## RECENT CASES

### Federal Court of Appeals reverses decision ruling obscene 2 Live Crew's "As NASTY As They Wanna Be"

A Federal Court of Appeals has reversed a District Court decision (ELR 12:3:4; 12:7:20; 12:10:16) declaring that the 2 Live Crew recording "As NASTY As They Wanna Be" was obscene.

In a per curiam decision, the court first commented that it would tend to agree with the group's argument that because music possesses inherent artistic value, no work of music alone may be declared obscene. However, that issue was not presented in the instant case, and the court, assuming that the music was not simply a sham attempt to protect obscene material, proceeded to apply

the test set forth in Miller v. California, 413 U.S. 15 (1973) to the lyrics and music, as a whole, of "As NASTY As They Wanna Be."

Further assuming that the proper standard was proof of obscenity by the preponderance of the evidence, the court determined that Sheriff Navarro failed to meet this standard.

The court cited the difficulties involved in reviewing the case, such as the fact that the sheriff presented as evidence only a tape recording of the work; that the only evidence concerning the Miller test was presented by 2 Live Crew; that the case was tried by a judge without a jury, and that the judge relied on his own expertise as to the prurient interest community standard and artistic value standards of the Miller test.

2 Live Crew called several witnesses who testified that the tape did not appeal to the average person's prurient interest, that the music in "As NASTY As They Wanna

Be" possessed serious musical value and artistic value, and that certain aspects of the recording "contained statements of political significance or exemplified numerous literary conventions, such as alliteration, allusion, metaphor, rhyme and personification." Sheriff Navarro introduced no evidence to the contrary, except the tape.

The District Court had found that the relevant community was Broward, Dade, and Palm Beach Counties, and stated, as quoted by the Federal Court of Appeals that "this court finds that the relevant community standard reflects a more tolerant view of obscene speech than would other communities within the state. This finding of fact is based upon this court's personal knowledge of the community." After noting his longstanding residency and employment in the community, Judge Jose A. Gonzalez, Jr. expressed his awareness of the community's concerns with respect to obscenity and his judicial

experience in viewing allegedly obscene films seized by law enforcement officers.

The Federal Court of Appeals "conceded, without deciding," that Judge Gonzalez's familiarity with contemporary community standards was sufficient with respect to evaluating two aspects of the Miller test - prurient interest applying community standards and patent offensiveness as defined by Florida law. However, the record did not indicate that Judge Gonzalez possessed the artistic or literary knowledge or skills to properly determine whether the work in issue lacked serious artistic, scientific, literary or political value.

Sheriff Navarro submitted no evidence to contradict the testimony that the work had artistic value. The court rejected the argument that the judge, simply by listening to "As NASTY As They Wanna Be," could determine that it had no serious artistic value. And because a work cannot be held obscene unless each element of the

Miller test has been met, the District Court's decision was reversed.

Luke Records, Inc. v. Navarro, Case No. 90-5508 (11th Cir., May 7, 1992) [ELR 14:2:3]

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**Producer of "Twin Peaks" prevails in copyright and trademark infringement action against author and publisher of unauthorized "guide" to the television series**

Scott Knickelbine and Publications International, Ltd., wrote and published, respectively, "Welcome to Twin Peaks," a book purporting to be "A Complete Guide to the Who's Who and What's What" of the television series "Twin Peaks." The book contained detailed summaries of the two hour premiere and seven subsequent

hour-long episodes of the series; the summaries included many direct quotations and paraphrases from the teleplays for the programs, and also included detailed descriptions of the plots, characters, and settings of the programs.

In response to a lawsuit brought by Twin Peaks Productions, Inc., the producer of the series, a Federal District Court in New York found that the Knickelbine book infringed upon the producer's exclusive right to reproduce the work and prepare derivative works. Judge John S. Martin Jr. rejected the Knickelbine parties' fair use defense, declining to find "this profit motivated recounting of a fictionalized teleplay educational. To conclude otherwise would suggest that any commercial publisher could publish a condensed version of a film script, a novel, or any other copyrighted work invoking the pretext of educational fair use." It also was observed that the book in issue was in direct competition with two

books authorized by the producer, and would compete with other derivative works which Twin Peaks Productions would have the right to publish in the future.

With respect to the producer's trademark infringement claim, the court determined that "a substantial number of reasonably prudent purchasers, on seeing the name Twin Peaks as part of the title of the [book] would be led to believe that [Twin Peaks Productions] was the source of the goods." Judge Martin, accordingly, found that the Knickelbine parties violated the Lanham Act. A disclaimer appearing on the book was not effective, stated the court.

Judge Martin concluded by holding that the Knickelbine parties engaged in unfair competition in violation of New York law; by rejecting Twin Peaks Productions' claim under New York's antidilution statute; and by finding that the producer was entitled to summary judgment in connection with the copyright and trademark

infringement claims.

Twin Peaks Productions, Inc. v. Publications International, 778 F.Supp. 1247 (S.D.N.Y. 1991) [ELR 14:2:3]

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**Boston Globe prevails in libel action brought by producers of "Phantom" musical comedy production**

The 1911 Gaston Leroux novel "Phantom of the Opera" is in the public domain. British playwright Ken Hill created a musical comedy show featuring the music of several classical composers; Hill's "The Phantom of the Opera" was first performed in 1977. In 1984, when the work was staged again in England, Andrew Lloyd Webber saw the production. Webber and Hill began negotiations to produce the show in London, but the negotiations ended, and Webber went on to write his own

"Phantom," a drama with an original musical score which opened in London in October 1986.

Hill's work was staged in July 1986 in St. Louis. A theater producer subsequently formed the Phantom Touring Company and arranged a national tour for the show.

In September 1989, about a week before ticket sales began for the Boston production of Hill's "Phantom," the Boston Globe suggested that ticket buyers should be cautious with respect to the "Fake Phantom." The article quoted a drama critic for the Washington Post, who, among other comments, described the show as "a rip-off, a fraud, a scandal, a snake-oil job." At least two articles stated that Hill was benefiting from mistaken identity and that the confusion between Hill's work and the Webber work was intentional.

The newspaper also referred to the fact that the Hill show was advertised as "The Original London Stage

Musical," a technically accurate description, but one which appeared to the Globe to be relying on the reputation of the Webber show.

Phantom sued the newspaper for libel. A Federal District Court (in a brief order written on the face of the motion, according to Federal Court of Appeals Senior Judge Coffin), ruled on behalf of the Globe. In response to Phantom's motion seeking the District Court, after the decision in Milkovich v. Lorain Journal Co., 110 S.Ct. 2695 (1990; ELR 12:2:8; 12:6:10), to vacate its ruling, the court held that the judgment would stand "even in the light of Milkovich."

Senior Judge Coffin agreed that most of the language challenged by Phantom was non-actionable under the principles set forth in Milkovich. Many of the statements were "obviously protected hyperbole" or were not susceptible of being proved true or false.

The court found the defamation claim "colorable" only with respect to two columns written by theater critic Kevin Kelly; the columns contained language insinuating that Phantom Touring was marketing its production dishonestly by deliberately confusing the public. The connotation of deliberate deception "arguably" was sufficiently factual to be proved true or false, noted Senior Judge Coffin. But the context of each article meant that the language could not reasonably be interpreted as stating actual facts about Hill's honesty. The total effect of the format, tone and entire content of the articles made it "unmistakably clear" that Kelly was expressing a point of view and the challenged language therefore was immune from liability.

The court further observed that Kelly's comments appeared in a regularly run theater column, "a type of article generally known to contain more opinionated writing than the typical news report... [and] the structure and

tone of the language reinforced this subjective design." The article presented all sides of the issue and the rationale for Kelly's view; thus, any assertion of deceit could be understood only as Kelly's personal conclusion about the information presented, not as a statement of fact. It also appeared to the court that the articles revealed that Kelly's judgment about the advertising was based at least in part on his subjective view that Hill's show lacked artistic merit. However, Kelly presented information about the success of the production, and the columns did not suggest that he had more information about Phantom Touring's marketing practices than was reported in the articles.

In distinguishing Milkovich, the court pointed out that while Kelly's readers "implicitly were invited to draw their own conclusions from the mixed information provided, the Milkovich readers implicitly were told that only one conclusion was possible. This is a crucial

distinction, and it makes it clear why the result reached in Milkovich is inappropriate here." The Globe articles were not actionable, concluded the court.

