LEGAL AFFAIRS

Back from the Public Domain: Congress Restores Copyrights to Many Foreign Works

by Lionel S. Sobel

Writer-director George Romero is an important figure to aficionados of horror films. Between 1968 and 1985, he made a trio of movies known as the "Living Dead" series. Entitled "Night of the Living Dead," "Dawn of the Dead" and "Day of the Dead," all three movies dramatized a single terrifying theme: dead people return from their graves, seeking the flesh of their still-living friends and neighbors. Romero was a Pittsburgh advertising executive when he made the first movie, and according to at least one report, he was "quite naive" in the ways of the movie business. As a result, he failed to properly copyright the movie, putting it in the public domain, where it has spawned a host unauthorized copies, imitations and parodies. (A 1990 remake of "Night of the Living Dead" was made by Romero himself.)

Though no one could have known so in 1968, it turned out to be prophetic that a movie about the "Living Dead" went into the public domain. A quarter-century later, the Congress of the United States followed in Romero's footsteps by creating its own "living dead" creatures in the context of copyright law. It did so by restoring the copyrights to countless public domain movies and other works. These "restored works" do not threaten the flesh of those still living. But "restored works" are as terrifying to many as Romero's zombies ever were. The reason they are terrifying is that they do threaten the investments that many people and companies made because of their now-mistaken belief that works in the public domain are legally dead for all time and thus could be used without liability.

Unfortunately for George Romero, the 1968 version of "Night of the Living Dead" is not one of the movies whose copyrights were restored. His movie is of American origin, and Congress limited the benefits of its copyright restoration bill to works from foreign sources.

Restoration of copyrights to foreign works

In a nutshell, what Congress did was simple (though surprising). It created a new section of the Copyright Act - section 104A - that restores the U.S. copyrights of certain foreign works, if those works went into the public domain in the U.S. for certain reasons. Once restored, those copyrights give their owners virtually all of the same rights their owners would have enjoyed, had those works not gone into the public domain at all. This simple statement of what Congress has done masks many complexities and ambiguities that are of practical importance in applying the new section. But even this simple statement makes it apparent just how significant and dramatic this new section is, within the larger fabric of American copyright law. (The full text of section 104A is reproduced in an appendix to this article.)

This new copyright restoration provision raises (at least) five questions:

Why did Congress restore copyright protection to works in the public domain at all, and once it decided to do so, why did it restore the copyrights of foreign works only and not those of American works as well?

Which foreign works will have their copyrights restored?

What term of protection will be given to restored copyrights?

Who will own restored copyrights?

What effects will copyright restoration have on the continued use of restored works?

Years of litigation may be necessary to answer some of these questions, but here are some first thoughts.

Why U.S. restored copyrights

In two words, Congress restored copyrights because of "international trade." That is, in connection with international trade negotiations, other countries insisted that the U.S. copyrights to certain of their works be restored; and in order for the U.S. to get concessions that were desired from those countries, the U.S. agreed to their copyright restoration demands.

NAFTA restoration

Congress did this the first time in December 1993 as part of the North American Free Trade Agreement (NAFTA) with Mexico and Canada. A small part of the NAFTA Implementation Act added a then-new section 104A to the Copyright Act, and that section provided for the restoration of the copyrights to certain Mexican and Canadian movies. (The copyright provisions of the NAFTA Implementation Act were published in full text in the June 1995 issue of the Entertainment Law Reporter (ELR 17:1:3).)

While conceptually significant, this first version of section 104A was of relatively little practical significance to the American entertainment industry, because it only restored the copyrights to Mexican and Canadian movies (not other types of works), if those movies had gone into the public domain in the U.S. because they were published without notice between 1978 and March 1, 1989, and only if the owners of the copyrights to those movies filed written statements with the Copyright Office during a specified one-year period. The NAFTA version of section 104A resulted in the restoration of the copyrights to only 345 movies, all or virtually all of which were from Mexico. The Copyright Office published a list of the titles of those movies in the Federal Register last February. [Copyright Office, Copyright Restoration of Certain Motion Pictures, 60 Fed.Regis. 8252 (1995)]

Though NAFTA-restoration was of little practical consequence, it showed Congress what it could do and gave it taste for doing it (much like the carnivorous plant in Roger Corman's Little Shop of Horrors which started by drinking a single drop of blood and soon was demanding entire carcasses with the menacing wail "Feed me, Seymour!").

GATT restoration

The NAFTA version of section 104A was replaced in just a year with what can be called the "GATT" version of section 104A, or more accurately the "Uruguay Round Agreements Act" version. The Uruguay Round negotiations resulted in an annex to GATT known as "TRIPs" which is short for "Agreement on Trade-Related Aspects of Intellectual Property Rights." TRIPs was added to GATT largely at the behest of the United States, Europe and Japan; and it made adequate and effective protection for intellectual property - including copyrights - an obligation of membership in the new World Trade Organization.

Congress rewrote section 104A of the Copyright Act last December, by significantly broadening its copyright-restoring effects, in order to satisfy obligations imposed on the U.S. by TRIPs. This is how it worked. TRIPs requires all World Trade Organization members (of which the U.S. is one) to comply with most articles of the Berne Convention, including Article 18 which requires all Berne Union members to provide copyright protection for works from all other Berne countries. This Article 18 obligation is imposed on new Berne members as soon as they adhere to Berne, and thus it requires new members to provide retroactive protection to foreign works (so long as they have not yet fallen into the public domain in their country of origin when the new member joined). Old members are required to provide retroactive protection for works from newly-adhering countries too, so this retroactive-protection obligation is reciprocal.

The United States has been a Berne member since March 1989, so the U.S. was obligated to comply with Berne's retroactive-protection requirement for almost six years before Congress enacted a version of section 104A that actually provides such protection. Congress was not simply asleep at the switch for those six years. At the time the U.S. joined Berne in 1989, Congress was under the impression that then-existing law satisfied Berne obligations, even though the Berne Implementation Act specifically said that retroactive protection would not be provided to foreign works.

The reason that Congress thought - in 1989 - that retroactive protection was not necessary is this. Berne Article 18 contains a paragraph - Article 18(2) - that says that if a foreign work is in the public domain in another country because its copyright in that country expired, it is not necessary for that country to grant retroactive protection to that work. American copyright law has long provided copyright protection for all unpublished foreign works. [Copyright Act sec. 104(a)] Since all published works start out as unpublished works, this means that the U.S. has provided copyright protection to all foreign works for at least the period between the time they were created and the time they were published. Thus, when the U.S. joined Berne in 1989, it took the position that any foreign works that were in the public domain in the U.S. were works whose copyrights had simply "expired" when they were published; and therefore, the U.S. did not have to grant retroactive protection to such works, because of Article 18(2).

If this interpretation of Berne Article 18 seems a stretch, or even tortured, others thought so too - especially because the U.S. also took the position that Article 18 required other Berne countries to give retroactive protection to U.S. works even though the U.S. was not required to give retroactive protection to theirs! Russia and Thailand reportedly rejected the U.S. position out of hand, and it seems safe to suppose that other countries would have as well. This then is the reason that after six years of Berne membership, the U.S. finally amended the Copyright Act to provide retroactive protection for certain works.

Why foreign works only

Congress decided to make retroactive protection available only for foreign works and not for American works, because Berne and therefore TRIPs only require countries to provide retroactive protection for foreign works (and NAFTA only required restoration of the copyrights to Mexican and Canadian movies).

This of course means that Congress has treated foreigners more favorably than Americans. This is likely to strike most American copyright owners - especially those whose works are in the public domain - as a counterintuitive thing for the United States Congress to do. As a political matter, Congress may find it difficult to resist the importuning of Americans for equal treatment. But if, someday, Congress decides to restore copyright to public domain works of American origin, it will have done so for just such political reasons, not because Berne or TRIPs require it.

Eligible works

Thusfar, I have referred to works whose copyrights have been restored as "foreign" works; but I have done so only for convenience. In fact, not all foreign works will have their copyrights restored. The test for determining which will be is a multi-step test involving inquiry into at least three things: the identity of the work's "source country"; whether the work is still protected by copyright in its source country; and the reason the work went into the public domain in the United States in the first place.

Eligible source country

To have its copyright restored, a foreign work's "source country" must be a member of Berne or the WTO, or must be a country as to which the President issues a proclamation. [104A(h)(3)&(6)]

A work's "source country" is the country of author's (or rightholder's) nationality or domicile, and (if the work has been published) the country where it was first published. [104A(h)(8)] (A "rightholder" is the person who "first fixes a sound recording with authorization" or who acquires the rights to a sound recording from such a person. [104A(h)(7)])

Thus, to have its copyright restored, a work must have an author (or rightholder) whose nationality or domicile is a member of Berne or the WTO, or must be a country as to which the President issues a proclamation; and if the work has been published, it must have been published in such a country as well.

Still protected by copyright in source country

To have its copyright restored, a foreign work also must still be protected by copyright in its source country.
[104A(h)(6)(B)]

In public domain in U.S. for designated reason

To have its copyright restored, a foreign work must have gone into the public domain in the U.S. for one of three reasons:

(1) because the copyright owner failed to comply with formalities once imposed by U.S. copyright law, including a failure to renew, a lack of proper notice, or failure to comply with domestic manufacturing requirements;

(2) because the work is a pre-February 15, 1972 sound recording (and thus did not receive copyright protection, because U.S. law did not protect sound recordings until that date); or

(3) because the work was first published in a country with which the United States did not then have a copyright treaty (or reciprocal proclamations). [104A(h)(6)(C)]

Non-eligible works

Three types of works will not have their copyrights restored.

First, American works are not eligible, because the only works that are eligible are those whose source countries are those "other than the United States." [104A(h)(3)]

Second, if the work was first published in an eligible source country, it must not have been published in the United States within 30 days thereafter, because publication in the U.S. within 30 days will make the work ineligible for restoration. [104A(h)(6)(D)]

And third, those works whose copyrights were once owned by the Alien Property Custodian and (if restored) would be owned by a government, are not eligible for restoration. (The Alien Property Custodian was a U.S. government official during World War I who took custody of assets located in the United States that belonged to enemy countries.) [104A(a)(2)]

Restored term of protection

To determine the term of restored copyrights, it is necessary to identify the date that restoration takes effect and the duration of restored copyrights once restoration takes effect.

Effective date of restoration

The effective date of a work's copyright restoration depends (most likely) on whether its copyright is restored under the NAFTA version of section 104A or the GATT version. Moreover, if its copyright is restored under the GATT version, the effective date depends on whether the work's source country is a Berne or WTO member or whether instead it is a Presidential proclamation country.

NAFTA restoration effective date

The effective date of the restoration of the copyrights to those Mexican and Canadian movies whose copyrights were restored under the NAFTA version of section 104A is not difficult to determine, nor is it controversial. That effective date was January 1, 1995. [59 Fed.Regis. 12162 (1994)]

GATT restoration effective date

The effective date of restoration under the GATT version of section 104A is more difficult to determine, and may become controversial.

For works whose source countries are Berne or WTO members when TRIPs takes effect

The effective date of the restoration of copyrights under the GATT version of section 104A is January 1, 1996 - for works whose source countries are Berne or WTO members on that date.

This, at least, is the view of the Copyright Office and President Clinton. [Copyright Office Notice of Policy Decision, 60 Fed.Regis. 7793 (1995); Presidential Proclamation No. 6780, 60 Fed.Regis. 15845 (1995)] This view, however, is not entirely consistent with the language of section 104A itself, because section 104A provides that the date of restoration is the date that TRIPs "enters into force with respect to the United States," and that occurred on January 1, 1995. [104A(h)(2)]

The discrepancy between the 1996 and 1995 effective dates appears to be the result of a plain error in legislative draftsmanship. This is so, because section 104A requires the Copyright Office to issue regulations concerning restoration at least 90 days before TRIPs "enters into force"; but section 104A was enacted only 24 days before TRIPs entered into force! For this and other reasons, the Copyright Office and the President have concluded that what section 104A really means is that the date of restoration is to be the date that TRIPs "obligations" take effect in the U.S.; and since TRIPs itself gives countries a one-year grace period before its "obligations" take effect, that date is January 1, 1996.

