RECENT CASES

Court rejects James Brown's claims arising from use of 1965 performance in "The Commitments"

The 1991 film "The Commitments" portrayed a group of young Irish musicians who form a soul music band. During one scene in the film, for a total of 27 seconds, the musicians watch portions of a videotape of James Brown's 1955 TAMI show performance of the song "Please, Please, Please;" the film does not mention Brown's name during this sequence, and refers, briefly, to Brown only once later in the film.

In October 1964, prior to a rehearsal for the TAMI show performance, Brown signed a letter agreement with the show's producer, Electronovision Productions, Inc. The agreement granted the producer the sole and exclusive right to photograph or reproduce, in connection with a "Theatrofilm" photoplay of a teenage music show, Brown's "acts, poses, plays and appearances" and all instrumental, musical or other sound effects produced by Brown in connection with the performances. The producer also was entitled to reproduce, re-record and transmit the performances in connection with the Theatrofilm and to exhibit, transmit, reproduce, distribute, broadcast and exploit, and license the performance or permit others to do so.

The producer had the right, throughout the world, to use and display, or to license or permit others to use and display, Brown's name and likeness for advertising or publicizing the performance in conjunction with the film; Brown did not grant the producer the right to use his name, voice or likeness in connection with any "commercial tie-ups."

Brown received a total of $15,000 for his performance on the show and for the grant of rights.

In December 1984, Electronovision transferred all of its interest, including its rights in Brown's TAMI show performance, to Screen Entertainment. Screen Entertainment granted "dick clark" teleshows, inc. a limited transfer of the copyright in the TAMI show for television use, expressly reserving the copyright for motion picture theater release. In 1985, Screen Entertainment merged with UPA Productions of America, and in 1990, Beacon Communications acquired from UPA the right to use "no more than two minutes of the song 'Please, Please' (sic) by James Brown from the TAMI show" for all "theatrical, non-theatrical, videocassette and videodisc" uses through the world. Beacon also obtained from "dick clark" media archives the television rights to the TAMI show performance. Beacon separately acquired the right to use the musical composition and lyrics of

"Please, Please, Please" from the entities to whom Brown had transferred the copyright in 1956.

Brown argued that the 1964 agreement was ambiguous as to whether the grant of rights included the right to use his performance in films, film promotions and videocassettes, but a Federal District Court in the District of Columbia has ruled that the letter agreement was clear and unambiguous and extended to the use made by the film parties of the TAMI show performance.

The court rejected the contention that the agreement referred to the licensing and distribution only of the TAMI show itself and that the producer was entitled to use Brown's performance to advertise the show but could not reproduce or license the reproduction of the performance for use in entirely separate contexts such as a full-length film. Judge Oberdorfer noted that the producer was not entitled to use any photographs, reproductions or recordings of Brown, but only those taken or made "in connection with" the Theatrofilm. The fact that the agreement permitted the reproduction and licensing of a portion of the performance indicated, to the court, that the contracting parties contemplated the use of the performance as segments of other larger projects.

Brown claimed that the grant of rights did not encompass the right to the videocassette market. The court found that there was no contractual language limiting the use of the performance to a specific medium. Rather, the "sweeping" language of the contract, which granted the right to reproduce the performance "perpetually and throughout the world...in and by all media and means whatever" could fairly be read to include release on videocassettes despite the nonexistence of the medium at the time of the contract.

It was noted that the transfer from UPA to Beacon provided that the film's producer would be responsible "for clearing [or] renewing any music publishing or music copyrights with James Brown, his music publishing or the appropriate performing arts organization." And the producer secured the right to use the lyrics and musical composition from the music publishing company holding the copyright in those works.

The court also rejected the argument that the producer violated Brown's right of publicity. Apart from the authorized use of the TAMI show performance, the only remaining use of Brown's "persona" was a single mention of his name, along with the names of several other entertainers, "as a model soul performer whom the band members should study." This was not the type of "wholesale appropriation" that courts have recognized as giving rise to a right of publicity claim, stated Judge Oberdorfer.

Brown further argued that the producers violated section 43(a) of the Lanham Act, based on the alleged likelihood of consumer confusion in the marketing of the film and the alleged unfair competition arising from the use of the clip of Brown's performance. According to Brown, the film presented the false impression that Brown "created, authorized or approved" the use of the TAMI show clip in the film. There was no evidence, stated the court, that any viewers of "The Commitments" believed that Brown had endorsed the film or personally approved the use of the clip, nor could any reasonable jury reach that conclusion from watching the film, concluded the court.

Brown v. Twentieth Century Fox Film Corporation, 799 F.Supp. 166 (D.D.C. 1992) [ELR 14:11:3]

Record producer may proceed with copyright infringement claim, but contract claims are dismissed due to lack of written transfer of copyright ownership

Record producer Alexander Pamfiloff claimed that he acquired the ownership of four musical compositions through an agreement with several individual musical artists, a band known as "Bass House," and various record companies, and that Giant Records and other parties allegedly engaged in the unauthorized reproduction and sale of sound recordings of those compositions.

In the original complaint in the matter, Pamfiloff alleged that he and his solely owned musical production company and publishing affiliate acquired the rights in the four works via an oral agreement transferring all rights to Pamfiloff in exchange for certain royalty payments. Pamfiloff also claimed to be the exclusive owners of the copyright in the sound recordings of the songs "For Two" and "Hold You Tight."

The court dismissed the causes of action in the complaint because section 204(a) of the Copyright Act requires that a transfer of copyright ownership must be in writing.

Pamfiloff's amended complaint referred to a written recording agreement between Pamfiloff and Bass House. But Federal District Court Judge Peckham noted that the recording agreement did not mention any transfer of ownership rights in the musical compositions. The agreement, although granting Pamfiloff limited recording rights in the compositions, thus did not satisfy the requirements of section 204(a).

A second document cited by Pamfiloff set forth certain royalty payments due to the Bass House parties; according to Pamfiloff, the royalty provision was consistent with the transfer of broader rights than recording rights.

Judge Peckham pointed out that the additional agreement was not signed by any party, contained no date, and did not purport to transfer any rights.

The court also rejected Pamfiloff's argument that the combination of the agreements would serve to meet the requirements of section 204(a).

Pamfiloff unsuccessfully sought to have the court apply the doctrine of equitable estoppel to circumvent the writing requirements of section 204(a). Judge Peckham stated that Congress did not include within the statute any indication that equitable defenses should apply in the context of copyright transfer, and the court declined to read such a provision into the statute and "thereby undermine the goal of uniformity and predictability in the field of copyright ownership and transfer." The court went on to comment that the provisions of section 204(a) appear "to do more than transfer a general statute of frauds to copyright. Instead, they provide the requirements for the very validity of a given transfer."

The court dismissed Pamfiloff's cause of action for breach of the alleged publishing agreement because the agreement was not valid, and also dismissed a cause of action for tortious denial of the existence of the alleged publishing agreement, as well as a cause of action for interference with contractual relations.

Judge Peckham then found that Pamfiloff was entitled to proceed on a claim of copyright infringement with respect to the sound recordings of "For Two" and "Hold You Tight." Pamfiloff argued that he obtained an implied nonexclusive license to use the musical compositions through the recording agreement - such an agreement would be worthless if Pamfiloff was prevented from using the recordings because he did not have permission to use the underlying musical compositions. A nonexclusive license can be granted orally or implied from conduct, observed the court, citing Nimmer on Copyright. The language of the statute does not mention such a license. But section 204(a) applies to the transfer of ownership, and a nonexclusive license is not an ownership interest.

The court therefore agreed with Pamfiloff that the recording agreement should be interpreted to contain an implied nonexclusive license to use the musical compositions and denied the Bass House parties' motion to dismiss the sound recording infringement claim.

Pamfiloff v. Giant Records, Inc., 794 F.Supp. 933 (N.D.Ca. 1992) [ELR 14:11:4]

Federal Court of Appeals provides test for evaluating whether a claim arises under the Copyright Act when it alleges infringement based on a breach of contract

In 1985, Harris O. Schoenberg, the author of "A Mandate for Terror: The United Nations and the PLO," entered into a contract with Steimatzky Publishing of North America. Schoenberg retained the ownership of the copyright in the work and granted Steimatzky a license to publish the manuscript subject to the terms of the contract. Steimatzky was required to publish the work within six months of receiving the final draft of the manuscript, to promote and market the work, and to license foreign language editions and periodical excerpts. In 1986, Shapolsky Publishers became Steimatzky's successor and assumed the contract with Schoenberg.

Schoenberg sued the Shapolsky parties alleging that they failed to publish the manuscript until 1989 (a final draft was submitted in 1985) and failed to make royalty payments. Schoenberg, arguing that such conduct constituted breach of contract, claimed that the subsequent publication of the book infringed his copyright.

During the course of the litigation, the Shapolsky parties did not comply with discovery orders, resulting in a 1991 opinion and order holding Samuel A. Abady, the publisher's former counsel, in civil contempt of the court's order compelling discovery.

On appeal, Abady argued that the District Court's order was void because the court lacked subject matter jurisdiction over the underlying dispute. According to Abady, Schoenberg's copyright infringement claim was a contract dispute and did not present a federal question.

