

LEGAL AFFAIRS

**Old Content in New Bottles:
Interpreting Pre-Existing Agreements
in the Online World**

by Mark F. Radcliffe

The use of existing content (such as music, film and television) online will be critical to the long-term success of the multimedia industry. Much of this content is the subject of pre-existing agreements which do not anticipate this new medium. The rights necessary to exploit these works are generally called "electronic rights." However, the term "electronic" or "digital" rights does not have any commonly accepted legal meaning. It can range from rights to exploit a work on computer networks such as the Internet and the major online services

to exploitation on "magnetic and optical media" (such as floppy disks, cartridges, MMCD and CD-ROMs).

The right of a company to exploit the content in these new forms of media without additional payment has been challenged by both the National Writers Union and the Author's Guild. Members of the National Writer's Union have sued the New York Times Company, Newsday, Time, Inc., Atlantic Monthly, Mead-Data Central Corporation and University Microfilms International challenging the reproduction of articles and other works on CD-ROMs and online services by these publishers without additional compensation to the author.

Both of the major organizations representing authors have taken strong positions on this issue. In June 1993, the National Writers Union published a Working Paper which recommended that "All rights" clauses be limited to rights for media in existence at the time of the

agreement and that authors should receive at least 50% of the sales price for electronic distribution of their work (because of the lower cost incurred by the publisher). Similarly, the Author's Guild and American Society of Journalists and Authors published a Position Statement in October 1993 which states that writers should control the distribution of their work in electronic form. They urge that the grant of rights to electronic versions of the work be for specified, existing formats, and not include all future formats. The Author's Guild also strongly objected to the announcement by Random House that its standard contract would include electronic rights for all existing and future formats and would pay authors a 5% royalty for such rights.

One recent case has suggested that in addition to the traditional reproduction and distribution rights, the use of works online will require a license of the public display right (or in the case of a series of related images,

the public performance right). In *Playboy Enterprises v. Frena*, 839 F.Supp. 1552 (M.D.Fla. 1993) (ELR 16:4:10), the court found that Frena, the operator of a computer bulletin board, was liable for infringement of the distribution and public display rights of Playboy Enterprises, Inc., due to the unauthorized uploading and downloading of copies of photographs from Playboy magazine on the bulletin board. The court noted, citing the House Report, that the public display right covers "the projection of an image on a screen or other surface by any method, the transmission of an image by electronic or other means and showing of an image on a cathode ray tube or similar viewing apparatus connected with any sort of storage and retrieval system." The House Report also noted that the unauthorized transmission of the display from one place to another was also a violation of the display right.

Alternative approaches

Yet several times before in this century copyright laws and the courts have faced the problem of how to apply existing agreements to new technologies: the introduction of "talking" motion pictures, the advent of television, and the development of the home video market. Nimmer on Copyright has summarized the two possible approaches as follows: 1) the "preferred," broad-construction approach is that the licensee may properly pursue any uses which may reasonably be said to fall within the medium as described in the license; and 2) the less preferred, strict-construction approach that "a license of rights in a given medium (e.g. `motion picture rights') includes such uses that fall within the unambiguous core meaning of the term (e.g. exhibition of motion film in motion picture theaters) and excludes any uses which lie within the ambiguous penumbra (e.g.

exhibition of a motion picture film on television). Thus, any rights not expressly (in this case meaning unambiguously) granted are reserved."

Broad construction

The first approach is best illustrated in the well-known Second Circuit case of *Bartsch v. Metro-Goldwyn-Mayer*, 391 F.2d 150 (2d Cir.), cert. denied, 393 U.S. 826 (1968). The court was faced with the question of whether the assignment of "motion picture rights" to a musical play executed in 1930 included the assignment of the right to permit broadcasting of the film by television. Television technology was not in existence in 1930. In fact, television was not introduced until 1941, more than ten years after the date of the assignment. The assignment stated that the rights granted were "to project, transmit, or otherwise reproduce the

said work or any adaptation or version thereof, visually or audibly by the art of cinematography or any process analogous thereto and to copyright, vend, license and exhibit such motion picture photoplay throughout the world." The language of the grant did not include the provisions we now commonly see, such as "by any means now known or hereafter invented."