Phantom Touring, Inc. v. Affiliated Publications, 953 F.2d 724 (1st Cir. 1992) [ELR 14:2:4]

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**New York Civil Rights Law claim against author of play "Six Degrees of Separation" is dismissed**

In 1983, David Hampton presented himself to several prominent New Yorkers as Sidney Poitier's son. Hampton would claim that he was a friend of the children in the families he approached and that he had been mugged and needed a place to stay for a night until his father arrived in New York the next day. The families involved

gave Hampton spending money; he took items from their homes.

Hampton pleaded guilty to attempted burglary in the second degree and served twenty-one months in state prison for the scheme.

Some years later, John Guare wrote a play entitled "Six Degrees of Separation," which was "inspired" by Hampton's hoax. The play's lead character was named "Paul."

Hampton sued Guare, the play's producers at Lincoln Center, Random House, Inc., the publisher of the book version, and MGM-Pathe Communications, the purchaser of the film rights. Hampton claimed that the events depicted in the play paralleled the true facts and that although the actors who played Paul in the Lincoln Center production did not physically resemble him, the Guare parties "audaciously and maliciously hired actors who were of [Hampton's] race and [bore] strikingly similar physiognomies to [Hampton]." Hampton sought

$100 million in compensatory and punitive damages for the violation of New York Civil Rights Law sections 50 and 51 and the violation of his right of publicity.

The Guare parties argued that the character of Paul was fictional, and that the play was a farce, with characters and events used "as metaphors for larger issues."

Acting New York trial court Judge Edward H. Lehner noted that imitations of a person's face intended to portray the impression that the picture is that of such person may constitute the use of a "picture or portrait" so as to bring a claim of unauthorized commercialization within the scope of sections 50/51. But Hampton did not contend that the actors who portrayed Paul in the play were intended to physically resemble him in any manner other than being of the same race. Hampton's name, portrait or picture were not used in the play and the court therefore dismissed the cause of action for violating the statutory right of privacy.

The court then reviewed the case law establishing that there is no independent common law right of publicity in New York and dismissed Hampton's second cause of action.

Hampton had argued that his personality was entitled to the same protection as that afforded to copyrights, trademarks or patents. Judge Lehner stated that "it would be extremely difficult to find it in the public interest to grant similar protection to schemes devised by the criminal mind, no matter how unique or unusual..."

Hampton v. Guare, 20 Media L.R. 1160, New York Law Journal, p. 21, col. 4 (N.Y. City., May 1, 1992) [ELR 14:2:5]

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## Music publisher is awarded $3.9 million in compensatory damages and $750,000 in punitive damages in action against record distributor for failure to pay royalties

In 1972 (yes), Licette Music Corp. sued A.A. Records, Inc. and Abraham Massler, the president of the childrens record distributor, for breach of contract and fraud. Licette claimed that A.A., beginning in 1965, had refused to pay royalties from the sale of hundreds of recordings of children's songs licensed to A.A. by Licette. Licette also claimed that A.A. and Massler concealed the use of the songs by secretly selling recordings containing Licette's works.

Licette, as described by New York trial court Judge Felice K. Shea, was the successor in interest to the companies which produced the Golden Records series; the series recorded, among other works, Simon & Schuster's

Little Golden Book series of children's stories. A.A. became the manufacturer of children's records for Simon & Schuster and, beginning in 1958, paid the royalties due the publishing companies.

In 1963 or 1964, Simon & Schuster ceased doing business with A.A. and Massler. A.A. eventually purchased from Simon & Schuster the masters and the company's inventory of Golden Records. Judge Shea pointed out that although A.A. purchased the physical inventory of records and the physical masters of records, the company did not thereby purchase the right to sell records embodying the underlying compositions without paying royalties to the owners of those compositions.

Judge Shea found that the evidence established that A.A. intentionally and systematically defrauded Licette and that Massler was personally involved in directing A.A. and in perpetrating the fraud. According to the court, Massler's conduct included changing the names of

song and album titles; changing record jackets; removal of original credits; changing the names of arrangers, copyright ownership, record identification and catalog number; and renaming original orchestras. By disguising Licette's works, A.A. prevented the publisher from recognizing records on which Licette was owed royalties. Sales of Licette's works were not reported or were underreported, returns were exaggerated, and royalties were not paid on cut-outs. A.A. also engaged in cross collateralization and "back-door" sales.

Under Massler's direction, noted the court, A.A.'s business practices defrauded the public as well as Licette. By changing the name of album titles without changing the records' contents, consumers were induced to purchase the same songs more than once. And by depriving artists of credit for their work, A.A. "affected the future ability of those artists to earn a livelihood commensurate with their talents."

It was found that the total of royalties due from 1965 to October 30, 1990, inclusive of statutory prejudgment interest through that date was about $3.9 million, consisting of about $2.6 million on domestic sales, plus about $1.3 million on foreign sales. Since A.A.'s statute of limitations defense barred recovery for all contract claims arising before April 12, 1966, the court deducted that portion of the damages and interest attributable to the period prior to April 12, 1966.

Judge Shea next pointed out that the extensive business relationship between Licette and A.A. created "a relationship of trust and confidence with a concomitant duty of care independent of the contractual relationship. A.A.'s breach of this duty was actionable in tort. And upon finding that Massler was "the instigator, planner and driving force behind the massive fraud" on Licette, the court held Massler responsible for all damages caused by his tortious breach of trust. No part of the tort

damages, amounting to about $3.9 million against A.A. and Massler jointly and individually, was barred by the statute of limitations.

The court declined to award the damages sought by Licette for loss of business and damage to reputation, finding that the amount of damages would be speculative. However, punitive damages were warranted as part of Licette's tort claim, given that A.A.'s activities occurred over many years and constituted "willful, wanton and reckless misconduct," stated the court in awarding Licette punitive damages in the sum of $750,000.

Judge Shea then awarded Licette punitive damages of $750,000 in connection with the company's contract claims, finding that A.A.'s refusal to pay royalties breached a fiduciary duty to Licette. The contract and fraud causes of action arose out of the same conduct by A.A., and Licette therefore was entitled to a single recovery of $750,000 as punitive damages.

Licette Music Corp. v. A.A. Records, Inc., New York Law Journal, p. 29, col. 4 (N.Y.Cnty., May 4, 1992) [ELR 14:2:5]

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**Court upholds jury award of $1.2 million to ARP Films in action against Marvel Entertainment arising from dispute over home videocassette distribution of cartoon films**

In 1968, Magazine Management Company, a predecessor to Marvel Entertainment Group granted Krantz Films, the predecessor to ARP Films, the right to produce and exploit cartoons using characters copyrighted and trademarked by Magazine, including Spiderman.

A dispute between the parties resulted in a 1976 settlement and a new agreement providing, in part, that Amerex, a new company, would distribute certain

cartoon film properties, the rights to which were owned by Marvel. ARP owned the stock of Amerex, but half of the stock was to be held in escrow by Marvel.

In 1981, Marvel began licensing the home videocassette distribution of its films. ARP claimed that the 1976 agreement granted Amerex the exclusive right to distribute the films in the home videocassette market.

A Federal District Court in New York found that the 1976 agreement granted Marvel the right to terminate the agreement because of ARP's admitted failure to account for the exploitation of the Marvel properties. The court stated that ARP withheld over $400,000 of Marvel's contractual share of the revenue derived from ARP's exploitation activities, and concluded that the 1976 agreement terminated on September 2, 1987.

A jury subsequently awarded about $1.2 million to ARP for Marvel's breach of the 1976 agreement in licensing other parties to distribute Marvel films on

videocassette; the jury awarded $137,000 to Marvel for various contractual breaches by ARP. The District Court entered a judgment incorporating the jury awards of damages; the court referred the remaining accounting issues to a magistrate. On appeal, ARP argued that it was entitled to withhold payments and accountings from Marvel due to Marvel's repudiation of the 1976 agreement, while at the same time collecting commissions and licensing new contracts. According to ARP, withholding the payment and reports was designed to force Marvel to withdraw the repudiation of the agreement, and was not a material breach.

Federal Court of Appeals Judge Mahoney found that ARP, by continuing to receive benefits under the 1976 agreement, affirmed the agreement. The company's refusal to make payments and provide reports was "impermissible," and, as found by the District Court, was

material and authorized Marvel to terminate the agreement.