Federal Court of Appeals Judge Altimari first noted that not every case involving federal copyright laws "arises under" those laws such that federal jurisdiction is proper. Schoenberg alleged that the publishers infringed on his copyright by distributing his work subsequent to the purported breach of the licensing contract. And because Schoenberg was seeking damages for the alleged infringement as well as an injunction against future infringement, his complaint, on its face, asserted a claim "arising under" the Copyright Act, stated the court.

For Judge Altimari, the appropriate test for determining whether a lawsuit arises under the Copyright Act when the lawsuit alleges infringement due to a breach of contract was set forth in Costello Publishing Co. v. Rotelle, 670 F.2d 1035 (D.C.Cir. 1981), a case which cited 3 Nimmer on Copyright 10.15 (1980 ed.) According to Costello, a court must determine whether the complaint alleges a breach of a condition to, or a covenant of, the contract licensing or assigning the copyright. If a breach of a condition is alleged, then the court would have subject matter jurisdiction. If the complaint alleged a breach of a covenant in the contract, the court then would determine whether the breach was so material that it created a right of rescission in the grantor. If the breach created such a right, then the claim asserted would arise under the Copyright Act.

Judge Altimari proceeded to instruct courts in the circuit to undertake a three part test to determine whether a complaint states a cause of action arising under the Copyright Act. A court first must ask whether a party's infringement claim is only incidental to the party's claim seeking a determination of ownership or contractual rights under the copyright. If the claim is not merely incidental, the court then must ask whether the complaint alleges a breach of a condition to, or a covenant of, the contract licensing or assigning the copyright. If the complaint merely alleges a breach of a contractual covenant in the agreement that licenses or assigns the copyright, then the court must ask whether the breach was so material as to create a right of rescission in the grantor. If finding such a right, the asserted claim would arise under the Copyright Act.

In conducting the three-part analysis, stated Judge Altimari, a court may refer to evidence outside of the pleadings, such as affidavits. In the instant case, the record on appeal was insufficient to allow the court to conduct the suggested test and the court therefore could not determine whether the District Court had subject matter jurisdiction over the underlying dispute. The court, accordingly, remanded the case to the District Court to conduct a jurisdictional inquiry.

Judge Altimari observed that the court, having found that it was unable to decide whether the District Court had jurisdiction over the underlying dispute, had to determine whether there was jurisdiction over the contempt order. The discovery order that gave rise to the contempt sanctions, stated Judge Altimari, was issued in aid of the District Court's determination of its jurisdiction; the court thus was authorized to find Abady in contempt, and the Court of Appeals had jurisdiction over the appeal. The Court of Appeals' jurisdiction would be proper even if the District Court subsequently holds that it lacked jurisdiction over the underlying complaint.

The court concluded by finding that Abady was denied various procedural protections and by vacating the District Court's order holding Abady in civil contempt and imposing sanctions against him.

Schoenberg v. Shapolsky Publishers, Inc., 971 F.2d 926 (2d Cir. 1992) [ELR 14:11:5]

New York court rejects doctrine of secondary meaning in the making in reversing decision granting puzzle creator injunctive relief on trade dress and unfair competition claims; court upholds denial of relief based on copyright infringement claim

Dirk Laureyssens created a series of foam rubber puzzles comprised of six pieces, with a variety of notches cut into each of their four edges; the puzzles could be assembled, by interlocking the notched edges, into a flat form in a rectangular frame and also into a three-dimensional hollow cube. Laureyssens, who marketed his puzzles under the name HAPPY CUBE, sued Idea Group, Inc., the distributor of a series of puzzles known as SNAFOOZ alleging trade dress infringement.

A Federal District Court in New York found that Idea Group's "flat-form, shrink wrapped SNAFOOZ packaging" raised a serious question of trade dress infringement under section 43(a) of the Lanham Act and under the New York common law of unfair competition, and granted Laureyssens a preliminary injunction (ELR 14:3:18); the court denied Laureyssens' motion for a preliminary injunction with respect to a copyright infringement claim.

A Federal Court of Appeals has reversed the District Court's decision to grant a preliminary injunction based on the trade dress and unfair competition claims, and affirmed the decision to deny a preliminary injunction based on copyright infringement.

Chief Judge James L. Oakes, after describing the development and appearance of the various puzzles, agreed with the District Court's finding that there was no serious question as to whether actual secondary meaning existed in the HAPPY CUBE trade dress (emphasis by Judge Oakes) - the puzzles had not sold well, the expenditures for advertising and promotion were low, there was minimal unsolicited media coverage and only a brief period of exclusive use of the puzzles' trade dress. And there was no evidence of copying of the trade dress, observed the court.

The District Court had found that Laureyssens satisfied the requirement of secondary meaning by raising a serious question as to whether the HAPPY CUBE trade dress should be protected under the doctrine of secondary meaning in the making.

Judge Oakes stated that section 43(a) of the Lanham Act prohibits only the use of any "word, term, name, symbol, or device, or any combination thereof," or "false designation of origin" which is likely to cause confusion, mistake, or deception as to the "origin, sponsorship, or approval" of goods. Where there is no actual secondary meaning in a trade dress, the purchasing public "simply does not associate the trade dress with a particular producer," commented the court. And a subsequent producer who adopts an imitating trade dress will not cause confusion, mistake, or deception as to the origin, sponsorship or approval of the goods.

A subsequent producer's use of allegedly imitating trade dress bears no false designation of origin, continued the court, because, in the absence of secondary meaning in the senior producer's trade dress, the imitating trade dress suggests no particular origin to the consuming public. The "so-called" doctrine of secondary meaning in the making, by affording protection to a producer before prospective purchasers are likely to associate the trade dress with a particular sponsor, "constrains unnecessarily the freedom to copy and compete," declared Judge Oakes.

It was observed that under New York's common law of unfair competition, a producer's trade dress is protected without proof of secondary meaning "against practices imbued with an odor of bad faith...These practices include palming off, actual deception, appropriation of another's property...or deliberate copying."

The court therefore rejected the doctrine of secondary meaning in the making under section 43(a) of the Lanham Act.

With respect to Laureyssens' claim under New York's common law of unfair competition, the District Court had observed that Idea Group "introduced evidence that it selected its trade dress before it knew of Laureyssens, which would suggest that the choice was not based on any improper motive." However, the District Court granted the preliminary injunction because Idea Group did not establish exactly when its trade dress was adopted, thereby raising, for the court, a serious question regarding the company's good faith.

Judge Oakes stated that there was nothing in the record indicating that Idea Group was aware of the HAPPY CUBE trade dress prior to selecting a design, or that the company intentionally copied the HAPPY CUBE trade dress. In the absence of sufficient evidence to raise a serious question of bad faith on the part of Idea Group, the court reversed the District Court's decision to grant a preliminary injunction against the company.

In turning to the copyright infringement claim, the court noted that Idea Group did not dispute that it had access to the HAPPY CUBE puzzles, and that there were similarities in the shapes of the puzzles which were "probative of copying" and which at least raised a question of actual copying. However, the District Court correctly concluded that Laureyssens' copyright extended only to his particular expression of the idea of a flat-to-cube puzzle, manifested in the particular shape of his puzzle pieces.

The designs of the puzzle pieces at issue served to create a puzzle which could be assembled in either cube or flat form. In the court's view, an ordinary observer would conclude that the design change from five to six notch-widths per edge in the shapes of the SNAFOOZ puzzle pieces "resulted in a qualitatively different challenge to the puzzler." The ordinary observer comparing the shapes of the pieces would conclude, stated Judge Oakes, that SNAFOOZ was a "bona fide redesign of the idea of a flat-to-cube puzzle," and the District Court, accordingly, did not abuse its discretion in deciding that Laureyssens did not raise a serious question of unlawful appropriation, and thus of copyright infringement with respect to the protectible elements of the copyrights in his puzzle designs.

Laureyssens v. Idea Group, Inc., 964 F.2d 131 (2d Cir. 1992) [ELR 14:11:6]

Judgment awarding $550,000 to TVA official in libel action against Fortune Magazine is reversed, over strong dissent

A 1986 article in Fortune Magazine reported allegations that Marcus Bressler, an official of the Tennessee Valley Authority, had attempted to cover up safety violations at the TVA's Watts Bar nuclear plant. A Federal District Court jury awarded Bressler $250,000 in compensatory damages and $300,000 in punitive damages in his libel action against the magazine.

A Federal Court of Appeals has ruled that the evidence did not demonstrate that the reporters realized their statements were false or had serious doubts as to the truth of their statements. On the actual malice issue alone, without reaching the issue of the proper standard of proof for falsity in a public official's libel suit and reaching, "only tangentially," the dispute over the article's "falsity," the court reversed and remanded the matter for the entry of judgment in favor of Fortune.

Judge Ralph B. Guy, Jr. noted that the entire record, including the sources on which the Fortune reporters relied, the substance of the sources' statements, and the content of the various documents used in preparing the article, could not have supported a finding of actual malice under the "clear and convincing" standard.

Judge Batchelder, in a lengthy dissent, commented that the majority purported not to decide whether the allegedly defamatory statements in the Fortune article were substantially true or substantially false, and did not analyze whether Fortune made the statements, as they appeared in the article (emphasis by dissent), with actual malice. Judge Batchelder stated that the majority "homogenize[d]" the article's statements into a single sentence, called the sentence the "gist" of the article," and then asked whether the "gist" of the article was published with actual malice. The dissent questioned the court's authority to so revise an article's allegedly defamatory statements before analyzing whether the statements were false or whether they were made with actual malice.

