## RECENT CASES

### Paramount may recover breach of contract and statutory copyright infringement damages arising from broadcaster's airing of television episodes after termination of license agreement

Metro Program Network, Inc., the operator of a commercial television station in Cedar Rapids, Iowa, signed, in January 1988, eight interim license agreements with Paramount Pictures to broadcast episodes of several television shows including "Happy Days," and various packages of films or movies of the week. Metro agreed to pay Paramount ten percent of the license fees on a specified date, and the remainder in thirty-six equal monthly installments. The agreements were made subject to the additional provisions contained in

Paramount's Standard Series Contract and the company's Standard Terms and Conditions.

Metro began broadcasting the programs sometime prior to March 1988. However, the company did not make any payments to Paramount, and, on May 6, and again on May 20, 1988, Paramount notified Metro of the termination of the agreements. Paramount claimed that Metro's subsequent unauthorized airing of the programs constituted willful copyright infringement.

When Paramount sued Metro for breach of contract and copyright infringement, a Federal District Court found that Paramount's Standard Terms and Conditions were properly considered part of the agreements between the studio and Metro, even though Metro had not seen or read the terms and did not know, when signing the agreements, the contents of the terms and conditions. Metro was held liable to Paramount for breach of contract in the amount of $217,760, the full contract price.

The court also found Metro liable for copyright infringement in the amount of $23,500.

Federal Court of Appeals Judge Magill found that the award of the full contract price was not clearly erroneous and rejected Metro's claim that granting breach of contract damages and statutory copyright infringement damages was an impermissible award of double damages. The District Court had found that Metro, after Paramount's second notice of termination on May 20 (Metro claimed that it did not receive a termination notice sent by Paramount on May 6) broadcast forty-seven episodes of television series owned by Paramount; the court awarded the company $500 per infringement. Judge Magill stated that the breach of contract damages award was not an award of actual damages for copyright infringement - Paramount's breach of contract claim related solely to events that occurred before May 6, the date the company terminated the agreements. Metro would have been liable for contract damages even if the company had not broadcast any episodes after the agreements were terminated, stated the court.

The copyright infringement claim related to events that occurred after May 6. Prior to that time, observed the court in a footnote comment, the company had been broadcasting the episodes under interim license agreements which, again, were terminated on May 6.

Paramount Pictures Corporation v. Metro Program Network, Inc., 962 F.2d 775 (8th Cir. 1992) [ELR 14:10:3]

**Copyright infringement claim against author of futuristic romance novel is dismissed due to lack of substantial similarity**

Sharon Green, the author of the science fiction novel "The Warrior Within," brought a copyright infringement action against Johanna Lindsey, the author of the futuristic romance novel "Warrior's Woman."

Federal District Court Judge Michael B. Mukasey, stating that the claims in the case required "a more detailed review of these works than their literary merit would either warrant or induce," first set forth summaries of each novel.

The court then considered the issue of actual copying, noting Lindsey, for purposes of the motion for summary judgment, conceded access. Judge Mukasey pointed out that the parties had ignored the question of whether sufficient similarities existed between the works to raise an inference of copying. The parties focused only on the question of whether the two works contained substantially similar protected expression so as to warrant a finding of improper appropriation. However, the similarity necessary to prove copying, although sometimes referred to as "substantial similarity," must only be sufficient to create an inference of actual copying.

The two "so-called substantial similarity prongs of copyright infringement do differ," continued Judge Mukasey, who assumed, for purposes of the motion before the court, that sufficient similarities existed to create an inference of copying - such an inference was supported, in part, by Lindsey's dedication of her book "To ... Sharon, for inspiration..."

In turning to the issue of improper appropriation, the court recalled that a party must show that the average lay reader would perceive the two works in question to be substantially similar. Green argued that because Lindsey conceded access, Green was not required to prove that the two works were substantially similar and that a lesser "quantum of similarity" under the "inverse-ratio rule," would be sufficient to establish a prima facie case of copyright infringement. The inverse ratio rule, which apparently appeared in dictum in Sid and Marty Krofft Television Productions, Inc. v. McDonald's Corp. , 562 F.2d 1157 (9th Cir. 1977), provided that where clear and convincing evidence of access is presented, the quantum of proof required to show substantial similarity may be lower than when access is shown merely by a preponderance of the evidence (emphasis by Judge Mukasey). But the Second Circuit has rejected the inverse ratio rule and the rule was subsequently criticized by the Ninth Circuit.

Even if the inverse ratio rule were in effect in the Second Circuit, the rule would apply to the quantum of proof of similarity necessary to create an inference of copying, not to the quantum of proof of similarity necessary to prove misappropriation of expression. The court had assumed copying for purposes of the instant motion - the quantum of proof necessary to prove what the court already assumed was "irrelevant," declared Judge Mukasey.

Green also argued that the court should consider Lindsey's "evasive intent" in conducting the improper appropriation analysis. An evaluation of a party's good faith would be relevant to a fair use defense, noted the court, but Lindsey's good or bad faith was irrelevant to the question of whether Lindsey appropriated Green's protected expression. And it was found that the evidence did not support Green's theory regarding Lindsey's alleged evasive intent.

Green next claimed that Reyher v. Children's Television Workshop, 533 F.2d 87 (2d Cir.), cert. denied, 429 U.S. 980 (1976) which recognized "total concept and feel" as an actionable basis for copyright infringement, would preclude a comparison of the works at issue. According to Green, Reyher recognized an "objective/subjective bifurcation of the substantial similarity test between all narrative elements other than total concept and feel, and total concept and feel."

Judge Mukasey rejected Green's "abstruse theory," stating that the Second Circuit never has restricted the application of the total concept and feel test, and the test has been applied to all types of literary and/or dramatic works in conjunction with certain elements labelled "objective' by Green. The court then discussed the total concept and feel of the works in addition to theme, plot, pace, setting, character and style.

Green had conceded that the mood of the two works was materially different. The tone of the works also differed, observed the court, for The Warrior Within was "a serious and somber action-filled science fiction novel, with a tendency toward the sado-masochistic;" Warrior's Woman was "a light-hearted romance filled with consensual and seemingly enjoyable sex, as well as with bantering and humorous (if not exactly funny) dialogue between the main characters."

Judge Mukasey next pointed out that neither the title of Green's work nor its purported "warrior woman" theme warranted copyright protection, and that alleged similarities in plot were not similarities at all or involved unprotected scenes a faire. Lindsey's expression of certain stock elements differed "markedly" from Green's, stated the court, and to the extent that similarities existed, they were stock science fiction elements, such as a "league of planets," the futuristic idea of effortless, subliminal learning, an attack on the protagonist by fictional wild beasts, and the use of fictional animals for transportation.

Furthermore, Lindsey's use of stock romance devices was generally substantially different from Green's. No protectible expression was included, stated the court, in the alleged similarities between the female protagonists' servitude to the male protagonists in the two books, in the male protagonists' possessiveness, in the "banding" of the main female characters, and in the sex scenes.

The time frame and settings of the works differed as did the portrayal of the main characters. Judge Mukasey stated that characters obtain only limited protection in creative works, and that Green's characters not only were dissimilar to Lindsey's characters, but seemed "undeveloped to the point of being 'stock' characters and therefore ineligible for copyright protection." Green argued that the female protagonists each acted as an "ambassador and trade negotiator." The alleged similarity was too broad and undeveloped to be the subject of copyright protection and did not correctly describe Lindsey's character.

The court found that the dialogue and speech patterns of the works indicated "hackneyed treatment of the warrior-hero theme, and therefore not properly the subject of copyright protection." Both authors attempted to demonstrate, each in her own way, stated Judge Mukasey, "that warriors in pulp fiction talk more like Tarzan than like Lord Chesterfield...This is not surprising, nor is it copyright infringement." Lindsey did not appropriate any elements of Green's copyrightable dialogue or barbarian dialect.

No reasonable jury could find the works in issue substantially similar, and the few similarities involved non-copyrightable elements of Green's work, concluded the court, in granting Lindsey's motion for summary judgment and dismissing Green's complaint.

Green v. Lindsey, Case No. 91 Civ. 3668 (S.D.N.Y., Dec. 8, 1992) [ELR 14:10:3]

## Unconstitutionality of Missouri statute restricting sale to minors of videos depicting violence is upheld

As described at ELR 13:12:17, a Missouri statute restricted the display and sale, to individuals under seventeen, of videocassettes depicting violence "in a way which is patently offensive to the average person applying contemporary adult community standards with respect to what is suitable for persons under the age of seventeen."

A Federal District Court decision ruling the statute unconstitutional and permanently enjoining the statute's enforcement has been upheld by a Federal Court of Appeals.

The Video Software Dealers Association, the Motion Picture Association of America, and the owners and operators of two Missouri video retail stores, on behalf of a class of all retailers and distributors of videos in

Missouri, had brought a pre-enforcement challenge to the constitutionality of the statute.

Judge Fagg, after noting that the statute did not clearly identify its targeted material, agreed with the District Court that the statute was not narrowly tailored to promote a compelling state interest. The state argued that the statute was a constitutional exercise of its power to protect children. But the court expressed the view that it was not necessary to decide whether states can legitimately proscribe dissemination of material depicting violence to minors because the statute in issue could not survive strict scrutiny, and violated the First Amendment on its face.