The court concluded by finding that there was "ample" evidence from which the jury could infer that the license provided by the 1976 agreement included videocassettes. The jury was entitled to conclude that deferred commissions were payable upon Marvel's termination of a side agreement regarding the syndicated Spiderman series. And there was no basis on which to deny ARP its contractual share of revenues, under the 1976 agreement, from revenue generated, after a second termination by Marvel, from valid and authorized licenses.

ARP Films, Inc. v. Marvel Entertainment Group, Inc., 952 F.2d 643 (2d Cir. 1991) [ELR 14:2:6]

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## Photographer may proceed with copyright infringement claim against New Kids on the Block based on exceeding scope of licensed uses

An invoice prepared by photographer Elizabeth Marshall set forth the terms for the use, by the group New Kids on the Block, of Marshall's photographs. The photographs included one door poster, one 2X3 poster of the group and one individual poster of each group member. Marshall agreed to negotiate for additional posters or uses of the photographs; stated that the photographs were to be used for public relations, a tour book and fan club purposes; and specified Marshall's credit.

The reverse of the invoice stated that reproduction rights would be conditioned on Marshall's receipt of payment in full and the group's proper use of the copyright notice. Marshall was the sole owner of the

copyrights and the group's one year license was limited to use in the United States.

Marshall brought a lawsuit for copyright infringement, alleging that the photographs appeared, without authorization, on trading cards, the display boxes for the trading cards, tablecloths, paper plates, wallet cards, buttons, books, and posters. Photographs credited to "Elizabeth Marshall," rather that the specified credit of "Bette Marshall," appeared in the book "Our Story: New Kids on the Block."

The group's manager claimed that he entered into an oral contract with Marshall which broadened the scope of the license.

Federal District Court Judge Robert P. Patterson, Jr. denied the group's motion to dismiss for lack of subject matter jurisdiction. The court found that Marshall presented documentary evidence to support the limited nature of the license. To accept the manager's version of

the transaction, stated the court, "would permit any alleged copyright infringer to defeat subject matter jurisdiction by making a bland allegation that use of copyrighted material was within the terms of an oral license agreement." By exceeding the scope of the license, the group was "in the same position as any other infringer." Marshall stated a claim for copyright infringement and the court had subject matter jurisdiction.

Marshall v. New Kinds on the Block Partnership, 780 F.Supp. 1005 (S.D.N.Y. 1991) [ELR 14:2:7]

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**Court upholds liability of video stores in copyright infringement action involving Mandarin language programs, finding that treaty protection did not end upon United States' derecognition of Taiwan**

As reported at ELR 13:5:14, International Audio Visual Corporation, the exclusive United States distributor of Mandarin language television programs produced by three Taiwanese companies, licensed a company known as New York Chinese to distribute videotapes of the programs in New York and New Jersey.

In 1991, a Federal District Court found several retail stores liable for infringing the copyrighted programs, and permanently enjoined the retailers from copying, distributing, selling, renting, or otherwise marketing any copies of the programs. New York Chinese elected to receive statutory damages of about $760,000. A Federal Court of Appeals has affirmed the District Court's decision.

Judge Joseph M. McLaughlin, in response to the video stores' argument that the programs were not eligible for copyright protection, reviewed the changing diplomatic status of Taiwan. It was observed that in 1946, the post-

war Republic of China signed the Treaty of Friendship, Commerce and Navigation with the United States. The treaty, in part, required both countries to guarantee the privileges of their own laws to citizens of the other nation "in regard to copyrights, patents, trademarks, trade name, and other literary, artistic and industrial property..." The treaty, in the court's view, empowered the United States to grant copyright protection to works authored by Taiwanese citizens.

The United States "derecognized" Taiwan in 1979, but continued to honor the 1946 treaty. And the Taiwan Relations Act, which was meant to promote the relations between the countries, stated that the absence of diplomatic relations between the countries would not affect the application of the laws of the United States with respect to Taiwan.

Section 104(b)(1) of the Copyright Act permits granting copyright protection to works authored by a citizen

of a foreign nation if that nation is a party to a copyright treaty with the United States. The retailers claimed that the Friendship treaty lapsed in 1979 when the United States derecognized Taiwan, and that the Taiwan Relations Act was not a treaty and therefore could not reimpose the obligations under the Friendship Treaty.

Judge McLaughlin agreed that the Taiwan Relations Act was a domestic statute and was not a "treaty," i.e., a contract between nations. The statute did not require Taiwanese ratification and did not impose any obligations on Taiwan. But Judge McLaughlin pointed out that both Congress and the Executive Branch determined that the United States would continue to honor the Friendship Treaty, despite official diplomatic derecognition of Taiwan. The court therefore held that the Friendship Treaty remained a valid and enforceable treaty.

It was also held that the United States' derecognition of Taiwan did not change Taiwan's status as a nation.

Because Taiwan still was a nation, the United States may continue to honor its treaties with Taiwan, stated the court.

The court then rejected the argument that the Taiwan Relations Act unconstitutionally amended the Friendship Treaty, stating that the statute did not amend the treaty in such a way as to implicate the Treaty Clause of the United States Constitution.

Judge McLaughlin concluded by observing the "strong commercial relationship ties" between the United States and Taiwan, and the fact that Taiwan has relied upon the Friendship treaty to provide the protection of its own copyright laws to works authored by American citizens. In all, the District Court correctly held that the programs were entitled to copyright protection and that the video stores were liable for copyright infringement.

New York Chinese TV Programs, Inc. v. U.E. Enterprises, Inc., 954 F.2d 847 (2d Cir. 1992) [ELR 14:2:7]

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**Manager of "the Diamonds" did not abandon ownership of trade name and is entitled to permanent injunction to bar infringing use**

During the 1950s, a musical group known as "the Diamonds" recorded such songs as "Why Do Fools Fall in Love" and "Little Darlin." The original members of the group included Ted Kowalski, Phil Levitt, Bill Reed and David Somerville; Nathan D. Goodman managed the group.

In 1958, Goodman signed a new contract with the then-members of the group, Somerville, Mike Douglas, Evan Fisher and John Felton. In addition to specifying Goodman's services, the contract provided that the

performers would not "without the written consent of [Goodman] first obtained, use, nor cause to be used, nor in any way exploit the trade or professional name The Diamonds." A 1963 contract, signed by Douglas, Fisher, Felton and James Malone, confirmed Goodman's exclusive right to control and use the Diamonds trade name.

In 1967, the partnership dissolved and the Diamonds name, pursuant to a dissolution agreement, became Goodman's exclusive property. Douglas, Fisher, Felton and Malone continued to perform as the Diamonds under a license granted by Goodman. A dispute arose among the parties, but a 1973 settlement declared that Goodman possessed sole ownership of the Diamonds trade name. A judgment by stipulation was entered against Felton for royalties owed, and the court enjoined Felton's future use of the trade name without Goodman's authorization. (The other three performers had not participated in the litigation).

During the course of the litigation, Douglas performed with a group called the Diamonds. Glenn Stetson joined the Douglas group in 1971. When Douglas left the group in June 1972, Stetson proceeded to lead the band, which continued to tour as the Diamonds. Stetson received a service mark for the name from the United States Patent and Trademark Office in 1974; the mark lapsed in 1980 when Stetson failed to file the requisite affidavit.

In late 1974 or early 1975, Goodman licensed the Diamonds trade name to Felton, who resumed touring. In 1982, after Felton's death, Bob Duncan became the leader of the group, obtained a license from Goodman to use the Diamonds name, and assigned the license to Diamond Productions, Inc. In 1983, Diamond Productions sued Goodman's son (as Goodman's heir) to enjoin the promotion of another version of the group. In a settlement of the action, Diamond Productions obtained an

assignment of all rights owned by the Goodman family and the estate in the trade name. The company also purchased all rights to the name from the members of the original Diamonds group.

In 1984, Stetson sued the Duncan parties for trade name infringement. A Federal District Court determined that Goodman never intended to abandon his right to the Diamonds trade name, and that the Duncan parties held rightful title to the mark.