Judge Batchelder also challenged whether the majority deferred to the jury's credibility determinations in the course of performing an independent review of the allegedly defamatory statements and the circumstances under which they were made. Judge Batchelder would have held that the jury was entitled to find from the evidence that many of the article's actual statements were false and were published with actual malice.

Judge Batchelder declared that it did not appear that any case authorized a court, "for purposes of analyzing whether statements are defamatory, to revise the statements first - leaving only innocuous generalizations - and then determine whether the revised statements are defamatory." The majority had relied on Masson v. New Yorker Magazine, Inc., 111 S.Ct. 2419 (1991; ELR 13:4:4), but Judge Batchelder, after careful analysis, stated that Masson did not authorize such an approach.

The dissent commented, again after lengthy consideration, that the United States Supreme Court has taken no position on the standard of proof for falsity. Public figures bringing libel claims need not show knowledge of falsity to prove malice, observed Judge Batchelder, who thus would have found that the District Court did not err by instructing the jury that falsity may be proved by a preponderance of the evidence.

Judge Batchelder, upon examining the evidence related to the actual statements contained in the Fortune article, stated that the jury's finding of falsity was not clearly erroneous, but was supported by the great weight of the evidence. In the dissent's view, many of the article's statements about Bressler were materially false, were not minor inaccuracies, and would have had a different effect on the reader than the truth.

The dissent concluded by expressing the view that Bressler presented "clear and convincing evidence that the reporters subjectively entertained serious doubts as to the truth, or had a high degree of awareness of the probable falsity of what was written in the article," and again expressing concern with the majority's decision to base its malice determination on a revised version of the article's content and the majority's failure to apply the appropriate standard in independently reviewing the record to determine the issue of actual malice.

Bressler v. Fortune Magazine, 971 F.2d 1226 (6th Cir. 1992) [ELR 14:11:7]

Photocopying of scholarly articles by Texaco scientists is not fair use

Texaco Inc. scientists who, without authorization, photocopied material from various scientific and technical journals violated the Copyright Act, a Federal District Court in New York has ruled.

Judge Pierre N. Leval, after describing the significance of scientific journals in research matters and the efficiency of using photocopies of particularly useful articles, considered, pursuant to the parties' stipulation, Texaco's contention that the photocopying constituted a fair use of the copyrighted material.

The court reviewed the use of eight photocopies selected from the files of Dr. Donald Chickering, II, a Texaco researcher arbitrarily chosen from among the company's several hundred scientists. Dr. Chickering had copied four articles, two "notes" and two letters to the editor from the "Journal of Catalysis," a monthly publication of Academic Press, Inc. It was assumed for purposes of the trial of the fair use issue that each item

signed by the authors to the publisher.

Judge Leval noted that the publisher provided authorization to photocopy items from Catalysis through the Copyright Clearance Center. The clearance center acts as an agent for publishers by granting blanket advance permission, for a fee, to photocopy copyrighted material registered with the clearance center, which, after deducting a service charge, forwards the fees collected to copyright owners.

The clearance center, beginning in 1978, offered a transactional reporting service which provided photocopy users with blanket permission to photocopy from any registered publication if the user subsequently reported the making of the photocopy and paid the fees required by the copyright owner, as set forth on the first page of each article. The fee for each copy of an article in Catalysis was $2 until 1982 and $3 thereafter.

An alternate service provided by the clearance center, known as the Annual Authorization Service, involved granting a blanket annual license to a corporate user to make photocopies for internal use of any copyrighted material contained in any of the journals and books registered with the clearance center.

The clearance center allocated the revenue derived from the copyright services among publishers who registered material with the clearance center. As of January 1991, total permission fees paid to the clearance center under the transactional reporting service amounted to about $9 million. Fees paid by licensees under the annual authorization service, from its inception in 1983 to January 1985, amounted to about $18 million.

Judge Leval, after discussing the development of the doctrine of fair use, carefully considered the first fair use factor - the purpose and character of the secondary use - and concluded that Texaco's copying was not of the transformative or productive type favored under the fair use doctrine and was a superseding use which merely multiplied the number of copies. Texaco's argument that the copying was productive in that it would advance scientific discovery was rejected. The copies did not produce something new and different from the original. It was noted that Texaco's three subscriptions to Catalysis served hundreds of scientists and "the principal feature of the photocopying is its capacity to give numerous Texaco scientists their own copy based on Texaco's purchase of an original."

Judge Leval also observed that the Texaco scientists did not copy only the formulas, graphs and tables contained in the articles, but the entire article. Chickering often would make copies of an article before reading the original. Again, the major purpose of the photocopying was not the accurate preservation of the factual material in the articles, but the multiplication of copies.

Texaco's copying was not conducted for nonprofit educational purposes, but for commercial gain, declared the court, in ruling against the company on the first fair use factor.

The second factor - the nature of the copyrighted work - favored Texaco, stated the court. Although the material published in Catalysis was the type of authorship that the copyright laws were designed to protect, it has been observed that the scope of fair use is greater with respect to factual than non-factual works.

The academic publishers prevailed on the third factor - the amount and substantiality of the portion used in relation to the copyrighted work as a whole. The fact that Academic Press registered each issue with the

Copyright Office, rather than each of the twenty or so items in an issue, did not mean, for the purpose of fair use analysis, that the copyrighted work was the entire issue.

Judge Leval emphasized that the publishers "powerfully" demonstrated their right to prevail as to the fourth factor - the effect of the use upon the potential market for or value of the copyrighted work. It was shown that there were convenient and reasonably priced procedures by which Texaco could obtain the necessary additional copies for its scientists. Texaco could have obtained copies from document delivery services that pay royalties to the publishers, could have negotiated blanket licenses with individual publishers, or could have used a clearance center license, and in so doing, added value to the publishers' copyrights.

It was not necessary for the publishers to show that they had been reduced to poverty by Texaco's copying.

If the copyright owner, continued Judge Leval, would be receiving significantly higher revenue but for the uncompensated copying, the statutory standard would be satisfied, regardless of the revenue already being received by the owner.

Judge Leval agreed with Texaco that the loss of hypothetical royalty revenue should not necessarily convert a fair use into an infringement. However, in the instant case, the analysis of the other fair use factors strongly favored the publishers' argument that Texaco's copying infringed the publishers' copyrights - the fourth factor served to confirm the conclusion that the copying was not a fair use.

The court next reviewed various equitable arguments raised by Texaco, but found that the cases cited by Texaco, Sony Corp. of America v. Universal Studios, Inc., 464 U.S. 417 (1984; ELR 5:9:10) and Williams & Wilkins v. National Institute of Health, 487 F.2d 1345 (Ct.Cl.

1973), aff'd by equally divided Court, 420 U.S. 376 (1975) did not cover the company's activities and defined the "remote extremities" of fair use. As distinguished from Sony, the copying in Texaco was neither private nor noncommercial. The Supreme Court's finding in Sony that the making of time-shifting copies caused no economic loss to the copyright owners had no application to the matter before the court, stated Judge Leval, who pointed out that "Texaco uses three subscriptions to 'Catalysis' to furnish copies to hundreds of scientists. That is a far cry from the single user's one-time viewing hypothesized in Sony."

Only one of the factors involved in the copying of material by government health researchers in Williams & Wilkins was present in the instant matter - the use of the copies for scientific research without resale. Several other factors relied upon by the court were "notably absent," observed Judge Leval. Furthermore, one of the practical obstacles discussed by the Williams & Wilkins court was alleviated by the establishment of convenient and reasonable licensing systems.

The court rejected other claims raised by Texaco, declaring that the company's "demagogic effort to undermine the publishers' rights by tarring them as wealthy profiteers carries no force in copyright analysis, which does not begrudge copyright profits."

Texaco also was not entitled to prevail under section 108 of the Copyright Act which authorizes library photocopying under narrowly specified circumstances, concluded the court.

The court has granted Texaco's motion permitting it to appeal immediately, because the court agreed that the case "involves a controlling question of law . . . as to which there is substantial ground for difference of opinion. . . ."

American Geophysical Union v. Texaco Inc., 802 F.Supp. 1 (S.D.N.Y. 1992) [ELR 14:11:8]

Magazine photographer's copyright infringement claim must be reconsidered upon finding that photographs were not works for hire

In 1990, Ed Marco photographed jewelry for Accent Magazine, a monthly trade journal for the costume jewelry industry. Marco took photographs for about six consecutive issues of the magazine and for one or two later issues, taking the photographs in his own studio on his own time, subject to Accent's deadline. On a few occasions, when live models were used, Accent's art director would pose the models.

Marco did not receive an hourly wage or periodic salary, but apparently received about $450 per issue.

When Marco sought a preliminary injunction to prevent the magazine's publisher from engaging in the allegedly unlicensed reproduction of his photographs, a Federal District Court denied injunctive relief, finding that Marco was Accent's employee, that the photographs were works for hire, and that Marco therefore could not prevail on the merits of a copyright claim.