Although the district court had looked to the phrase "process analogous to," the Second Circuit Court of Appeals focused on the grant of rights to "copyright, vend, license and exhibit such motion picture photoplay throughout the world." The Second Circuit concluded that the issue was whether this grant permitted the "exhibition" of the photoplay by television. The court found that the term "exhibit" included the television technology which would become commercially available almost a decade later. This decision was based on the trial court's finding that in 1930 the future possibilities of television

were recognized "by knowledgeable people in the entertainment and motion picture industries." This distinction was important because it permitted the Second Circuit to distinguish the La Shelle case. (*Kirk La Shelle Co. v. Paul Armstrong Co.*, 263 N.Y. 79 (1933)) The court noted that the La Shelle case involved technology which was completely unknown at the time. The court also distinguished the Third Circuit's *Ettore* decision (*Ettore v. Philco Television*, 229 F.2d 481 (3d Cir. 1956)) on the basis that Bartsch was an "experienced" business man and should be "bound by the implications of the language he accepted when he had reasons to know of the new medium's potential."

In a subsequent district court decision in the Second Circuit, *ABKCO Music v. Westminster Music*, 838 F.Supp. 153 (S.D.N.Y. 1993) (ELR 16:4:12), the court concluded that the La Shelle holding must be read narrowly in the context of the facts of that case. Further, the

court endorsed Nimmer's broad-construction approach followed in the Bartsch case: "The allocation of risks and rewards of unforeseen `new uses' to one party or another becomes an issue of policy which it is the responsibility of the courts to decide . . . which party should `reap the windfall associated with the new medium.'" The narrow rule of *La Shelle* was deemed to be appropriate only in cases where the parties could not know of the existence of the new use and such use could not have formed part of the bargain between the parties.

More recently, the Second Circuit affirmed its preference for the broad-construction approach when the contracting parties are knowledgeable in the entertainment industry in *Bourne v. Walt Disney*, 68 F.3d 621 (2d Cir. 1995). *Bourne*, the successor to Irving Berlin, Inc., claimed copyright infringement by Disney based on, among other things, Disney's sale of videocassette recordings featuring *Bourne's* copyrighted songs

written for the animated motion pictures "Snow White and the Seven Dwarfs" and "Pinocchio." The agreement conveying Disney's copyrights in the songs to Bourne contained a provision granting rights back to Disney to record the songs "in synchronism with any and all of the motion pictures which may be made by you . . . and the right to give public performance of such recordings." Bourne contended that videocassette rights fell outside the scope of the rights granted to Disney since videocassette technology was not in existence when the parties signed their agreement.

However, the Court of Appeals for the Second Circuit defined Disney's "motion picture" rights broadly to include video cassette rights: a motion picture is "a broad genus whose fundamental characteristic is a series of related images that impart an impression of motion when shown in succession, including any sounds integrally conjoined with the images." Under this concept,

the physical form in which the motion picture is fixed, such as film, tape, discs, and so forth, is irrelevant. Further, the court found that while specific technology underlying today's VCRs was not available during the 1930s, home viewing of motion pictures was within the contemplation of persons knowledgeable in the entertainment and motion picture industries. The Court did, however, uphold the jury's decision that under the license Disney did not have the right to use the music on television for advertising. This conclusion was confirmed by Disney's repeated requests to Bourne for licenses to advertise on television.