The District Court also correctly found that the statute was unconstitutionally vague, stated Judge Fagg, who observed that Missouri's courts would not be able to decisively narrow the statute given the absence of any legislative history or statement of purpose issued upon the adoption of the statute.

Judge Fagg also upheld the District Court's determination that the statute unconstitutionally imposed strict liability - the statute was quasi-criminal in nature, stated the court, but did not contain a knowledge requirement. And the court expressed the belief that any statute that chills the exercise of First Amendment rights must contain a knowledge element. "By penalizing video dealers regardless of their knowledge of a video's contents, the statute present[ed] a hazard of self-censorship," observed the court and thus violated the First Amendment by making video dealers more reluctant to exercise their freedom of speech and ultimately restrict the public's access to constitutionally protected videos.

Judge Fagg stated that in the absence of a state court decision narrowing the statute, the court lacked the authority to impose a narrowing construction. It appeared that "nothing less than rewriting the statute to include a definition of violence would begin to remedy the statute's vagueness, " but the court declined to do so.

Video Software Dealers Association v. Webster, 968 F.2d 684 (8th Cir. 1992) [ELR 14:10:5]

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**Court terminates motion picture antitrust 1951 consent decrees and subsequent orders restricting activities of Loews and Tri-Star**

In 1951, the United States Department of Justice, which had brought an antitrust action against various film distributors and exhibitors, entered consent judgments with the parties. Pursuant to the judgments, Loew's theater circuit was divested from Loew's Incorporated, a film distributor, through the formation of the independent New Theatre Company. As described by Federal District Court Judge William C. Conner, the judgment also imposed certain conduct and other operating restrictions on New Theatre Company's exhibition activities. The New Theatre Company became known as Loews Theatres, Inc. And the judgment barred Loew's Incorporated from certain specified distribution practices; Loew's Incorporated changed its name to Metro-Goldwyn-Mayer, Inc., and produced and distributed, but did not exhibit, films.

In 1980, as a condition for being permitted to enter into film distribution, Loews was required, in part, to accept the distributor conduct restrictions which had been imposed on MGM.

In 1987, as a condition for being permitted to acquire the Loews theater circuit, Tri-Star was required, in its dealings with Loews, to abide by the conduct restrictions imposed on the parties to the consent judgment.

In response to Tri-Star and Loews' lawsuit seeking a modification of the consent judgment, Judge Conner noted that the government consented to the proposed termination of the judgment. The parties cited the changes in the film exhibition business during the past forty years, and the fact that Loews was one of only two of many large exhibition organizations that remained subject to the consent judgments. The government stated that the film exhibition industry was fully subject to the antitrust laws; that any recurrence of the type of anti-competitive conduct enjoined by the 1952 judgment still would be prohibited under existing law; and that the exhibitor conduct restrictions affected Loews' operations in a way which was not necessarily beneficial to competition.

Judge Conner agreed that there was no persuasive reason for maintaining the judgment and subjecting Loews to restrictions that did not apply to other exhibitors, and granted the Loews parties' motion to terminate the 1952 Loews Judgment, the 1980 Loews order and the 1987 Tri-Star order insofar as the orders applied to Loews or Tri-Star.

United States v. Loew's Incorporated, 783 F.Supp. 211 (S.D.N.Y. 1992) [ELR 14:10:5]

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**United States Supreme Court lets stand decision affirming ruling that National Basketball Association's reduction of superstation telecasts violates antitrust laws**

As reported at ELR 12:12:11, superstation WGN-TV in Chicago entered a five year contract with the Chicago Bulls whereby the station obtained the right to telecast up to twenty-five games each season. However, in 1990, the National Basketball Association adopted a rule reducing to twenty the number of games each NBA team may license to superstations.

A Federal District Court in Chicago ruled that the five game reduction in the number of superstation telecasts was an unreasonable restraint of trade, and entered a permanent injunction restraining the NBA from enforcing the twenty game rule.

A Federal Court of Appeals affirmed the District Court decision, and the United States Supreme Court has let stand the ruling.

Federal Court of Appeals Judge Easterbrook pointed out that cable systems throughout the country carry the WGN signal, and that apart from seven games broadcast on network television, the remainder of the Bulls' 82 regular season games were scheduled to appear on SportsChannel, which is available only on cable. The NBA owners had decided that only networks holding authority from the league could telecast nationally. The NBA sold the right to broadcast 26 regular season games to NBC, and sold broadcast rights to 50 games, not previously selected by NBC, to Turner Network Television. Clubs may telecast 41 games per season over the air to their home markets and provide the other 41 to local cable, keeping any proceeds. No team may broadcast a game in competition with NBC, according to the league, and superstations, in addition to being subject to the twenty game limit, may not telecast in competition with Turner Network Television. The NBA claimed the protection of the Sports Broadcasting Act, which provides that the antitrust laws "shall not apply to any joint agreement by or among persons engaging in or conducting the organized professional team sport[]...of basketball... by which any league of clubs...sells or otherwise transfers all or any part of the rights of such league's member clubs in the sponsored telecasting of the games...engaged in or conducted by such clubs." The District Court had found that although the statute may exempt from the antitrust laws "transfers" by "any league of clubs," it did not exempt the NBA's decision to forbid transfers.

Judge Easterbrook disagreed with the District Court to the extent the court thought that the statute would apply only when the league arranged for (or allowed) the telecasting of every contest. But it was observed that the statute applied only when the NBA "transferred" a right to "sponsored telecasting." Neither the contract with NBA nor the contract with Turner transferred a right to limit the broadcasting of other contests. The contracts and, apparently, the league's articles and bylaws, reserved to the individual clubs the full copyright interest in all games that the league did not sell to the networks. Since the "league of clubs" did not transfer to the networks either the right to show, or the right to black out, any additional games, the Sports Broadcasting Act did not protect the twenty game rule.

The District Court had characterized the NBA as a joint venture in the production of games, but more like a cartel in the sale of its output. Judge Easterbrook stated that for purposes of the instant matter, the court would treat the NBA as a joint venture.

In conducting an antitrust analysis, the NBA, as a joint venture, would be subject to the rule of reason. The NBA, citing a market defined by television viewers, argued that its rules did not injure viewers or advertisers. However, the District Court first examined the league's justifications for the challenged restriction; upon rejecting the justifications, the court enjoined the twenty game rule without defining a market.

The only justification considered by Judge Easterbrook was that the NBA's television policy controlled "free-riding," the "diversion of value from a business rival's efforts without payment." But the NBA's practice of transferring revenues in order to promote competition most likely would allow the league to impose a charge for each game shown on a superstation, or require the club to surrender a portion of its revenue. Without deciding whether revenue sharing from superstation broadcasts would be consistent with the antitrust laws, the court stated that the avoidance of free-riding did not justify the twenty game limit.

The District Court, concluded Judge Easterbrook, did not commit clear error in applying the "quick look" version of the rule of reason, i.e. in finding that the lack of justifications for the restriction eliminated the need to define a market, and in rejecting the NBA's claims.

Federal Court of Appeals Judge Cudahy agreed with the result reached by the court but would have withheld judgment as to "some of the more sweeping dicta on the singularity of focus of the antitrust laws on readily demonstrable consumer benefit."

Chicago Professional Sports Limited Partnership v. National Basketball Association, 961 F.2d 667 (7th Cir. 1992) [ELR 14:10:6]

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## Court orders Home Box Office to pay film licensor $4.8 million in damages for breach of contract

In 1975, Broadband Communications agreed to distribute thirteen American Film Theatre films for pay television. Broadband then granted Home Box Office a non-exclusive license to transmit the thirteen films.

Subsequently, Telepictures Corporation acquired certain rights to the American Film Theatre films, including the distribution rights to both free and pay television, subject to Broadband's option to distribute the films to pay television.

In 1982, Telepictures notified Broadband of its intention to make the thirteen films available to pay television. Broadband then exercised an option to extend its pay television rights.

In September 1982, Irving Kahn, the president of Broadband, agreed to purchase, for about $1.3 million, all of Telepictures' rights in the thirteen films, including the distribution rights to pay and free television. Kahn bought the Telepictures' "package" under the name of QFT Distributors Corporation, again subject to Broadband's option rights.

Broadband negotiated a new license agreement granting Home Box Office the non-exclusive rights to transmit fourteen films (an additional film was included which had not been part of the 1975 agreement) for about $3.2 million.

Broadband claimed that Home Box Office breached the license agreement. Home Box Office responded that Broadband failed to deliver suitable films by October 18, 1984 - the date Home Box Office canceled the agreement. However, the agreement contained no date for Broadband's performance - it appeared that the date originally agreed upon by the parties had passed at the time the agreement was executed and delivered on September 18, 1984.

A verdict sheet prepared for the jury contained, among other questions, an inquiry as to whether it was reasonable for Broadband to be required to perform under the contract prior to October 18, 1984. The trial court, based on the jury's negative response to the question, directed the entry of judgment in favor of Broadband.

