange and should be characterized as capital and limited to $3,000 for 1981. The court, stating that its holding was limited to those situations where, as in the instant case, there were no liabilities owed by the partnership, found that Citron was entitled to ordinary loss treatment with respect to the abandonment of the Vandom partnership interest during 1981.

Certain distributions to Citron caused a reduction of the basis of his capital investment, resulting in an adjusted basis of $54,000. The court held that Citron was entitled, in his 1981 taxable year, to deduct a $54,000 ordinary loss from the abandonment of his Vandom limited partnership interest.

Judge Swift, in dissent, commented that when Citron allegedly abandoned his interest in Vandom, Citron "apparently walked away from these debts he owed to

Vandom (in the total principal amount of at least $6,000)." Vandom made interest payments on behalf of Citron with regard to the $60,000 loan Citron obtained from the bank. Vandom had agreed to pay such interest from profits. Judge Swift pointed out that the partnership had no profits; that the payments were contrary to the partnership agreement; and that the provision of the agreement making Citron not liable to reimburse the partnership for interest paid out of partnership profits thus may not have been applicable. Granting Citron relief from, or the extinguishment of, the debts Citron owed to Vandom seemed to Judge Swift to constitute consideration - this would have required the transaction to be treated either as a sale or exchange, or as a distribution.

Judge Swift also questioned the court's finding of abandonment, pointing out that Citron claimed a continuing ownership interest in Vandom not only on his 1981 tax return, but on tax returns for 1982 and 1983. For Judge Swift, contrary to the majority's findings, the evidence did not adequately establish express affirmative acts of abandonment by Citron with regard to his interest in Vandom.

Citron v. Commissioner of Internal Revenue, 1991 U.S. Tax Ct. LEXIS 71 (Aug. 5, 1991) [ELR 13:10:11]

Author of "The Enneagram" obtains summary judgment in copyright infringement action brought by Arica Institute

The Arica Institute, a nonprofit educational institution founded by Oscar Ichazo offered training "for the whole human being focused on the clarification of consciousness." In 1973, Arica registered with the Copyright

Office eight separate volumes comprising "The Lectures of Oscar Ichazo." The Arica system used "enneagons" or "enneagrams" - nine-pointed stars typically surrounded by a circle - as part of Ichazo's training system.

In 1984, Helen Palmer published a book entitled "The Enneagram," a guide to understanding human personality based on nine dominant personality types. Palmer's sources for the book included material based on G.I. Gurdjieff's work with enneagrams; student interviews; the book "Interviews with Oscar Ichazo," a collection of interviews by journalists and members of Arica; and other material. Palmer never attended an Arica training and stated that she did not inspect any Arica works deposited in the Library of Congress or any other works by Ichazo, except as described above.

Six months after Ichazo sued Palmer for copyright infringement, HarperCollins decided to issue 35,000 paperback copies of "The Enneagram." The paperback version added a one-page notice referring to the litigation and stating that neither Palmer nor HarperCollins was affiliated with Arica and that "The Enneagram" was neither endorsed nor authorized by Arica Institute or Oscar Ichazo.

In April 1991, Federal District Court Judge Robert P. Patterson, Jr. refused to grant Arica's motion for a preliminary injunction barring the release of the paperback edition of Palmer's work. The court agreed with Palmer that Arica was seeking to prevent "heresy" not copyright infringement.

Judge Patterson found that Arica did not show a likelihood of success on the merits, noting that neither Ichazo's system of ego fixations nor the individual words and phrases in the Arica materials pertaining to that system were copyrightable; that the cited instances of alleged copying did not exhibit substantial similarity; and that the few instances of possible copying constituted fair use. It appeared to the court that the alleged "misappropriation" of the "same words, same schemas, same theories as Arica" were not protected under the copyright laws.

The court subsequently granted Palmer's motion for summary judgment. Judge Patterson referred to the finding that any similarity between Ichazo's works and Palmer's book based on non-copyrightable elements did not constitute copyright infringement.

With respect to three passages involving substantial similarity to copyrighted expression appearing in "Interviews with Oscar Ichazo," the court determined that Palmer's use of the material in "The Enneagram," a work of "comment, criticism, scholarship and research," was a fair use.

The court also granted Palmer's motion for summary judgment on Arica's causes of action alleging false designation of origin, unfair competition, and palming off.