The Fifth Circuit has adopted this approach in the recent Hearst decision. (*Bloom v. Hearst Entertainment*, 33 F.3d 518 (5th Cir. 1994) (ELR 16:8:5)) In that case, the authors of a story about a well publicized axe murder sold all rights to the Texas Monthly Press ("TMP"). TMP then exclusively licensed the "movie rights" to

Hearst Entertainment Group and Phoenix Entertainment Group ("Hearst"). These movie rights were described as "exclusive worldwide motion picture and television rights." Later, the authors and TMP had a dispute about the movie contract and TMP re-assigned all of its rights to the authors. Hearst made a TV film which was broadcast by CBS Television Network. When Hearst announced that it intended to distribute the movie on videocassette, the authors sued Hearst on the basis that the rights granted did not permit distribution on videocassette. The court affirmed a summary judgment for Hearst. The district court (and the Fifth Circuit) acknowledged that the license grant was ambiguous, but relied on the testimony from the negotiators and the limited nature of the "reservation of rights" clause between TMP and Hearst. Relying on Bartsch, the court found that video technology was known at the time of the grant of the movie rights (in 1988) and were not

expressly reserved and, therefore, the scope of the license should be interpreted broadly.

The licensee does not always benefit from the first approach that presumes a new use is to be included if the works can reasonably be interpreted to encompass such use. In 1990, singer Peggy Lee was awarded \$2.3 million in damages in a suit against Walt Disney Studios over the use of her performance of the voices and music in the sound track for the motion picture "The Lady and the Tramp." (ELR 12:2:19, 12:12:19, 14:8:19) The agreement provided for royalties to Peggy Lee for all "records and transcriptions" of the sound track for the animated film. Although video cassettes did not exist in 1952, Peggy Lee contended, and the court agreed, that the word "transcriptions" in the contract required the payment of royalties on video cassette sales. In this case, the grantor benefited from the broad interpretation

of the new uses covered since the contract provision in dispute defined the price she was entitled to be paid.

Strict construction

The second, strict-construction approach to the issue of licensing rights in new technology was applied by the Third Circuit in the Ettore decision. The court decided that a license granted by Ettore, a prizefighter, to make a motion picture of this 1936 fight did not permit television broadcast of the motion picture. This decision was strongly influenced by the court's view that television was not in existence in 1936 and that it would be unfair to assume that Ettore was aware of this experimental medium. The court was troubled by the lack of an express reservation of rights by Ettore, but finally decided that silence about an unknown media was the equivalent of a "reservation of rights."

The First Circuit adopted a similar rule in the "Curious George" case. (Rey v. Lafferty, 990 F.2d 1379 (1st Cir. 1993) (ELR 15:7:4)) The case involved a complex set of agreements to exploit the "Curious George" character. A dispute arose regarding the scope of the license for the 104 film episodes of "Curious George." The license granted was "for television viewing" and Mr. Rey, owner of the copyright in the "Curious George" character, sued the distributor for distribution of the film episodes in video cassette form. The First Circuit confirmed a district court ruling that "reference to television viewing . . . in a licensing agreement . . . does not include [video technology] . . . which probably was not in existence at the time that the rights were given." The court noted that the current technology permits the viewing of video cassettes on monitors and other "non-television" devices.

Importance of contract language

These results can also be altered by the language of the contract. "Reservation of rights" provisions can be especially important. For example, a dispute over the television film rights to the "Hopalong Cassidy" books turned on the wording of the reservation of rights. In 1935, the author granted a film studio all motion picture rights in his books. The grant of rights was as follows: "rights to produce, transmit, reproduce, distribute, exhibit and exploit in any manner or method or device (except as hereinafter specified) now known or hereafter known or used." This broad grant of rights was modified by a reservation of rights which stated that the author retained rights to "all television, broadcasting and radio rights." In 1975, the successor to the original film studio tried to license the motion pictures for broadcast on television. The estate of the author sued, claiming

that the reservation of "all" television broadcasting rights prohibited such broadcast. The court found for the author's estate on the basis that the reservation of "all" television rights would not permit such a broadcast. The court noted that, the broad grant of rights was modified by the parenthetical "except as hereinafter specified." *Filmvideo Releasing v. Hastings*, 668 F.2d 91 (2d Cir. 1981) (ELR 3:24:8)

In the Hearst case, a series of specific reservation followed by a general reservation of rights was not found to be sufficient to overcome the Bartsch principle of contract interpretation. In fact, the court in that case found that courts frequently limit such reservations to the specific reservations (and reservations which are closely analogous) despite the inclusion of a "catch-all, boilerplate" reservation.