In the subsequent damages trial, New York trial court Judge Ira Gammerman held that where there was an anticipatory breach of contract (as in the instant case), the non-breaching party would be entitled to damages for a total breach without having to prove the ability to perform the contract in the future. The measure of damages would be the total amount due under the contract less the amount of performance costs.

The court noted that shortly after Home Box Office breached the agreement with Broadband, Kahn sold the rights in the films back to Telepictures for about $1.5 million. Under the agreement, Telepictures could not distribute the fourteen American Film Theatre films to any form of television until April 1991 - Broadband, again, retained those rights.

Home Box Office argued that Kahn used Broadband and QFT "interchangeably for the purpose of performing the HBO contract" and asked the court to pierce the corporate veil.

Judge Gammerman stated that during the damages trial, Home Box Office did not present evidence to support the claim that QFT and Broadband were "dummy" corporations set up to insulate Kahn from liability, or that Kahn used his control of QFT and Broadband to commit any wrongdoing. The court declined to treat QFT and Broadband as one entity, and held that the 1985 payment by Telepictures to Kahn was not a savings to Broadband which would be deducted from the damage award.

During the damages trial, Judge Gammerman also determined that a section of the 1983 agreement between Broadband and Home Box Office relating to residuals referred to both talent and guild residuals. The court refused to reconsider its holding and found that Home Box Office was required to reimburse Broadband the amount of $383,000.

With respect to "shared revenues," Home Box Office claimed that under the agreement, it was guaranteed fifty percent of the first $860,000 of gross revenues earned by Broadband from the exploitation of the films on non-standard television during the term of the Home Box Office license. During the damages trial, it was established that there were no such revenues. Home Box Office claimed that it was entitled to a $430,000 deduction from the damages due because this amount was guaranteed by Broadband. The court noted that the provision in the license agreement referred to an amount "not to exceed $430,000 of gross revenues earned and actually received by the Licensor." Judge Gammerman found it difficult to conclude that the provision would be interpreted as a guaranty that such revenue would be received.

The parties had stipulated that the cost of providing acceptable prints to Home Box Office would have been $170,000. Judge Gammerman held that the $170,000 was a cost of performance to Broadband and deducted the amount from the damages.

Judge Gammerman concluded that the amount of damages due to Broadband was about $3 million, representing the full contract price less the cost of insurance and prints; with the addition of interest, the total amount due Broadband was about $4.8 million.

Broadband Communications Inc. v. Home Box Office, Inc., New York Law Journal, p. 22, col. 6 (N.Y. Cnty., Jan. 13, 1993) [ELR 14:10:7]

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**Dismissal of charges against record promoter Joseph Isgro and two other parties is reversed**

In November 1989, a 57 count grand jury indictment charged Joseph Isgro with RICO violations, mail fraud, tax fraud, payola, conspiracy and obstruction of justice in connection with an alleged scheme to bribe radio station employees to place certain songs on the stations' weekly play lists.

Raymond Anderson, a former vice president of Columbia Records, was charged with mail fraud and conspiracy in connection with allegedly accepting kickbacks for hiring Isgro to promote the company's songs. And Anderson and Jeffrey Monka were charged with filing false income tax returns and conspiracy to conceal payments they purportedly received from Isgro.

Isgro, Anderson and Monka pleaded not guilty to all charges.

Federal District Court Judge James M. Ideman, ruling from the bench in midtrial (ELR 12:5:19), found that the United States Justice Department had engaged in "outrageous government misconduct" in intentionally withholding exculpatory information from the defense and from a Los Angeles grand jury and dismissed the indictments with prejudice.

According to Judge Ideman, the government's main witness, Dennis DiRicco, previously had been tried on money laundering, tax and obstruction charges; the exculpatory material was contained in the trial transcript. Apparently, DiRicco had denied any wrongdoing and denied conspiring with Isgro or anyone else to commit any crime. A jury acquitted DiRicco on eight of ten counts. DiRicco was convicted on tax fraud and obstruction of justice charges, but agreed to testify in the payola case and received no prison sentence.

As described by Federal Court of Appeals Judge Dorothy W. Nelson, the District Court characterized DiRicco's testimony as follows: "That testimony constituted a complete and detailed denial of any wrongdoing not only by [DiRicco], but also by any of the defendants in this case. Among other things, DiRicco denied in sworn testimony before his trial jury acquiring cash from drug dealers, denied taking that cash to Isgro personally, and denied sending it to him via Isgro's employee... Furthermore, DiRicco denied helping cash couriers avoid security checks..., denied conspiring with Isgro and others to defraud the Government of income tax, and denied conspiring with Isgro or anyone else to commit any crime. Evidently, that testimony had considerable effect on his jury since it only convicted him of two counts and acquitted him of eight counts." (emphasis in original).

The Justice Department's Senior Counsel for Litigation William S. Lynch received a copy of the transcript in April 1989, but did not provide it to the defense or to the grand jury. Lynch questioned DiRicco before the grand jury, and at that time obtained testimony from DiRicco that was "diametrically opposed to his prior trial testimony in every important respect," according to the District Court. The government informed the grand jury that DiRicco had been convicted in a previous trial, but did not reveal that DiRicco had testified or that there was a transcript of that testimony.

The defense, during pretrial proceedings, repeatedly asked the government for all exculpatory material; the government told the defense and the District Court that all material either had been released or would be released shortly before trial. But the government did not produce the transcript and did not acknowledge its existence; instead it denied the existence of material which would tend to exonerate Isgro, Anderson, and Monka.

Defense counsel independently learned of the trial transcript's existence and obtained the material during the trial. The District Court dismissed the indictment with prejudice on the basis of the government's cumulative misconduct.

On appeal, Judge Nelson first rejected the government's claim that it was not required to turn DiRicco's trial testimony over to the defense until DiRicco actually testified at trial. A trial transcript is a matter of public record, and was not within the Jencks Act because making such a public record available to the defense would not compromise "the internal workings of a prosecutor's office" or reveal information about a potential witness that was otherwise unavailable.

The District Court found that the government's failure to present DiRicco's trial testimony usurped the grand jury's role in determining whether Isgro, Anderson and Monka should be indicted. However, the Ninth Circuit has held the prosecutors have no duty to present exculpatory evidence to grand juries. This rule was reaffirmed by the United States Supreme Court, in United States v. Williams, 60 U.S.L.W. 4348 (May 4, 1992), a case decided after the District Court decision, noted Judge Nelson, in finding that "there was no abrogation of constitutional rights sufficient to support the dismissal of the indictment."

Judge Nelson then pointed out that the District Court also invoked its inherent supervisory power to dismiss the indictment because it found that the government, in addition to usurping the role of the grand jury, had repeatedly denied to defense counsel and the court the existence of exculpatory material, had misrepresented the contents of the transcript when confronted with it, and had intended to keep the transcript from the defense as long as it could, possibly through trial.

The District Court may have been "justifiably frustrated" with the government prosecutors, stated Judge Nelson, but there was no support in Supreme Court or Ninth Circuit case law for the dismissal of the indictment. It was observed that the Supreme Court apparently has moved toward a rule that a court should not use its supervisory powers to punish a party absent prejudice to a defendant.

Furthermore, in deciding whether to dismiss an indictment, a court must not only determine whether a defendant has suffered actual prejudice, it must limit its consideration to those events that bore upon the grand jury's decision to indict. The only conduct directly affecting the grand jury process was the government's failure to present DiRicco's previous testimony transcript to the jury. After Williams, stated Judge Nelson, that failure was insufficient to sustain a dismissal of an otherwise valid indictment.

The prosecutor's misconduct before the District Court "clearly rose to an intolerable level," and the court would be justified in considering alternative means of sanctioning the prosecutor, but dismissing the indictment was an unwarranted "windfall" to the defendants, concluded the court.

The court subsequently added text to its opinion; the text noted that the dismissal of an indictment with prejudice is the most severe sanction possible and that such dismissal exercised "under the guise of 'supervisory power'" would be impermissible absent "a clear basis in fact and law for doing so." And the court rejected the petitions for rehearing and the suggestions for rehearing en banc.

United States of America v. Isgro, Case No. 90-50531 (9th Cir., Sep. 1, 1992; amended Nov. 25, 1992) [ELR 14:10:8]

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**Court affirms award of over $4 million in damages in action involving "Gun for Hire" advertisement in Soldier of Fortune**

As reported at ELR 12:12:14, Richard Savage placed an advertisement in the June 1985 through March 1986 issues of Soldier of Fortune magazine. The advertisement stated: "GUN FOR HIRE: 37 year old professional mercenary desires jobs. Vietnam Veteran. Discreet and very private. Body guard, courier, and other special skills. All jobs considered..."

Bruce Gastwirth hired Savage to kill Richard Braun, Gastwirth's business associate. On August 26, 1985, Sean Trevor Doutre, who worked with Savage, killed Braun and wounded Braun's son Michael.

Michael and his older brother, Ian, brought a wrongful death action against the magazine and Gastwirth.

A Federal District Court rejected the magazine's motion for summary judgment, and a jury subsequently awarded Michael Braun $10 million in punitive damages and $375,000 in compensatory damages for his personal injury claim and compensatory damages totalling $4 million to Michael and Ian on the wrongful death claim. The court denied Soldier of Fortune's motion for judgment notwithstanding the verdict, finding that the evidence supported the jury's determination that the negligent conduct of the magazine parties was the proximate cause of Richard Braun's death and Michael Braun's injuries.