Arica Institute, Inc. v. Palmer, 761 F.Supp. 1056; 770 F.Supp. 188 (S.D.N.Y. 1991) [ELR 13:10:11]

Creator of baseball pitching statistics form may proceed with copyright infringement action against Associated Press, rules Federal Court of Appeals; dissent states that merger doctrine precludes copyrightability of form

A Federal District Court in New York dismissed George L. Kregos' copyright and trademark infringement claims against Associated Press arising from the use of a baseball pitching form (ELR 12:3:12). A Federal Court of Appeals has affirmed the dismissal of the trademark claims, but found that Kregos was entitled to a trial on the copyright claim, although the available relief "may be extremely limited."

Kregos' copyrighted form, as distributed to subscribing newspapers, listed various statistics for scheduled starting pitchers; the information was arranged in a tabular format with a legend explaining the nine categories of information concerning the pitchers' past performances. Kregos asserted rights to the particular selection of categories of statistics on his form.

In 1984, the Associated Press began publishing a pitching form, using statistics compiled by Sports Features Syndicate. The 1984 form was almost identical to Kregos' 1983 form; the wire service and Sports Features changed their form in 1986.

Judge Jon O. Newman, citing Feist Publications, Inc. v. Rural Telephone Service Co., Inc., 111 S.Ct. 1282 (1991; ELR 12:12:17) reviewed the requirements for copyright protection for compilations of facts. The court observed that there were "at least scores of available statistics about pitching performance available to be calculated from the underlying data and therefore thousands of combinations of data that a selector can choose to include in a pitching form." The court declined to find as a matter of law that Kregos, in selecting nine items for the pitching form, failed to satisfy the requirements of originality and creativity. It was noted that there was no prior form that was identical to Kregos' form nor a form varying from the Kregos form in only trivial ways.

In turning to the question of whether the pitching form represented the merger of an idea with its expression, Judge Newman adverted to Federal District Court Judge Goettel's understanding that Kregos' idea was "to publish an outcome predictive pitching form." However, although Kregos selected facts for newspaper readers to consider in making reader predictions of game outcomes, Judge Newman noted that Kregos "did not purport to weight the nine statistics, much less provide a method for comparing the aggregate value of one pitcher's statistics against that of the opposing pitcher in order to predict an outcome or even its probability of occurring. He has not devised a system...[but] compiled facts or at least categories of facts."

The District Court had applied the merger doctrine, concluding that the idea of selecting outcome predictive statistics to rate pitching performance was capable of expression in only a very limited number of ways. But Judge Newman pointed out that there were "a sufficient number of ways of expressing the idea of rating pitchers' performances to preclude a ruling that the idea has merged into its expression."

The court cautioned that Kregos' pitching form was "part way along the continuum spanning matters of pure taste to matters of predictive analysis." Kregos was not only stating an opinion that the nine performance characteristics were the most pertinent, but implied that the selections would be useful in predicting game outcomes. It appeared to Judge Newman that Kregos' "idea" for purposes of the merger doctrine, was "the general idea that statistics can be used to assess pitching performance rather than the precise idea that his selection yields a determinable probability of outcome." Given that there are various ways of expressing that general idea, the court found that the merger doctrine would not have to be applied to assure that the idea would remain in the public domain.

The District Court also had ruled that Kregos could not obtain a valid copyright in the pitching form because of the "blank form" doctrine. Judge Newman referred to the regulations of the Copyright Office which preclude registration to: "Blank forms, such as...account books, diaries, bank checks, scorecards, address books...which are designed for recording information and do not in themselves convey information;" (emphasis added by the court). Once it was determined that Kregos' selection of categories of statistics "displayed sufficient creativity to preclude a ruling as a matter of law that it [was] not a copyrightable compilation of information," that conclusion precluded denying copyright protection to Kregos' work as a "blank form."

Judge Newman concluded by pointing out that if Kregos prevails at trial on the factual issues of originality and creativity, Kregos would be entitled to protection only against the infringement of the protectible features of the forms. Again, Kregos' arrangement of the selected statistics did not display the requisite creativity. And even with respect to the selection of statistics, Kregos would obtain protection only against other forms that copied his particular selection of statistics. It was noted that the 1986 revised Associated Press form in issue contained six of Kregos' nine items, but also included four items that Kregos did not include in his form. In Judge Newman's view, "it may well be that Kregos will have a valid claim only as to the AP's 1984 form."

The court affirmed the dismissal of Kregos' trade dress infringement claim, not on the ground that a functionality defense was established as a matter of law, but on the alternate ground that Kregos failed to create a triable issue of fact as to the existence of secondary meaning in the appearance of his form.