A Federal Court of Appeals has affirmed, albeit on different grounds, the District Court's decision. Judge Miner noted that under Silverman v. CBS Inc., 870 F.2d 40 (1989; ELR 11:2:7; 11:4:21), the court determined that a trademark or tradename is abandoned when there is non-use of the name by the legal owner and no intent by that person or entity to resume use in the reasonably foreseeable future. The District Court had found that

Goodman's lawsuit against the performers was "clearly inconsistent with any intent to abandon [the name]."

Stetson argued that Goodman did not use the trade name between 1968 and 1973, and lacked the requisite intent to resume use in the foreseeable future. The Duncan parties thus did not obtain good title from their predecessor in interest, claimed Stetson, and were not entitled to ownership of the trade name.

Judge Miner agreed with Stetson that the District Court should have used the Silverman criteria. But a remand was not required, declared the court because the facts "clearly and sufficiently" established that Goodman never ceased using the trademark. It thus was not necessary to consider the issue of intent to resume use.

The court noted when a group's manager holds the trademark, non-use becomes "a more difficult inquiry" because the mark receives public recognition through the visibility of the performers. A manager contributes

to the group's publicity by arranging tours, organizing record production, negotiating contracts, finding television and radio spots and performing other managerial activities.

In the instant case, Goodman pursued litigation against the group then under contract with him to perform as the Diamonds. A lawsuit, without more, is not sufficient of itself to overcome a claim of abandonment, stated Judge Miner. While emphasizing "the validity and significance" of this policy concern, the court pointed out that Goodman's lawsuit did not seek only to stop the infringing use of the trade name; the manager sued for royalties owed him by the singers and for an injunction to prohibit them from breaching the management contract. Goodman also had sought a declaration of sole ownership of the mark. In all, Goodman's lawsuit was not merely against any infringing user, but was against "the people who were contractually entitled and obligated to

perform under his auspices using the Diamonds name." Goodman sought to obtain the money due him under the management and licensing contract, and to force the singers to conform with the contract in order to insure that the trademark remained before the public in the manner intended by the owner of the mark.

It was incorrect, stated the court, to conclude that because Goodman sought to enforce his contract as well as trademark rights, Goodman ceased use of the trade name. Goodman expected to continue the economic activity associated with the Diamonds but "on his own terms as holder of the trademark and manager of the group."

Goodman continuously used the trademark throughout the period in question; Stetson could not rely on the rebuttable presumption of abandonment; Goodman did not abandon the Diamonds trade name; and the Duncan parties obtained good title to the trade name from its

predecessors in interest, concluded the court, in permanently enjoining Stetson from using the trade name or trademark.

Stetson v. Howard D. Wolf & Associates, 955 F.2d 847 (2d Cir. 1992) [ELR 14:2:8]

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**Hard Rock Cafe trademark infringement action against operator of flea market is remanded**

When the Hard Rock Cafe Licensing Corporation found Iqbal Parvez
selling counterfeit Hard Rock t-shirts at Chicago-area flea markets, the company sued Parvez and Concession Services, the owner and operator of the flea markets.

A Federal District Court found that Concession Services violated the Lanham Act, and entered an injunction forbidding the sale of the infringing merchandise (Parvez had settled with Hard Rock).

Federal Court of Appeals Judge Cudahy has vacated the judgment against Concession Services, vacated the denial of attorneys' fees, and remanded the matter for further proceedings.

Judge Cudahy noted that the Hard Rock's investigators testified that Parvez offered more than a hundred Hard Rock t-shirts for sale, and that the shirts were "poor quality stock, with cut labels and were being sold for $3 apiece." The Hard Rock Cafe restaurants are the only authorized distributors of Hard Rock Cafe merchandise; a legitimate Hard Rock t-shirt usually is sold for over $14.

The District Court, according to Judge Cudahy, concluded that Concession Services and Harry's, another

party sued by Hard Rock, were "guilty of willful blindness that counterfeit goods were being sold on [their] premises." However, the court then stated that neither party "took reasonable steps to detect or prevent the sale of Hard Rock Cafe counterfeit T-shirts on its premise [sic]," suggesting, to Judge Cudahy, a mere negligence standard.

The court declared that Concession Services might be liable for Parvez's sales if the company knew or had reason to know of them. The District Court had found that Concession Services was "willfully blind," which has been held equivalent to actual knowledge for purposes of the Lanham Act. But to be willfully blind, an entity must suspect wrongdoing and deliberately fail to investigate. The District Court did not refer to Concession Services' state of mind, focusing instead on the company's failure to take precautions against counterfeiting. It appeared to Judge Cudahy that the District Court

found Concession Services to be negligent, not willfully blind.

The court continued by pointing out that Concession Services had no affirmative duty to take precautions against the sale of counterfeits, and, in all, that the District Court's finding did not support the conclusion that Concession Services was a contributory infringer.

Judge Swanson cautioned that the court found only that the District Court applied an incorrect standard; it was not found that the evidence could not support the conclusion that Concession Services was willfully blind.

With respect to the issue of vicarious liability, the court noted that a joint tortfeasor may incur vicarious liability for trademark infringement by another, but that such a finding would be based on an apparent or actual partnership between the infringer and the party being sued, with both parties having the authority to bind one another in transactions with third parties or exercising joint

ownership or control over the infringing product. Hard Rock did not argue that Concession Services was a joint tortfeasor.

However, Hard Rock did argue that Concession Services was vicariously liable under the standard used in copyright infringement cases in that the flea market operator had "the right and ability to supervise the infringing activity and...a direct financial interest in such activities." Judge Swanson pointed out that Hard Rock did not refer to any common law principle that would support the analogy to copyright law. The United States Supreme Court has decided that secondary liability for trademark infringement should be more narrowly drawn than secondary liability for copyright infringement. Therefore, "Hard Rock must look to Congress to provide the level of protection it demands of Concession Services," stated Judge Swanson. Thus, although Concession Services might be contributorily liable for

Parvez's unlawful sales, there was no evidence that the company was vicariously liable.

The court concluded by commenting that on remand, if the District Court finds Concession Services liable as a contributory infringer, the court should consider whether the Company's conduct also amounted to intentional use. If Concession Services is found liable because it knew that the t-shirts were counterfeit, or because it was willfully blind, an award of attorneys' fees would be mandatory. If Concession Services is found liable but only because it had reason to know that the shirts were counterfeits, the District Court could award attorneys' fees only if it finds that the circumstances were exceptional.

Hard Rock Cafe Licensing Corporation v. Concession Services, Inc., 955 F.2d 1143 (7th Cir. 1992) [ELR 14:2:9]

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## Former Drake University basketball player may proceed with negligent misrepresentation and fraud claims against school arising from thwarted educational opportunities

In 1988, Drake University hired Tom Abatemarco as the men's basketball team head coach. Abatemarco began recruiting Terrell Jackson to attend and play basketball at Drake. Abatemarco emphasized the quality of education available at Drake and apparently told Jackson that the young player would be the star of the team. When Jackson enrolled at Drake, the school provided him with the assistance of a tutor, but the basketball practice schedule interfered with Jackson's study and tutoring time. As described by Federal District Court Chief Judge Vietor, Jackson attended the practices "under threats that his scholarship would be taken away if he did not comply." Jackson refused the offer of term

papers, prepared by the coaching staff, and refused to take the easy courses recommended by the staff.

Abatemarco, according to Jackson, required the athlete to do extra running and exercises during practices, and purportedly yelled at the young man and called him derogatory names. In January 1990, Jackson quit the Drake basketball team.

Jackson sued Drake, alleging, in part, that the school breached its contract with him by failing to provide independent and adequate academic counseling and tutoring; failing to provide adequate study time; requiring Jackson to turn in plagiarized term papers; disregarding Jackson's progress toward an undergraduate degree; and urging Jackson to register for easy classes. Jackson argued that the financial aid agreements he signed with Drake granted him the right to an educational opportunity and the right to play basketball for a Division I school.

The court stated that the financial aid agreements constituted valid contracts, but noted that Jackson admitted that Drake performed all obligations imposed by the agreements. Chief Judge Vietor concluded that the financial aid agreements did not implicitly contain a right to play basketball, and granted Drake's motion for summary judgment on the breach of contract claim.

Jackson further argued that Drake had a duty to provide "an atmosphere conducive to academic achievement." It appeared to the court that Iowa courts would not recognize Jackson's negligence claim. Judge Vietor stated that there was no satisfactory standard of care by which to measure the school's conduct; that recognizing a negligence claim (based on the facts before the court) "could reasonably be expected to result in an enormous amount of litigation involving college athletic programs," and that academic freedom "thrives on the autonomous decision-making of the academy itself."