The court also found that the damage award for the wrongful death claim and the compensatory damage award to Michael Braun were supported by the evidence. However, although evidence was presented to support a finding that the magazine parties acted with "an entire want of care so as to justify the imposition of punitive damages," the court found the $10 million award excessive and stated that it would grant Soldier of Fortune's motion for a new trial unless the Braun parties agreed to a remittitur reducing the punitive damages awarded to $2 million. The Braun parties agreed to the remittitur.

A Federal Court of Appeals has affirmed the judgment entered on the jury's verdict. Judge Anderson agreed with the District Court's finding that the magazine, under Georgia law, "had a legal duty to refrain from publishing advertisements that subjected the public [including the Brauns], to a clearly identifiable unreasonable risk of harm from violent criminal activity." It appeared to Judge Anderson that the magazine argued not that it did not have a duty to the public, but that only if an advertisement openly solicits criminal activity would the risk presented by the publication of an advertisement be unreasonable.

Judge Anderson stated that the District Court properly instructed the jury that Soldier of Fortune could be held liable for printing Savage's advertisement "only if the advertisement on its face would have alerted a reasonably prudent publisher to the clearly identifiable unreasonable risk of harm to the public that the advertisement posed."

Soldier of Fortune relied on Eimann v. Soldier of Fortune Magazine, Inc., 880 F.2d 830 (5th Cir. 1989; ELR 11:9:15), cert. denied, 493 U.S. 1024 (1990) in which the son and mother of a murder victim brought a wrongful death action under Texas law against the magazine. The magazine had published a personal service advertisement through which the victim's husband hired an assassin to kill her. The advertisement read: "EX-MARINES -67-69 'Nam Vets, Ex-DI, weapons specialist-jungle warfare, pilot, M.E., high risk assignments, U.S. or overseas..." The Federal Court of Appeals found that the District Court had erred in allowing the jury to hold Soldier of Fortune liable if a reasonable publisher would have concluded "that the advertisement could reasonably be interpreted as an offer to commit crimes" (emphasis by Judge Anderson). And the challenged advertisement was "at most...facially innocuous," offering perhaps dangerous but nonetheless legal services.

The magazine's reliance on Eimann was misplaced, according to Judge Anderson, who distinguished the instant case based on the instructions to the respective juries. Judge Anderson, in a footnote comment, also agreed with the distinction between facially innocuous advertisements and those containing language, such as in Savage's advertisement, that would alert a reasonable publisher to the clearly identifiable unreasonable risk that the advertiser was offering criminal services.

Again, the District Court's use, in its jury instructions, of phrases such as "clear and present danger" and "clearly identifiable unreasonable risk" properly conveyed to the jury that it could not impose liability on the magazine if Savage's advertisement posed only an unclear or insubstantial risk of harm to the public and if the magazine would bear a disproportionately heavy burden in avoiding this risk. The District Court did not, as had the court in Eimann, impose a duty upon the publisher to discover a possible connection to criminal activity through investigation of the advertisement's "context." Rather, the court stressed that the jury could find Soldier of Fortune liable only if Savage's advertisement "on its face" would convey to a reasonable publisher that there was a "clearly identifiable unreasonable risk" of harm to the public.

Judge Anderson next found that the District Court's jury instructions adequately protected First Amendment values. There is no constitutional interest in publishing personal service advertisements that solicit criminal activity, noted the court. But state tort law may not place too heavy a burden on publishers with respect to the advertisements they print, since the fear of liability might impermissibly impose a form of self-censorship on publishers with respect to protected speech. In the instant case, the District Court's "modified" negligence standard, relieving the magazine of any duty to investigate the advertisements it prints, was found to have satisfied the First Amendment's interest in protecting the commercial and core speech at issue.

The court concluded that the First Amendment "permits a state to impose upon a publisher liability for compensatory damages for negligently publishing a commercial advertisement where the ad on its face, and without the need for investigation, makes it apparent that there is a substantial danger of harm to the public."

Judge Anderson's independent examination of the jury's finding resulted in the conclusion that Savage's advertisement, on its face, would convey to a reasonably prudent publisher that it created a clearly identifiable unreasonable risk that the advertiser was available to commit serious violent crimes, and that Soldier of Fortune had a legal duty to refrain from publishing the advertisement. It was observed that the advertisement's "combination of sinister terms" made it apparent that there was a substantial danger of harm to the public.

The court cautioned that it was not adopting a per se rule that all advertisements using terms such as "Gun for Hire" present a clearly identifiable unreasonable risk of harm to the public from violent criminal activity. However, Savage's advertisement on its face made its apparent that there was a substantial danger that Savage was soliciting illegal jobs involving the use of a gun.

Judge Anderson concluded by finding that the jury had "ample grounds" for finding that the magazine's publication of Savage's advertisement was the proximate cause of the Brauns' injuries.

Senior Judge Eschbach, in dissent, expressed the view that the language of the advertisement was ambiguous, rather than "patently criminal" and that the jury instructions were similarly ambiguous. It was not clear to Judge Eschbach that the jury actually found that the advertisement was a clear solicitation for criminal activity and thus was unable to uphold the "crushing third party liability" imposed by the jury on the magazine.

The United States Supreme Court has refused to review the decision.

Braun v. Soldier of Fortune Magazine, Inc., 968 F2d 1110 (11th Cir. 1992) [ELR 14:10:9]

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**Videotape news service prevails in copyright infringement action against news clipping service**

Los Angeles News Service, as described by Federal Court of Appeals Judge James R. Browning, records newsworthy events on videotape and licenses television stations and networks to use all or segments of the unedited footage in edited broadcast news stories. Audio Video Reporting Services provides a video "news clipping" service by monitoring television news programs, recording them on videotape and selling copies of all or segments of the tapes to interested parties.

News Service videotaped the sites of an airplane crash and a train wreck, registered its copyrights to the tapes, and licensed certain Los Angeles area television stations to use them on news programs. Audio Video made video recordings of the news programs, which included portions of the News Service footage, and marketed the recordings.

In response to News Service's copyright infringement lawsuit, a Federal District Court entered judgment for News Service on the company's claims and awarded statutory damages of $10,000 for each infringement for a total award of $20,000.

On appeal, Audio Video argued that News Service's raw videotapes were not "original works of authorship" and were not entitled to copyright protection. Judge Browning found that in the instant case, preparing the two videotapes in issue required "the intellectual and creative input entitled to copyright protection." Testimony was presented concerning the initial decision making about the newsworthiness of the events, the best manner of presenting the stories, the selections of camera lenses, angles and exposures, the choices of the heights and directions from which to tape and which portions of the events to film and for how long.

Audio Video cited Cable News Network, Inc. v. Video Monitoring Services of America, Inc., 940 F.2d 1471, vacated, 949 F.2d 378 (11th Cir. 1991) to support the argument that under Feist Publications, Inc. v. Rural Telephone Service Co., Inc., 111 S.Ct. 1282, the videotapes in issue did not possess the required originality.

Judge Browning stated that Audio Video's reliance on Cable News Network was "misplaced," observing, in a footnote comment, that the case was not precedential even in the Eleventh Circuit. Furthermore, the Cable News Network matter involved a dispute over the copying of portions of an entire newscast rather than, as in the instant case, the copyrightability of raw footage that might be used in such a newscast. And in Feist, the United States Supreme Court, noted Judge Browning, explicitly reaffirmed a century-old doctrine that photographs may be copyrightable "as the original products of creative and artistic decisions."

Audio Video then argued that even if the videotapes were entitled to copyright protection, the court should rule that a videotape of a newsworthy event is not copyrightable because its creator's proprietary interest does not outweigh the public's First Amendment right of access to information. Judge Browning, following

Professor Nimmer's analysis of the issue, stated that denying copyright protection to news pictures might defeat the First Amendment goal of greater public access to information by inhibiting or destroying the business of news photography. In order to accommodate the competing interests, Nimmer's treatise suggests that a news photograph in which idea and expression are inseparable should be subject to a compulsory licensing scheme unless within a month of its taking, the photograph appears in the newspapers, magazines or television news programs servicing a given area.

Judge Browning pointed out that there was no showing that other depictions and reports of the plane crash and train wreck were unavailable or omitted information "vital to the public understanding of the events." The record also indicated that News Service's tapes were shown on local television programs immediately after the events and were freely available to the public. Thus, the concern expressed by Professor Nimmer was not present in the instant case, and the court rejected Audio Video's argument that the First Amendment would preclude liability for any infringement of News Service's copyrights.

The court next agreed with the District Court's finding that Audio Video's use of the tapes was not a fair use because the use was commercial. Judge Browning, in reviewing the fair use factors, cited, among other concerns, Audio Video's copying of the most valuable part of the footage shot by News Service and the overlap between Audio Video's market and the potential News Service market.