Federal District Court Judge Sweet, sitting by designation, concurred in the court's conclusion that Kregos displayed sufficient creativity to satisfy the Feist Publications standard for copyrightability, but would have affirmed the District Court's grant of summary judgment on the ground that Kregos' idea merged into his expression.

For Judge Sweet, Kregos' selection of the nine statistical categories represented the "very specific idea that these nine statistics were the most significant ones to consider when attempting to predict the outcome of a baseball game." But the format and the arrangement of data existed prior to Kregos' choice of particular items to report. Kregos' "creation," stated Judge Sweet, "was nothing more than that choice, which as an expression seems to me inseparable from its idea." Judge Sweet compared the pitching form with medical diagnostic charts in that both were "expressions intended to assist in predicting particular outcomes, with the data intended to be used as a basis for that prediction."

The baseball card price list, the material in issue in Eckes v. Card Prices Update, 736 F.2d 859 (2d Cir. 1984; ELR 7:3:14), was not associated with any defined event or result, and the information reported was itself the primary feature of attraction, observed Judge Sweet, who again questioned what "expression" the court intended to protect, if not the fundamental expression that the nine statistical categories were valuable in predicting games.

After careful consideration of the merger doctrine, Judge Sweet announced his agreement with the District Court's holding that Kregos' form was uncopyrightable because his idea merged with his expression of that idea.

Kregos v. Associated Press, 937 F.2d 700 (2d Cir. 1991) [ELR 13:10:12]

Former president of bankrupt record company is held jointly and severally liable for damages in copyright infringement claim involving Judy Garland television programs

As reported at ELR 12:8:17, Michael Sidney Luft, a former husband of Judy Garland, owned the copyrights for twenty-six television programs known as "The Judy Garland Show." Luft brought a copyright infringement action against Crown Publishers, Audiofidelity Enterprises, Inc. and Dante Pugliese (incorrectly named in the action as "Daniel" Pugliese), the president of Audiofidelity from 1980 to 1988. Luft alleged that the Crown parties were distributing records and tapes without authorization.

A Federal District Court entered a default judgment against the Crown parties in January 1988. Luft settled his claim against Crown; Audiofidelity's activities were stayed in bankruptcy; and the court entered judgment against Pugliese in the amount of about $102,000 (statutory damages, attorneys fees and costs).

The Court of Appeals remanded the matter for further proceedings with respect to the District Court's order striking Pugliese's answer.

In August 1991, Federal District Court Judge Kevin Thomas Duffy held that Pugliese was jointly and severally liable for the damage award. Pugliese's argument that he was a "mere shareholder" of the corporation was rejected. Although a magistrate had found that Pugliese was not a willful infringer, Pugliese, at one point the president of the company, "was knowledgeable of the infringement and moderately at fault..." for disregarding Luft's notice of the possibility of infringement.

Pugliese, observed Judge Duffy, "negotiated the purchase of the infringing recordings,...supervised their manufacture, distribution, and sale...had a 65 percent interest in the corporation and he was Audiofidelity's president. Surely, he benefitted from the profitability of selling the infringing materials." Pugliese therefore was liable for having to pay the judgment that might have otherwise been lodged against Audiofidelity had the company not been stayed in bankruptcy, concluded the court.

Luft v. Crown Publishers, Inc., 772 F.Supp. 1378 (S.D.N.Y. 1991) [ELR 13:10:14]

Football player's payment to former girlfriend who agreed to drop criminal complaint is not a deductible professional development expense, rules Tax Court

During 1984, Michael Harden was a professional football player for the Denver Broncos Football Club. In the fall of 1984, Michelle Moore, who had had a personal relationship with Harden, filed a criminal complaint against him for sexual assault.

Upon learning of the complaint, the club informed Harden that if the matter became public knowledge, Harden's services would be terminated through either a trade or release.

Moore orally agreed to accept Harden's offer of a financial settlement in return for not pursuing the criminal complaint and for keeping the matter confidential. The club subsequently entered into an employment contract with Harden for the period February 1, 1984 through February 1, 1989.

In September 1984, Harden paid Moore $25,000 for alleged damages for personal injuries; the settlement agreement noted, in part, that the payment was made in order to protect Harden's professional reputation and continued employment.

Harden deducted the $25,000 paid to Moore on his 1984 Federal income tax return as a professional development expense. When the Commissioner disallowed the claimed deduction and assessed a deficiency of about $13,000 for 1984 and about $18,000 for 1985, Harden argued that the payment was made, not because Moore filed a criminal complaint, but because the club threatened to terminate his employment if criminal charges were filed.