For works whose source countries become Berne or WTO members after TRIPs takes effect

Some countries of the world will not be Berne or WTO members on January 1, 1996, but they will become members sometime thereafter. The effective date of restoration for a work from such a country will be the date that country becomes a member of Berne or the WTO. [104A(h)(2)]

For works whose source countries become eligible by Presidential proclamation

Other countries of the world will not be Berne or WTO members on January 1, 1996 or later, but they will become the subject of a Presidential proclamation. The effective date of restoration for a work from such a country will be the date the country becomes the subject of the Presidential proclamation. [104A(h)(2)]

Interaction between NAFTA and GATT restorations

The GATT version of section 104A is now the current version of that section, and it completely supersedes the earlier NAFTA version. The effective date of NAFTA restorations was January 1, 1995. The effective date of GATT restorations will be January 1, 1996 though for the reasons explained above, this date is not entirely free from doubt, and thus the GATT effective date may be January 1, 1995 as well. If the GATT effective date is January 1, 1995, this would mean that the NAFTA version of section 104A never took effect, and all restorations fall under the GATT version. However, if the GATT version does become effective in 1996 (as is most likely), some works - namely, the 345 movies whose copyrights were restored under the NAFTA version - will receive protection during calendar year 1995 (as well as thereafter), while all other works whose copyrights are restored will not receive protection until 1996.

Duration of restored copyright

Once copyright has been restored, the duration of that restored copyright is the same as it would have been, had "the work never entered the public domain in the United States." [104A(1)(B)]

This means that the duration of restored copyrights will depend on whether the work in question was first published or registered before 1978, or was first created or published since 1978. For pre-1978 works, the duration will be 75 years from the first publication (or registration). [Copyright Act sec. 304] For works created or first published since 1978, the duration will be life-of-the-author plus 50 years (or 75 years from first publication for works-for-hire and works by anonymous and pseudonymous authors). [Copyright Act sec. 303]

Ownership of restored copyrights

Ownership of restored copyrights is determined somewhat differently than the ownership of copyrights that never lapsed into the public domain. Determining the identity of the owner of a restored copyright requires a multi-step analysis: first, there are those steps that lead to a conclusion about ownership in cases where no transfers ever took place; and then, there are those steps that must be taken in those cases where transfers have taken place.

Initially

The portion of section 104A that deals with ownership is short and deceptively simple. It provides that ownership of a restored copyright "vests initially in the author or initial rightholder of the work as determined by the law of the source country of the work." [104A(b)]

Note first that this clause says that the identity of the author or rightholder is to be determined by the law of the source country, not by United States copyright law. In many cases, the identity of the author or rightholder will be the same, regardless of which country's law is applied. But not always. For example, under U.S. law, the "author" of a work for hire is the employer (or commissioning party). But some countries do not have a work for hire doctrine, or any equivalent; and in those countries, the author of a work is its human creator, even if the work is created by an employee within the course and scope of his or her employment. Thus, it is probable that at some point in the not-too-distant future, U.S. judges will be called on to resolve disputes among competing claimants to restored copyrights concerning which of them is the true author or rightholder of the work, under the law of work's source country - a law that literally will be foreign to U.S. judges.

If there was a transfer

Note also that section 104A provides that ownership of a restored copyright vests initially in the author or initial rightholder. This certainly means that after a work's copyright has been restored, the initial owner may transfer the copyright to someone else, and that person or company will then be the owner.

But what does section 104A mean with respect to a restored copyright, ownership of which was transferred by the work's author or initial rightholder before ownership of the restored copyright vested? Does the author or initial rightholder become the owner of the restored copyright, despite the transfer? Or does section 104A give automatic effect to the prior transfer, so that although ownership of the restored copyright vests "initially" in the author or initial rightholder, the prior transferee automatically becomes its owner immediately after vesting by operation of law? Section 104A does not say.

Effects of restoration

The most important provisions of section 104A - as well as the lengthiest and most complex - are those that deal with the consequences of copyright restoration on the continued exploitation of those works that once were in the public domain in the U.S. but soon will be protected again. These consequences will be felt by two separate classes of people and companies: by those who did not exploit restored works while they were in the public domain, but who do exploit them (or would like to) after their copyrights are restored; and by those who did exploit restored works while they were in the public domain and continue to do so (or would like to) after their copyrights are restored.

On those who did not exploit restored works while they were in the public domain

The rights of the owner of a restored copyright as against those who did not exploit the work while it was in the public domain are easy to describe. An unauthorized use of the work (of a kind that amounts to copyright infringement) by any such person or company on or after the effective date of copyright restoration amounts to copyright infringement; and all of the remedies provided by the Copyright Act are available to the owner of a restored copyright, just as though the work had never been in the public domain. [104A(d)(1)]

On those who did exploit restored works while they were in the public domain

The rights of the owner of a restored copyright as against those who did exploit the work while it was in the public domain are more difficult to describe and are subject to some formalities and limitations.

Definition of "reliance party"

A person or company who did exploit a restored work while it was in the public domain is referred to as a "reliance party." This term is a term of art, and is given a very specific definition by section 104A. [104A(h)(4)]

In plain English (which is only a paraphrase of the more precise language actually used in section 104A), a "reliance party" is one who:

has engaged in an act that would have infringed the copyright to a particular work, but did so before the work's copyright was restored, and then continued to do so after its copyright was restored;

has made or acquired copies or phonorecords of a public domain work; or

is a successor, assignee or licensee of someone who created a derivative work that was based on a restored work (before its copyright was restored).

Getting the definition of "reliance party" right is important, because reliance parties are given certain rights (that others are not given) to continue using restored works, despite the restoration of the copyrights to such works.

Rights of reliance parties

The rights that reliance parties are given (that others are not) are of two types. With respect to restored works themselves, reliance parties are given the right to continue exploiting such works for a period of time. And with respect to derivative works based on restored works, reliance parties are given the right to continue exploiting those derivative works forever under certain conditions.

Right to continue exploiting restored works for a period of time

Reliance parties may continue to exploit restored works, even after their copyrights are restored, for a period of time. The length of time they may do so depends on what action, if any, the owner of the restored copyright takes to exercise his or her rights, and when the owner takes such action.

There are two types of actions that an owner of a restored copyright may take: the owner may file a "notice of intent to enforce" the restored copyright in the Copyright Office; and the owner may serve a "notice of intent to enforce" the restored copyright on the reliance party. As its name implies, a "notice of intent to enforce" is a document by which the owner of a restored copyright gives reliance parties notice that the owner intends to enforce the copyright and that continued exploitation of the restored work will eventually become an infringement. The content of such notices is prescribed by section 104A and will be detailed by regulations adopted by the Copyright Office, though the Copyright Office has indicated that it does not intend to print a form. [104A(e); Copyright Office, Notice of Proposed Rulemaking, 60 Fed.Regis. 35522 (1995)]

If owner files notice of intent to enforce restored copyright in Copyright Office

The owner of a restored copyright may file a notice of intent with the Copyright Office during a 24-month period that begins with the date the copyright is restored. If the owner does so, the Copyright Office will include the work in a list of restored works for which notices have been filed. The Copyright Office will publish these lists in the Federal Register every four months. [104A(e)(1)]

When a work is included in a published list, reliance parties may not make any more copies or phonorecords of it; making copies or phonorecords after the list is published will be an infringement. Reliance parties may continue to engage in other types of activities - such as distributing copies or phonorecords made before publication of the list, or public performances of the restored work - but only for 12 months following publication of the list. Thereafter, such activities become infringements as well. [104A(d)(2)(A)]

If owner serves notice of intent to enforce restored copyright on reliance party

The owner of a restored copyright also may serve a notice of intent on a reliance party at any time after the copyright has been restored. (There is no 24-month limitation on service.) [104A(e)(2)]

Once reliance parties have been served with such notices, they may not make any more copies or phonorecords of the restored works referred to in the notices; making copies or phonorecords after service will be an infringement. Reliance parties may continue to engage in other types of activities - such as distributing copies or phonorecords made before they were served with notice, or public performances of the restored works - but only for 12 months following service. Thereafter, such activities become infringements as well. [104A(d)(2)(B)]

If the owner both files and serves, the 12-month period begins on the earlier of the date of publication or the date of service.

If owner neither files nor serves notice of intent to enforce restored copyright

If the owner of a restored copyright neither files nor serves a notice of intent, reliance parties (but not others) may continue to exploit the restored work without liability. As a result, owners have an important incentive to file or serve notices of intent to enforce; and reliance parties have an important incentive to pay careful attention to whether such notices have been filed or served with respect to works they are exploiting.

Right to continue exploitation of derivative works based on restored works

The 12-month grace periods described in the preceding paragraphs pertain only to the continued exploitation of restored works themselves. In many cases, reliance parties will have made or acquired derivative works that were based on foreign public domain works whose copyrights have been restored. There is a separate rule concerning the continued exploitation of such derivative works by reliance parties.

A reliance party may continue to exploit such a derivative work (in ways that would otherwise infringe), "if the reliance party pays to the owner of the restored copyright reasonable compensation" for doing so.

Reliance parties and restored copyright owners may of course agree on what "reasonable compensation" would be. But if they cannot agree, the amount of the compensation is to be determined in a federal district court lawsuit. The amount is supposed to "reflect any harm" to the market or value of the restored work from the reliance party's continued exploitation of the derivative work as well as compensation for the "relative contributions" made to the derivative work by the author of the restored work and by the reliance party. [104A(d)(3)]

This paraphrase of the derivative work provision of section 104A makes it seem simpler than it actually is, because an astonishing error of legislative draftsmanship crept into this provision too. As enacted, section 104A says that it applies to derivative works that were created before "the source country of the derivative work" became an eligible country for copyright restoration purposes. I have italicized the word "derivative" in the clause just quoted, because it is wrong. It should have said "the source country of the restored work" instead. This is so, because the provision is intended to deal with American derivative works (like movies) that were based on foreign public domain works (like books and plays) whose copyrights have been restored. By definition, a "source country" is one "other than the United States." Thus, the "source country of the derivative work" referred to by section 104A as enacted would have to be a country other than the U.S. So construed, however, section 104A deals (in some detail) with the continued exploitation in the U.S. of foreign-made derivative works based on foreign public domain underlying works whose copyrights have been restored - a truly tiny (and perhaps non-existent) universe. And it does not deal at all with the significant universe of American-made derivative works based on foreign public domain underlying works. Somewhere in the canons of statutory construction there may be one that authorizes judges to correct such obvious drafting errors. If not, it appears that the 12-month grace period will apply to the continued exploitation of American derivative works based on foreign works whose copyrights have been restored; and thereafter, no further exploitation will be possible at all, at least not without full copyright liability.

Effect of restoration on warranties and performance obligations

One last important issue remains: the effect that copyright restoration will have on two types of legal commitments that were made before anyone knew or even dreamed that Congress might someday bring public domain works back to life. These two types of commitments are warranties of non-infringement, and promises to perform.

Boilerplate provisions of entertainment industry contracts quite commonly require one party to warrant to the other that the work that is the subject of the contract does not infringe copyright. Before the current version of section 104A was enacted, the use of works then in the public domain would not have infringed copyright. And thus warranties of non-infringement concerning such works could be truthfully given without concern for liability. As a result of restoration, however, many such warranties have turned out to be false - but through no fault of those who gave them. Congress dealt with this issue, at least in part, by protecting those who gave such warranties. Section 104A provides that anyone who gave such a warranty before January 1, 1995 "shall not be liable" in any way if the warranty is breached because of copyright restoration. [104A(f)(1)] Congress did not say, however, what should happen if the person who gave such a warranty received an advance against money to be earned by the other party's exploitation of the work after its copyright is restored - by which time the other party may not be able to exploit the work precisely because its copyright has been restored.

Entertainment industry contracts may also obligate one party to perform in the future in some fashion with respect to a particular work - to distribute, exhibit or publish it for example. Such contracts may have been entered into with respect to foreign works that were then in the public domain whose copyrights have been restored. As a result of the restoration, performance as agreed may constitute infringement that would lead to liability. Congress thought of this as well, at least in part. Section 104A provides that no one shall be required to perform any act that would be infringing as a result of restoration (if the obligation was undertaken before January 1, 1995). [104A(f)(2)] Congress did not say, however, what should happen if the person or company who was to have performed was paid in advance for the performance that is now excused because of copyright restoration.

Conclusion

Copyright restoration for foreign public domain works was a good idea. Because of it, American copyright owners can reasonably expect that their copyrights will be retroactively protected in other countries that would not have done so otherwise. This ought to be particularly valuable to the motion picture business, because without retroactive protection, pre-1955 movies (now on video) may not have been protected in many countries of the world simply because the United States did not have copyright treaties with many countries before we adhered to the Universal Copyright Convention in that year.