News Service originally had requested an injunction barring Audio Video from copying News Service's copyrighted material without a license. When News Service subsequently changed its position, Audio Video argued that the District Court should have granted the requested injunctive relief and should have fixed the terms of a license that would permit Audio Video to copy News Service's copyrighted material and to notify Audio Video when News Service's copyrighted material was broadcast. Judge Browning stated that the District Court had no obligation to grant the injunction after News Service abandoned its request. In a footnote, Judge Browning did suggest that to avoid unnecessary litigation in the future, it would be "prudent" for News Service to require its licensees to identify News Service footage when it is broadcast.

The court concluded by finding that the District Court did not abuse its discretion in declining to reduce the award of damages based on Audio Video's claim that the company had a good faith belief in the legality of copying the newscasts containing News Service's copyrighted material.

Los Angeles News Service v. Tullo, 973 F.2d 791 (9th Cir. 1992) [ELR 14:10:11]

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**Court upholds decision in dispute among author, publisher, and distributor of "The Poor Man's James Bond" series**

Kurt Saxon, the author of many books on survivalism and weaponry, sued one of his distributors, Bill and Judy Blann, and his publisher, Democrat Printing and Lithographing Co., Inc. and Lawrence P. Harper, a sales representative of the publisher.

A Federal District Court found that Blann had violated one of Saxon's copyrights and awarded Saxon damages of about $20,000. The court rejected Saxon's claims alleging breach of contract and fraud, and awarded $9,000 to Harper on his counterclaim against Saxon.

Saxon, in 1972, registered "The Poor Man's James Bond," the first book in a series of such works. In 1989, certificates of copyright registration were issued for, among other works, The Poor Man's James Bond 2 and 3, and The New Improved Poor Man's James Bond.

Saxon first claimed that although he authorized his publisher to give several thousand copies of his books to the Blanns, the publisher distributed more copies of his books than Saxon authorized. The court rejected the claim, stating that the publisher's computer records were the best evidence of the number of copies which were printed.

Saxon then alleged that in 1987, he entered into a loan agreement with Blann; Blann agreed to pay $15,000 of Saxon's printing costs. When Saxon was unable to repay Blann, the author noted, on the agreement letter, "Due to inability to meet my part of the terms of the agreement, the Poor Man's James Bond Vol. 1 is now the property of Bill Blann..." Blann subsequently published an edition of the book without a copyright notice, thus releasing the book to the public domain.

The District Court found that Saxon retained his copyright to The Poor Man's James Bond 1; the transfer of "ownership rights" did not transfer the copyright in the book. Blann infringed Saxon's copyright by publishing the work without a copyright notice. The District Court found that Blann deliberately omitted the copyright notice and, as a willful infringer, was not entitled to deduct overhead from gross revenues to arrive at profits, which the court determined to be about $20,000.

Soon after Blann began distributing The Poor Man's James Bond l, Saxon published "The New Improved Poor Man's James Bond;" the book contained the same contents as the original work, except for twenty-six pages of new material. The court found that Saxon was not entitled to copyright protection for The New

Improved work because of his unclean hands in publishing the book in order to destroy the commercial value, to Blann, of The Poor Man's James Bond.

The District Court also found that Saxon forfeited his copyrights to various works, including The Poor Man's James Bond 2 because more than one year had lapsed between the actual distribution of those books and the dates of the copyright notices contained in them.

Federal Court of Appeals Senior Judge Bright first found, on procedural grounds, that District Court Judge Waters was not required to have disqualified himself. Saxon had claimed that several survivalists, who possessed Saxon's books, had been accused in a criminal trial in Arkansas of conspiring to bomb Judge Water's home.

The court then affirmed the District Court's decision.

Saxon v. Blann, 968 F.2d 676 (8th Cir. 1992) [ELR 14:10:12]

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**Russian hockey team's tortious interference with contract claim against Detroit Red Wings is subject to federal court jurisdiction**

In August 1991, Viacheslav Anatolievich Kozlov, while a private in the Soviet Army, allegedly signed a contract with the Professional Hockey Club Central Sports Club of the Army to play hockey for the club. Kozlov suffered injuries in a car accident, and, in January 1992, the Central Sports Club of the Army released Kozlov from active military service and dismissed him from the "club roster."

In September 1991, the Detroit Red Wings proposed to pay the Hockey Club $300,000 for the rights to Kozlov; the Hockey Club rejected the proposal.

In February 1992, Kozlov signed a contract to play hockey for the Red Wings for the remainder of the season and through the 1994-1995 season. Kozlov subsequently brought a lawsuit in a Michigan trial court against the Hockey Club and the National Hockey League seeking a declaration that his contract to play for the Hockey Club was invalid for various reasons, including duress, breach of contract, and release.

The trial court dismissed the Hockey Club from the lawsuit because it lacked minimum contacts with Michigan necessary for personal jurisdiction. The court granted a preliminary injunction restraining the National Hockey League from enforcing the contract between the Hockey Club and Kozlov.

The Hockey Club then filed a complaint in a Federal District Court in Michigan seeking to enjoin the Red Wings from interfering with its contract with Kozlov and to enjoin the state court's injunction of the National Hockey League.

Judge Rosen first found that Kozlov was a party who should be joined in the proceeding if feasible. Although the subject matter of the lawsuit was the alleged tortious interference with contract by the Red Wings, the question of the validity of Kozlov's contract with the Hockey Club was "unavoidably and inextricably interwoven" with the alleged conduct.

However, noted the court, joining Kozlov would defeat the diversity jurisdiction of the court. In considering whether Kozlov was an indispensable party, Judge Rosen observed that the essence of the case was a dispute between an American hockey team and a Russian hockey team over the affiliation of a hockey player - the

Hockey Club did not allege a breach of contract. Kozlov's interest in the subject of the dispute would not be significantly prejudiced if the player was not joined in the lawsuit, stated the court, for Kozlov's interest would be adequately protected by the Red Wings. Furthermore, Kozlov most likely would have an opportunity to testify about any contractual matters in issue. The fact that Kozlov's interests might be affected by the result of the instant proceeding was not sufficient, by itself, to result in a determination of indispensability, and Kozlov's absence would not prejudice the Hockey Club or the Red Wings. Thus, Kozlov was not an indispensable party for his absence would not cause prejudice either to his or the named parties' interests.

The court next considered whether the Hockey Club would have an adequate remedy if the action was dismissed for nonjoinder. It appeared to Judge Rosen that any prejudice to Kozlov because of the player's absence in the federal court litigation was not sufficient to require the Hockey Club to relinquish its statutory right to jurisdiction in a federal court. It was observed that the dispute was "particularly suited to federal jurisdiction," given that issues were raised concerning an agreement between the National Hockey League and the International Ice Hockey Federation.

On balance, declared the court, Kozlov was not an indispensable party and the court retained diversity jurisdiction.

Judge Rosen concluded by finding that the Anti-Injunction Act did not prevent the court from considering the Hockey Club's motion for a preliminary injunction to enjoin the enforcement of the injunction entered by the trial court.

Professional Hockey Club Central Sports Club of the Army v. Detroit Red Wings, Inc., 787 F.Supp. 706 (E.D.Mich. 1992) [ELR 14:10:12]

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**Dismissal of claims by co-owner of James Bond films against MGM-Pathe is upheld due to lack of diversity**

A Federal Court of Appeals in California has affirmed a Federal District Court decision dismissing, for lack of jurisdiction, a copyright infringement claim brought by Danjaq, the co-owner of the James Bond films, against Pathe Communications (ELR 13:5:8; 13:9:19).

Judge Schroeder noted that the case involved two "arcane" issues of subject matter jurisdiction of first impression in the Ninth Circuit. In considering consider whether alien corporations are subject to 28 U.S.C.

1332(c) which provides that a corporation is a citizen both of its place of incorporation and the location of its principal place of business, the court agreed with the District Court that an alien corporation, like a domestic corporation, is a citizen of both. The court also held that the activities of a subsidiary corporation - not a party to the litigation - should not be considered to determine the principal place of business of the parent, at least absent a showing that the subsidiary is merely an alter ego of its parent.

Judge Schroeder then held that the District Court correctly determined that the principal place of business of Danjaq, a Swiss corporation, was California.

As described by Judge Schroeder, Danjaq, in 1962 granted United Artists, later succeeded by MGM/UA the exclusive commercial rights to sixteen James Bond films. Danjaq was incorporated in Switzerland, where its sole director resides. Danjaq's board of directors and stockholder meetings were held in Laussane, which also was the location of all administrative records. The company's financial transactions occurred in Switzerland, including the payment of Swiss taxes.

Since 1986, Danjaq's sole shareholders have been Albert and Dana Broccoli. The Broccolis have resided in California for over twenty years. Albert Broccoli co-founded Danjaq and was the "principal decisionmaker," stated Judge Schroeder, for the development of the Bond films. Broccoli maintains an office in the MGM building in Culver City, California.

The production of the Bond films took place primarily in London, under the supervision of Eon Productions, a Danjaq subsidiary.

In 1990, Pathe Communications acquired MGM.

Danjaq brought a lawsuit alleging breach of contract, breach of fiduciary duty, conspiracy and copyright infringement, claiming that the MGM-Pathe parties were licensing the Bond films in a manner contrary to the terms of the distribution agreement.

The District Court held that it had no jurisdiction to hear the first three claims because of a lack of diversity between the parties, and also dismissed the copyright claim.