United States Tax Court Judge Scott has agreed with the Commissioner in finding that the potential criminal charges and the criminal complaint arose from Harden's personal relationship. The origin of the expense was the personal relationship, and the expense was not paid in carrying on Harden's trade or business, stated Judge Scott. The threat of lost employment might have been a consequence of Moore's charges becoming public, but Harden's motives for eliminating the possibility of the threat "were not relevant," concluded the court.

Harden v. Commissioner of Internal Revenue, T.C. Memo 1991-454; 1991 Tax Ct. Memo LEXIS 503 (1991) [ELR 13:10:14]

Parents may bring negligence claim against leaders of after school program where "Poltergeist" was shown to seven year old child

The leaders of an after school program sponsored by the city of Rockville, Maryland, showed the PG film "Poltergeist" to the children at the Fallsmead Elementary School. Seven-year old Andrea Adams, according to her parents, was traumatized by the film.

The Adams sued the supervisors and the city alleging negligence, negligent infliction of emotional distress, intentional infliction of emotional distress and breach of contract.

The trial court granted summary judgment to the school parties. On appeal, Chief Judge Wilner affirmed the judgment with respect to the claim for negligent infliction of emotional distress - this was not a cognizable claim under Maryland law. The breach of contract claim was time-barred, agreed the appellate court. And the cause of action for intentional infliction of emotional distress was subject to dismissal for failure to state a claim; there was no showing that the city parties' conduct was intentional or reckless, or that the conduct was extreme and outrageous.

The trial court had dismissed the negligence claim on the alternative grounds that the claim was "indistinguishable" from the cause of action for negligent infliction of emotional distress and that the city parties were immune from liability.

Chief Judge Wilner stated that if the Adams were to prove the facts and circumstances that they alleged, a reasonable jury could rationally conclude that the showing of the film to young children, including Andrea, without prior notice to the parents was "imprudent and negligent - that harm was at least foreseeable, if not likely." And the child's inability to sleep, hysteria and nightmares were sufficient to meet the requirement that mental distress is not actionable unless it results in some "physical injury." However, the court found that the after school program was governmental in nature, and that the city was entitled to immunity from suit. The program leaders were not public officials, stated Judge Wilner, and the trial court erred in dismissing them with respect to the negligence claim. The matter was remanded for further proceedings.

Abrams v. City of Rockville, 596 A.2d 116 (Md.App. 1991) [ELR 13:10:15]

Distributor of "Jaguar" fragrances infringed car manufacturer's trademarks

Jaguar Cars Limited, in addition to selling cars bearing the various Jaguar trademarks, created a wholly-owned subsidiary to sell or license a wide range of non-automotive consumer products, including men's fragrance items, displaying the trademarks.

In 1987, Maurice Skandrani, without Jaguar Cars' consent, began selling "Jaguar" and "Lady Jaguar" fragrances - the packaging for the fragrances featured the trademark "Jaguar" in close proximity to a "leaping jaguar" symbol.

A Federal District Court in Florida has found that Skandrani's use of the Jaguar trademarks in connection with fragrance products was likely to confuse consumers into believing that Skandrani was affiliated with Jaguar Cars and/or that Skandrani's products were authorized, licensed, sponsored or approved by the company. The court further found that Skandrani's use of the Jaguar trademarks on fragrance products constituted a false designation of origin and false description and representation, and was likely to dilute the distinctive quality of the Jaguar trademarks.

Skandrani's use of the Jaguar trademark and logo, "although misguided," was not intentional, deliberate or willful, stated the court, in declining to award attorneys' fees.

Judge Zloch, upon reviewing the factors relevant to establishing a likelihood of confusion, concluded that Skandrani was liable for infringing section 32(1)(a) of the Lanham Act and for false designation of origin and false descriptions under section 43(a). The court therefore enjoined Skandrani from using the confusingly similar marks "Jaguar," "Lady Jaguar," and the leaping tiger logo.

Jaguar also was entitled to injunctive relief under Florida's anti-dilution statute.

The court denied Jaguar's request for damages due to a lack of evidence on the issue. And although Jaguar was entitled to an accounting of Skandrani's profits from the sale of infringing Jaguar products, Jaguar had not obtained testimonial evidence of such profits - Judge Zloch ordered Jaguar to specifically identify
any such evidence which may have been presented.