Having a good idea and properly implementing it are two different things, however. The copyright restoration provisions of the bill that produced section 104A were a tiny part of a huge bill that implemented the GATT Uruguay Round Agreement. Congress decided to give "fast track" treatment to the entire bill. This meant that members only could vote "yes" or "no" on the bill as a whole; no amendments were permitted. This was, no doubt, necessary in order to get the bill enacted at all. As a consequence though the copyright restoration provisions - conceptually and practically, among the most significant amendments ever made to the Copyright Act - contain ambiguities and outright errors.

Some consolation can be taken from this (though it may seem cynical). An entire generation of now-young copyright lawyers will be able to litigate cases brought on by these ambiguities and errors. And those cases will be the grist for future issues of the Entertainment Law Reporter.

Appendix

Copyright Act section 104A (17 U.S.C. sec. 104A)

[Section] 104A. COPYRIGHT in restored works

(a) AUTOMATIC PROTECTION AND TERM.-

(1) TERM.-

(A) Copyright subsists, in accordance with this section, in restored works, and vests automatically on the date of restoration.

(B) Any work in which Copyright is restored under this section shall subsist for the remainder of the term of copyright that the work would have otherwise been granted in the United States if the work never entered the public domain in the United States.

(2) EXCEPTION.-Any work in which the copyright was ever owned or administered by the Alien Property Custodian and in which the restored Copyright would be owned by a government or instrumentality thereof, is not a restored work.

(b) OWNERSHIP OF RESTORED COPYRIGHT.- A restored work vests initially in the author or initial rightholder of the work as determined by the law of the source county of the work.

(c) FILING OF NOTICE OF INTENT TO ENFORCE RESTORED COPYRIGHT AGAINST RELIANCE PARTIES.-On or after the date of restoration, any person who owns a copyright in a restored work or an exclusive right therein may file with the Copyright Office a notice of intent to enforce that person's copyright or exclusive right or may serve such a notice directly on a reliance party. Acceptance of a notice by the Copyright Office is effective as to any reliance parties but shall not create a presumption of the validity of any of the facts stated therein. Service on a reliance party is effective as to that reliance party and any other reliance parties with actual knowledge of such service and of the contents of that notice.

(d) REMEDIES FOR INFRINGEMENT OF RESTORED COPYRIGHTS.-

(1) ENFORCEMENT OF COPYRIGHT IN RESTORED WORKS IN THE ABSENCE OF A RELIANCE PARTY.-As against any party who is not a reliance party, the remedies provided in chapter 5 of this title shall be available on or after the date of restoration of a restored copyright with respect to an act of

infringement of the restored copyright that is commenced on or after the date of restoration.

(2) ENFORCEMENT OF COPYRIGHT IN RESTORED WORKS AS AGAINST RELIANCE PARTIES.-As against a reliance party, except to the extent provided in paragraphs (3) and (4), the remedies provided in chapter 5 of this title shall be available, with respect to an act of infringement of a restored copyright, on or after the date of restoration of the restored copyright if the requirements of either of the following subparagraphs are met:

(A) (i) The owner of the restored copyright (or such owner's agent) or the owner of an exclusive right therein (or such owner's agent) files with the Copyright Office, during the 24-month period beginning on the date of restoration, a notice of intent to enforce the restored copyright; and

(ii) (I) the act of infringement commenced after the end of the 12-month period beginning on the date of publication of the notice in the Federal Register;

(II) the act of infringement commenced before the end of the 12-month period described in subclause (I) and continued after the end of that 12-month period, in which case remedies shall be available only for infringement occurring after the end of that 12-month period; or

(III) copies or phonorecords of a work in which copyright has been restored under this section are made after publication of the notice of intent in the Federal Register.

(B) (i) The owner of the restored copyright (or such owner's agent) or the owner of an exclusive right therein (or such owner's agent) serves upon a reliance party a notice of intent to enforce a restored Copyright; and

(ii) (I) the act of infringement commenced after the end of the 12-month period beginning on the date the notice of intent is received;

(II) the act of infringement commenced before the end of the 12-month period described in subclause (I) and continued after the end of that 12-month period, in which case remedies shall be available only for the infringement occurring after the end of that 12-month period; or

(III) copies or phonorecords of a work in which Copyright has been restored under this section are made after receipt of the notice of intent.

In the event that notice is provided under both subparagraphs (A) and (B), the 12-month period referred to in such subparagraphs shall run from the earlier of publication or service of notice.

(3) EXISTING DERIVATIVE WORKS -

(A) In the case of a derivative work that is based upon a restored work and is created-

(i) before the date of the enactment of the Uruguay Round Agreements Act, if the source country of the derivative work is an eligible country on such date, or

(ii) before the date of adherence or proclamation, if the source country of the derivative work is not an eligible country on such date of enactment,

a reliance party may continue to exploit that work for the duration of the restored copyright if the reliance party pays to the owner of the restored copyright reasonable compensation for conduct which would be subject to a remedy for infringement but for the provisions of this paragraph.

(B) In the absence of an agreement between the parties, the amount of such compensation shall be determined by an action in United States district court, and shall reflect any harm to the actual or potential market for or value of the restored work from the reliance party's continued exploitation of the work, as well as compensation for the relative contributions of expression of the author of the restored work and the reliance party to the derivative work.

(4) COMMENCEMENT OF INFRINGEMENT FOR RELIANCE PARTIES.- For purposes of section 412, in the case of reliance parties, infringement shall be deemed to have commenced before registration when acts which would have constituted infringement had the restored work been subject to copyright were commenced before the date of restoration.

(e) NOTICES OF INTENT TO ENFORCE A RESTORED COPYRIGHT.-

(1) NOTICES OF INTENT FILED WITH THE COPYRIGHT OFFICE.-

(A) (i) A notice of intent filed with the Copyright Office to enforce a restored copyright shall be signed by the owner of the restored copyright or the owner of an exclusive right therein, who files the notice under subsection (d)(2)(A)(i) (hereafter in this paragraph referred to as the "owner"), or by the owner's agent, shall identify the title of the restored work, and shall include an English translation of the title and any other alternative titles known to the owner by which the restored work may be identified, and an address and telephone number at which the owner may be contacted. If the notice is signed by an agent, the agency relationship must have been constituted in a writing signed by the owner before the filing of the notice. The Copyright

Office may specifically require in regulations other information to be included in the notice, but failure to provide such other information shall not invalidate the notice or be a basis for refusal to list the restored work in the Federal Register.

(ii) If a work in which copyright is restored has no formal title, it shall be described in the notice of intent in detail sufficient to identify it.

(iii) Minor errors or omissions may be corrected by further notice at any time after the notice of intent is filed. Notices of corrections for such minor errors or omissions shall be accepted after the period established in subsection (d)(2)(A)(i). Notices shall be published in the Federal Register pursuant to subparagraph (B).

(B) (i) The Register of Copyrights shall publish in the Federal Register, commencing not later than 4 months after the date of restoration for a particular nation and every 4 months thereafter for a period of 2 years, lists identifying restored works and the ownership thereof if a notice of intent to enforce a restored copyright has been filed.

(ii) Not less than 1 list containing all notices of intent to enforce shall be maintained in the Public Information Office of the Copyright Office and shall be available for public inspection and copying during regular business hours pursuant to sections 705 and 708. Such list shall also be published in the Federal Register on an annual basis for the first 2 years after the applicable date of restoration.

(C) The Register of Copyrights is authorized to fix reasonable fees based on the costs of receipt, processing, recording, and publication of notices of intent to enforce a restored copyright and corrections thereto.

(D) (i) Not later than 90 days before the date the Agreement on Trade-Related Aspects of Intellectual Property referred to in section 101(d)(15) of the Uruguay Round Agreements Act enters into force with respect to the United States, the Copyright Office shall issue and publish in the Federal Register regulations governing the filing under this subsection of notices of intent to enforce a restored copyright.

(ii) Such regulations shall permit owners of restored copyrights to file simultaneously for registration of the restored copyright.

(2) NOTICES OF INTENT SERVED ON A RELIANCE PARTY.-

(A) Notices of intent to enforce a restored copyright may be served on a reliance party at any time after the date of restoration of the restored copyright.

(B) Notices of intent to enforce a restored copyright served on a reliance party shall be signed by the owner or the owner's agent, shall identify the restored work and the work in which the restored work is used, if any, in detail sufficient to identify them, and shall include an English translation of the title, any other alternative titles known to the owner by which the work may be identified, the use or uses to which the owner objects, and an address and telephone number at which the reliance party may contact the owner. If the notice is signed by an agent, the agency relationship must have been constituted in writing and signed by the owner before service of the notice.

(3) EFFECT OF MATERIAL FALSE STATEMENTS.- Any material false statement knowingly made with respect to any restored copyright identified in any notice of intent shall make void all claims and assertions made with respect to such restored copyright.

(f) IMMUNITY FROM WARRANTY AND RELATED LIABILITY.-

(1) IN GENERAL.-Any person who warrants, promises, or guarantees that a work does not violate an exclusive right granted in section 106 shall not be liable for legal, equitable, arbitral, or administrative relief if the warranty, promise, or guarantee is breached by virtue of the restoration of copyright under this section, if such warranty, promise, or guarantee is made before January 1, 1995.

(2) PERFORMANCES.-No person shall be required to perform any act if such performance is made infringing by virtue of the restoration of copyright under the provisions of this section, if the obligation to perform was undertaken before January 1, 1995.

(g) PROCLAMATION OF COPYRIGHT RESTORATION. - Whenever the President finds that a particular foreign nation extends, to works by authors who are nationals or domiciliaries of the United States, restored copyright protection on substantially the same basis as provided under this section, the President may by proclamation extend restored protection provided under this section to any work-

(1) of which one or more of the authors is, on the date of first publication, a national, domiciliary, or sovereign authority of that nation; or

(2) which was first published in that nation.

The President may revise, suspend, or revoke any such proclamation or impose any conditions or limitations on protection under such a proclamation.

(h) DEFINITIONS.-For purposes of this section and section 109(a):

(1) The term "date of adherence or proclamation " means the earlier of the date on which a foreign nation

which, as of the date the WTO Agreement enters into force with respect to the United States, is not a nation adhering to the Berne Convention or a WTO member country, becomes-

(A) a nation adhering to the Berne Convention or a WTO member country; or

(B) subject to a Presidential proclamation under subsection (g).

(2) The "date of restoration" of a restored copyright is the later of-

(A) the date on which the Agreement on Trade-Related Aspects of Intellectual Property referred to in section 101(d)(15) of the Uruguay Round Agreements Act enters into force with respect to the United States, if the source country of the restored work is a nation adhering to the Berne Convention or a WTO member country on such date; or

(B) the date of adherence or proclamation, in the case of any other source country of the restored work.

(3) The term "eligible country" means a nation, other than the United States, that is a WTO member country, adheres to the Berne Convention, or is subject to a proclamation under section 104A(g).

(4) The term "reliance party" means any person who-

(A) with respect to a particular work, engages in acts, before the source country of that work becomes an eligible country, which would have violated section 106 if the restored work had been subject to copyright protection, and who, after the source country becomes an eligible country, continues to engage in such acts;

(B) before the source country of a particular work becomes an eligible country, makes or acquires 1 or more copies or phonorecords of that work; or

(C) as the result of the sale or other disposition of a derivative work covered under subsection (d)(3), or significant assets of a person described in subparagraph (A) or (B), is a successor, assignee, or licensee of that person.

(5) The term "restored copyright" means copyright in a restored work under this section.

(6) The term "restored work" means an original work of authorship that-

(A) is protected under subsection (a);

(B) is not in the public domain in its source country through expiration of term of protection;

(C) is in the public domain in the United States due to-

(i) noncompliance with formalities imposed at any time by United States Copyright law, including failure of renewal, lack of proper notice, or failure to comply with any manufacturing requirements;

(ii) lack of subject matter protection in the case of sound recordings fixed before February 15, 1972; or

(iii) lack of national eligibility; and

(D) has at least one author or rightholder who was, at the time the work was created, a national or domiciliary of an eligible country, and if published, was first published in an eligible country and not published in the United States during the 30-day period following publication in such eligible country.