On appeal, Danjaq abandoned the copyright claim. Judge Schroeder stated that there was no dispute that the MGM-Pathe parties' citizenship for diversity purposes was California. In evaluating Danjaq's citizenship, the court, as noted above, found that an alien corporation is a citizen of any state by which it has been incorporated and of the state where it has its principal place of business; that Danjaq's principal place of business would not be based on Eon's activities; and that Danjaq's principal place of business was Los Angeles. It was noted, among other factors, that no decisions were made in Switzerland "that deal with the policy and direction of the corporation." Given the lack of diversity between the parties, the District Court correctly dismissed the state law claims, concluded Judge Schroeder

Apparently, Danjaq's claim that various MGM-Pathe parties engaged in a fraudulent conveyance remained to be heard in a state court proceeding. However, according to news reports, former MGM owner Kirk Kerkorian, Tracinda Corp., and former MGM/UA chairman Jeffrey Barbakow agreed to settle Danjaq's lawsuit. But MGM has disputed a statement that the settlement was "fully covered by a written indemnification from MGM." It has been reported that MGM previously had settled with Danjaq for $13.5 million, although the parties did not disclose the amount or terms of the settlement.

Danjaq, S.A. v. Pathe Communications Corporation, Case No. 91-55878 (9th Cir., Nov. 12, 1992) [ELR 14:10:13]

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### University of Washington athletes did not have protected property interest in the renewal of financial aid offers

Kevin Conard and Vincent Fudzie matriculated at the University of Washington in the fall of 1983, and joined the football team. In December 1985, Don James, the head coach of the football team, removed Conard and Fudzie from the team and told them he would not recommend the renewal of their scholarships. Apparently, Conard and Fudzie has been involved in a series of incidents in 1983 and 1984, including being arrested for using a stolen student food credit card, damaging property in a residence hall, reportedly assaulting a student (Fudzie), and threatening a student with bodily harm (Conard and Fudzie). James stated that he advised both players that if such behavior continued, they could lose their scholarships.

Also in 1984, as described by Washington Supreme Court Judge Dolliver, the players attempted to extort money from a female student. Fudzie and Conard spent a weekend in jail on charges of extortion, but no further action was taken.

In 1985, when the football team traveled to Anaheim to participate in the Freedom Bowl, Conard and Fudzie, prior to the game, purportedly engaged in an altercation at a restaurant and then resisted arrest. James informed the players that they would not play in the Freedom Bowl, that they were off the team, and that he would not recommend their scholarships be renewed.

A university committee informed the athletes that their financial aid would not be renewed for the 1986-1987 academic year, and that they could request a hearing before the committee.

Conard did not request a hearing; as a result of low scholarship, he was dropped from the university and was scholastically ineligible to return.

Fudzie requested a hearing, but the committee subsequently determined, on the basis of documents submitted by James, that the decision of nonrenewal was reasonable and appropriate. Fudzie lost his athletic scholarship, but received financial aid in the amount of about $10,000 for the 1986-1987 academic year. Fudzie graduated from the university in 1988.

Conard and Fudzie sued the university for breach of contract and sued James, his wife and the school for interference with contractual relations.

The trial court granted summary judgment in favor of the university, and dismissed the action in its entirety.

An appellate court affirmed on the breach of contract and interference of contractual relations claims, but held, sua sponte, that the athletes had a constitutionally protected claim of entitlement to the renewal of their scholarships. The court affirmed the dismissal of Conard's complaint because he had not requested a hearing and because he was scholastically ineligible to return for the 1986-1987 academic year. However, the court reversed the dismissal of Fudzie's complaint, stating that the informal hearing provided by the university was constitutionally inadequate.

The Washington Supreme Court limited its review to the issue of whether the University of Washington's nonrenewal of the athletes' scholarships violated due process under the federal constitution.

Judge Dolliver first recalled that the scope of the Fourteenth Amendment's procedural protection of property interests "is not coextensive with contract rights." Protected property interests include all benefits to which there is a "legitimate claim of entitlement" pursuant to "mutually explicit understandings," statutes or other procedural rules and directives.

It was noted that Conard and Fudzie received offers of athletic financial aid for three consecutive quarters; the one year terms of the financial aid awards precluded the contracts from creating a protected property interest for four years. The contract terms also did not create a legitimate claim of entitlement to the renewal of the scholarships, since the offers provided only that assistance would be "considered for renewal" during subsequent periods.

Conard and Fudzie argued that mutually explicitly understandings supported their claim of entitlement to the renewal of their scholarships as long as the athletes complied with the rules of the university, the NCAA, and the Pac-10. But Judge Dolliver pointed out that the athletes did not refer to any specific individuals who assured them of a right to renewal. The language of the offers and the relevant NCAA regulations were not sufficiently certain to support a mutually explicit understanding creating a protected property interest, declared the court.

It was further found that Conard and Fudzie did not establish that they actually met the conditions of the offers. The athletes apparently were exonerated of any misconduct in the restaurant incident at the Freedom Bowl and no formal disciplinary proceedings were brought against them as to the alleged prior misconduct. However, the language of the offers and the NCAA constitution did not require a finding of misconduct in order not to renew the scholarships. Such a finding was required only if aid was altered or terminated during the period for which it was awarded.

The university parties acknowledged that a finding of serious misconduct was required in order for the committee not to renew a student's athletic financial aid. Serious misconduct was not defined in any university or NCAA rule or policy. The committee found that the athletes had engaged in a cumulative pattern of misconduct, and the court stated that the athletes did not establish a mutually explicit understanding that their cumulative pattern of misconduct would not constitute serious misconduct.

The court concluded by finding that certain procedural guidelines did not create a protected property interest in the absence of substantive standards and explicit mandatory language "to give the hearing substance." Judge Dolliver declined to consider whether Conard and Fudzie had a protected liberty interest because the athletes did not adequately brief the issue, and reversed the appellate court's decision holding that the athletes had a protected property interest in the renewal of their scholarships.

Conard v. University of Washington, 834 P.2d 17 (Wash. 1992) [ELR 14:10:14]

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**Court rejects convicted murderer's claim that purported literary rights retainer agreement created conflict of interest adversely affecting counsel's performance**

In 1982, William George Bonin was convicted of ten counts of first degree murder and received a death sentence. After his Los Angeles trial, Bonin stood trial in Orange County where he was convicted of four additional counts of first degree murder and received another death sentence.

In an order and opinion concerning only the Los Angeles case, a Federal District Court has found that Bonin did not raise any claim which mandated the granting of a writ of habeas corpus.

One of Bonin's claims was that he retained William Charvet as his counsel in exchange for a literary rights agreement which gave Charvet a percentage interest in the proceeds from a book to be written about Bonin's life. Bonin argued that the agreement created a conflict of interest for Charvet, who was "torn between his duty to represent [Bonin] and his desire to maximize his profit from the book." Bonin alleged that as a result of the conflict from the literary rights agreement, Charvet committed various errors and omissions.

Judge Edward Rafeedie agreed with the trial court decision denying an evidentiary hearing on the issue because Bonin failed to allege any valid adverse effect. Bonin was required to show that there was a literary rights agreement between him and Charvet, and that Charvet's performance was adversely affected by the alleged conflict. The trial court had found that each of the incidents of purported adverse effect lacked merit.

Furthermore, despite the denial of an evidentiary hearing on the issue, the court heard evidence concerning the effect of the literary rights agreement in the Orange County proceeding. Judge Rafeedie took judicial notice that the Orange County court found insufficient factual support for Bonin's argument that he and Charvet had entered a literary rights agreement.

Bonin v. Vasquez, Case No. 91-0693 (C.D.Ca. Nov. 9, 1992) [ELR 14:10:15]

## Dispute over "opry" service marks is remanded

Opryland USA owns several registered service marks for country music entertainment services, including "Grand Old Opry," "Grand Ole Opry" "Ozark Opry," "Opryland USA," and "Opryland."

The Great American Music Show registered the service mark "The Carolina Opry," and "Calvin Gilmore Presents the Carolina Opry."

Opryland opposed the registration of Great American's service marks, but the Trademark Trial and Appeals Board of the United States Patent and Trademark Office refused to cancel the registration of the marks.

A Federal Court of Appeals has ruled that the Board erred in granting Great American's motion for summary judgment.

Judge Pauline Newman stated that the Board apparently found that since the word "opry" has been ruled generic for country music shows, the use of the word in the various marks of the parties would receive no consideration or weight when comparing the marks. Thus, because the word "opry" was the only element common to the Great American marks and those of Opryland and because the marks were "otherwise dissimilar," the Board found that confusion was unlikely as a matter of law.

Likelihood of confusion is a ground for opposition to trademark or service mark registration, and for cancellation of registration if raised within five years after registration, noted the court. In determining the likelihood of confusion, "marks must be considered in the way they are perceived by the relevant public...When it is the entirety of the marks that is perceived by the public, it is the entirety of the marks that must be compared." If generic words are included as part of the mark, this factor may be considered when viewing the mark as a whole, but it is not a dispositive factor, noted Judge Newman. In all, the Board erred by excluding the word "opry," and failing to consider the marks as a whole.