Jaguar Cars Limited v. Skandrani, 771 F.Supp. 1178 (S.D.Fla. 1991) [ELR 13:10:15]

Artist may not proceed with claim against insurers in action arising from Hotel Del Coronado's destruction of painting

In 1973, the Hotel Del Coronado commissioned artist Monette Kupiec to execute, on a removable canvas, an oil painting entitled "Hotel Del Coronado Tent City, Circa 1904." Kupiec retained all rights in the painting except that of physical possession. In the spring of 1984, Kupiec discovered that the painting no longer was in place; a wall covering was installed in the area where the painting had been displayed.

In response to Kupiec's lawsuit, the hotel submitted the matter to Landmark Insurance Company; Landmark referred the matter to American International Adjustment Company. American discovered that the painting still was on the hotel wall, but had been painted over and destroyed. The insurance parties withheld from Kupiec any information about the painting until September 1987.

The artist proceeded to sue the insurance parties for tortious interference with her earlier insurance claim and civil action, intentional concealment of evidence and intentional infliction of emotional distress.

The trial court sustained without leave to amend the insurance parties' general demurrer to Kupiec's second amended complaint.

In affirming the trial court's decision, California appellate court Judge Benke found that the acts on which Kupiec based her claim were privileged under California Civil Code section 47, subdivision (b)(2).

The applicable statute extends to any publication or broadcast made in a judicial proceeding, and applies in all tort claims, but applies only to communicative acts and does not privilege tortious courses of conduct. Judge Benke noted that although "one might believe the communications ethically unacceptable," Kupiec's causes of action against the insurers were based on privileged communicative acts.

Kupiec v. American International Adjustment Company, 1 Cal.Rptr.2d 371 (Ct.App. 1991) [ELR 13:10:16]

California statute does not require writing for sale of works of art, rules Federal Court of Appeals

Section 988(b) of the California Civil Code provides that "whenever an exclusive or nonexclusive conveyance of any right to reproduce, prepare derivative works based on, distribute copies of, publicly perform, or publicly display a work of art is made by or on behalf of the artist who created it or the owner at the time of the conveyance, ownership of the physical work of art shall remain with and be reserved to the artist or owner...unless such right of ownership is expressly transferred by an instrument,...or other writing, signed by the artist, the owner, or their ...agent."

Section 988(c) states that "whenever an exclusive or nonexclusive conveyance of any rights [listed above] occurs...any ambiguity with respect to the nature or extent of the rights conveyed shall be resolved in favor of the reservation of rights by the artist or owner, unless in any given case the federal copyright law provides to the contrary."

John Chamberlain designed a sculpture for display over the bar of a Los Angeles restaurant operated by Cocola Associates. When Chamberlain sued to regain possession of the work, a Federal District Court, considering an issue of first impression as to the interpretation of section 988, ruled that the statute created a statute of frauds requiring a writing for any transfer of the ownership of a work of art. Since there was no writing transferring ownership of the sculpture, the court ruled that Chamberlain owned the piece.

A Federal Court of Appeals has held that section 988 was not intended to create a statute of frauds requiring a writing for there to be a sale of any work of art in California. Judge Mary M. Schroeder remanded the matter for further consideration of whether the parties intended a transfer of ownership, or whether Chamberlain loaned the sculpture to the restaurant.

Judge Schroeder pointed out that the statute appeared to leave ownership rights in the owner or artist only where there was an express transfer of more limited rights. The statute did not, on its face, require a writing in order to transfer ownership rights any time physical possession of an object is transferred. In addition to certain textual difficulties with the District Court's conclusion, the "practical" problem of the court's interpretation was that "it call[ed] into question the validity of countless sales of art objects that...are routinely conducted over a handshake."

The legislative history supported Cocola's position that the writing requirement was established for the situation in which the parties are transferring reproduction rights, not a sale or loan of the object itself. The statute was intended "to prevent a person who obtains any of the five enumerated rights in a work of art to claim, that by purchasing or acquiring one or more of those rights, the purchaser has acquired title to the art object itself. It was not intended to bar all oral agreements of sale."

Judge Schroeder also noted that section 204 of the Copyright Act requires that transfers of copyright ownership be in writing. In all, the California statute, the federal copyright law and the legislative history of the statute suggested to the court that where there is an express, written conveyance of one or more of the limited rights listed in the statute, there would be no accompanying transfer of ownership unless the transfer also is in writing.

Section 202 of the Copyright Act provides that a transfer of ownership of the rights of a copyright owner does not convey property rights in the object itself. The California statute, again, requires that there be a written agreement before a transfer of property rights may be joined with a transfer of copyright rights.