A Federal Court of Appeals has vacated the District Court's judgment and remanded the matter for further consideration.

Judge Mansmann noted that Accent paid Marco by the job, reimbursed the photographer's film and processing expenses, and did not withhold taxes or pay employee benefits.

The court next carefully considered the applicability of Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989; ELR 1l:3:12), in which the United States Supreme Court held that the sculpture at issue was not a work for hire because Reid was not the charity's employee under common law agency principles. According to Judge Mansmann, the Reid decision requires courts to determine whether an employment relationship exists by considering the hiring party's right to control the manner and means by which the product is accomplished, along with such factors as actual control over the details of the work, the hired party's occupation, local custom, the skill required, the source of tools, work location, the length of employment, and the method of payment.

Applying Reid and the factors set forth in 220 of the Restatement (Second) of Agency demonstrated that the District Court erred in concluding that Marco was Accent's employee, stated Judge Mansmann. In addition to the fact that Marco used his own equipment and paid his own taxes, it was observed that the photographer supplied his own studio, did not receive employee benefits, and was paid by the job - factors indicating that Marco was an independent contractor.

The court further commented that the District Court did not properly recognize that Marco had discretion over his work hours -the fact that Accent imposed deadlines did not alter Marco's discretion over his work hours. And the District Court did not recognize that Accent's absence of a right to assign more work indicated Marco's independent contractor status. Accent did have the right to require Marco to reshoot unsatisfactory images, but this right was "merely a right to final approval," commented Judge Mansmann, which differed from the right to assign more work.

Marco's independent contractor status also was indicated by his skill as a magazine photographer with a degree in the field and ten years experience.

Three factors weighed in factor of a determination that an employment relationship existed - the fact that

Accent was a business which would hire employees, that the company regularly published photographs of its own conception, and that Accent exercised control over certain details of the work. The magazine supplied jewelry, props, models, and sketches describing the exact composition of the photographs. But the latter factor was not dispositive and indeed resembled the "control of the product" test rejected by the Supreme Court in Reid, noted Judge Mansmann. Furthermore, Accent may have controlled the subject matter and composition of the image, but did not control many other aspects of the work, including the choice of light sources, filters, lenses, camera, film, perspective, aperture setting, shutter speed, and processing techniques. The magazine's art director attended only the sessions using live models and the art director's supervisory role was limited to subject matter, composition, and "mood."

Judge Mansmann observed that the only significant difference between the instant case and Reid was that Accent was in the business of regularly publishing photographs in connection with advertisements and articles - this distinction did not result in an employment relationship.

The District Court, in evaluating Marco's likelihood of success on the merits, only considered Accent's work for hire defense. On remand, stated Judge Mansmann, it would be appropriate for the District Court in reconsidering Marco's preliminary injunction motion, to review the issues of joint authorship and licensed use.

Marco v. Accent Publishing Co., Inc., 969 F.2d 1547 (3d Cir. 1992) [ELR 14:11:9]

United States Supreme Court lets stand ruling reversing judgment entered on jury verdict awarding over $70 million to inventor in "Hot Wheels" matter

A Federal District Court jury awarded Jerome H. Lemelson more than $70 million in damages and interest in the inventor's action alleging patent infringement by Mattel's "Hot Wheels" toy. The District Court, pursuant to the verdict, found that the track on which Mattel's toy cars traveled infringed Lemelson's patent, denied Mattel's motion for judgment notwithstanding the verdict, and awarded the jury-determined damages plus interest.

A Federal Court of Appeals reversed the judgment entered by the District Court on the issue of infringement and the United States Supreme Court has let stand the Court of Appeals' ruling.

Lemelson's patent, "Toy Track and Vehicle Therefore," was directed to a flexible plastic "toy guideway or track and vehicle for riding thereover." A company named Gardiol held a patent in a track construction which included internal wires to maintain its desired shape. Lemelson, according to Federal Court of Appeals Judge Plager, added two clauses to his claim that overcame the problem of anticipation by Gardiol.

Mattel obtained a number of patents covering various specific technical features of the Hot Wheels system, but did not apply for a patent covering the track itself. The company introduced the Hot Wheels cars and track system in 1968.

Lemelson contacted Mattel regarding a license but the company denied any interest in such a license. In 1977, Lemelson sued Mattel, and lengthy proceedings followed, both in the Federal District Court in Illinois and in the Patent and Trademark Office.

The jury, in response to interrogatories presented by the District Court, found that Mattel's trackway system contained each and every element of claim 3 of Lemelson's patent; that each element of claim 3 or its substantial equivalent was found in Mattel's trackway system; that Mattel willfully infringed claim 3; that Gardiol's patent did not disclose all of the elements of claim 3; that the subject matter of claim 3 would not have been obvious in May 1967 to a person having ordinary skill in the art of toy track and car manufacture; that the subject matter of claim 3 was not on sale, and was not described in a printed publication prior to May 4, 1966; and that the subject matter of claim 3 was clearly and distinctly claimed by Lemelson.

After describing the Gardiol track for toy cars, Judge Plager noted that the Patent and Trademark Office, despite various findings in the matter, at no time concluded that the first five of the seven clauses of claim 3, patently distinguished Lemelson's invention from the prior art. If claim 3 was distinguishable at all from the prior art, stated the court, the distinction would have had to arise from the added two clauses.

However, the evidence indicated that the Hot Wheels track was basically the same as Gardiol, but without the internal support. Hot Wheels used external attachments to define the shape of the track. But there was no evidence of any other significant difference between Hot Wheels and Gardiol. Gardiol differed, again, only in having an extra element - the internal core for structural support.

Lemelson did not show that the Hot Wheels track included each of his claim limitations or its equivalent, and failed to identify any elements in the Hot Wheels track that corresponded to the two supplementary limitations.

Judge Plager concluded that no reasonable jury could find both that claim 3 was valid in view of Gardiol and infringed by Hot Wheels. To the extent the jury reached these inherently inconsistent conclusions, there was error, and the trial court should have granted the motion for judgment notwithstanding the verdict as to the finding of infringement.

Lemelson v. General Mills, Inc., Case No. 90-1359 (Fed. Cir., June 30, 1992) [ELR 14:11:10]

Court orders reinstatement of jury verdict in favor of T-shirt distributor in trademark infringement action by Anheuser-Busch

Michael Berard designed a souvenir T-shirt depicting a beer can with a red, white and blue label; the words on the can referred to Myrtle Beach. The shirts were marketed through L & L Wings, Inc., the operator of a number of retail beach stores.

Anheuser-Busch sued Berard's company and Wings for trademark infringement, alleging that the T-shirt design was confusingly similar to the Budweiser beer label.

A Federal District Court jury returned a verdict in favor of the Wings parties. The court granted Anheuser-Busch's motion for judgment notwithstanding the verdict, holding that the evidence before the jury permitted only the conclusion that the T-shirt created a likelihood of confusion and thus infringed Anheuser-Busch's trademarks.

A Federal Court of Appeals reversed the District Court's decision and remanded the matter with instructions to reinstate the jury verdict in favor of the Wings parties.

Judge Wilkinson stated that the District Court improperly assumed the jury's role of determining whether an ordinary consumer would likely be confused by the T-shirt. The court pointed out, among other differences between the T-shirt and the Budweiser label, that the T-shirt design did not refer to Anheuser-Busch or Budweiser; replaced the Budweiser label's descriptions of the beer with analogous language descriptive of the beach; and incorporated its own beach slogans in place of the Budweiser beer slogans.

Anheuser-Busch argued that the T-shirt used a beer label design that intentionally imitated the non-verbal portion of the Budweiser label. The T-shirt's beer label admittedly was patterned after the Budweiser format, but Judge Wilkinson cited the "substantial verbal differences" that set the T-shirt design apart from the Budweiser label. The jury examined the T-shirt as a whole and reasonably concluded that consumer confusion was unlikely, noted the court.

It was further found that the jury was entitled to give decisive weight to the "predominant" differences between the T-shirt design and the Budweiser label.

Again, there was no evidence of actual confusion, and there were sufficient intrinsic differences between the T-shirt and the Anheuser-Busch trademarks to permit a reasonable jury to find that consumer confusion was unlikely irrespective of the evidence under certain extrinsic factors considered by the District Court.

Judge Wilkinson then agreed with Berard that a reasonable jury could find that the T-shirt was recognizable as parody of the Budweiser label, and that such a finding would provide additional support for the jury's verdict. The differences cited by the court would permit a jury to conclude that the T-shirt design "was nothing more than a commentary on the pleasures of beach life that effectively parodied the Budweiser label but could hardly be confused with it."

The court stated that an intent to parody may involve an intent to benefit from the original trademark, but such an intent "is not necessarily probative of a likelihood of consumer confusion." The Lanham Act, recalled the court, is designed to protect consumers from product misinformation, "not to deprive the commercial world of all humor and levity."

Judge Wilkinson responded to the dissent's opinion by observing that the dissent's standard was "so broad that it would banish virtually all attempts at humorous take-offs on trademarks as a matter of law...and would establish a zone of immunity for any trademark that could lay claim to strength and familiarity - the very marks for which parody is most likely." Conflicts between commercial piracy and discouraging competition, and between permissible parody and impermissible imitation may best be resolved by juries on a case-by-case basis, concluded the court.