Opryland, in opposing Great American's motion for summary judgment, raised the factual issue of the public perception of the relationship between the sources of the parties' substantially identical entertainment services. Opryland sought to conduct discovery on this issue in order to respond to the motion. Judge Newman found that Opryland showed a sufficient basis for seeking additional discovery of evidence concerning the issue of public perception and actual confusion; that the Board erred in denying Opryland the right to conduct such discovery; and that summary judgment was not warranted on the issue of likelihood of confusion.

The court next noted that section 2(a) of the Lanham Act provides that registration may be denied when the mark "consists of or comprises...matter which may...falsely suggest a connection with persons, living or dead." A "person," noted Judge Newman, may be a corporation or other entity.

Great American's motion for summary judgment was directed to the issue of likelihood of confusion, and did not refer to Opryland's claims of false suggestion. However, the Board dismissed the section 2(a) claim, holding that since there was no likelihood of confusion under section 2(d), there could be no false suggestion under section 2(a).

Judge Newman did not reach the question of whether Opryland's section 2(a) claim could be supported in the absence of a showing of likelihood of confusion, given the court's decision to vacate the Board's ruling and to remand the matter for a determination of likelihood of confusion. The court, accordingly, also vacated the Board's determination as to the section 2(a) claim.

The Board had held that Opryland was estopped from disputing the generic status of "opry." The question of whether Opryland USA had recaptured "opry" as a trademark was not the subject of the proceeding before the court, noted Judge Newman, but Opryland should not have been estopped from showing the public perception of "opry" as a significant component of the marks at issue. It was found that the Board erred in holding that Opryland could not present evidence of the present public perception of the term. The court concluded by denying Great American's motion for sanctions and by awarding costs to Opryland.

Opryland USA Inc. v. Great American Music Show, Inc., 970 F.2d 847 (Fed.Cir. 1992) [ELR 14:10:16]

## Decision in dispute over "Play-Doh" and "Fun-dough" trademarks is reversed

Kenner Parker Toys, the holder of the Play-Doh trademark, opposed Rose Art Industries' registration of the mark Fundough for modeling compound and related accessories. The Trademark Trial and Appeal Board of the United States Patent and Trademark Office dismissed the opposition, finding little, if any, likelihood that consumers would confuse Fundough with Play-doh.

A Federal Court of Appeals has reversed the Board's decision.

Judge Rader noted that one of the factors relevant to a finding of likelihood of confusion is the fame of the prior mark. Famous or strong marks may be entitled to greater legal protection. The Board erred in discounting the importance of Kenner's famous prior mark, and in treating that fame as a liability in assessing the likelihood of confusion.

After examining the marks at issue and commenting on the danger that consumers "may receive the same commercial impression from both marks," Judge Rader found that the Board incorrectly discounted the evidence of similarity due to the fame of Play-Doh. The court then commented that the marks were used for practically identical products; that both products were marketed in toy outlets; and that the marks appeared on inexpensive products "purchased by diverse buyers without exercising much care." There also were many similarities in the trade dress of the products, including the color, size and shape of the packaging, the nearly identical instructions and color charts, and the display of a rainbow motif - the trade dress of the marks "enhance[d] their inherently similar commercial impression."

Kenner demonstrated that the Fundough mark when used in connection with toy molding compounds and related accessories was likely to cause confusion, mistake, or deception, and, given the Board's error in discounting the importance of the Play-Doh mark, the court reversed the Board's dismissal of Kenner's opposition.

Kenner Parker Toys Inc. v. Rose Art Industries, Inc., 963 F.2d 350 (Fed. Cir. 1992) [ELR 14:10:16]

**Cable subscribers may sue cable provider for alleged price discrimination under state's Unfair Practices Act, rules Colorado Supreme Court**

Colorado Springs Cablevision had no competition in the city of Colorado Springs, except in one area in provided service. In 1988, Cablevision subscribers brought a class action against the company claiming that Cablevision consistently charged higher prices to subscribers in the area of noncompetition than in the area in which the two cable companies competed. The subscribers sought, among other relief, treble damages under the state's Unfair Practices Act on the basis that Cablevision's pricing in the area of competition constituted a sale of cable television services below cost and/or discriminated between different geographical areas with the intent to destroy competition and injure subscribers.

A Colorado appellate court affirmed a trial court ruling granting Cablevision's motion to dismiss the subscribers' claims.

The Colorado Supreme Court has reversed the appellate court's decision, finding, after careful review, that if consumers can show an injury resulting from an antitrust violation specified in the statute and the injury was the type that the statutory provision was designed to prevent, the consumers might maintain an action for damages. Judge Lohr determined that the injury asserted by the subscribers was a result of price discrimination allegedly intended to injure Cablevision's primary-line competitor, Citizens Cable. The facts alleged by the subscribers in the area of noncompetition, stated the court, presented "a classic case of price discrimination" of the type the statute was designed to prohibit, and the subscribers thus alleged a cognizable injury.

The matter was remanded to the appellate court for further proceedings, including review of the issue of whether as a matter of law Cablevision was insulated from claims asserted under the statute because the company had only one office.

Judge Vollack, in dissent, expressed the view that the Unfair Practices Act proscribed sales below cost and discriminatory sales only when done with the intent to injure or destroy competitors, and that the statute, taken as a whole, was not enacted to protect consumers.

Dunlap v. Colorado Springs Cablevision, Inc., 829 P.2d 1286 (Colo. 1992) [ELR 14:10:17]

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**FCC properly issued notice on cellular telephone service**

Since 1981, the Federal Communications Commission has licensed two firms to construct and operate facilities for cellular service in every cellular services market. The Commission, according to Federal Court of Appeals Judge Stephen F. Williams, apparently considered one of the "facilities-based carriers" as a "wireline carrier" (the local landline telephone monopoly), and the other as a "non-wireline carrier." The Commission prohibited the facilities-based carriers from restricting the capacity to each other or to non-facilities based resellers - companies that owned no cellular facilities but resold capacity purchased in bulk from the facilities-based carriers.

Cellular Telephone Company asked the Commission to interpret the ban on resale restrictions as containing a limited exception. The Commission, in October 1988, rejected the request, but then decided to treat the request as a petition for rulemaking, and invited public comment.

The National Cellular Resellers Association submitted a petition seeking to broaden the proceedings, alleging that facilities-based carriers were circumventing the Commission's rules. The association also asked the Commission to reconsider its "unbundling" policy - a policy barring carriers from supplying cellular equipment and services as a package.

In March 1991, the Commission reaffirmed the general policy of prohibiting resale restrictions, but issued a notice of proposed rulemaking; the issuance of the notice suggested that the Commission had adopted Cellular's proposed exception to the ban on resale restrictions. The Commission also stated that it had never required carriers to establish separate wholesale and resale operations, or to charge separate wholesale rates.

On the same day, the Commission issued another notice of proposed rulemaking on the subject of unbundling.

The court ruled that the Commission's denial that it required separate wholesale and resale operations resolved any ambiguity in the matter. The Commission's notice clarified, rather than changed, the rules and was properly issued without notice and opportunity for comment, stated the court.

The court next found that the Commission did not err by refusing to expand the rulemaking proceeding into an inquiry into competitive conditions in the cellular service industry generally, agreeing that the refusal was an interlocutory order concerning the scope of the Commission's ongoing consideration of the resale restriction issue.

Cellnet Communication, Inc. v. Federal Communications Commission, 965 F.2d 1106 (D.C.Cir. 1992) [ELR 14:10:17]

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**FCC regulations requiring local franchising of certain SMATV facilities violates equal protection**

Beach Communications operates external, quasi-private satellite master antenna television facilities; the system uses wires or other closed transmission paths to interconnect, without using public rights-of-way, separately-owned and controlled multiple-unit dwellings. The Cable Definition Rule, promulgated by the Federal Communications Commission pursuant to the Cable Communications Policy Act of 1984, defines the statutory term "cable system" to include such facilities. The rule excludes internal facilities (where wires do not interconnect separate buildings or use public rights-of-way) and wholly private facilities (where a single building or a group of commonly-owned, controlled or managed buildings are served, and the wires do not use public rights-of-way). The Cable Act requires the operator of a "cable system" to obtain a local franchise.

When Beach challenged the franchise requirement on, in part, equal protection grounds, a Federal Court of Appeals in the District of Columbia upheld the statutory definition of external, quasi-private SMATV facilities as cable systems. However, the court remanded the matter to the Commission for consideration of whether some rational basis justified the distinction between the Beach facility and the facilities exempted by the Cable Definition Rule.

The Commission returned the record, stated the court, without providing any justification for the challenged distinction. It was found, accordingly, that the Cable Act violated the equal protection guarantee of the Fifth Amendment insofar as the statute required local franchises for external, quasi-private SMATV facilities and exempted wholly private facilities from the requirement. The court did not consider whether the differing regulation imposed upon the external, quasi-private SMATV facilities and internal facilities also was unconstitutional.

The court declared that the operators of external, quasi-private SMATV facilities are not required to obtain franchises under section 621(b)(1) of the Cable Act, and directed the Commission to amend the Cable Definition Rule.