The court declined to evaluate the manner in which Drake chose to run its men's basketball program, and, expressing the likelihood that the Iowa Supreme Court would not recognize Jackson's negligence claim, granted Drake's motion for summary judgment with respect to the claim.

The court also rejected Jackson's cause of action alleging negligent hiring, a cause of action recognized by Iowa when the employer owes a special duty to a third party. Jackson claimed that Drake had a duty to Jackson to hire a coach who would follow NCAA and Drake rules, and who would emphasize academics; that Drake failed to sufficiently investigate the Abatemarco's background and hired, as described by Judge Vietor, an individual "who had a reputation for underhandedness, academic impropriety, and player abuse." Jackson based the negligent hiring claim primarily on a Sports Illustrated article which had come to the attention of Drake

athletic director Curtis Blake, the chairman of the search committee formed to select the new head coach. The court found no indication in the article, or otherwise, that Abatemarco had the reputation alleged in the complaint.

In a footnote comment, the court mentioned that even if Abatemarco had the alleged reputation and that Drake knew or should have known of this reputation, Drake's motion still would have been granted - the negligent hiring cause of action apparently was limited to situations where the third party is actually physically injured.

Jackson raised a civil rights claim under 42 U.S.C. 1981 based on Abatemarco's treatment of the athlete. Jackson argued that Abatemarco's abusive treatment prevented Jackson from enforcing his contract with Drake, and that Jackson did not enjoy "the full and equal protection of the laws or security of his person or

property, and [was] subject to punishment and pains because of his race and disadvantaged background..."

Section 1981 prohibits racial discrimination in the making and enforcement of employment contracts. Jackson did not contend that Drake impaired his ability to enforce his contract through the legal process, and section 1981 did not apply to conduct which occurred after the formation of a contract and did not interfere with the right to enforce established contract negotiations. The court, accordingly, found that Jackson was not entitled to recover damages for the violation of 1981 and granted Drake's motion for summary judgment.

The court allowed Jackson to proceed with causes of action alleging negligent misrepresentation and fraud. Accepting Jackson's version of the facts, Drake, through Abatemarco, promised Jackson a college education and full support services. Jackson, who relied on Drake's representations, claimed that the school did not exercise

reasonable care in making the representations and had no intention of providing the promised support. Judge Vietor concluded that Jackson presented sufficient facts to raise a genuine issue for trial on these claims.

Jackson v. Drake University, 778 F.Supp. 1490 (S.D.Iowa 1991) [ELR 14:2:10]

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**Soccer team coach prevails in breach of contract action**

In a decision issued in November 1989, but only recently published, an Ohio appellate court upheld a trial court decision entered on a jury verdict awarding damages to Klaas DeBoer in a breach of contract action against Toledo Soccer Partners, Inc.

The soccer team hired De Boer to serve as the manager and coach of the Toledo Pride Soccer club, and agreed to pay De Boer $25,000 for the first season of ten months, a $2,000 bonus for making the playoffs, medical coverage and a moving allowance. The contract was to be renewed for an additional ten months, with a salary increase to $30,000 and a $2,000 bonus for making the playoffs.

From October 31, 1986 to December 6, 1986, the team won only one game. After a meeting in December with two shareholders of Toledo Soccer Partners, De Boer left the team. The shareholders testified that De Boer quit, but De Boer stated that he was fired.

When De Boer sued Toledo Soccer Partners for breach of contract, the team claimed that De Boer negotiated salaries in excess of the league-imposed limitations and breached his contractual obligation to properly manage

the business operations of the Toledo Pride Soccer Club.

A trial court jury found in favor of De Boer on both the complaint and counterclaim and against both the corporation and individual soccer team parties. Damages were assessed against the corporation and the individual team shareholders.

On appeal, the team argued that the trial court erred in excluding evidence regarding the agreements and understandings preceding the execution of DeBoer's employment contract. Presiding Judge Handwork noted that the team never sought to introduce parol evidence to contradict or explain the renewal terms of the contract and were precluded from raising the issue on appeal.

The team further claimed that De Boer was not entitled to the salary as set forth in the contract for the second season since the coach did not perform any services for that season. However, it appeared clear to the court that

De Boer was fired because of the poor record of the team, and that a defense of business necessity was not available.

The court also rejected the argument that the trial court erred by not reducing the damage award by the amount of income De Boer earned or could have earned during the unexpired term of the employment contract. De Boer sought other comparable employment, observed the court, but was unable to obtain a position. DeBoer earned some income from the operation of a summer soccer camp for children- the camp operated during the summer break which the employment contract did not cover. The trial court properly refused to deduct this income from the damage award, concluded the appellate court. Except for an award for living expenses, the damage award was supported by the evidence.

The court concluded by finding that the trial court did not err in resubmitting the case to the jury for further deliberations on the assessment of damages.

De Boer v. Toledo Soccer Partners, Inc., 583 N.E 1004 (Ohio App. 1989) [ELR 14:2:11]

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**Court refuses to dismiss former hockey players' action arising from management of pension fund despite pending Canadian proceeding**

Robert Dailey and Reggie Leach, two former professional hockey players, filed a class action lawsuit against the National Hockey League and other parties alleging the violation of the Employee Retirement Income Security Act in connection with the funding, administration, and management of the National Hockey

League Pension Plan and Trust. The players questioned the allocation of surplus funds from the pension plan to the accounts of member clubs of the League, rather than to the accounts of retired participants in the pension plan.

The League parties sought to dismiss the action on the ground that another previously filed lawsuit addressing the same issues was pending in Canada.

Chief Judge Gerry, in refusing to dismiss the players' action, noted the doctrine holding that in certain circumstances, the court in which the suit was filed later must relinquish its jurisdiction and allow the case to proceed solely in the first court. However, the court stated that the League did not cite any cases in which the doctrine was applied to dismiss ERISA claims. United States federal courts have exclusive jurisdiction over ERISA claims; there was no attempt to raise the ERISA claims in the Canadian action.

And although certain provisions of ERISA restate common law principles, Judge Gerry pointed out that claims under ERISA are governed by federal case law that is separate from the state or Canadian common law of contract. In all, the players' ERISA claims would be lost if they were forced to bring their grievances only before a Canadian court, stated the court, in further finding that such loss could be "of material significance" to the players' case. The League next sought dismissal on the ground of forum non conveniens, arguing that the pension fund itself, the NHL Pension Society, many of the

located in Canada. The players noted that fifteen of the twenty-two member clubs were located in the United States, that the League has an office in New York City and that about forty percent of the plan participants reside in the United States.

Judge Gerry agreed that the factors of the availability of sources of proof and convenience to witnesses would suggest dismissal. Given that the players chose their home forum and, again, would lose their ERISA claim upon dismissal, the court declined to dismiss on forum non conveniens grounds.

Dailey v. National Hockey League, 780 F.Supp. 262 (D.N.J. 1991) [ELR 14:2:12]

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**Printer of NFL posters may recover fees from joint production and marketing venture**

The National Football League granted Page Gallery Productions a license to print football posters, and Page asked A.B. Hirschfeld Press, Inc. to print the posters. Hirschfeld previously had printed promotional posters

for Page; the parties did not enter a separate contract for the NFL project.

Page arranged to have Weston Group, Inc. market the football posters. During the course of negotiating with the company, Page sought and obtained a loan from Weston; Page may have used some of the funds borrowed from Weston to pay the printer.

Hirschfeld eventually sued Weston for printing expenses. A Colorado trial court found that Page and Weston had orally agreed that Weston would promote and market the football posters produced by Page, that Weston would receive fifty percent of the profits, that the parties' share of any losses would be deducted from any future profits, and that Page and Weston intended to enter a joint venture. The court concluded that Hirschfeld had the right to apply the funds Page received from Weston to the printing bills due from the promotional

project because those billings preceded the expenses incurred by Hirschfeld for the NFL posters.

A Colorado appellate court has upheld the trial court's ruling. Judge Ruland noted that a written agreement was not required in order to form a joint venture, and that the failure to sign an agreement in the instant case was not due to the parties' failure to reach an agreement on the terms of the venture. Although the venture may have been abandoned, this did not void the prior agreement to allocate the expenses of the venture.