The instant case did not involve any written transfer of copyright rights, and there was no requirement under the statute for a written memorandum of sale of the underlying property rights to the object itself.

Judge Schroeder concluded by pointing out that the District Court correctly observed that whether or not there was a sale or a loan could not be determined on the basis of the record before the court.

Chamberlain v. Cocola Associates, Case No. 90-56196 (9th Cir., Mar. 3, 1992) [ELR 13:10:16]

Briefly Noted:

Promissory Note.

Charles Parker and Richard Bader allegedly executed a promissory note, dated January 6, 1986, agreeing to pay an individual identified as Rapaport $25,000 upon any one of the following events: the death of either of the makers of the note or the filing of bankruptcy by Parker or Bader. The money loaned to Parker was to be used to fund a theatrical production of the drama "Glengarry Glen Ross," starring Peter Falk, at a theater in Boston.

Rapaport, alleging that Bader had died, sought summary judgment based on Parker's alleged failure to pay the note.

Parker claimed that the note was modified and therefore was not due. Parker cited a January 8, 1986 letter stating that "We have also agreed that the note may be renegotiated should the upcoming proposed production...have insufficient box office income to cover the cost of presentation." The initials "R.A.R." appeared at the bottom portion of the letter acknowledging its receipt.

It appeared to the court that the letter complied with the statute of frauds and created a condition precedent that in the event the production did not recoup sufficient box office income, the note would not become due and payable until the parties attempted to renegotiate the terms of the note. Judge Collazo observed that the note was not renegotiated, and concluded that payment on the note was not yet due, precluding a grant of summary judgment in Rapaport's favor.

The court also commented that Rapaport had not presented admissible evidence to establish Bader's supposed death.

Rapaport v. Parker, New York Law Journal, p. 31, col. 3 (N.Y.Cnty., Oct. 28, 1991) [ELR 13:10:17]

Roller Skating Injury.

Jeanettte Balestire was injured when she fell while roller skating at a rink operated by the New York City Department of Parks. Balestire claimed that the fall was caused by paint chips on the rink floor which caused her skate wheels to lock.

In response to a negligence action, the city claimed that Balestire, who, prior to her fall, had been skating over the area where the paint chips were located for about forty-five minutes to an hour, impliedly assumed the risk of injury.

New York trial court Judge Ponterio noted that although the city was under a duty to exercise reasonable care in maintaining the rink, Balestire participated voluntarily in the skating activities, and was aware for a substantial period of time of the very condition that caused her fall - the city did not conceal the condition of the rink. In all, the fact that roller skating carries a risk of falling, and that injuries were likely to occur due to the paint chips "was so obvious that Balestire [was] charged with such knowledge." And by voluntarily continuing to skate after a risk created by the prior negligence of the city, Balestire "manifested her consent to accept the risk and relieve the City of its duty of care."

Based upon the showing of assumption of risk, the court granted the city's motion for summary judgment dismissing Balestire's complaint.

Balestire v. City of New York, New York Law Journal, p. 25, col. 1 (Richmond Cnty., Nov. 5, 1991) [ELR 13:10:17]

Art.

An artist, identified only as Tobias, was commissioned by Beth Israel Medical Center to paint a mural. The mural was displayed in the hospital lobby from 1954 until 1984, when, according to Tobias, the hospital built a new wall which hid the mural from view. The artist, claiming that the hospital's actions were prohibited by New York's Arts and Cultural Affairs Laws, sought to compel the restoration of the mural to public view and to recover damages for the alleged injury to his reputation.

A New York trial court observed that the statute was designed to prevent the public display of altered works of art and did not impose an obligation upon owners of artistic works, whether movable or fixed, "to publicly display those works in 'perpetuity.'"

The court further found that the action was brought after the expiration of the three year statute of limitations, and granted, on both grounds, the hospital's motion to dismiss.

Tobias v. Beth Israel Medical Center, New York Law Journal, p. 30, col. 3 (Queens Cnty., Nov. 25, 1991) [ELR 13:10:17]

"Consolation" Daily Double Payoff.

A New York trial court, citing the importance of finality when dealing with betting at the races, has dismissed Robert Vaccaro's complaint against the New York State Racing and Wagering Board and other racing parties arising from the decision by three Belmont Park stewards to pay off on a consolation daily double for the races conducted on June 12, 1989.