(7) The term "rightholder" means the person-

(A) who, with respect to a sound recording, first fixes a sound recording with authorization, or

(B) who has acquired rights from the person described in subparagraph (A) by means of any conveyance or by operation of law.

(8) The "source country" of a restored work is-

(A) a nation other than the United States;

(B) in the case of an unpublished work-

(i) the eligible country in which the author or rightholder is a national or domiciliary, or, if a restored work has more than 1 author or rightholder, the majority of foreign authors or rightholders are nationals or domiciliaries of eligible countries; or

(ii) if the majority of authors or rightholders are not foreign, the nation other than the United States which has the most significant contacts with the work; and

(C) in the case of a published work-

(i) the eligible country in which the work is first published, or

(ii) if the restored work is published on the same day in 2 or more eligible countries, the eligible country which has the most significant contacts with the work.

(9) The terms "WTO Agreement" and "WTO member country" have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.

[Section 109(a) of the Copyright Act, 17 U.S.C. sec. 109(a), was amended by adding the following at the end:]

Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under section 104A that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under section 104A(e), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of direct or indirect commercial advantage only during the 12-month period beginning on-

(1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under section 104A(d)(2)(A), or

(2) the date of the receipt of actual notice served under section 104A(d)(2)(B), whichever occurs first.

Lon Sobel is the editor of the Entertainment Law Reporter and a professor at Loyola Law School where he teaches Copyright and Entertainment Law. Professor Sobel thanks David Nimmer for sharing the results of his own work and thinking about the new copyright restoration law; they were extremely helpful in the preparation of this article. (However, if readers discover any errors in this article, attribute them solely to the author.) [ELR 17:3:3]

RECENT CASES

Joe Montana loses right of publicity lawsuit against San Jose Mercury News seeking compensation for newspaper's sale of poster reproductions of its pages bearing his name and likeness

Joe Montana may have left his heart in San Francisco, but not his name or likeness in San Jose. So it was foreseeable that when the San Jose Mercury News sold posters bearing Montana's name and likeness, the football great would object or at least seek compensation. He did, but he failed. The Mercury News played a defense that Montana never saw on the field, and with it, held him scoreless. That defense was the First Amendment.

Montana was the quarterback of the San Francisco 49'ers and led them to Super Bowl victories in 1989 and `90. Both years, the Mercury News ran front-page photographs of Montana accompanying articles about the 49'ers victories. In 1990, the newspaper also published a special "Souvenir Section" devoted to the team which featured an artist's rendition of Montana on its cover. Montana did not object to any of these uses of his name or likeness. But when the Mercury News re-published these pages as posters, Montana called a "foul." More technically, he filed suit for common law and statutory misappropriation, commonly referred to as a "right of publicity" lawsuit.

The Mercury News responded to Montana's suit by seeking dismissal on First Amendment grounds. A California Superior Court granted the newspaper's motion, and a Court of Appeal has affirmed. The appellate court ruled that the newspaper's accounts of the 49'ers' accomplishments concerned matters of public interest entitled to First Amendment protection. The reproduction of the pages, even in poster form, also was entitled to First Amendment protection because "Montana's name and likeness appeared in the posters for precisely the same reason they appeared on the original newspaper front pages; because Montana was a major player in contemporaneous newsworthy sports events." The appellate court also found that the newspaper had a right to promote itself by reproducing its articles and photographs "to show the quality of its work product." The posters did not state or imply that Montana endorsed the news paper, and the fact that the posters were sold was held to be "without significance."

The California Supreme Court has denied Montana's petition for a hearing.

Editor's note: The result in this case was not a foregone conclusion. In the eyes of many, posters are closer to toys or other products than they are to newspapers, magazines and books. Since the right of publicity clearly gives people the right to prevent or be compensated for the use of their names and likeness on toys and products, this case could have resulted in another victory for Montana. On the other hand, the result in this case is perfectly consistent with at least one other case whose facts were about as close to these as can be. That case was brought by quarterback Joe Namath whose photograph had been published on the cover of Sports Illustrated after the 1969 Super Bowl. Namath had not objected to the magazine's use of his photo on its cover. But when Sports Illustrated republished that cover in other magazines as an advertisement for itself, Namath did object. But he lost. Namath v. Sports Illustrated, 371 N.Y.S.2d 10 (App.Div. 1975). Joe Namath's loss in his case against Sports Illustrated was one of the precedents cited by the California court when it ruled against Joe Montana in his case against the Mercury News.

Montana v. San Jose Mercury News, Inc., 34 Cal.App.4th 790, 1995 Cal.App.LEXIS 411 (Cal.App. 1995) [ELR 17:3:14]

Court ruled that NLRB had probable cause to believe that Major League Baseball owners committed unfair labor practices during player strike, and temporary injunction was issued

The 1995 Major League Baseball season is underway (as this issue of the Entertainment Law Reporter goes to press), and the athletes on the field are "major leaguers" in every sense of the word. For a while though, last winter and spring, it didn't appear as though this would be the case. At that time, no settlement was in sight of the player strike that abruptly ended the 1994 season in August and eliminated last year's World Series. As recently as March of this year it appeared as though the 1995 season would be played by "replacement players," rather than by members of the Major League Baseball Players Association. But that did not happen. Instead, the National Labor Relations Board charged the Major League Baseball club owners with committing unfair labor practices. And when the NLRB sought and was granted a temporary injunction against the owners, the Players Association suspended its strike and returned to the field.

The legal proceedings that led to the injunction were begun in March when the Players Association filed charges with the NLRB, and the NLRB issued a complaint, alleging that the owners had violated section 8(a) of the National Labor Relations Act by unilaterally eliminating salary arbitration for reserved players, competitive bidding for free agents, and the anti-collusion provision of the expired collective bargaining agreement - before an "impasse" had been reached in collective bargaining.

Section 8(a) of the Act requires employers to bargain collectively and in good faith with their employees concerning "mandatory" subjects, including "wages, hours, and other terms and conditions of employment." Other subjects are considered "permissive," and the law does not require employers to bargain about those. If a subject is "permissive," employers may unilaterally adopt changes as soon as a collective bargaining agreement has expired. But if a subject is "mandatory," employers may not adopt changes, even after a collective bargaining agreement has expired, unless and until an "impasse" in collective bargaining has been reached.

Thus, the "distinction between mandatory and permissive subjects of bargaining is crucial in labor disputes," but "it is not always obvious" whether a particular subject is one or the other.

In this case, the club owners took the position that salary arbitration, free agency, and the anti-collusion provision all were "permissive" subjects. But the players and the NLRB contended that they were "mandatory" subjects. When the NLRB sought a temporary injunction enforcing its view of the issue, a federal district court in New York City agreed that these were "mandatory" subjects of bargaining. In concluding that salary arbitration and free agency are mandatory subjects, the court said that it found precedents from basketball and football to be "most helpful." Those cases are Wood v. NBA, 809 F.2d 954 (2d Cir. 1987) (ELR 8:12:12), which held that NBA provisions concerning salary caps, aggregate team salaries, revenue sharing, and first refusal rights all were mandatory subjects of bargaining, and Mackey v. NFL, 543 F.2d 606 (8th Cir. 1976), and Powell v. NFL, 930 F.2d 1293 (8th Cir. 1989) (ELR 12:9:5), which held that the NFL's Rozelle Rule and first refusal and compensation systems were mandatory subjects.

Since salary arbitration, free agency and the anti-collusion provision were mandatory subjects of collective bargaining, the owners could not make unilateral changes to them until an impasse had been reached. This is where the owners violated the law, because they made unilateral changes while collective bargaining with the Players Association was still in progress - before, in other words, an impasse had been reached. The court therefore issued an injunction ordering the owners to restore the terms of the expired collective bargaining agreement, including its salary arbitration, free agency and anti-collusion provisions, and ordering the owners to bargain in good faith with the players. The injunction is to remain in effect until a new collective bargaining agreement is reached, the NLRB proceeding is concluded, or until an impasse in bargaining has occurred.

Editor's note: The basketball and football cases the court found to be "most helpful" were not labor law cases; they were antitrust cases that involved the issue of whether the "labor exemption" continued to protect owners from antitrust liability for what otherwise might have been anti-competitive provisions of an expired collective bargaining agreement. That is an entirely different issue from the one before the court in this baseball case; and the court was quick to call attention to and acknowledge that distinction. Nevertheless, the court was correct in concluding that the question of whether certain provisions are "mandatory" or "permissive" subjects of bargaining is a question that should be answered the same, regardless of whether it is asked in the context of an antitrust lawsuit brought by players or an unfair labor practice proceeding brought by the NLRB. As this issue of the Entertainment Law Reporter goes to press, Congress has before it a bill to eliminate professional baseball's historic antitrust exemption, as it relates to owner-player relations. This case has been cited by the owners in support of their argument to Congress that such legislation is unnecessary, because the players received all of the legal muscle they needed as a matter of federal labor law, and thus they do not need - and would not actually be helped by - the ability to sue for antitrust violations as well. Moreover, baseball owners have reminded Congress strikes and lockouts have occurred in football, basketball and hockey even though those sports are not exempt from antitrust law and players in those sports have been able to sue owners for alleged antitrust violations. On the other hand, one legal distinction still exists between baseball players on the one hand and basketball, football and hockey players on the other. As the law now stands, if football, basketball and hockey owners make unilateral changes after impasse in the terms of their players' employment, those players may sue for antitrust violations. However, if baseball owners had waited until after impasse to make changes, they would not have violated federal labor law; and because of baseball's historic exemption from antitrust law, they would not have violated antitrust law either. This is why some members of Congress contend that baseball's antitrust exemption should be revoked.

Silverman v. Major League Baseball Player Relations Committee, 880 F.2d 246, 1995 U.S.Dist.LEXIS 4044 (S.D.N.Y. 1995) [ELR 17:3:14]

Book about history of Pan Am infringed copyright to biography of airline's founder; fair use defense rejected; further distribution of book enjoined

The story of Pan American Airlines is an important chapter in the annals of aviation history. That story has been told at least twice: once in American Saga: Juan Trippe and His Pan Am Empire, a biography of Pan Am's founder published in 1980 by Random House; and more recently in American Icarus: The Majestic Rise and Tragic Fall of Pan Am, a book by Jack E. Robinson published in 1994 by American Literary Press. These two books have become the subject of an infringement lawsuit that adds important footnotes (though not an entire chapter) to the law concerning copyright protection for works of history. The principal issues in the case concern the scope of copyright protection for historical material, and in cases where such material is protected, the extent to which the fair use doctrine permits it to be copied anyway.

The origins of this case can be traced to 1992 when Robinson entered into a contract with McGraw-Hill for its publication of his book American Icarus. McGraw-Hill canceled that contract in 1993, because it believed that Robinson's book infringed the copyright to the earlier book American Saga. Robinson then sought permission to use portions of the earlier book from Random House and from the owner of that book's copyright. But both refused to give Robinson permission to use the amount of material he had copied. The result was a lawsuit: Robinson sued Random House and the owner of the book's copyright, seeking a judicial declaration that his use was not an infringement of the earlier book's copyright; and they in turn counterclaimed against Robinson alleging that his book did infringe their copyright. Both sides made motions for summary judgment. And while that motion was under submission, Robinson arranged for his book to be published by American Literary Press, apparently without informing it that the lawsuit was pending.

A Federal District Court in New York City has ruled against Robinson on all issues and has granted summary judgment in favor of Random House and the owners of the earlier book's copyright.

Robinson had argued that the material he took from the earlier book was protected for two reasons: because it was factual, historical material, and because the material he had copied consisted of stock scenes or scenes a faire. The court acknowledged that historical facts are not copyrightable. But in this case, Robinson "went far beyond the use of mere facts." He had copied protectible expression as well - lots of it. Indeed, Robinson had admitted that he had copied verbatim or closely paraphrased 25 to 30 percent of the words in his book from the earlier book. Moreover, this admission may understate the significance of the copying, because the copied material amounted to hundreds of passages and made up nine of the 14 chapters of Robinson's book. Indeed, the court concluded that Robinson had copied the earlier book and had "added only an introductory chapter and three short concluding chapters" of his own. The extent of Robinson's copying also destroyed his scenes a faire argument, because the court rejected his contention that he had merely copied incidents, characters or settings that would be indispensable in telling the Pan Am story.