The court then found that there was sufficient evidence to establish that the parties had a joint interest in the property of the venture; that the printing expenses were within the scope of the agreement; and that Page had the authority to bind the joint venture although Hirschfeld may not have relied on the venture.

Judge Ruland concluded by determining that the trial court did not err in permitting Hirschfeld to allocate the

payments received to earlier unpaid items on the Page account.

A.B.Hirschfeld Press, Inc. v. Weston Group, Inc., 824 P.2d 44 (Co. App. 1992) [ELR 14:2:12]

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**Musicians' Union picketing of self-employed musician violates National Labor Relations Act**

In late December 1984, a local unit of the Musicians Union, affiliated with the American Federation of Musicians, picketed the Hyatt Regency hotel in Oakland. Don Lewis, a self-employed musician who sings and plays computer-enhanced keyboard instruments, was performing at the Hyatt. The union's picket signs announced to the public that Lewis, a non-union musician was "unfair to Musicians Union Local 6...No dispute

with any other employer or person." Lewis did not employ or play with any other musicians; there was no evidence that any representative of the union contacted Lewis to convince him to join the union; and there was no evidence, other than the picket signs, that the union intended to induce Lewis to join the union.

The National Association of Orchestra Leaders, a trade organization representing orchestra leaders, band leaders, and self-employed musicians, including Lewis, filed an unfair labor practices charge. A local office of the National Labor Relations Board issued a complaint against the union alleging that, by picketing, the union violated the National Labor Relations Act's prohibition against the use of coercion with the object of forcing a self-employed person or employer to join the union.

An Administrative Law Judge concluded that the Board had not established that the Musicians Union's

picketing was proscribed by the statute, and dismissed the complaint.

On review, a Board panel concluded that the union had violated that Act, and ordered the union to "cease and desist from threatening, coercing, or restraining Don Lewis with an object of forcing or requiring him to join the union."

A Federal Court of Appeals has granted the Board's petition for enforcement of the panel's order.

Judge Cecil F. Poole noted that the Board reasonably relied on the plain language of the actual picket signs to infer that the object of the union's picketing was to force Lewis to join the union, and that there was substantial evidence supporting the Board's finding of an unlawful objective. Once it was established that an objective of the picketing was to force an employer or self-employed person to join a union, a violation was proven - it did not matter whether the union had additional objectives.

It also was found that the union was engaged in organizational, not informational or consumer picketing, and that the Board had not violated the union's right under the First Amendment to publicize a dispute.

National Labor Relations Board v. Musicians Union, AFM Local 6, Case No. 90-70466 (9th Cir., Mar. 31, 1992) [ELR 14:2:13]

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## New York trial court refuses to enforce libel judgment granted by English court

In a case of first impression, a New York trial court has refused to enforce a judgment granted in the High Court of Justice in London, England to an Indian national, identified only as Bachchan, in a libel action against India Abroad Publications, the New York

operator of a news service which transmits reports only to a news service in India.

The allegedly defamatory story, written by a reporter in London, was wired by India Abroad to the news service which sent it to newspapers in India. Copies of the Indian newspaper were distributed in the United Kingdom. According to the story, a Swedish newspaper had reported that Swiss authorities had frozen an account belonging to Bachchan; apparently money was transferred to the account from a coded account into which commissions paid by Bofars, a Swedish arms company, were deposited. Bofars had been charged with paying kickbacks to obtain a large munitions contract with the Indian government. Bachchan's name previously had been mentioned in connection with the scandal in several Indian and other publications. India Abroad subsequently transmitted Bachchan's denial that he held such a

bank account or that he or any member of his family had any connection with the Bofars contract.

Bachchan also had sued the Swedish newspaper; the newspaper settled the claim by paying an unspecified sum and issuing an apology stating that it was misled by Indian government sources. India Abroad did not apologize, but did report the Swedish newspaper's settlement and apology.

The jury assessed 40,000 pounds in damages for the wire service story together with attorneys fees.

Judge Shirley Fingerhood, taking judicial notice of the defamation laws of England, noted that under English law, any published statement which adversely affects a person's reputation, or the respect in which that person is held, is prima facie defamatory. A party suing for libel must establish only that the complained of words refer to him/her, were published by the party being sued, and bear a defamatory meaning. If, as in the case before the

court, statements of fact are concerned, the statements are presumed to be false and the publisher must plead justification for the issue of truth to be brought before the jury.

English law does not distinguish between private persons and those who are public figures or are involved in matters of public concern. Parties are not required to prove the falsity of the libel or fault on the part of the publisher, and are not required to prove that a media party intentionally or negligently disregarded proper journalistic standards in order to prevail.

The publisher has the burden of proving not only truth but also must establish entitlement to the qualified privilege for newspaper and broadcasters under the 1952 Defamation Act. The statutory privilege is available if "the matter published is of public concern and ...its publication is for the public benefit."

India Abroad pointed out that Bachchan was a friend of the late prime minister of India, Rajiv Gandhi, and was the brother and manager of a movie star and former member of Parliament, and thus was a public figure. Under New York Times v. Sullivan, 376 U.S. 254 (1964), a public official, in order to recover damages for defamation, must prove by clear and convincing evidence that the allegedly defamatory statement was published with actual malice. The burden of proof was placed on public figures who sued media parties in Curtis Publishing Co v. Butts, 388 U.S. 130 (1967), noted Judge Fingerhood, who nevertheless declared that it was not necessary to decide whether Bachchan was a public figure. Rather, the court compared the procedures of the English court to the procedures which are constitutionally required by the United States Supreme Court for lawsuits brought by private persons challenging media accounts of matters of public concern.

India Abroad's article related to a matter of public concern. And Judge Fingerhood stated that in order to avoid a "chilling" effect on speech, a private figure must bear the burden of showing that the challenged speech was false before recovering damages for defamation from a media party. The chilling effect was "no different where liability results from enforcement in the United States of a foreign judgment obtained where the burden of proving truth is upon media [parties]." Bachchan's failure to prove falsity in the High Court of Justice in England rendered his judgment unenforceable, declared Judge Fingerhood.

The enforcement of the judgment also would violate the First Amendment, stated the court, because in England, Bachchan was not required to show that the media party was at fault. Bachchan did not establish that India Abroad was grossly irresponsible, "a difficult task, where [a party] disseminates another's news report."

Judge Fingerhood emphasized that the protection of free speech and the press embodied in the First Amendment "would be seriously jeopardized by the entry of foreign libel judgments granted pursuant to standards deemed appropriate in England but considered antithetical to the protections afforded the press by the U.S. Constitution."

Bachchan v. India Abroad Publications, Inc., 20 Media L. Rptr. 1051, New York Law Journal, p. 26., col. 2 (N.Y.Cnty., April 17, 1992) [ELR 14:2:13]

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**Judgment rejecting Indian official's libel action against journalist Seymour Hersh is affirmed because official did not specifically object to ruling allowing Hersh to testify about confidential sources without disclosing sources' identity**

As reported at ELR 11:10:16, a Federal District Court in Illinois entered judgment on a jury verdict on behalf of journalist Seymour Hersh in a libel action brought by Morarji Desai, India's prime minister from 1977 to 1979.

Desai had challenged a statement in Hersh's 1983 book "The Price of Power: Kissinger in the Nixon White House." Hersh asserted, apparently on the basis of information provided by unidentified government "officials," that Desai was a paid CIA informer who was considered a valuable "asset" to the United States during the Johnson and Nixon administrations.

Desai unsuccessfully requested the identities of the sources who formed the basis for Hersh's statements. The District Court denied Desai's motion for an order precluding Hersh from relying on or referring to any unidentified confidential sources at trial. However, the

court permitted Desai to inquire into the existence and reliability of the confidential sources, but without requiring them to be identified.

Federal Court of Appeals Judge Kanne noted that the Illinois Reporter's Privilege Law governed the issue of whether Hersh would be entitled to protection from disclosing the identities of his sources. Desai had not sought the disclosure of Hersh's sources as set forth in the statute. However, when Desai began his action, there had been no state statutory mechanism for seeking the identity of a reporter's sources. And the District Court's ruling, stated Judge Kanne, effectively foreclosed Desai from obtaining the information necessary to meet his burden of proof under New York Times Co. v. Sullivan, 376 U.S. 254 (1964), for even if Desai succeeded in establishing that the statements were false, Desai still would have to prove actual malice by showing that Hersh in fact had no reliable sources, that he

misrepresented the reports of sources, or that his reliance upon those particular sources was reckless. Desai "would be hard-pressed to challenge the credibility of sources whom he cannot identify," observed the court.