Vaccaro had purchased $85 worth of parimutuel tickets at an Off-Track Betting Corp. office. The indicated payoff for the horses chosen by Vaccaro was $76 for each $2 bet. However, after the first race and before the running of the second race, there was a malfunction in the totalizator board computer. The stewards announced that all wagering tickets involving the second race would be canceled. The race was run and there was a consolation daily double of $3.20 for every $2 bet; Vaccaro was offered $136 for his tickets, instead of the $3,230 he expected.

Vaccaro argued that all daily double bets, and the totality of the pool, as well as the odds for each combination, became fixed before the first race was run. All betting on the daily double was closed, and it should have made no difference that the totalizator board malfunctioned before the second race, according to Vaccaro, who pointed out that the daily double pool was independent of any other wagering pool, that the pool was complete, and that the prices of the payoffs were fixed at the post time of the first race, and could not be affected by any subsequent wagering on the second race, except if the race had not been run or no winner was posted.

Judge Greenfield, in rejecting Vaccaro's claim for the full payoff on the bet, noted that racing regulations give the stewards the power to determine all questions pertaining to racing, and that there is no recourse as to wagering results. Although the stewards may have been wrong as to the daily double pay off, their decision was "final and determinative." The stewards could not be held personally liable for their decision, stated Judge Greenfield, who emphasized that "the duty of decision as to sporting events properly rests with the designated arbiters of that sport." Commenting that "there was much to be said for the correctness of [Vaccaro's] views, an on-the spot ruling was made to the contrary and it cannot be upset," the court dismissed the complaint.

Vaccaro v. Joyce, New York Law Journal, p. 25, col. 2 (N.Y.Cnty., Nov. 19, 1991) [ELR 13:10:17]

Real Property.

In April 1984, performer Cyndi Lauper purchased a $500,000 condominium in a West Broadway building. The condominium contained two units - one above the other - connected by an open interior staircase. In 1988, Lauper learned that the units violated New York City's building and zoning codes due to the absence of the requisite fire separations between the floor and ceiling separating the units, one of which was a residential space and the other a commercial space.

Lauper sued her landlord and other parties, alleging various causes of action and claiming that the failure to obtain a variance which would have exempted the premises from the applicable code meant that Lauper was unable to sell the unit.

A New York trial court has found that Lauper demonstrated, as a matter of law, that the unit did not have a separated fire division rating, and granted the performer summary judgment on her cause of action for breach of contract and for breach of warranty. Acting Judge Francis N. Pecora dismissed Lauper's causes of action for fraud. Lauper sought more than $1 million in damages, but the court did not determine the amount of damages.

Lauper v. 260 West Broadway Development Corp., New York Law Journal, p. 32, col. 1 (N.Y.Cnty., Dec. 16, 1991) [ELR 13:10:18]

Horseback Riding Academy Release.

When Diana Guido inquired about taking horseback riding lessons from The Academy of Equestrian Arts, owned by Charles Koopman, Guido signed a release of liability and accepted the full risk of any injury occurring through negligence. Guido then took lessons until June 16, 1988, when she allegedly was thrown from one of the Academy's horses.

In response to Guido's lawsuit, Koopman argued that the waiver precluded Guido from pursuing any claims against him.

A California appellate court has affirmed a trial court decision granting Koopman's motion for summary judgment. Acting Presiding Judge Haning differed with Guido's contention that the release was ineffective because being thrown off a horse was not an inherent risk of horseback riding, stating that being thrown off was "one of the most obvious risks of that activity, and readily apparent to anyone about to climb on a horse."

Guido also claimed that Koopman advised her that the release was "meaningless." The court pointed out that Guido was a practicing attorney who used releases in her practice. The court declined to find that a practicing attorney "can rely on the advice of a[n] equestrian instructor as to the validity of a written release of liability that she executed without reading." Under the circumstances of the case, the court concluded as a matter of law that any reliance by Guido on Koopman's alleged misrepresentation was not reasonable.

Guido v. Koopman, Case No. A052006 (Ca.Ct.App., Dec. 12, 1991) [ELR 13:10:18]

Copyright Infringement/T-Shirt Design.

A partnership known as Lakedreams asked Steve Taylor to prepare the silkscreen artwork for a t-shirt design. Lakedreams initially granted Taylor permission to print and sell the t-shirts, but then transferred to a new printer. Soon after, Taylor began to market a shirt substantially identical to the Lakedreams shirt, except that Taylor used his own copyright emblem. Despite Lakedreams' pending copyright application, Taylor received a copyright certificate in his own name.