In response to Robinson's fair use defense, the court did a four-factor analysis of the kind required by section 107 of the Copyright Act. One factor did favor a fair use finding: the nature of the copied work was "factual" and "published."But all three of the other factors pointed away from fair use. The purpose and character of Robinson's use was not "transformative" to any significant degree. Moreover, Robinson had failed to use quotation marks or cite the earlier book as his source. The amount and substantiality of the portion copied was extensive. Finally, Robinson's book affected the market for the earlier work in two ways. First, the court ruled that because Robinson's copying was not transformative, there was a presumption of market harm. And second, evidence of actual harm had been presented, because the earlier book was still being marketed in audio tape form, and discussions were in progress concerning the publication of an updated edition to be released in conjunction with a documentary.

The court issued a permanent injunction barring further distribution of Robinson's book and a related order concerning destruction of infringing copies. The court also ordered Robinson to pay his adversaries' attorneys fees and court costs.

Editor's note: The opinion in this case is thorough and well-reasoned, and quotations from just a couple of the "hundreds" of copied passages confirm the court's conclusion that this case involved "wholesale usurpation." This decision respects the legal principle that facts are not protected by copyright while at the same time providing an appropriate degree of legal protection for non-fiction authors whose talent is demonstrated by the skill they bring to the crafting of their expression. One interesting and somewhat unusual point made by this case concerns the legal significance of using or omitting quotation marks and citations when the language of earlier works is quoted or paraphrased. As a general principle, the use of quotation marks and citations does not immunize unauthorized copying from copyright liability. On the other hand, proper attribution is a compliment to an earlier author and is likely to be pleasing; and for that reason, quotation marks and citations probably reduce the likelihood that an infringement lawsuit will be filed at all. This case goes a step further by giving legal significance to the absence of quotation marks and citations. It does so in connection with its fair use analysis. In evaluating the "purpose and character of the use" factor, the court ruled that "the propriety of the alleged infringer's conduct is relevant," and that Robinson's failure to use quotation marks or citations was "reprehensible conduct [that] places Robinson far closer to the scissor-wielding cut-and-paste plagiarist than to the scholar building on others' past works."

Robinson v. Random House, Inc., 877 F.Supp. 830, 1995 U.S.Dist.LEXIS 468 (S.D.N.Y. 1995) [ELR 17:3:16]

Constitutionality of applying New York's "ticket scalping" law to out-of-state ticket brokers is affirmed

The difference between a "broker" and a "scalper" is one of attitude . . . and local law. Some people like to plan their social calendars at the last minute and can afford to do so, and they consider ticket agencies to be an important convenience. Others, however, think they would have gotten better tickets at face prices had "scalpers" not gotten them first, and they consider ticket agencies to be a social menace. At the behest of these others, some states have gone the "social menace" route and have adopted legislation prohibiting the sale of tickets at more than face value.

New York is such a state. Its ticket scalping statute is section 25 of the New York Arts and Cultural Affairs Law. And that law is now the subject of an important test of the permissible geographic sweep of local regulatory legislation. The Attorney-General of New York has interpreted the statute to apply to the sale of all tickets to events in New York, regardless of the place from which those tickets were sold. As a result, the New York Attorney-General filed suit in New York against The Concert Connection - a Connecticut corporation that has a place of business in Greenwich but not in New York - seeking to enforce the New York statute against this completely out-of-state company. A New York trial court enjoined The Concert Connection from offering to resell tickets for more than the legally permitted price, and it required the company to pay restitution and damages to eligible consumers. (ELR 15:7:11)

Now an appellate court has upheld the constitutionality of applying New York ticket scalping statute to out-of-state ticket brokers. The Concert Connection had argued that it was not subject to the New York ticket scalping law and that the law unconstitutionally violated its right to resell tickets to entertainment events. But the appellate court ruled that New York properly exercised long-arm jurisdiction over The Concert Connection, because the statute covers "contracts made anywhere to supply goods or services in the State," and when the company agreed to send tickets to purchasers in New York, it subjected itself to personal jurisdiction in New York for any cause of action that arose out of those contracts. According to the court, The Concert Connection also availed itself of business opportunities in New York by advertising in New York newspapers, maintaining New York telephone numbers, reselling tickets for New York events to New York residents and shipping those tickets into the state. The court held that these acts established the minimum contacts necessary to satisfy the constitutional due process requirements. The appellate court also agreed with the trial court that regulating the resale of tickets within the state was a legitimate exercise of the state's power to protect consumers which did not unduly burden interstate commerce. The court even found that Jason Berger, the president of The Concert Connection, could be held personally liable for violating the statute.

Editor's note: New York is not alone in adopting legislation of this sort. New Jersey and Illinois also have ticket scalping statutes (ELR 5:3:19, 14:2:16) and apparently Georgia and Oregon do as well. This case, however, appears to be the first in which any state has attempted to enforce its statute on out-of-state brokers. Moreover, the wisdom of such legislation is not beyond debate; indeed, ticket scalping legislation has become a popular subject for law review articles.

People v. The Concert Connection, 1995 N.Y.App. LEXIS 5395 (1995) [ELR 17:3:17]

District court sets aside jury's $7.4 million verdict against PGA in contract and antitrust suit brought by golf show promoter

To the casual observer, the world of professional golf appears dignified, even sedate, especially by comparison with the rancor that has characterized professional team sports in the last year or two. But looks can be deceiving. Beneath its colorful polo shirts, the pro golf business is as tumultuous as any.

Recently, some of this tumult erupted into an aggressively fought lawsuit brought by Seabury Management, Inc., a company that produces trade shows, against the PGA and its Middle Atlantic section. At the conclusion of a trial in a federal court in Maryland, the jury returned a $7.4 million verdict in favor of Seabury -

$2.6 million in compensatory damages and $4.8 million in punitive damages. But in response to the PGA's post-trial motion for judgment as a matter of law or for a new trial, the district court set aside the verdict and has entered judgment for the PGA as to virtually all issues.

At the heart of the dispute was a contract Seabury had entered into with the PGA's Middle Atlantic section which authorized Seabury to use the section's name and logo in promoting golf merchandise trade shows. The contract was ambiguous about whether Seabury could use the section's name and logo everywhere in the United States or only within the Middle Atlantic region. The PGA and its Mid-Atlantic section took the position that the contract permitted Seabury to use the name and logo only in connection with trade shows conducted in the Middle Atlantic region, and they refused to allow Seabury to use the name or logo outside that area. Seabury responded by filing suit for breach of contract against the Mid-Atlantic section, for tortious interference with contract against the PGA, and for antitrust violations against both.

The contract between Seabury and the Mid-Atlantic section did contain references to the section's "territorial limits" and "boundaries." But the contract was ambiguous as to what types of Seabury activities were confined to that area. Apparently, the jury interpreted the contract to permit Seabury to use Mid-Atlantic name and logo for trade shows outside that area. Although the district court judge agreed that the contract could reasonably be interpreted the way the PGA did, the judge ruled that the PGA's interpretation was not the only reasonable one. And therefore, the court refused to grant Mid-Atlantic's motion for judgment as a matter of law or a new trial as to that issue. Ultimately, however, this turned out to be but a small victory for Seabury, because the judge ruled that

Seabury had failed to prove "with reasonable certainty" that it had suffered any damages as a result of the contract breach. Rather than award nominal damages of $1, the court granted the Mid-Atlantic section's motion for judgment as a matter of law on the contract claim.

The court also granted the PGA's motion for judgment as a matter of law on Seabury's claim for tortious interference with contract. The court found that the PGA had a "long-standing policy" of not allowing its sections to license the use of their names or logos without PGA approval, and of requiring sections to sponsor only those events that take place within section boundaries. Therefore, "the PGA was entitled to approve or disapprove of contract actions taken by [PGA sections]," even if disapproval required a section to breach a contract it already had entered into. Since the interference with contract claim was the one on which the jury's punitive damage verdict was based, the court set aside the jury's punitive damages award.

The court entered judgment for the defendants on Seabury's antitrust claims for several reasons. As to the conspiracy claim under section 1 of the Sherman Act, the court ruled that the PGA and its Mid-Atlantic section were "legally incapable" of conspiring with one another, because they were analogous to parent-subsidiary corporations under the Supreme Court's decision in Copperweld Corp. v. Independence Tube Corp., 467 U.S. 752 (1984).

With respect to the monopolization claim under section 2 of the Sherman Act, the court held that Seabury had failed to prove that the "relevant market" was a narrow market consisting of merely of two golf trade shows. Instead, the court said, the relevant market for measuring the defendants' market power was actually larger, consisting of all golf trade shows or perhaps all such shows over a certain size. But Seabury had not shown that the defendants had market power in either of those larger markets.

The court also rejected Seabury's argument that the PGA had exercised illegal market power under section 2 of the Sherman Act by refusing to permit Mid-Atlantic to license Seabury's use of Mid-Atlantic's name and logo throughout the country.

Seabury did retain one relatively small victory. Its contract with Mid-Atlantic contained an attorneys' fees clause. Thus, because Seabury did prove that Mid-Atlantic had breached their contract, the court ruled that Seabury was the "prevailing party" and was entitled to recover its fees and court costs.

Editor's note: This case is another illustration of the importance of meticulous contract drafting. The language of the clauses that refer to Mid-Atlantic's territory, and that limit Seabury's activities to that territory, leave little doubt that Mid-Atlantic intended to confine Seabury's use of its name and logo to that territory for all purposes, including their use in connection with trade shows. Unfortunately, because of a missing word or two, or because clauses were typed in the wrong order, it is entirely possible that Seabury believed that it was geographically limited in connection with its use of the Mid-Atlantic name and logo for certain purposes, but that it could use the name and logo for trade shows conducted anywhere in the country. With respect to the antitrust conspiracy issue, the court's ruling that the PGA and its sections are legally incapable of conspiring with another (under Copperweld) is a finding that should make the National Football League and the National Basketball Association jealous: the NFL and NBA have argued for years - without success - that their teams are legally incapable of conspiring with one another.

Seabury Management, Inc. v. Professional Golfers' Ass'n, 878 F.Supp. 771, 1994 U.S.Dist.LEXIS 20311 (D.Md. 1994) [ELR 17:3:18]

WABC-TV wins dismissal of employment discrimination lawsuit filed by African-American researcher for "Eyewitness News"; non-discriminatory reason given for hiring of white candidate for newswriter position

A federal district court in New York City has granted a motion for summary judgment made by television station WABC-TV and its owner, Capital Cities/ABC, in an employment discrimination lawsuit filed by an African-American woman employed by the station as a researcher for its "Eyewitness News" program.

The plaintiff complained that she had been discriminated against on account of her race on several occasions, and in several ways, over the course of the 12 years she had worked for WABC-TV. Ultimately, however, the court considered the merits of only one of those claims, because it held that all of the others were barred by the 300-day statute of limitations that applies in Title VII cases. (The court rejected the plaintiff's attempt to use the "continuing violation" doctrine to avoid the limitations period.)

The allegation of discrimination that was considered on its merits was the plaintiff's claim that WABC-TV had hired a white male for a newswriter position she desired.

Employment discrimination cases under Title VII involve a three-part inquiry. First, the plaintiff has the burden of demonstrating a prima facie case of discrimination. Second, if the plaintiff satisfies this burden, the defendant must present a legitimate, non-discriminatory reason for its decision. And third, if the defendant does so, the plaintiff must present evidence of intentional discrimination or must discredit the defendant's proffered reason for its decision.

In this case, the court ruled that the plaintiff had established a prima facie case of discrimination. She did so by showing that she was an African-American woman, that she was qualified for the job she sought, and that despite her qualifications, WABC-TV had given the job to a white male.

The court also ruled that WABC-TV had satisfied its burden of showing that it had a legitimate, non-discriminatory reason for hiring the white male instead of the plaintiff. The man that was hired had somewhat more experience in the television news industry than the plaintiff did (15 years to her 12 years), including experience in the particular job for which he was hired (which she did not).

WABC-TV's showing of a non-discriminatory reason for its hiring decision shifted the burden back to the plaintiff to provide evidence from which it could be inferred that WABC-TV had actually discriminated against her, perhaps by showing that it had a discriminatory motive, or by showing that its asserted reason for hiring the white male was merely a pretext. It was here that the plaintiff's case failed, because she offered no facts from which either of these possibilities could be inferred.