It also was noted that the District Court treated the privilege as absolute, but that granting an absolute privilege to journalists to maintain the confidentiality of their sources in a libel case is neither required nor authorized and would substantially enhance the burden of proving actual malice.

Notwithstanding the above, Judge Kanne concluded that Desai did not preserve for appeal the argument that the District Court had erred with respect to the admission of evidence. Desai never specifically objected to Hersh's testimony about his sources, and the District Court was not asked to consider whether the probative value of the evidence sought to be excluded was substantially outweighed by the danger of unfair prejudice

to Desai. Judge Kanne refused to overturn the District Court's collateral determination that Hersh could testify about the reliability and background of his sources without disclosing their identity, and therefore affirmed the court's judgment.

Desai v. Hersh, 954 F.2d 1408 (7th Cir. 1992) [ELR 14:2:15]

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**Promoter of classic cartoon festival may proceed with defamation claim against radio show personalities, but Illinois court upholds dismissal of other causes of action**

Anthony Kolengas, the producer of a classic cartoon festival, called radio station WLUP-AM on April 26, 1988 to discuss the upcoming festival. During a

conversation with radio personalities Tim and Beth Disa, Kolengas, who had purchased advertising time on the station, stated that he was the producer of the festival, announced the dates, times and location of the festival, and stated that a portion of the proceeds would benefit the National Neurofibromatosis Foundation, Inc.

When Kolengas mentioned that his wife and son were afflicted with neurofibromatosis, Tom Disa stated on the air: "You're gone," and disconnected Kolengas.

Soon after ending the conversation, Tom Disa allegedly stated on the air that Kolengas "was not for real," as well as commenting "Why would someone marry a woman if she had Elephant Man disease? It's not like he couldn't tell - unless it was a shotgun wedding." Beth Disa allegedly stated that Kolengas was "scamming" them, and, along with Tim, continued to comment on the appearance of individuals with the neurofibromatosis

condition. Kolengas' five-year old son was listening to the broadcast.

Kolengas, in a complaint setting forth causes of action for defamation, publication of an injurious falsehood, invasion of privacy and reckless infliction of emotional distress, also claimed that the Disas remarked that "there was no such show as the classic cartoon festival" described by Kolengas.

An Illinois appellate court has reversed a trial court decision dismissing Kolengas' claim with respect to the Disas' statements concerning Kolengas' business. The court found that Kolengas pleaded facts sufficient to state a cause of action and that the statements in issue were to be considered libelous per se because they "impute a want of integrity in the discharge of the duties of [Kolengas'] employment" and prejudiced him in his business. The jury must decide whether the statements

were understood as defamatory or as referring to someone other than Kolengas.

Judge Dunn noted that it was not clear from the face of the complaint that, as a matter of law, the challenged statements were privileged opinion or rhetorical hyperbole.

Judge Dunn then pointed out that although Illinois has not recognized the tort known as publication of an injurious falsehood, it was not necessary to address the issue of whether to recognize the tort for the first time because the facts as alleged by Kolengas did not support a cause of action for injurious falsehood. The Disas commented on Kolengas' honesty, not the quality of the cartoon festival.

The court rejected the cause of action for false light invasion of privacy, brought in the names of Kolengas and his wife and son, stating that the alleged false light was not highly offensive to a reasonable person.

The court also upheld the dismissal of the cause of action for reckless infliction of emotional distress, for "as tasteless as the [Disas] comments may have been, their conduct was not truly extreme and outrageous."

Kolengas v. Heftel Broadcasting Corporation, 578 N.E.2d 299 (Ill. App. 1991) [ELR 14:2:15]

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## Business Week obtains summary judgment in libel action

The cover story of Business Week's August 11, 1986 edition was entitled "Big Trouble at Allegheny." The article discussed purported "questionable management practices" at Allegheny International, and focused on the activities of Allegheny's then Chief Executive Officer, Robert Buckley. The article also mentioned that the

offspring of senior company executives "were placed on the payroll - including one of the chairman's sons, who was appointed manager of a Manhattan hotel that AI owned...The company paid nearly $6 million for a Manhattan hotel; Buckley's son became its manager, although his qualifications were minimal."

Christopher Buckley sued McGraw-Hill, the publisher of the magazine, for libel, claiming that the statements about him in connection with his employment at the hotel were false.

A Federal District Court in Pennsylvania first determined that New York law would apply in the action. Buckley was a longtime Pennsylvania domiciliary. However, New York had a substantial interest in the case in that Buckley lived and worked in the state at the time the magazine article was published, and Business Week is a New York corporation. Furthermore, although Judge Diamond did not consider it a "compelling"

factor, New York courts have expressed the state's interest in protecting media parties. The parties also had agreed that New York law would control.

Judge Diamond then examined the seven statements challenged by Buckley. The court, among other findings, rejected Buckley's claim that the article stated or implied that Allegheny or Robert Buckley purchased the hotel for the purpose of creating a job and a luxurious apartment for Christopher Buckley. It was found that the article implied that Buckley's employment presented a conflict of interest; this implication was capable of defamatory meaning with regard to Buckley only insofar as it implied that he benefitted from nepotism. It also was found that the statement that Buckley was minimally qualified to work as a manager at the hotel was capable of a defamatory meaning.

For purposes of Business Week's motion for summary judgment, the court presumed that there were material

questions of fact as to whether the statements or implications concerning nepotism and Buckley's qualifications were substantially true.

Judge Diamond then stated that Buckley did not present evidence which would justify a jury in concluding that Business Week acted in a grossly irresponsible manner. The court reviewed the evidence presented by the magazine concerning its sources and concluded that there were no obvious reasons for the magazine to doubt the truth of its information about the manner in which Christopher Buckley obtained his position and the nature of his qualifications. The Buckleys had declined to respond to the magazine's request for further information. In all, Buckley did not present evidence sufficient to raise a triable issue of fact as to whether Business Week satisfied its duty of care, and the court, accordingly, granted the magazine's motion for summary judgment.

Buckley v. McGraw-Hill, Inc., 782 F.Supp. 1042 (W.D.Pa. 1991) [ELR 14:2:16]

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## Briefly Noted:

### Ticket Scalping.

An Illinois appellate court has affirmed the conviction of Max Waisvisz on charges of "ticket scalping" and the imposition of a $3,000 fine. Waisvisz purportedly sold two tickets to a University of Illinois Assembly Hall New Kids on the Block concert for $40 each, rather than $25 each as printed on the tickets. The Assembly Hall did not authorize Waisvisz to sell tickets to the concert and impose a service charge.

The court upheld the constitutionality of the relevant statute, rejecting the argument that the statute improperly delegated legislative power. The statute gave "legislative sanction to a right which the promoters of entertainment and sporting events have always enjoyed at common law" and did not violate any restrictions on monopolistic control of business.

People v. Waisvisz, 582 N.E.2d 1383 (Ill.App. 1991) [ELR 14:2:16]

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**Libel.**

In April 1988, Boston area radio station WEEI reported that the owner of a Brookline delicatessen and seven other people were arrested in connection with an international cocaine ring. Haim Eyal, the owner of

Haim's Delicatessen in Brookline sued the owner of the station for libel.

A trial court dismissed the action for failure to state a claim. The Massachusetts Supreme Court stated that it did not appear beyond doubt that Eyal would be unable to prove a set of facts that would support a finding that the radio station's statements were "of and concerning" him. However, the court rejected the libel claim on behalf of Haim's Delicatessen, Inc., stating that the radio station's report was not reasonably susceptible of any meaning defamatory to the corporation. The report did not mention the corporation, and the court rejected the argument that the radio station parties defamed the corporation by allegedly defaming Eyal.

The matter was remanded to the trial court for further proceedings.

Eyal v. Helen Broadcasting Corp., 583 N.E.2d 228 (Mass. 1991) [ELR 14:2:17]

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**Copyright/Preemption.**

An individual identified only as Major claimed that he entered into two contracts with CBS Records permitting the company to use a photograph entitled "Midnight Oil" only on a video cover and a promotional brochure, but that CBS allowed the photograph to be published in magazines. Major, in a conversion action, sought $600,000 in damages.