A Federal Court of Appeals in Texas has upheld a District Court decision granting a preliminary injunction to

Lakedreams. Judge Johnson agreed that Lakedreams had shown a substantial likelihood that it would succeed on the merits of its copyright infringement claim. The evidence supported the finding that Lakedreams' partners developed the "Family Tree" design and text, "with only perfunctory assistance from Taylor." The court rejected Taylor's claim that he became the author of the work in issue by completing the silkscreen artwork. Prior to hiring Taylor, Lakedreams had produced written products of the design and text; the final artwork apparently was slightly different from the material given to Taylor, but the Lakedreams parties stated that they directed the changes themselves.

Judge Johnson, after reviewing the factors relevant to granting a preliminary injunction, upheld the District Court ruling.

Lakedreams v. Taylor, 932 F.2d 1103 (5th Cir. 1991) [ELR 13:10:18]

Horse Racing/Jurisdiction.

United Tote manufactures and maintains "totalisator" systems, used to calculate and display parimutuel betting odds at horse and dog racing tracks. When United Tote entered into a contract to supply totalisator systems for an association of California horse racing fairs, the International Brotherhood of Electrical Workers sought to represent the company's employees. United Tote refused to negotiate a labor contract. The union obtained an order from the California Horse Racing Board requiring United Tote, under state law, to negotiate a collective bargaining agreement with the union.

United Tote responded by filing an unfair labor practice charge with the National Labor Relations Board. The Board, in turn, held the unfair labor practices charge in abeyance and sought a declaration that the California Horse Racing Board's jurisdiction over United Tote was preempted by the National Labor Relations Act, and an injunction against enforcement of the racing board's order.

A Federal District Court granted a preliminary injunction restraining the enforcement of the racing board's order and any other regulation by the racing board of United Tote's labor relations.

Federal Court of Appeals Judge Canby, in affirming the District Court's ruling, first noted that the National Labor Relations Board had chosen to exercise its discretionary power to decline to assert jurisdiction over any proceeding involving the horse racing and dog racing industries. However, the board determined that United

Tote was not sufficiently involved with the horse racing industry to fall within the board's declination of jurisdiction.

The District Court had found that the National Labor Relations Act authorized the Board's jurisdiction over United Tote - that undisputed conclusion, stated Judge Canby, supported the ruling that the racing board's order was preempted. The District Court properly found that it lacked the power to inquire into the merits of the Board's assertion of jurisdiction over United Tote.

National Labor Relations Board v. California Horse Racing Board, 940 F.2d 536 (9th Cir. 1991) [ELR 13:10:19]

Horse Racing/Simulcasting.

Alabama Sportservice, Inc., an off-track betting system, alleged that the National Horsemen's Association, the Florida and California Horsemen's Associations, and the individual officers and directors thereof, conspired to unreasonably restrain trade by agreeing that association members would adopt a policy of withholding consent to certain interstate simulcasts for purposes of interstate off-track wagering. The racing parties argued that consent was withheld for a lawful purpose pursuant to the Interstate Horseracing Act of 1978.

A Federal District Court in Florida denied Alabama Sportservice's motion for a preliminary injunction pending an evidentiary hearing. The court stated that it could not determine the intent and the impact on the horseracing industry as a whole of the withholding of consent by any one state association for any particular race.

The court further found that the record was not sufficient to establish the presence of a conspiracy between the national association and the Florida association; that a question was raised concerning whether the simulcasting parties were pursuing a conspiracy theory only, or a coerced acquiescence theory; and that although some states were not members of the national association, the record was unclear as to the market power of those states in relation to the market power of the states who were members of the national association. Alabama Sportservice, Inc. v. National Horsemen's Benevolent & Protective Association, Inc., 767 F.Supp. 1573 (M.D.Fla. 1991) [ELR 13:10:19]

DEPARTMENTS

In the Law Reviews:

Communications and the Law, Volume 13, Number 2 has been published by Fred B. Rothman & Co., 10368 W. Centennial Road, Littleton, CO 80127 with the following articles:

"We Never Intended to Suggest...": The Press, the Courts and Libel by Impression by Michael P. McDonald, 13 Communications and the Law 17 (1991)

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The Television Franchise Game by Peter S. Smith, 2 Entertainment Law Review 165 (1991) (for address, see above)

Privacy and the Press: Breach of Confidence-The Nemesis of the Tabloids? by Keith Schilling, 2 Entertainment Law Review 169 (1991)
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[ELR 13:10:21]