Editor's note: This case is a good illustration of two things about employment discrimination claims in the entertainment industry. First, from an employer's point of view, this case confirms well-settled law that where two or more equally-qualified people apply for the same job, the employer may choose whichever one the employer prefers, without regard to their race or gender, without violating the law. In the entertainment industry, job openings virtually always attract a flood of well-qualified applicants, so this is an important principle. Second, from an employee's (or applicant's) point of view, this case illustrates just how difficult it is to prove a violation of Title VII. The plaintiff in this case no doubt believed that WABC-TV's stated reason for hiring the while male instead of her was merely a pretext for its discrimination against her. But where was she to get actual evidence from which this could be inferred, absent a self-incriminating admission from those who made the decision to hire him? Moreover, other types of cases present even more difficult legal issues for entertainment industry employers. In this case, the job of newswriter was a behind-the-camera job, so audience preferences played no role in WABC-TV's decision to hire one applicant rather than another. But what should be done in those cases involving on-camera personnel or performers who do appear before audiences? If the employer sincerely believes that the audience will prefer one applicant over another, for reasons that are related to race, gender, age, or political views, may the employer take that preference into account in deciding who to hire?

Lloyd v. WABC-TV, 879 F.Supp. 394, 1995 U.S.Dist.LEXIS 4000 (S.D.N.Y. 1995) [ELR 17:3:19]

Advertising agency may pursue copyright claim against former client based on client's alleged use of agency's story boards for Linda McCartney commercial and in marketing materials, but unfair competition and unjust enrichment claims are dismissed

Scene 1. Interior. Day. The camera zooms in on Linda McCartney preparing food in a modern American kitchen. It's a commercial for Linda McCartney's Vegetarian Foods, a new line of food packaged and distributed by Fairmont Foods of Minnesota.

Scene 2. Interior. Day. The camera pans a Federal District Courtroom, then focuses on lawyers at a podium. The lawyers are arguing. Some of them represent Fairmont Foods; others represent the Zimmerman Group, an advertising agency once hired by Fairmont. They are arguing about whether Fairmont's alleged use of story boards created by Zimmerman for the Linda McCartney commerical amounted to copyright infringement, unfair competition and unjust enrichment, as Zimmerman alleged.

What connects Scene 1 and Scene 2 might be called the "backstory." Zimmerman alleges that this is what happened. It was hired by Fairmont to create advertising and marketing materials for the Linda McCartney line. It created story boards for the McCartney commercial and was then terminated. Thereafter, Fairmont hired the Zimmerman account executive who had handled Fairmont's account. And then Fairmont distributed Zimmerman's story boards in Fairmont's marketing kits and produced the McCartney commercial. Fairmont paid Zimmerman for some of its work but refused to pay it more than $100,000 Zimmerman claimed was still due. Zimmerman's lawsuit was the consequence.

Zimmerman's complaint alleges copyright infringement, unfair competition, unjust enrichment and other claims. Fairmont responded with a motion to dismiss, the argument of which was the subject of "Scene 2."

Fairmont's motion to dismiss Zimmerman's copyright claim was based on its contentions that

Zimmerman had authorized Fairmont's use of the story boards and that copyright does not protect a thematic concept. Both of these arguments correctly state the law. But the court has denied the motion, because Zimmerman denied authorizing use of the boards, and that denial created an issue for trial. The question of whether the McCartney commercial had used only the unprotected concept reflected by the story boards, or instead had used protected expression from the story boards, was a disputed issue that also required a trial.

On the other hand, the court has granted Fairmont's motion to dismiss the unfair competition and unjust enrichment claims. Both of these legal theories were based on Zimmerman's factual assertion that Fairmont had used the story boards without authorization. And thus, the court held that both claims were preempted by federal copyright law.

Editor's note: Unfair competition and unjust enrichment claims are frequently alleged as companions to copyright infringement claims. Most of the time, such claims are merely alternative legal theories for a hoped-for judgment based on the same facts that constitute the alleged copyright infringement, namely, the defendant's unauthorized use of the plaintiff's copyright-protected material. This case correctly applies the statutory principle (set forth in section 301 of the Copyright Act) that judgments resulting from a defendant's unauthorized use of copyright-protected material must be based on federal copyright law alone, and that overlapping state law theories - like unfair competition and unjust enrichment - are preempted.

Zimmerman Group, Inc. v. Fairmont Foods of Minnesota, Inc., 882 F.Supp. 892, 1994 U.S.Dist.LEXIS 20168 (D.Minn. 1994) [ELR 17:3:20]

Chrysler and Lamborghini establish that likelihood of confusion is created by collectible cards bearing photos, logos and other information about their cars, but affirmative defenses require trial of automakers' trademark infringement case against card publisher

When is a series of cards really a "book," rather than simply collectible products, and what difference does it make legally in a trademark infringement case? These questions are at the heart of a lawsuit between Chrysler and Lamborghini on the one hand and New-field Publications on the other. The answers will determine whether Chrysler and Lamborghini win their trademark infringement case, on the grounds that New-field's Wheels and Wings card series infringes the automakers' trademarks, or whether instead Newfield wins the case on the grounds that one or more of its affirmative defenses give it a privilege to publish the series even though it is likely to cause consumer confusion as to the cards' source or sponsorship.

Wheels and Wings is a series of seven by ten inch cards displaying color photographs of cars or airplanes on the front along with the vehicles' names and performance characteristics, and statistics and historical information on the back. Newfield contends the series is a "book in parts," each card being a page of the book. Chrysler and Lamborghini manufacture the Dodge Viper, Plymouth Slingshot, Jeep Sahara and Lamborghini Countach, each of which has been featured in Wheels and Wings. Both companies have registered their car names as trademarks, claim their designs as trade dress, and produce or have licensed others to make products bearing these names and designs, including collectible cards that compete with those published by Newfield.

In response to cross-motions for summary judgment, a federal district court in Michigan has found, on the basis of "undisputed evidence," that "a likelihood of confusion exists as to sponsorship or endorsement of the Wheels and Wings series." As a result, Chrysler and Lamborghini would have been entitled to judgment as a matter of law, except for Newfield's affirmative defenses. Newfield asserted five defenses: fair use, First Amendment, consent, acquiescence and laches.

The court ruled against Newfield's fair use defense as a matter of law, finding that none of the factors that support such a defense exist in this case. However, the court also ruled that disputed issues of fact require a trial on Newfield's First Amendment, consent, acquiescence and laches defenses.

Editor's note: The disputed issues of fact in connection with the consent, acquiescence and laches defenses concern actual facts of the "who said what to whom" and "when" sort. As to these defenses, then, the court was correct in ruling that a trial would be necessary; and the outcome, as to these defenses, will involve nothing more than a straight-forward application of well-settled legal doctrines which will be of interest primarily to the parties involved in the case and few others. The First Amendment defense, however, has the potential to become a significant issue of importance to the entire entertainment industry. The court treats this issue in just a single paragraph, suggesting that if in fact Newfield's cards are a "book," the First Amendment applies, but if they are not a book, it doesn't; and the issue of fact to be determined is nothing more than whether the cards are a book or not. This seems to be too mechanical a way to approach the issue. The question of whether or not the First Amendment gives Newfield a privilege to publish Wheels and Wings should not turn on the thickness of the paper on which the photos and information is printed, nor on whether customers buy all of the pieces of paper at once and already bound or instead buy them one at a time to be inserted in a loose-leaf binder. The First Amendment privilege exists to encourage the dissemination of information and opinion, even at the expense of other legitimate interests, regardless of the physical format in which that information and opinion is disseminated. As a result, the question of whether Newfield is entitled to a First Amendment defense ought to be treated as a question of law, to be decided by a judge, not by a jury.

Chrysler Corp. v. Newfield Publications, Inc., 880 F.Supp. 504, 1995 U.S.Dist.LEXIS 4356 (E.D.Mich. 1995) [ELR 17:3:20]

Consignment agreement between seller of Braque pastel and Christie's authorized the auction house to refund purchase price to buyer and recover it from seller, when buyer disputed pastel's authenticity and Christie believed it might become liable to buyer for breach of warranty

Christie, Manson & Woods is one of the art world's leading auction houses. In 1990, Christie's handled the sale of a pastel by the late Georges Braque, a prominent French painter, on behalf of its then-current owner. At the time of the auction, the seller and Christie's both believed the pastel was authentic, and indeed it may very well have been. But the buyer later disputed the pastel's authenticity. And that dispute eventually led to a lawsuit that focuses on a legal issue that is important to those who buy and sell valuable works of art at auction.

That issue is this: To whom does the auction house owe a duty of loyalty? To the seller, whose "agent" the auctioneer is, for the purpose of the sale? Or to the buyer, to whom the auctioneer has warranted the artwork's authenticity? At first glance it appears the auction house owes duties to both seller and buyer. But what is the auctioneer to do when those duties conflict? These were the questions the court had to answer, in order to resolve the lawsuit between Christie's and the seller of the pastel. The court did so by ruling that Christie's consignment agreement with the seller gave Christie's: the right to investigate the pastel's authenticity when the buyer disputed it; the right to refund the purchase price to the buyer when Christie's believed it might become liable to the buyer for breach of warranty; and the right to recover the amount refunded from the seller. These conclusions are easier to describe than they were to reach; in fact, at an earlier stage of the case, the court denied Christie's motion for summary judgment, saying that unresolved questions of law and disputed issues of fact would require a full trial. (ELR 16:2:24) However, Christie's persuaded the court to reconsider its earlier ruling, and now it has granted Christie's the summary judgment it has sought.

The case appears easy enough. The consignment agreement between the seller and Christie's did three things. First, it made the consignment subject to the terms of the warranty of authenticity Christie's would be giving to a buyer. Second, it gave Christie's the right to refund the purchase price paid by a buyer if "in its sole judgment" it determined its sale of consigned property might subject it "to any liability, including liability under warranty of authenticity"; and if Christie's did refund the purchase, the seller agreed to repay Christie's. Third, the agreement gave Christie's "complete discretion" to seek the views of "any experts" concerning the authenticity of the consigned property. As between Christie's and those who buy at its auctions, Christie's warrants that the work "is authentic and not counterfeit."

When the buyer of the Braque pastel questioned its authenticity, Christie's sent the painting to France for it to be inspected by the person who under French law held the artist's moral rights which as a matter of French law included the right to authenticate which works were done by Braque. That person examined the pastel and informed Christie's that he did not believe it to be the work of Braque and that he would not issue a certificate of authenticity for it. As a result, Christie's refunded the purchase price - $600,000 - to the buyer and demanded that the seller reimburse it. The court's judgment simply required the seller to do so.

Upon closer inspection, however, it is apparent why the case actually was more difficult than this. The seller had purchased the Braque pastel from a reputable gallery more than 40 years before deciding to sell it at auction. At the time the seller consigned the pastel to Christie's, the auction house's own experts on impressionist and modern drawings inspected the work and concluded it was in fact authentic. Moreover, the seller argued that after the buyer purchased the pastel for $600,000, the art market began to decline and the buyer wanted to rescind the purchase for that reason. Apparently, the buyer was a personal friend of certain top-level Christie's executives, and the seller surmised that Christie's wanted to accommodate the buyer for that reason and because the buyer was an important client. Also, if Christie's had declined to accommodate the buyer, and she had sued Christie's, the law of New York would have required the buyer to prove the pastel was a forgery; the law would not have required Christie's to prove it was authentic. For these reasons, the seller argued that Christie's had a duty to be loyal to her and not to help the buyer.

Ultimately, the court rejected the seller's argument. It ruled that the auction house had dual loyalties, and that the law of New York permitted this when it was agreed to in advance. Here, the court construed the consignment agreement to be such an agreement. As a result, Christie's did not breach its duty of loyalty to the seller when it investigated the buyer's complaints by sending the pastel to France. Nor did Christie's breach its duty to the seller when it rescinded the sale and refunded the buyer's money. The court noted that the consignment agreement permitted Christie's to refund the purchase price if "in its sole judgment" it determined that it could become liable for breach of warranty. The court acknowledged that the obligation of good faith and fair dealing prohibited Christie's from exercising its judgment in bad faith. But, said the court, the proper standard was not whether it had exercised its judgment in an objectively reasonable manner - a standard that would have required a trial. Rather, the standard was whether Christie's had exercised its judgment in a subjectively reasonable way - a more easily satisfied standard, which the court found was satisfied in this case. Under this standard, it was reasonable for Christie's to refund the purchase price even if it continued to believe the pastel was authentic, because it had been unable to get a certificate of authenticity from the French holder of Braque's moral rights and therefore it might have been held liable for breach of warranty if the buyer sued.