A New York trial court, agreeing with CBS that the action was preempted by the Copyright Act, dismissed the complaint without prejudice to the institution of an action in a Federal District Court. Judge Lehner noted that Major did not present any claims requiring contract

interpretation; the argument that the lack of "national interest" in the photograph would preclude federal preemption was rejected.

Major v. CBS Records, New York Law Journal, p. 22, col. 5 (N.Y.Cnty., Mar. 13, 1992) [ELR 14:2:17]

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**Magazine Title.**

The publisher of an investment newsletter entitled "Personal Finance" was not entitled to an injunction to prevent the Kiplinger Washington Editors, Inc. from using the trademark "Kiplinger's Personal Finance Magazine," a Federal District Court in Washington, D.C. has ruled. The court found that confusion between the publications was unlikely. It was not shown that the term "personal finance" was associated exclusively in the

public's mind with the Personal Finance newsletter; Kiplinger's mark clearly indicated that the magazine was from a different source and described a different product; and the fact that both marks included the term "personal finance" was not sufficient to render the marks overly similar. The court also noted that the size, layout, design and logotype of the two marks as used in the titles of the publications in issue demonstrated that any potential for confusion was "practically eradicated." And there was no evidence that Kiplinger sought to take advantage of the goodwill of Personal Finance, concluded the court in denying the application for a preliminary injunction.

National Information Corp. v. Kiplinger Washington Editors, Inc., 771 F.Supp. 460 (D.D.C. 1991) [ELR 14:2:17]

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## Magazine Title.

A Federal Court of Appeals has affirmed a District Court decision (ELR 13:4:15) granting summary judgment to Retirement Living Publishing Co., the publisher of the magazine "New Choices for the Best Years," in a trade name infringement action brought by Doe Lang, who published a book under the name "New Choices Press."

Chief Judge James L. Oakes, after reviewing the factors relevant to a determination of likelihood of confusion, found that the District Court correctly determined that Lang's trade name was weak, that the similarities between the names did not create an issue of fact on the likelihood of consumer confusion, and that the products were not proximate. Although Lang had received about four hundred phone calls from people trying to reach Retirement Living magazine, the evidence indicated that

the calls ended following the listing of the magazine title in local telephone books - there was no evidence linking the confusion of the callers to any potential or actual effect on consumers' purchasing decisions.

The court concluded that Lang did not raise a genuine issue of material fact on the existence of a likelihood that Retirement Living's use of its mark would confuse reasonably prudent purchasers.

Lang v. Retirement Living Publishing Co., Inc., 949 F.2d 576 (2d Cir. 1991) [ELR 14:2:17]

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**Directors Guild Arbitration Award.**

In late 1984, when a film entitled "Deathwork," did not receive its anticipated financing, Premru Productions failed to pay Lee Katzin and Claude Binyon the

compensation due under the collective bargaining agreement with the Directors Guild of America. An arbitration proceeding resulted in an award of $55,000 to Katzin and an award of about $36,000 to Binyon. Premru and Jack Jones, the executive producer of Deathwork, failed to pay the arbitration awards. A California trial court subsequently confirmed the awards, and the Directors Guild recorded the judgment in a Florida trial court pursuant to the Florida Enforcement of Foreign Judgments Act.

Jack Jones filed a complaint to quiet title to certain Florida property, claiming that the judgments had cast a cloud on his title. Jones alleged that the California court did not have personal jurisdiction over him and wrongfully entered the Binyon and Katzin judgment. Jones stated, in part, that he never was a resident of California, and did not own any property in the state.

A Florida trial court entered summary judgment on behalf of the Directors Guild parties.

An appellate court has remanded the matter for further proceedings, noting that the affidavits submitted by Jones and by a representative of the Directors Guild directly contradicted each other on the material facts pertaining to personal jurisdiction, and that the trial court should not have entered summary judgment based on the validity of the California judgment in favor of either party.

Jones v. Directors Guild of America, Inc., 584 S.2d 1057 (Fla. App. 1991) [ELR 14:2:18]

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**Advertising.**

A Federal District Court in New York has refused to grant American Express Travel Related Services' motion for a preliminary injunction in connection with a commercial prepared by Mastercard International Inc. In response to American Express's Lanham Act claim, MasterCard withdrew its original "Directions" commercial. The court found that a revised commercial, known as "Directions 2" compared the relative ability of American Express Card and MasterCard holders to find locations for obtaining cash with their card, and was not explicitly false in any way. Judge Motley observed that the exaggeration used by MasterCard to convey the message that it is more difficult for an American Express Card holder to find a location where he can get cash with his/her card was mere "puffing."

The court therefore denied American Express's motion for a preliminary injunction, unless, at the time of trial, the company demonstrated a likelihood of future harm

with respect to the "Directions" commercial. There was no basis for enjoining broadcasts of "Directions 2," ruled the court; the issue at trial as to "Directions 2" would be whether the commercial was implicitly false.

American Express Travel Related Services Company, Inc. v. MasterCard International Incorporated, 776 F.Supp. 787 (S.D.N.Y. 1991) [ELR 14:2:18]

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**Horse Racing.**

Sylvia E. Heft entered her horse Pulverizing in the tenth race at Laurel Race Course in Maryland on February 4, 1989. Pulverizing finished second in the race. Heft claimed that the horse finishing first in the race should have been disqualified because he interfered with

two other horses during the running of the race. Heft did not file an objection until two days after the race.

The Maryland Racing Commission declared that Heft had failed to object to the race within the time specified in the rules.

A Maryland trial court agreed that Heft had no right to an appeal to the Commission because she had failed to file a timely objection, and found that the regulatory scheme was constitutional, and that the steward's decision not to disqualify the winning horse was not a proper basis for issuing a writ of mandamus.

An appellate court has upheld the trial court decision.

Heft v. Maryland Racing Commission, 592 A.2d 1110 (Md.App. 1991) [ELR 14:2:18]

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**National Football League Players Association.**

At ELR 13:6:13, it was reported that a Federal District Court in Minnesota held that the National Football League Players Association no longer functioned as a collective bargaining representative for the NFL players and that the nonstatutory labor exemption ended.

The National Football League parties subsequently sought to supplement the record in the case with evidence purportedly obtained after the court's order which demonstrated, according to the League, that the Players Association continued to bargain, on behalf of the players, with the League teams, and that a majority of players supported the association's representation.

The court previously had determined that the majority of the players no longer supported the association as their collective bargaining representative. The association's activities were "consistent with those of a

professional association, not a labor union," stated Judge Doty, who concluded that the proposed evidence would not alter the court's ruling on the labor exemption issue and therefore denied the National Football League parties' motion to supplement the record. The court declined to impose the sanctions requested by the players' association.

McNeil v. National Football League, The Five Smiths, Inc. v. National Football League Players Association, 777 F.Supp. 1475 (D.Minn. 1991) [ELR 14:2:18]

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## IN THE NEWS

### Fines for hoax broadcasts authorized by Federal Communications Commission

The Federal Communications Commission has adopted a rule authorizing the Commission to fine a broadcaster up to $25,000 for airing false announcements about crimes and catastrophes. According to news reports, the fines may be imposed if the broadcaster knowingly airs false information concerning dangerous situations, and it is foreseeable that the public could be harmed by the broadcast.

Broadcasts of dramatic productions dealing with alarming topics must be accompanied by disclaimers notifying listeners of the fictional nature of the work. [ELR 14:2:19][July 1992]

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## Performers approve three year film and primetime television contract with producers

Members of the Screen Actors Guild and the American Federation of Television & Radio Artists have voted to approve a new three year film and primetime television contract with the Alliance of Motion Picture & Television Producers.

The contract provides for a 12.5 percent minimum wage increase over three years.

The Screen Actors Guild now has jurisdiction over the Screen Extras Guild. In order to obtain the jurisdiction, the extras agreed to a decrease in wages from about $86 per day to $65 per day, with specified rates for certain categories of extras.

It has been reported that the contract states that employers may not inquire as to a performer's marital status or sexual preference, and that reasonable accommodations must be made for actors with disabilities. [ELR 14:2:19] [July 1992]

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