Judge Powell, retired, sitting by designation, first emphasized the strength of Anheuser-Busch's mark, and the similarities in the parties' goods, the retail outlets used, and the parties' advertising. The dissent also pointed out that Anheuser-Busch had presented evidence of actual confusion, and that there was evidence of intentional copying. In all, the evidence created a presumption of likelihood of confusion, stated Judge Powell.

It further appeared to Judge Powell, that although design differences may be determinative, there did not seem to be any precedent giving conclusive weight to this factor when a party has borrowed a distinctive mark, without making any discernible changes to it, and placed that mark on identical products marketed through identical commercial channels.

Judge Powell commented that it was of no importance that the T-shirt design did not refer to Anheuser-Busch or Budweiser, and that "it [was] enough" that the T-shirt adopted the Budweiser label design - the symbol characterized the name and was a separately registered trademark. The words added by Wings did not eliminate the connection to Anheuser-Busch that followed from the use of the Budweiser label, according to Judge Powell, for the subject matter of the substituted words was not "foreign" to Anheuser-Busch, Budweiser, or even beer. The substituted words did not eliminate the Budweiser connection, or establish that a corporation other than Anheuser-Busch sponsored the T-shirt.

With respect to the question of parody, Judge Powell stated that parody is not an affirmative defense to an infringement claim. The claimed parody would not prevent consumer confusion as to the sponsor of Wings' T-shirt, stated Judge Powell; the design did not ridicule Budweiser or "offer social commentary on the evils of alcohol," but merely played on the words of the Budweiser label, "adopting a theme (the beach) and a method (humor) that [was] fully consistent with Anheuser-Busch's marketing efforts." For Judge Powell, consumers would be just as likely to buy the T-shirt because of its affiliation with Anheuser-Busch as because of its humor - the parody amounted to nothing more than a "merchandising short-cut," stated Judge Powell, and did not support the verdict.

Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316 (4th Cir. 1992) [ELR 14:11:11]

Famous Amos Chocolate Chip Cookie Corporation obtains injunction restricting former owner Wally Amos' cookie activities

In August 1992, a Federal District Court in California granted a motion for a preliminary injunction sought by the Famous Amos Chocolate Chip Cookie Corporation in a lawsuit against Wally Amos alleging unfair competition and trademark infringement.

The court ordered Amos, the creator of Famous Amos chocolate chip cookies, to cease producing, marketing, promoting, and distributing any food, food-related ingredients and products, beverages, confectionery products, and any and all goods and services bearing the name "Wally Amos," the words "Famous Amos," the word "Famous" in conjunction with the name "Amos," or Wally Amos' facsimile signature, photograph, caricature, or actual or simulated likeness, including, but not limited to the following merchandise, products, advertisements or promotional material: cookie packaging using the words "Wally Amos Presents," the name "Wally Amos" by itself, and the caricature of Amos' likeness; any mail order flyer containing the words "Wally Amos Presents His Handmade Original Famous Chocolate Chip Cookies...;" ceramic cookie jars with the signature "Wally Amos" on the bottom; and "Chip" and "Cookie" stuffed dolls to which a tag is attached reading "Wally Amos Presents."

The court ordered Amos, who sold his company in 1984, to cease any advertising, promotion or sales activities in connection with "Chip & Cookie" which utilizes the name "Wally Amos," or the words "Famous Amos."

Amos also was barred from seeking registration of his name and/or likeness as a logo, trademark or trade name on his own behalf anywhere in the world in the above-described fields of goods and services, and was barred from granting rights to any other party to use his name and/or likeness as a logo, trademark, trade name or for any other purpose pertaining to foods, beverage, restaurants and franchising services.

The Famous Amos Chocolate Chip Cookie Corporation apparently obtained its rights to the names "Famous Amos" and "Wally Amos" from a predecessor company.

The court previously had granted Famous Amos' motion to dismiss six of Wally Amos's seven counterclaims. Amos did not respond to the company's motion until two days prior to the noticed hearing date, and never filed written opposition to the motion. The court agreed to grant Amos relief from default upon Amos' payment of the company's costs incurred in bringing the original motion to dismiss and in defending Amos' motion for relief. It was further found that the appropriate relief was not the reinstatement of Amos' counterclaims; Judge Vaughn R. Walker dismissed the counterclaims without prejudice so that Amos might replead them. However, in order to protect the company, stated the court, any such repled counterclaims would be subject to the shifting of attorney fees in favor of the party which ultimately prevails on the merits of the counterclaims.

The Famous Amos Chocolate Chip Cookie Corporation v. Amos, Case No. C-92-1213 (N.D.Ca., Aug. 10, 1992; Aug. 24, 1992) [ELR 14:11:12]

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Gallery is denied injunctive relief to prevent artist from engaging new representation and/or to compel production of paintings

Sonnabend Gallery began showing the work of Peter Halley in 1986 pursuant to an oral contract providing that Sonnabend would be the painter's exclusive representative, that the proceeds of sales would be shared equally, and that Sonnabend would pay Halley a monthly advance of $12,000 against future expected sales.

Sonnabend also claimed that the contract included the understanding that there would be regular bi-annual exhibitions and sales of Halley's work. The first exhibition occurred in October 1987, and, as a result of the success of the show, Sonnabend increased the artist's advances.

In June 1991, Halley allegedly asked Sonnabend to schedule a show in March 1992 and agreed to provide eleven paintings to be sold at $75,000 each. In October 1991, Halley asked to delay the exhibition to May 1992. However, in February 1992, Halley notified Sonnabend that he was terminating his relationship with the gallery, stated that he planned to be represented by the Gagosian Gallery, and acknowledged an indebtedness to Sonnabend in the amount of $162,500 based on the advances made to him.

Sonnabend sought to enjoin Gagosian and Halley from proceeding with a May-June 1992 exhibition on the ground that Sonnabend would be irreparably harmed if the exhibition took place. Sonnabend also sought to compel specific performance as to the eleven paintings that Halley allegedly promised and which Sonnabend claims were pre-sold.

New York trial court Judge Arber stated that parties' purported contract lacked such terms as duration, the method of termination, and how and when amounts of consideration would be reviewed. Sonnabend did not provide support for the claim that it was entitled to more than money damages.

Judge Arber then noted that the relationship between an artist and a gallery is regulated by the Arts and Cultural Affairs Law, and that under the statute Sonnabend was unlikely to prevail on its claim as to the paintings Halley allegedly agreed to produce for the proposed show.

Sonnabend claimed that it was not seeking specific performance of an employment contract (assuming the parties' relationship could be so characterized), but the fact that Sonnabend sought injunctive relief to stop the Gagosian exhibition or to prevent sales of Halley's paintings contradicted that argument. "Any effort to compel the production of works of art," stated Judge Arber, would be "beyond the scope of this court's authority."

Sonnabend established a likelihood that it would succeed as to money damages, found the court, but did not show that it was likely to prevail with respect to the aspects of the case involving injunctive relief.

The court rejected Sonnabend's argument that its reputation and standing in the art community would be irreparably harmed if Halley's new paintings were exhibited and sold by Gagosian Gallery. And Judge Arber, assuming that the gallery-artist contract was an employment contract, adverted to the difficulties inherent in ordering an individual to perform a contract for personal services, particularly in a situation involving unique works of art, "the production of which finds anathema in compulsion of any kind." Furthermore, the court could not order that art be produced since, other considerations aside, to do so would be contrary to the policies established in American Broadcasting Companies v. Wolf, 52 N.Y. 2d 402 (1981; ELR 2:14:1). The balance of the equities therefore required the denial of injunctive relief.

Sonnabend Gallery, Inc. v. Halley, New York Law Journal, p. 21, col. 2 (N.Y. Cnty., July 14, 1992) [ELR 14:11:13]

Court dismisses copyright and trademark infringement claims involving soft-sculptured dolls

Little Souls, Inc., the distributor of three lines of soft-sculptured dolls marketed primarily as folk art for the adult collector, claimed that Les Petits' soft-sculptured dolls for children infringed Little Souls' copyright and trademark.

Federal District Court Judge Skinner found that the aspects of the Little Souls dolls which were protected expression included "the distinctive look of their facial expressions, hair, and the angel wings of the Special Edition angels." Applying the ordinary observer test, the court then found that there was no substantial similarity between the Little Souls dolls and the Les Petits dolls. Judge Skinner, in rejecting the copyright infringement claim, stated that the Les Petits dolls did not "share the look and feel which distinguishe[d] the Little Souls dolls..." although Les Petits used construction techniques and materials which were copied from Little Souls.

In turning to the factors relevant to assessing the likelihood of confusion with respect to Little Souls' trademark infringement claim, the court found that the total effect of the use of the "Little Souls" and "Les Petits" marks was not likely to lead to consumer confusion since the marks were "entirely different in sight and sound." Again, the look and feel of the dolls was distinctly different; the prospective purchasers were likely to be quite different; and consumers, given the retail price range of $110 to $160 for the dolls, would most likely exercise "heightened care and caution" before purchasing either company's product. Based on the interrelated factors of the channels of trade, the parties' advertising, and prospective purchasers, the court found little likelihood of confusion.