Editor's note: This decision appears to be quite significant to art collectors and dealers; and indeed, the lawyers for both Christie's and the seller argued that it would be. It appears significant, because the ultimate holding may be read to be mean that art sales by consignment are never final and that remorseful buyers can change their minds simply by questioning the authenticity of the works they have purchased. The court itself, however, expressed a more modest view about the "import" of its decision. The court rejected the notion that its decision was about "the glamorous world of art collection and dealing" and said instead that it "is mostly about the relatively unglamorous world of contract law." The contract in question was the consignment agreement signed by the seller - an agreement the court thought was "a sensible resolution of a complex commercial problem" and not at all "unjust." The court therefore refused to ignore what it found to be the agreement's "clear terms." Though the consignment agreement made the seller vulnerable to a buyer's demand for rescission, its terms were not carved in stone. As the court suggested in its decision, the seller could have bargained for terms that made the sale more final, at least as between the seller and Christie's, if she had wished to. This then is the lesson to be drawn from this decision: in an age when the authenticity of valuable works of art is frequently subject to doubt, parties should negotiate who will bear the risk that what is sold is really fake or that a buyer will claim it is.

Greenwood v. Koven, 880 F.Supp. 186, 1995 U.S.Dist.LEXIS 3769 (S.D.N.Y. 1995) [ELR 17:3:21]

Seller is entitled to further proceedings in dispute over authenticity of drawing denounced as a fake by artist who supposedly drew it

Sometimes it's so difficult to distinguish an authentic work of art from a fake, that even an affidavit expressing the artist's own opinion may not be the last word. This was the case in connection with a pencil on paper drawing titled "Colette de Profil" by artist Balthazar Klossowski de Rola, popularly known as Balthus.

In 1988, Arnold Herstand & Co. sold the drawing on behalf of its then-owner, Gallery: Gertrude Stein. The purchaser later consigned the drawing back to Herstand to be sold again, and in 1989 it was, to the Claude Bernard Gallery. Subsequently, however, the Bernard Gallery claimed that the drawing was a fake and that Balthus had repudiated it. Herstand refunded the amount paid by the Bernard Gallery and attempted to obtain reimbursement from the Stein Gallery. When Stein refused to pay, Herstand sued.

A New York trial court granted Herstand's motion for summary judgment on its claim for rescission on the ground of mutual mistake of fact, stating that the artist's purported repudiation of the work altered a material and substantial fact assumed by the parties at the time of their contract, namely, the authenticity of the drawing. (ELR 15:1:9)

Now a New York appellate court has reversed the trial court's ruling. The appellate court has ruled that the Stein Gallery had rebutted the finding of mistake and had raised issues of fact concerning the authenticity of the drawing.

The appellate court acknowledged that an affidavit by Balthus had been submitted in which the artist stated that, upon seeing photographs of the "Colette" drawing, he denounced the drawing as a fake. However, the court held that although there may be some situations where the artist's own acceptance or rejection of a questioned work will be the "final word" on its validity, this case was not one of them. In this case, Balthus' certifications of falsity were "pure hearsay" as to which Herstand had not cited an exception to the hearsay exclusionary rule, nor had Herstand offered any other basis for the admissibility of the certifications. Furthermore, Herstand had not produced expert testimony, while the Stein Gallery had presented an expert who attested to the authenticity of the drawing.

The appellate court also noted that the provenance (i.e., the source and subsequent custodial history) of the drawing suggested it was authentic. Gertrude Stein had acquired the drawing in the late 1960s from Frederique Tison, who was then married to Balthus. The drawing was purchased with a group of other drawings, the authenticity of which has never been questioned. The "Colette" drawing remained in Stein's possession until Herstand took possession of the work in 1988, along with an original certificate of authenticity signed by Tison in the 1960s.

In support of its ruling, the court also discussed certain historical incidents in which artists have repudiated their own genuine work, and noted an expert's testimony concerning the possibility that Balthus had acted "from personal animus against his former wife.

The case has been remanded to the trial court for further proceedings.

Arnold Herstand & Co. v. Gallery: Gertrude Stein, 626 N.Y.S.2d 74, 1995 N.Y.App.Div.LEXIS 4583 (N.Y. App.Div. 1995) [ELR 17:3:23]

Creator of radio station promotional contest obtains preliminary injunction against unauthorized use of substantially similar brochures but not against continued use of similar contest

Creative Media Management is a company that creates promotional contests for radio stations - and apparently it is good at what it does. At least twice in the last year, one of its contests has been copied by radio stations that had no permission to do so. And, to add insult to injury, both offending stations were located in the same markets as other stations who are CMM clients.

The contest at the heart of both cases was called "Payroll Payoff," and its purpose was to get radio listeners to tune in and stay tuned. It worked like this: CMM designed and mailed brochures to residents of the area in which its radio station clients were located. These brochures included mail-back or fax-in forms that recipients were urged to fill out with their names and return to the station. Once an hour, the station would broadcast the name of one of those who had returned the form, and if a listener heard his or her name and called the station, the listener would win some money each hour until another listener called the station when his or her name was broadcast.

Last year, a station in Pennsylvania used a substantially similar contest without CMM's consent; and CMM obtained a preliminary injunction, on both copyright and trade dress grounds, preventing it from doing continuing to do so. CMM Cable Rep. v. Keymarket Communications, 870 F.Supp. 631 (M.D.Pa. 1994)(ELR 16:12:14).

More recently, CMM has gone after a station in Maine that also used a promotional contest that was substantially similar to CMM's "Payroll Checkoff." CMM has obtained a preliminary injunction against the Maine station as well, though the Maine injunction is somewhat narrower and was granted on narrower grounds than the Pennsylvania injunction. In the Maine case, the court enjoined only the use of a substantially similar brochure; and the court did so only on copyright infringement grounds. The court denied CMM's request for an injunction against the station's use of the contest itself, and the court denied CMM's request for an injunction against the station's use of the name "Payday" for its contest.

The court ruled that the station's brochure infringed the copyright to CMM's brochure, because the station had copied CMM's text, graphics and layout in a manner that made the two brochures substantially similar. The court declined to enjoin the station's continued use of the contest itself, however, because it found that CMM had created "Payroll Payoff" by copying an earlier radio contest called "Working Women's Wednesday." Although CMM had made some adaptations in the process of creating its contest, the adaptations were not significant enough to make "Payroll Payoff" sufficiently original to be eligible for copyright protection. Moreover, the idea of an accumulating cash jackpot also is not eligible for copyright protection. The court refused to enjoin the station's use of the title "Payday" for its contest, because it found little likelihood of confusion between that title and CMM's "Payroll Payoff."

Editor's note: This case confirms and applies well-settled principles concerning the protectibility of contests and games. Contest and game concepts are not protectible. Even the Pennsylvania case permitted the defendant to continue using promotional games that feature the concept of an accumulating cash award. The defendants in both cases ran afoul of the law by using more than the contest concept; they used copyright-protected expression copied from CMM's brochures. (In the Pennsylvania case, the station also used some CMM-authored broadcast commentary, the copyrightability of which the station had not contested.) In short, contest concepts are not protectible, and thus may be freely copied. The particular manner in which those concepts are expressed, however, may not be copied. Contest titles, like all other types of trademarks, are protectible, but only if they have acquired secondary meaning (or are inherently distinctive) and only if the defendant's title is likely to cause confusion.

CMM Cable Rep., Inc. v. Ocean Coast Properties, Inc., 879 F.Supp. 132, 1994 U.S.Dist.LEXIS 19998 (D.Me. 1994) [ELR 17:3:23]

Court dismisses Disney's claims for implied indemnity and setoff against Stokowski estate in action involving "Fantasia" home- videos

There's a silver lining in every rain cloud . . . and a lawsuit in every homevideo re-release. Or so it would seem. The question of whether rights acquired years - sometimes decades - before the advent of the homevideo industry were broad enough to authorize the re-release of old movies is a question that has been litigated repeatedly in cases reported in these pages. The record for the most litigation arising from the homevideo release of a single film appears to be held by Walt Disney's "Fantasia." Though that movie was not a financial success when first released in theaters in 1940, its 1991 release on videocassettes and laser disks has been profitable. And at least three lawsuits have been filed against Disney by those seeking a share of those profits.

One lawsuit was brought by the publisher of Igor Stravinsky's "The Rite of Spring." The claim in that case is that the synch license by which Disney acquired the right to use that musical composition in the "Fantasia" soundtrack did not authorize its use on videocassettes.

Another lawsuit was brought by the Philadelphia Orchestra which performed the film's soundtrack music. The claim in that case is that the Orchestra is entitled to a share of the homevideo profits as a matter of copyright, contract, trademark and right of publicity law. (ELR 15:7:3)

The third lawsuit was brought by the estate of Leopold Stokowski, who was the conductor of the Philadelphia Orchestra when "Fantasia" was produced. (ELR 16:12:3) In response, Disney filed its own claims against the estate - claims for indemnification against any liability it might incur in the Philadelphia Orchestra case and claims for a right to setoff (against anything it might owe the estate) any amounts it might have to pay the Orchestra or the publisher of "The Rite of Spring." A federal district court in New York City has ruled against Disney on its claims against the Stokowski estate for indemnity and setoff.

In connection with Disney's indemnity claim, the court reviewed the 1939 Stokowski-Disney contract and found no express language of indemnity in it. The court acknowledged that the law also provides for implied indemnity, as a matter of contract law in some states and tort law in others. Here, however, the court found nothing in the Stokowski-Disney contractual relationship that would support an implied indemnity, and Disney had not even alleged that Stokowski had been negligent.

The court rejected Disney's setoff claim, even though it said it was "not unsympathetic to Disney's desire to avoid inconsistent judgments" in the three suits that had been filed against it - suits which in the aggregate sought more than 100% of "Fantasia's" homevideo profits. The court held, however, that setoff was not the proper mechanism for avoiding inconsistent judgments, because the setoff doctrine is designed to be used only when two opposing parties have "mutual demands or debts." In this case, Disney was seeking to offset against the Stokowski estate demands that have been made by third parties.

Editor's note: This opinion was published in the Federal Supplement after the Stokowski estate decision reported in the Entertainment Law Reporter at ELR 16:12:3. Moreover, as reported in the Federal Supplement advance sheet, this decision was rendered in 1995. However, LEXIS reports that this decision actually was rendered in 1994, and appears to have been rendered before the decision reported at ELR 16:12:3, because that decision rejected the Stokowski estate's claim for a share of "Fantasia's" profits and thus that decision would have made moot Disney's claim for a right to setoff. This of course is a mere procedural point, and an exceedingly small one at that. This decision does illustrate one thing about "entertainment law" however: it shows just how much "entertainment law" litigation involves legal issues that far removed from what most people consider to be "entertainment law."

Muller v. Disney, 876 F.Supp. 502, 1994 U.S.Dist. LEXIS 20349 (S.D.N.Y. 1995) [ELR 17:3:24]

Court upholds FCC's finding that Ross Perot interview on ABC was exempt from "equal time" requirements

Section 315(a) of the Communications Act of 1934 provides that when a licensed broadcaster permits any "legally qualified candidate for any public office" to use its station, the broadcaster also must provide all other legally qualified candidates with an equal opportunity to use its facilities. However, the statute exempts from this "equal time" requirement four categories of news events, including "bona fide news interviews."

In June 1992, ABC broadcast a program entitled "Who is Ross Perot?," which included a live appearance by Perot, a then-undeclared independent candidate for President of the United States, before a studio audience. Lenora B. Fulani, another independent candidate for the presidency, sought an equal opportunity to appear on ABC, but the network denied Fulani's request. She then complained to the FCC.

The FCC's Mass Media Bureau (which makes the initial rulings on complaints such as these) noted that the program on which Perot had appeared was an edition of ABC's "Nightline" series, even though it had a different host and format that night, and met the criteria of being "regularly scheduled." The full FCC affirmed the findings of its Bureau and thus exempted Perot's appearance as a "bona fide news interview."

A Federal Court of Appeals has upheld the FCC's ruling. The court has held that there was a reasonable basis for the FCC's decision that ABC exercised sufficient journalistic control of the broadcast, and that the network's decisions regarding format, content and participants were based on reasonable good faith journalistic judgment rather than on an intention to advance the candidacy of a particular person.