Chief Judge Mikva, in dissent, cited his concurring opinion in the court's earlier ruling in the matter. In that opinion, Chief Judge Mikva described the "perhaps rough" distinctions in the statute "nevertheless as entirely reasonable in light of the Cable Act's purpose." In adopting the SMATV provision, stated Chief Judge Mikva, Congress could have concluded that the regulation of facilities serving multiply owned buildings was a reasonable way to enhance the diversity of broadcast information, while SMATV systems serving buildings commonly owned are likely to be smaller and not in need of regulation. Consumer interest and diversity of information rationales appeared on the face of the statute (along with four other stated objectives), and Chief Judge Mikva would have found that the statute did not present serious constitutional problems under a rational basis review.

Beach Communications, Inc. v. Federal Communications Commission, 959 F.2d 975; 965 F.2d 1103 (D.C.Cir. 1992) [ELR 14:10:18]

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**Briefly Noted:**

**Libel.**

Dan E. Moldea wrote a book entitled "Interference: How Organized Crime Influences Professional Football." In a 1989 book review for the New York Times, Gerald S. Eskenazi, among other comments about the book, stated that "there is too much sloppy journalism to trust the bulk of this book's 512 pages..." In response to Moldea's lawsuit for libel and invasion of privacy, a Federal District Court in Washington, D.C. has granted the newspaper's motion for summary judgment. Chief Judge John Garrett Penn stated that a book review is the type of article which the reasonable reader knows is comprised of the reviewer's opinion. In this context, the statement at issue was an unverifiable opinion and was not actionable.

Furthermore, with respect to the invasion of privacy claim, Moldea did not meet the requisite showing that private information was published.

In a separate ruling, the court denied Moldea's motion to amend his complaint to add an additional cause of action for breach of contract, negligent misrepresentation, promissory estoppel and interference with prospective business relations.

Moldea v. New York Times Company, 793 F.Supp. 335, 793 F.Sup. 338 (D.D.C. 1992) [ELR 14:10:18]

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## Publishing/Arbitration.

Mary Summer Rain and other authors who had publishing contracts with the Donning Company challenged the company's sale of certain rights in their books and certain book inventories to Schiffer Publishing. The authors alleged causes of action for breach of contract, conspiracy, tortious interference with contractual relations, fraud, violations of RICO, copyright infringement and conversion.

Each of the authors' contracts contained an arbitration clause, providing, in part, that "any controversy or claim arising out of this agreement or breach thereof shall be settled by arbitration...In case of failure to pay royalties, Author may, at Author's option, refuse to arbitrate and may pursue remedies at law or in equity."

A Federal Court of Appeals, in vacating the judgment of the District Court and remanding the matter for further proceedings, ruled that litigation on the non-arbitrable issues which depended on arbitrable issues would be stayed pending arbitration. The court set forth the claims which were subject to arbitration and concluded that the determination of monies due the authors was subject to the resolution of arbitrable claims.

Summer Rain v. Donning Company/Publishers, Inc., 964 F.2d 1455 (4th Cir. 1992) [ELR 14:10:19]

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**High School Athlete.**

When Christy Hardaway was dismissed from participating on her high school basketball and track teams, the athlete brought a lawsuit alleging the violation of her procedural due process rights. Hardaway claimed that denying her the opportunity to finish the then-current basketball season would damage her prospects of obtaining an athletic scholarship.

A Federal District Court in Arkansas has found that a student's interest in participating in interscholastic athletics amounts to a "mere expectation" rather than a constitutionally protected claim of entitlement. "Such an expectation must fall outside the protection of due process," concluded the court, in denying Hardaway's motions for an immediate hearing, for a temporary restraining order, and for a preliminary injunction.

McFarlin v. Newport Special School District, 784 F.Supp. 589 (E.D.Ark. 1992) [ELR 14:10:19]

## Previously Reported:

The following cases, which previously were reported in the Entertainment Law Reporter, have been published: Apple Computer, Inc. v. Microsoft Corporation, 799 F.Supp. 1006 (14:8:11); Atari Games Corp. v. Nintendo of America Inc., 975 F.2d 832 (14:8:16); Bullfrog Films, Inc. v. Wick, 959 F.2d 778 (13:12:13); Columbia Record Productions v. Hot Wax Records, 966 F.2d 515 (14:4:18); Futurevision Cable Systems of Wiggins, Inc. v. Multivision Cable TV Corp., 789 F.Supp. 760 (14:1:11); Joplin Enterprises v. Allen, 795 F.Supp. 349 (13:9:3); Sportschannel America Associates v. National Hockey League, 589 N.Y.S.2d 2 (14:7:16).

The decision in Waits v. Frito-Lay, Inc., (14:6:3) has been published at 978 F.2d 1093, and the United States

Supreme Court has let stand the ruling awarding $2.5 million to Tom Waits in his "sound-alike" claim.

It has been reported that a Federal District Court in California has awarded $15 million to Lewis Galoob Toys in the company's action against Nintendo of America (14:8:12). Nintendo had obtained an injunction preventing Galoob from selling a Game Genie video game enhancer, and the award represented compensation to Galoob for its losses during the year the company was barred from the market.

Creative House Promotions, according to news reports, has agreed to pay the Academy of Motion Picture Arts and Sciences $300,000 for infringing the copyrighted "Oscar" statue (13:4:6). Creative House also agreed to redesign its "Star" award to reduce confusion with the Academy's statue, and to cease manufacturing or selling the statue.

The United States Supreme Court has let stand a ruling granting summary judgment to American Broadcasting Companies (10:12:20) in a defamation action brought by Arthur Jones in connection with a 1987 "20/20" program concerning Jones' conduct in rescuing a herd of baby elephants from destruction. [ELR 14:10:19]

## DEPARTMENTS

### In the Law Reviews:

Restraint of Controversial Musical Expression After Skyywalker Records, Inc. v. Navarro and Barnes v. Glen Theater, Inc.: Can the Band Play On? by Blake D. Morant, 70 Denver University Law Review 5 (1992)

FCC Regulation of Political Broadcasting: A Critical Legal Studies Perspective by Eric Engle, 14 Communications and the Law 3 (1992) (published by Fred B. Rothman & Co., 10368 W. Centennial Road, Littleton, CO 80127)

Authors and Creators: Up by Their Own Bootstraps by William Klein II, 14 Communications and the Law 41 (1992) (for address, see above)

Entertainment Law Review, published by ESC Publishing/Sweet & Maxwell, Mill Street, Oxford OX2 OJU, United Kingdom, has issued Volume 3, Issues 5 and 6 with the following articles:

The Draft EC Directive on Rental and Lending Rights Related to Copyright: ITV's View by Kathryn Fulton, 3 Entertainment Law Review 155 (1992)

Cultures of Copying: Digital Sampling and Copyright Law by Lionel Bently and Brad Sherman, 3 Entertainment Law Review 158 (1992)

Organisation and Structure of Radio and Television Broadcasting in Belgium by Christine De Keersmaeker, 3 Entertainment Law Review 164 (1992)

National and International Issues Concerning the New Draft Cinema Law in Italy by Giovanni A. Pedde, 3 Entertainment Law Review 171 (1992)

UK Tax Incentives for Film Production by Larry Chrisfield, 3 Entertainment Law Review 177 (1992)

Note on the Indian Copyright (Second Amendment) Bill 1992 and the Copyright Cess Bill 1992 by Pravin Anand, 3 Entertainment Law Review 181 (1992)

Mechanical Royalties: UK Tribunal Decides against European Model by K.R.D Lowde, 3 Entertainment Law Review 183 (1992)

Private Lives on the Public Stage: The Auction Price by Elisabeth Logeais, 3 Entertainment Law Review 191 (1992)

Structuring the Multimedia Deal: Legal Issues-Part 1 Licensing in the Multimedia Arena by David L. Gersh and Sheri Jeffrey, 3 Entertainment Law Review 196 (1992)

Withholding Tax and Payments to Authors by Adrian Shipwright, 3 Entertainment Law Review 204 (1992)

The Common Law Right of Publicity is Going Wrong in the United States: Waits v. Frito-Lay and White v. Samsun Electronics by William M. Borchard, 3 Entertainment Law Review 208 (1992)

Authorship, Ownership and Infringement in Music Copyright by Alison Firth, 3 Entertainment Law Review 211 (1992)

Court of First Instance Judgment on the Net Book Agreement: Implications for the Irish Book Market by Ciaran Walker, 3 Entertainment Law Review 215 (1992)

Columbia University School of Law and Volunteer Lawyers for the Arts have published Volume 16, Number 2 of Columbia-VLA Journal of Law & the Arts with

An Examination of the Droit de Suite, the Artist Resale Royalty:

The Berne Convention and Droit de Suite Legislation in the United States: Domestic and International Consequences of Federal Incorporation of State Law for Treaty Implementation by Lee D. Neumann, 16 Columbia-VLA Journal of Law & the Arts 157 (1992)

Copyright Office Hearings on the Droit de Suite, 16 Columbia-VLA Journal of Law & the Arts 185 (1992)

Book Review: The Droit de Suite in Literary and Artistic Property: A Comparative Law Study by Liliane de Pierredon-Fawcett reviewed by Barbara Ringer, 16 Columbia-VLA Journal of Law & the Arts 247 (1992)