Little Souls did not introduce any survey showing actual confusion in the marketplace as to the origin of the respective dolls. And Little Souls did not prove that certain sculptural features of its dolls had acquired a secondary meaning in the minds of consumers, and that buyers confused the origins of the Les Petits and Little Souls dolls based on such secondary meaning.

Furthermore, there was no evidence indicating that Les Petits intended to copy the Little Souls mark, and the dissimilarity of the two marks negated such intent, stated the court. Again, although Les Petits may have intentionally copied the construction techniques and materials of the Little Souls dolls, the company did not intend to copy the look and feel of the dolls.

The court, accordingly, dismissed Little Souls' complaint.

Little Souls, Inc. v. Les Petits, 789 F.Supp. 56 (D.Mass. 1992) [ELR 14:11:13]

Court awards minimum statutory damages in copyright infringement action against lounge owner due to lack of willfulness

A Federal District Court in North Carolina has granted a motion for summary judgment brought by Jobete Music Co. and other songwriters, music publishers, and members of the American Society of Composers, Authors, and Publishers against Gloria Robertson Massey, the owner of the Starlite Bar & Lounge in Eden, North Carolina. Massey declined to obtain a license from ASCAP to perform any of its copyrighted work in the lounge.

The court found that Massey did not engage in willful infringement because the warnings given by an ASCAP representative "were not of a nature to suggest that Massey would suffer the charges brought against her in the complaint by Jobete. Massey was told that her conduct routinely violated the copyright law, but the record [did] not show that she understood the legal consequences associated therewith..." Apparently, Massey was sued after her first known or documented infringement. Although the statute does not refer to the need for a warning, the court noted that case law seems to support such conduct, and, accordingly, awarded the Jobete parties reduced statutory damages of $200 per infringement.

The court denied Massey's request to have a list of ASCAP's copyrighted music as a condition of any injunctive relief. However, the court refused to grant the motion for injunctive relief on the condition that Massey would cease presenting unauthorized live performances of copyrighted music in her establishment.

With respect to other music playing in Massey's establishment, Chief Judge Erwin found that the jukebox exemption of the Copyright Act of 1976 applied only to establishments making no direct or indirect charge for admission. The court directed Massey to apply for the appropriate compulsory license certificate, and stated that any further infringement by Massey would be deemed willful.

The court denied the Jobete parties' request for attorneys' fees.

Jobete Music Co., Inc. v. Massey, 788 F.Supp. 262 (M.D.N.C. 1992) [ELR 14:11:14]

Decision upholding Copyright Office's refusal to retroactively impose interest charges on late cable royalty payments is affirmed

Under the Copyright Act, cable television operators, pursuant to a compulsory license system, may retransmit copyrighted broadcast programming without having to secure permission from each individual copyright owner. The cable operators pay royalties to the Copyright Office, according to a statutory formula based on the operator's gross receipts. The royalties then are distributed to the copyright owners by the Copyright Royalty Tribunal.

Cable operators began offering packages including both broadcast and non-broadcast channels. But, as described by Federal Court of Appeals Judge Randolph, the royalty payments were based on the gross receipts from whatever packages the operators offered, even if the packages included both broadcast and non-broadcast programming. In 1984, the Copyright Office decided not to attempt to separate the packages so that gross receipts would be based only on the broadcast component of the package; the old scheme thus remained in effect.

A Federal District Court, in response to a lawsuit by the cable operators, struck down the 1984 rule and ordered the Copyright Office to revise it (Cablevision Systems Development Company v. Motion Picture Association of America, Inc., 641 F.Supp. 1154 (D.D.C. 1986; ELR 8:11:10); the Court of Appeals reversed the District Court's decision (Cablevision Systems Development Company v. Motion Picture Association of America, Inc., 836 F. 2d 599 (D.C.Cir. 1988; ELR 10:1:8).

In the instant proceeding, Judge Randolph focused on the period between the two decisions, noting that because the District Court's order remained in effect for the seventeen months, no valid rule existed to determine the calculation of gross receipts. According to the court, "each cable operator made up its own rule, and paid whatever royalties it saw fit under a formula of its own devising. Naturally, these methods varied widely."

After the Court of Appeals decision, the Copyright Office issued a "Policy Decision" ordering cable operators to pay the difference between what was paid during the pendency of the appeal of the District Court ruling and what the operator would have paid had the rule been in effect. The cable operators complied with the order and tendered more than $100 million in "underpayments."

The Motion Picture Association of America filed a petition for rulemaking with the Copyright Office in 1988, seeking a "rule" requiring the cable operators to pay interest on the belated royalty payments. The Copyright Office initiated a rulemaking proceeding and ultimately published a final regulation requiring interest on all future late royalty payments, but declined to apply the rule retroactively.

A Federal District Court decision upheld the Office's ruling on retroactivity (Motion Picture Association of

America v. Oman, 750 F.Supp. 3 (D.C.Cir. 1990; ELR 13:1:10).

In affirming the District Court's decision, Judge Randolph stated that agencies do not have the authority to promulgate retroactive rules unless Congress grants the agency that authority in express terms. The Copyright Act does not contain such express terms - a rule promulgated by the Copyright Office can only be prospective.

The court rejected the argument that the Copyright Office engaged in an adjudication of the Cablevision payments, stating that the proceeding had all the characteristics of a rulemaking. The Copyright Office did not determine whether any cable operator in particular owed interest on the late royalty payments, and was within its discretion in deciding that it would be inequitable to impose the rule retroactively, assuming there were cable operators who would have been liable.

Motion Picture Association of America, Inc. v. Oman, 969 F.2d 1154 (D.C.Cir. 1992) [ELR 14:11:14]

Glamour Magazine obtains summary judgment in promissory estoppel claim brought by source for article

The September 1988 issue of Glamour magazine contained an article, written by Claudia Dreifus, about sexual abuse by therapists. Jill Ruzicka's experience as a victim of sexual abuse was discussed in the article. Ruzicka had agreed to be interviewed for the article, upon the condition that she would not be identified or made identifiable. Dreifus, although referring to Ruzicka as "Jill Lundquist," stated in the article that "Lundquist" was a Minneapolis attorney who had served on a Minnesota task force that dealt with therapist-patient abuse, and mentioned "Lundquist's" lawsuit against the allegedly offending psychiatrist.

A Federal District Court in Minnesota granted summary judgment to Conde Nast Publications, the owner of Glamour, and to Dreifus on Ruzicka's breach of contract and other state law claims (ELR 12:6:7). A Federal Court of Appeals (ELR 13:12:14) affirmed the District Court's judgment with respect to the contract and tort claims, but remanded the matter for consideration of Ruzicka's claim under principles of promissory estoppel.

The District Court has granted summary judgment to the Glamour parties.

Chief Judge MacLaughlin noted that the Minnesota Supreme Court in Cohen v. Cowles Media Co., 479 N.W. 2d 387 (Minn. 1992) recognized that promissory estoppel may apply to cases in which a reporter breaches a promise of confidentiality. Ruzicka was required to show that the Glamour parties made a clear and definite promise, that the promise was intended to induce Ruzicka's reliance and that she did rely on the promise to her detriment, and that the promise must be enforced to avoid injustice.

Ruzicka claimed that she relied on Dreifus' promise that Ruzicka would not be identified or identifiable in the published article. The court already had held that because Ruzicka's name did not appear in the article, she was not identified. And the promise not to make Ruzicka identifiable was insufficiently clear and definite to support recovery on a promissory estoppel theory, ruled the court. It was observed that the promise "gave little guidance to the writer or editors of the article regarding what information they could and could not publish." The court therefore found that the Glamour parties were entitled to summary judgment on Ruzicka's promissory estoppel claim.

The Glamour parties went on to argue that even if the promise were sufficiently clear and definite, Ruzicka's claim would fail for lack of detrimental reliance. Judge MacLaughlin stated that it seemed clear that the magazine's promise was given in exchange for Ruzicka's consent to be interviewed, that the magazine intended to induce Ruzicka's reliance, and that Ruzicka in fact relied on the promise. Thus, Ruzicka raised a genuine factual question regarding whether her reliance on the magazine's promise was detrimental.

With respect to the question of whether it was necessary to enforce the promise of nonidentifiability to avoid injustice, the court observed that Ruzicka agreed to provide extensive information about her experience, much of which had been previously publicized, subject to a "vague requirement" that she not be identifiable in the article. The instant case differed from Cohen because neither the promise nor the breach was clear - far from preventing injustice, stated Judge MacLaughlin, "enforcing such an ambiguous promise could create injustice by placing on editors and reporters the impossible burden of guessing at what steps such a promise requires." Ruzicka thus did not satisfy the third element of a promissory estoppel claim.

The court concluded by finding that since Ruzicka did not establish a valid agreement under Minnesota's law of promissory estoppel, the failure to enforce the agreement did not violate Ruzicka's rights under the due process, equal protection, or contract clauses of the United States Constitution.

Ruzicka v. Conde Nast Publications, Inc., 794 F.Supp. 303 (D.Minn. 1992) [ELR 14:11:15]

Model's New York Civil Rights Law claim against Nintendo for unauthorized use of photograph is barred because agent signed release

In March 1986, Kenneth Cory agreed to pose for photographs which were to appear on a package for a product manufactured by Nintendo of America, Inc. Cory received a total of $2,500 and signed a "model's voucher," granting Nintendo's advertising agency the right to use and/or publish the photographs for a period of twelve months. The advertising agency then sent Cory's agent a "model release" for Cory's signature; the release did not contain any time limitation on the use of Cory's photographs. A representative of the agency signed the release in Cory's name.