Fulani v. Federal Communications Commission, 49 F.3d 904, 1995 U.S.App.LEXIS 5340 (2d Cir. 1995) [ELR 17:3:25]

Court refuses to reopen racehorse trainer's action against Yonkers Raceway, but reverses sanctions imposed on trainer and his attorney William Kunstler

The longest horse race is probably the steeplechase, its duration measured in minutes. The longest lawsuit about horse races is probably about a harness race, its duration (the lawsuit's, that is) measured in years.

Back in 1972, the New York State Racing and Wagering Board licensed a man named George Hadges to own, train and drive harness race horses. The Board's relationship with Hadges was a difficult one almost from the start, because in 1974, the Board suspended Hadges for failing to disclose the full extent of his arrest record in his initial license application. His license was restored in 1976, and all was apparently quiet for a decade. In 1986, however, the Board found that Hadges had illegally signaled and passed wagering information to a member of the public while taking his horse to the starting line for a race at Roosevelt Raceway. Hadges denied the charges, but in 1989, the Board suspended him for six months.

When the Board reissued Hadges' license, he attempted to obtain racing privileges at Yonkers

Raceway, but the racetrack refused to accept him. Hadges sued for violation of his civil rights, but he lost. (ELR 12:6:19) A Federal Court of Appeals upheld the decision (ELR 13:1:18). Hadges then sued Yonkers Raceway in a New York state court, but he lost that case too.

In 1993, Hadges brought another civil rights, this time in a Federal District Court in New Jersey against the Meadowlands Raceway, and that case was settled. Before that case was settled, however, Meadowlands submitted an affidavit that Hadges contended contradicted an earlier affidavit that had been submitted against him in his case against Yonkers Raceway. Therefore, Hadges brought a Rule 60(b) action seeking to set aside the judgment against him in the Yonkers case. The District Court granted Yonkers' motion for summary judgment, finding, in part, that Hadges had not shown that Yonkers had committed a fraud on the court in the earlier proceeding. (ELR 16:5:26) In a subsequent ruling, the District Court imposed sanctions on Hadges and on his attorney, William Kunstler, for misleading the court in the course of the Rule 60(b) action. The court fined Hadges $2,000, censured Kunstler, and denied permission to reargue the sanctions issue. Now a Federal Court of Appeals has affirmed the denial of Rule 60(b) relief, on the grounds that the Meadowlands affidavit did not show that a fraud had been committed on the court in the Yonkers case. But the Court of Appeals has reversed the sanctions imposed on Hadges and Kunstler, because they were imposed without complying with the requirements of newly-amended Rule 11, and because remarks made by the District Court about Kunstler had "the appearance of a personal attack against Kunstler, and perhaps more broadly, against activist attorneys who represent unpopular clients or causes."

Hadges v. Yonkers Racing Corp., 48 F.3d 1320, 1995 U.S.App.LEXIS 4034 (2d Cir. 1995) [ELR 17:3:25]

Briefly Noted:

International Contributory Copyright Infringement.

The law is well-established that a United States District Court may not hold a defendant liable for copyright infringement on account of infringing activities that take place in another country. This is so because U.S. copyright law has no extraterritorial effect, and therefor U.S. district courts do not have subject matter jurisdiction to rule on infringement claims arising out of activities that take place abroad. (See, e.g., Subafilms, Ltd. v. MGM-Pathe, 24 F.3d 1088 (9th Cir.), cert.denied, 1994 U.S.LEXIS 8040 (1994) (ELR 16:5:10)) As a result, a federal court in Pennsylvania has ruled that a defendant may not be held liable for contributory copyright infringement on account of allegedly infringing reproductions and sales that took place in Taiwan, even though the defendant provided the Taiwanese manufacturer with samples of the plaintiff's copyrighted goods to use as models for making "knock-offs." On the other hand, where infringing activity takes place both inside and outside the United States, U.S. copyright law does reach those activities that take place in the U.S. The court ruled that this legal principle means that a defendant may be held liable by a U.S. District Court for contributory copyright infringement if: (1) the allegedly infringing "knock-offs" were sold to retailers in the United States (even retailers that are unrelated to the defendant); and (2) the defendant knew or should have known that the Taiwanese manufacturer would sell the "knock-offs" to U.S. retailers (even if those retailers were competitors of the defendant and the defendant did not want the Taiwanese manufacturer to do so). The court therefore denied a motion for summary judgment made by May Company (a department store operator) in an infringement suit brought by the owner of the copyrights to designer potpourri jars, where the May Company had provided the plaintiff's jars to a Taiwanese manufacturer so "knock-offs" could be made, and the Taiwanese company sold the "knock-offs" to May Company's competitors (as well as to May Company itself).

Metzke v. May Department Stores Company, 878 F.Supp. 756, 1995 U.S.Dist.LEXIS 3321 (W.D.Pa. 1995) [ELR 17:3:26]

Previously Reported:

The following case, which was reported in an earlier issue of the Entertainment Law Reporter, has now been published: Green v. Lindsey, 885 F.Supp. 469 (S.D.N.Y. 1992), aff'd without opinion, 9 F.3d 1537 (2d Cir. 1993), cert. denied, 1994 U.S.LEXIS 2392 (1994) (ELR 14:10:3). [ELR 17:3:26]

WASHINGTON MONITOR

FCC permits Fox to continue owning television stations even though foreign ownership of its parent company exceeds benchmark limit

In the world-wide scheme of things, the United States is a wide-open country that permits foreign investment to a far greater extent than most. With respect to one industry though, U.S. law contains foreign-ownership limitations similar to those U.S. companies complain about when they appear in the laws of other countries. That industry is the broadcasting industry, and the U.S. law in question is the Federal Communications Act. Section 310 of that Act provides that as a general rule the FCC may not grant a broadcast license to a company if more than 25% of it is owned by aliens. Despite this general rule, the FCC may grant licenses to foreign-owned broadcasters, if doing so would serve the "public interest."

Fox Television Stations, Inc., is part of the same corporate family as 20th Century Fox - a company most people think of as being as American as can be. In fact, however, Fox Television is the corporate grandchild of The News Corporation, Ltd., which is an Australian company. News Corp. owns more than 99% of Fox Television's parent company, and that presented a potential problem, because Fox Television owns a halfdozen television stations, including WNYW-TV in New York City.

Because of its Australian grandparent, the FCC renewed WNYW-TV's license earlier this year, but only "conditionally." In order to get the condition removed, the FCC required Fox to do one of two things. It had to notify the FCC "whether, how and when" it would bring its Australian ownership under 25%; or it had to show how its existing ownership "serves the public interest." Fox attempted to do both, and succeeded with one. As a result, the FCC has removed the condition, has renewed Fox's license for WNYW-TV, and has indicated that Fox's Australian ownership will not be a problem in connection with the renewal of the licenses to its other stations.

In an effort to bring its Australian ownership below 25%, News Corp. recapitalized Fox Television's parent company by decreasing News Corp.'s equity and increasing the parent company's debt. In the opinion of the FCC, however, that recapitalization was not sufficient to bring ownership of Fox Television's parent below the 25% benchmark.

On the other hand, the FCC found that given the "unique equities" of this case, the public interest would be served by permitting Fox Television to own television stations despite its Australian ownership. And it was on this ground that the FCC renewed Fox's license to WNYW-TV. What most influenced the FCC was Fox's creation of a fourth television network which in turn improved the financial health of independent televisions, and provided additional outlets for program producers, more diverse programs for viewers, and greater employment opportunities for those who work in television. Other factors were noted as well. A more complete recapitalization would have cost News Corp. hundreds of millions of dollars in taxes. And Rupert Murdoch -

once an Australian, but now an American citizen - "exercises de jure and de facto control" over Fox Television "and has substantial influence as News Corp. as well."

Editor's note: The result in this matter was clearly correct and desirable, viewed both in isolation and as part of the larger question of foreign ownership of U.S.-based entertainment companies. The FCC has explained that the 25% cap on foreign ownership of broadcast stations was adopted "to safeguard domestic licensees from undue foreign influence and control" and to "insure the American character of licensees," particularly "when combined with concerns for national security." While Australia and the United States are certainly separate countries, our common heritages and national characteristics make the two countries so similar that Australian influence could hardly be classified as "foreign" or a threat to "national security," even if it were to exercised. Moreover, when other countries of the world

- France and Canada, for example - argue about the importance of the essential "character" of their "cultural industries" (at the expense of American entertainment companies), it is an argument that properly falls on deaf American ears. Consistency certainly requires the U.S. to be as open to Australian companies as we expect France and Canada to be to U.S. companies.

In re Application of Fox Television Stations, Inc., FCC 95-313, 1995 FCC LEXIS 5088 (1995) [ELR 17:3:27]

DEPARTMENTS

In the Law Reviews:

The "Dissing" of Da Vinci: The Imaginary Case of Leonardo v. Duchamp: Moral Rights, Parody, and Fair

Use by Geri J. Yonover, 29 Valparaiso University Law Review 935 (1995)

Moral Rights and Real Obligations: A Property-Law Framework for the Protection of Authors' Moral Rights by Dane S. Ciolino, 69 Tulane Law Review 935 (1995)

Copyright Impkications of Collage Works by Carla Passero, Santa Clara Computer and High Technology Law Journal 319 (1995)

International Application of a Domestic Intellectual Property Protection Strategy: Extending a Predatory Litigation Strategy to the European Community by Kim H. Jordan, Santa Clara Computer and High Technology Law Journal 373 (1995)

National Basketball Association v. Williams: A Look Into the Future of Professional Sports Labor Disputes by Mark T. Doyle, Santa Clara Computer and High Technology Law Journal 403 (1995)

Substantial Similarity in the Ninth Circuit: A "Virtually Identical" Look and Feel"/ by Rodger R. Cole, Santa Clara Computer and High Technology Law Journal 417 (1995)

Entertainment and Sports Lawyer, published by the American Bar Association Forum on the Entertainment and Sports Industries, 750 N. Lake Shore Drive, Chicago, IL 60611-4497, has published Volume 13, Number 2 with the following articles:

Wrestling with Title IX Compliance and Men's Sports Programs by Ted Curtis, 13 Entertainment and Sports Lawyer 1 (1995)

Assumption of Risk in the Arena, on the Field and in the Mosh Pit: What Protection Does It Afford? by Alexander J. Drago, 13 Entertainment and Sports Lawyer 3 (1995)

Book Review: Copyright's Highway: The Law and Lore of Copyright from Gutenberg to the Celestial Jukebox by Paul Goldstein, reviewed by Alex Alben, 13 Entertainment and Sports Lawyer 9 (1995)

Art Law: The Guide for Collectors, Investors, Dealers and Artists by Ralph E. Lerner and Judith Bresler, reviewed by Nicholas A. Carlin, 13 Entertainment and Sports Lawyer 17 (1995)

Drafting License Agreements by Michael Epstein and Politano, Editors, reviewed by David Greenspan, 13 Entertainment and Sports Lawyer 19 (1995)

Communicating Deviance: The Effects of Television News Coverage of Social Protest by Douglas M. McLeod, 39 Journal of Broadcasting & Electronic Media 4 (1995)

Indecency, the Federal Communications Commission, and the Post-Sikes Era: A Framework for Regulation by Jan H. Samoriski, John L. Huffman, and Denise M. Trauth, 39 Journal of Broadcasting & Electronic Media 51 (1995)

Top of the Hour Radio Newscasts and the Public Interest by Philo C. Wasburn, 39 Journal of Broadcasting & Electronic Media 73 (1995)

Cable Television: Will Federal Regulation Protect the Public Interest? by David W. Arnesen and Marlin Blizinsky, 32 American Business Law Journal 627 (1995)

Navigating the Global Information Superhighway: A Bumpy Road Lies Ahead by Ilene Knable Gotts and Alan D. Rutenberg, 8 Harvard Journal of Law & Technology 275 (1995)

To Steal A Book Is an Elegant Offense: Intellectual Property Law in Chinese Civilization, Reviewed by Guy Yonay, 8 Harvard Journal of Law & Technology 537 (1995)

Unconstitutional Incontestability? The Intersection of the Intellectual Property and Commerce Clauses of the Constitution: Beyond a Critique of Shakespeare Co. v.

Silstar Corp. by Malla Pollack, 18 Seattle University Law Review 259 (1995) [ELR 17:3:28]