When Cory learned that Nintendo, after the twelve month limitation, was using his photographs on packaging for a Nintendo video game, the model sued Nintendo alleging the violation of sections 50/51 of the New York Civil Rights Law and his right of publicity.

Nintendo argued that Cory, through his agent, had consented to the publication of his photographs.

A New York trial court granted Nintendo's motion to dismiss the causes of action based on Cory's right of publicity, but denied the motion as to the sections 50/51 claim cause of action. The court found that the unlimited release differed from the other releases in that it was not supported by independent consideration; therefore, the unlimited release did not constitute an absolute defense to a section 50/51 claim. It appeared to the trial court that there existed an issue of fact as to the parties' contractual intent with respect to the use of Cory's photographs for an unlimited duration.

In reversing the trial court decision and granting summary judgment to Nintendo dismissing the complaint in its entirety, appellate court Judge Joseph P. Sullivan noted that Nintendo obtained written consent, signed by Cory's agent in Cory's name, to use the photographs for an unlimited period of time. The fact that the releases were signed, without Cory's knowledge, by his agent, did not affect the binding nature of the releases. The agent had apparent authority to sign the releases on Cory's behalf, and Cory was bound by the acts of the agent as against innocent third parties, such as Nintendo.

Judge Sullivan commented that the trial court apparently viewed sections 50/51 as requiring an enforceable contract for the commercial use of another's photograph. But the statute did not suggest that consent to such use must satisfy the requisites of a contract, stated Judge Sullivan - written consent, not consideration, is all that the statute requires.

Cory v. Nintendo of America, Inc., 592 N.Y.S.2d 6 (1993) [ELR 14:11:16]

Hearst Corporation is entitled to register the trademark "Varga Girl" for calendars

The Trademark Trial and Appeal Board of the United States Patent and Trademark Office refused the Hearst Corporation's application to register the trademark "Varga Girl" for calendars on the ground of likelihood of confusion with the registered trademark "Vargas" for calendars and similar goods.

The Varga Girls trademark, owned by Esquire Magazine and its successor in interest, Hearst, was used in association with drawings published in Esquire during the World War II era. Varga Girl drawings also were used on calendars, playing cards, greeting cards, and date books, but these uses apparently were discontinued; Hearst's December 1985 application for registration stated that the mark had been used for calendars since July 1985.

In denying the registration, the Board noted that Vargas was registered for use with posters, calendars, greeting cards, paintings, limited edition prints, books of images and art work, and art prints.

The drawings in both cases were by Alberto Vargas.

Federal Court of Appeals Judge Newman noted that the Board had found that "Varga" was the dominant element of the Varga Girl mark, and that "girl" was merely descriptive. The Board erred in its analytic approach - the marks should have been considered as they would be used and perceived, stated Judge Newman, who then observed that "marks tend to be perceived in their entireties, and all components thereof must be given appropriate weight."

The court pointed out that the "appearance, sound, sight, and commercial impression of Varga Girl derive significant contribution from the component 'girl.'" By stressing "Varga" and diminishing "girl," the Board inappropriately changed the mark, stated Judge Newman. By giving fair weight to both words, confusion with Vargas would be less likely.

The marks were sufficiently different in sound, appearance, connotation, and commercial impression to negate likelihood of confusion in terms of section 2(d) of the Lanham Act.

In re The Hearst Corporation, Case No. 92-1063 (Fed.Cir., Dec. 21, 1992) [ELR 14:11:16]

Briefly Noted:

"X" Rating.

Maljack Productions claimed that the Motion Picture Association of America improperly assigned an "X" rating to the company's film "Henry: Portrait of a Serial Killer." Maljack alleged that the decision to assign the film the "X" rating constituted a discriminatory refusal of a certification mark, i.e., an "R" rating, and therefore violated federal trademark law. The company sought an order compelling the Association to change the rating to "R" and canceling the Association's registration of the "R" certification mark.

A Federal District Court in the District of Columbia first agreed with the Association that the court lacked jurisdiction over the trademark claim; cancellation petitions must be brought before the Trademark Trial and Appeal Board of the United States Patent and Trademark Office, stated Judge John Garrett Penn.

Maljack also alleged that the Association breached a covenant of good faith and fair dealing implicit in the parties' agreement to have the Association rate the film in exchange for a fee. In rejecting the claim, the court stated that Maljack failed to allege any facts, which, if proven, would show that the Association's decision to assign an "X" rating to the film was unfair or in bad faith. Maljack received what it bargained for - the Association's opinion - and the court therefore granted the Association's motion to dismiss.

Maljack Productions, Inc. v. Motion Picture Association of America, 22 U.S.P.Q.2d 1867 (D.D.C. 1992) [ELR 14:11:17]

Music Royalties.

Nancy Goodman, the widow and beneficiary of songwriter Steve Goodman, sued EMI Catalogue Partnership and other parties alleging breach of a publishing administration agreement. Goodman claimed that the EMI parties failed to account and remit about $143,000 of the writer and publisher royalties due from Steve Goodman's song "City of New Orleans." According to Goodman, about $93,400 in unpaid writer's royalties and about $49,600 in unpaid publisher royalties accrued from December 1987 through June 1992.

New York trial court Judge Greenfield noted that Steve Goodman allegedly entered an administration agreement with EMI's predecessors in interest, United Artists Music Co., Inc., Unart Music Corporation and Buddah Records Inc./Kama Rippa Music Inc. The court reviewed the chain of title in the work and then found that the evidence supported Nancy Goodman's motion for partial summary judgment with respect to the payments due.

Although there were discrepancies between Goodman's statement of the percentage amounts payable and the EMI parties' royalty statements indicating the percentage amounts payable, Goodman sought only the contract total that EMI's own royalty statements admitted to owing.

Goodman v. EMI Catalogue Partnership, New York Law Journal, p. 23, col. 3 (N.Y.Cnty., Jan. 7, 1993) [ELR 14:11:17]

NEW LEGISLATION & REGULATIONS

President Bush signs Professional and Amateur Sports Protection Act

In late October 1992, former President George Bush signed the Professional and Amateur Sports Protection Act, banning legalized sports gambling in states where such gambling does not already exist.

Governmental entities may not sponsor, operate, advertise, promote, license or authorize a lottery, sweepstakes, or other betting, gambling, or wagering schemes based directly or indirectly on competitive games played by amateur or professional athletes. The statute will not apply to any betting, gambling, or wagering scheme in operation in a state or other governmental entity, to the extent that such activities were conducted at any time during the period from January 1976 until August 1990.

The Act also does not apply to betting, gambling, or wagering schemes, other than a lottery, conducted exclusively in casinos located in a municipality, but only to the extent that any such scheme was authorized not later than one year after the effective date of the statute, and any commercial casino gaming scheme was operating in a municipality throughout the ten year period ending on the effective date of the statute, pursuant to a comprehensive system of state regulation authorized by the state's constitution and applicable solely to such municipality.

In comments accompanying the statute, Senator Bradley noted that the Act allows the state of New Jersey one year to establish casino-based sports betting in Atlantic City casinos by referendum, and expressed the hope that New Jersey will decide not to exercise its right.

The Act took effect on January 1, 1993.

Professional and Amateur Sports Protection Act, 138 Cong.Rec.S. 17434 (1992) [ELR 14:11:18]

New York enacts amended "Son of Sam" law

In December 1991, the United States Supreme Court ruled that New York Executive Law section 632-a, known as the "Son of Sam" law, was unconstitutional (ELR 13:8:3).

In July 1992, New York Governor Mario Cuomo signed Chapter 618 of the Laws of 1992, amending various state laws concerning the compensation of crime victims by criminals. Most significantly, section 632-a of the executive law was repealed. The newly-enacted section 632-a establishes a seven year statute of limitations for the victim of an intentional tort arising from the commission of a crime to bring a civil action against the perpetrator for any injury or loss. The bill also creates a three year statute of limitations, dating from the time a victim discovers that the perpetrator has or is receiving profits from the crime, for the victim to sue for damages.

Victims are provided with an opportunity to seek reparation and restitution, without having to file a civil action, during criminal proceedings; the amount of restitution or reparation required by the court, with certain exceptions, may not exceed $15,000 in the case of a conviction for a felony, or $10,000 in the case of a conviction for any offense other than a felony.

The bill does not impose any particular burden on speech, but, according to the Governor, "implements broadly, wisely and fairly a vision of essential justice between those who have been hurt, and those who have hurt them." However, the bill includes in its definition of profits of the crime property which a perpetrator has obtained as a result of having committed the crime, including any assets derived from the use of unique knowledge obtained during the commission of the crime.

Other provisions of the new law set forth the requirements for notifying the crime victims board of payments to, or an obligation to pay, a person charged with or convicted of a crime, and the procedures for bringing an action to recover money damages.

Compensation of Crime Victims by Criminals - Repeal of Son of Sam Law, Chapter 618, Laws of New York (July 14, 1992) [ELR 14:11:18]

WASHINGTON MONITOR

Copyright Royalty Tribunal adopts Audio Home Recording Act regulations governing music industry claims to digital recorder and tape royalties collected for 1992; performing rights societies vie with others to represent claimants

The Copyright Royalty Tribunal has adopted "interim" regulations dealing with the manner in which claims are to be filed for shares of the digital recorder and digital tape royalties collected for 1992. The royalties which the Tribunal will be distributing to music industry claimants are those that were deposited with the Copyright Office by manufacturers and importers of digital audio tape recorders and digital audio tape under the new Audio Home Recording Act [ELR 14:7:13].

By statute, these digital royalties are to be divided among recording artists, record companies, songwriters and music publishers, whose music has been rerecorded by consumers, noncommercially, using digital or analog methods. A very specific formula divides the collected royalties into two "funds" each of which is further divided into "subfunds":

-- 66 2/3 % of the royalties will be allocated to a sound recordings fund: 2 5/8 % of which shall be distributed to nonfeatured musicians; 1 3/8 % of which shall be distributed to nonfeatured vocalists; 40 % of the balance of which shall be distributed to featured recording artists; and 60 % of the balance of which shall be distributed to record companies.

-- 33 1/3 % of the royalties will be allocated to a musical works fund: 50 % of which shall be distributed to music publishers; and 50 % of which shall be distributed to songwriters.

Those entitled to share in the digital royalties must file written claims with the Copyright Royalty Tribunal in January and February of the year following the year manufacturers and importers deposited royalties with the Copyright Office.

The Copyright Royalty Tribunal has not prepared a standard form for filing such claims, nor does it intend to. The Tribunal's "interim" regulations do however set forth in some detail the various items that must be included in a claim. These include: the name, address and phone numbers of the claimant; a statement of the type of copyright interest the claimant has in a song or recording that has been rerecorded, and the name of at least one such song or recording; the fund (sound recordings or musical works) and the particular subfund against which the claim is being made; and an original signature of the claimant or his or her duly authorized representative.

The new regulations themselves will be published as amendments to Part 301 and as Part 311 of Title 37 of the Code of Federal Regulations (37 CFR Parts 301 and 311). On their face, they appear to do little more than describe information that must be provided in the written claims.

But "Supplementary Information" published by the Copyright Royalty Tribunal (at the time it released the new regulations) reveals that a number of organizations are jockeying among themselves to become the "duly authorized representative" of those entitled to share in the royalty funds.

Congress and the Tribunal no doubt expected most claimants to be represented by organizations. There are literally millions of songwriters, publishers, performers and record companies entitled to share in the funds, and if each one filed a separate claim, the Tribunal would be buried in paper. It also appears that the performing rights societies -- ASCAP, BMI and SESAC -- were expected to represent songwriters and music publishers in making claims on their behalves, just as those societies do in connection with making claims (on behalf of their members and affiliates) to cable and satellite TV royalties collected by the Copyright Office and distributed by the Tribunal.

However, cable and satellite royalties are public performance royalties; and thus the involvement of

ASCAP, BMI and SESAC in the distribution of those royalties followed naturally from the historic mission of those organizations as public performance licensing agents for songwriters and publishers. Digital royalties on the other hand are not performance royalties; they are reproduction royalties, and until now, ASCAP, BMI and SESAC have not been involved in issuing reproduction licenses, even on behalf of their members and affiliates. Traditionally, mechanical and synch licenses have been issued by music publishers directly or by agents appointed by them for that specific purpose, such as The Harry Fox Agency.

Throughout the law, there often exists an intimate relationship between form and substance; and in the rivalry between the performing rights societies and others to be the duly authorized representative of digital royalty claimants, that relationship boiled down to a debate over what proof of "authorization" a "representative" should have to present to the Tribunal. ASCAP, BMI and SESAC argued they should not have to provide any written proof of authorization to represent their members and affiliates. Others argued that written authorization from each individual claimant should be provided, because otherwise, claimants might be represented by two, three or even four organizations, and might thereby recover more than their fair shares.

In resolving this dispute, the Tribunal was handicapped by the need to make an immediate decision, because claims to royalties collected for 1992 had to be filed by the end of February 1993. As a result, the Tribunal decided that for 1992 royalties only, ASCAP, BMI and SESAC could file claims on behalf of their members and affiliates without specific written authorizations to do so, but if any member or affiliate filed a claim of its own or expressly appointed another agent who filed a claim on its behalf, that claim would override the one filed by the performing rights society.

The Tribunal has recommended that the parties resolve the authorization issue themselves by June 1, 1993 (for claims to be filed for 1993 and later royalties). If they do not resolve it themselves, the Tribunal will initiate a formal rule making proceeding to take evidence on the issue of whether the performing rights societies' existing contracts with their members and affiliates authorizes the societies to make claims (on behalf of their members and affiliates) for digital royalties.

Copyright Royalty Tribunal, Notice of Interim Regulation Implementing Digital Home Recording Act, 58 FR 6441 (1993) (available in LEXIS Copyright Library) [ELR 14:11:19]

FCC opens inquiry into "migration" of sports programming from broadcast television to cable networks and pay-per-view services

The FCC has opened a proceeding to look into the extent to which sports programming previously available on broadcast television is now being carried on cable networks and pay-per-view services instead.

The FCC study was required by Congress in the Cable Television Consumer Protection and Competition Act passed last October. The Act requires the FCC to investigate "the economic causes and economic and social consequences" of the "migration" of sports programming from broadcast TV to cable and pay TV.

The FCC has tentatively decided to focus on professional baseball, basketball, football and hockey, on college football and basketball, and on the Olympics. But anyone interested in doing so may comment on other sports as well.

In addition to the "migration issue," the Act also directs the FCC to analyze the consequences of contracts between college athletic conferences and cable networks that prevent local television stations from broadcasting local college sporting events live.

The FCC has commenced its study by issuing a Notice of Inquiry which requests interested parties to supply it with a wide range of specifically described information about sports broadcasting trends since 1980. The FCC is expected to issue an interim report by July 1, 1993 and a final report by July 1, 1994.

Congress' motives for requiring the FCC study were not spelled out in black-and-white in the Act itself. But the House Report on the Act said that "a significant reduction in the quality or quantity of sports programming available on free television, whether professional or collegiate, would be of great concern to this Committee." It thus appears that at least some members of Congress are considering legislation that would prohibit sports programming migration to cable and pay TV. If this is Congress' intention, it may have an enormous Constitutional hurdle to overcome. In Home Box Office v. FCC, 567 F.2d 9 (D.C.Cir. 1977), the court declared unconsitutional then-existing FCC regulations that restricted cable TV "siphoning" of sports and other programming from broadcast TV.

For further information about the current proceeding, contact Jonathan D. Levy, FCC Office of Plans and Policy, at (202) 653-5940.

FCC Inquiry into Sports Programming Migration, FCC PP Docket No. 93-21, 1993 FCC Lexis 647 (1993) [ELR 14:11:20]

Professional baseball team may begin depreciating player's signing bonus upon signing of player contract

The Internal Revenue Service, in a Technical Advice Memorandum, has decided that for purposes of section 167(a) of the Internal Revenue Code, the placed-in-service date of a baseball player's signing bonus is the date all the required signatures are affixed to the player's contract and the contract becomes binding. As of that date, the team may begin to depreciate the contract.

The memorandum noted that uniform player's contracts are signed by the player, the taxpayer (a professional athletic team), and the league's president. An addendum to the contract in this case set out the team's payment obligation, provided for a cash payment as a signing bonus, and partially guaranteed periodic multi-year payments as salary.

Section 168(a) of the Internal Revenue Code provides a cost recovery deduction for depreciable tangible property placed in service after 1986. Intangible assets are not depreciable under section 168(c), but are depreciable under section 167(a) if the intangible asset has a determinable useful life.

Section 167(a) allows the depreciation deduction for an asset used in the taxpayer's trade or business (or held for the production of income). The deduction is allowable when the asset is placed in service, i.e. when the property "is placed in a condition or state of readiness and availability for a specifically assigned function."

Under Rev. Rul. 67-379, 1967-2 C.B. 127, the cost paid or incurred for a player, who is effectively bound by a reserve clause to a team for a period longer than a year, may be recovered through the depreciation allowance. The contract period during which the player is precluded from playing is considered part of the depreciation period of section 167. The ruling concludes that a player contract is an intangible asset, the cost of which consists of the amounts paid or incurred upon the purchase of the player's contract, and the bonus paid to the player for signing the contract.

The memorandum commented on the significance of the fact that other professional teams honor player contracts and do not attempt to obtain a player's services once a contract is signed.

The signing bonus, for purposes of section 461(h) of the Code, was a service liability and the player's signing of the contract constituted economic performance with respect to that service liability. The signing bonus was "an inseverable part of the cost of obtaining the player's services," and the placed-in-service date of the signing bonus thus was indistinguishable from that of the contract, i.e., the date that all the signatures were affixed to the document. On that date, the player is subject to the taxpayer's control regarding professional services, the contract terms become effective, and the deduction under section 167(a) is allowable.

The memorandum provides that it may not be used or cited as precedent.

IRS Private Ruling 9303002, 1992 PRL Lexis 2175 [ELR 14:11:20]