The language of the license grant itself is of critical importance. Warner Brothers learned the importance

of such a broad grant in a dispute over whether a license to make movies from a play granted during the silent film era included the right to make "talkies." The grant of rights stated that Warner Brothers received the "exclusive, complete and entire motion picture rights." Murphy, the owner of the copyright in the play asserted that the film industry divided the grant of motion picture rights, at the time of the license, into three separate set of rights: (1) "motion picture rights" (the right to use literary or dramatic compositions in motion pictures); (2) "sound rights" (the right to use sound effects in connection with the use of literary or dramatic composition produced in the form of motion pictures); (3) "dialogue rights" (the right to use speech and dialogue in connection with literary or dramatic compositions produced in the form of "talking" motion pictures). The court rejected this assertion on the basis that the grant of rights for "entire" motion picture rights included all three of

the rights. The court also noted that the grantor had expressly reserved "reproduction of sound by radio" which suggested that the motion picture rights included dialogue rights. *Murphy v. Warner Bros. Pictures*, 112 F.2d 746 (9th Cir. 1940)

In another case, a broad license grant permitted summary judgment. The lawsuit was a class action led by Mickey Rooney against the major motion picture producers and distributors claiming that they were not paying him for his publicity rights when exhibiting films. A typical rights grant to the studios was as follows:

"We [MGM] shall have the right to photograph you [Rooney] and your performances and thereby or otherwise to reproduce your likeness and any and all of your acts, poses, plays and appearances of any and all kinds hereunder, by any present and future methods or means, and the right to record your voice and all instrumental,

musical and other sound effects produced by you hereunder, and to reproduce and/or transmit the same, either separately or in conjunction with such acts, poses, plays and appearances as aforesaid, as we may desire. We (and our successors and assigns) shall be entitled to and shall own solely, exclusively and perpetually, all rights of every kind in and to all of the foregoing, and in and to all other results or proceeds of your services hereunder, without restriction or limitation of any kind, including (but not limited to) the sole, exclusive and perpetual right to reproduce and record all or any of said photographs, reproductions and recordations, by any present or future methods or means, and to perform, exhibit and reproduce said photographs, recordings and reproductions or any of them at any time or times, either separately or in combination, in and in connection with said photoplay and otherwise, and in combination with photographs, recordations and reproductions of or made by

any other person or persons. You hereby transfer and assign to us all of the results and proceeds of your services hereunder, and all rights therein, including but not limited to, the rights specified above, without reservation, condition or limitation of any kind."

The complaint was dismissed on the basis that Rooney had assigned rights for publicity rights in those films to the film studios. The court was strongly influenced by the breadth of the rights grant. *Rooney v. Columbia Pictures*, 538 F.Supp. 211 (S.D.N.Y.), *aff'd*, 714 F.2d 117 (2d Cir. 1982), *cert. denied*, 460 U.S. 1084 (1983) (ELR 4:7:5).

Industry practice

Another potential aid to the interpretation of these agreements is industry practice at the time. However, as

the Murphy case suggests, the determination of industry practice may be difficult. Time Warner discovered this problem in its dispute with Subafilms over the right to distribute the Beatles' movie "Yellow Submarine" in videocassette form. Although Time Warner acknowledged that the parties had deleted references to "non-theatrical" rights in the original agreement, Time Warner argued that this change did not effect its rights to distribute the movie in videocassette form because that medium was a completely new one. Instead, Time Warner relied on a very broad "future technology" clause: "the right to project, exhibit, reproduce, transmit and perform the Picture and prints and trailers thereof by television and by any other technological, mechanical, or electronic means, method or device now known or hereafter conceived or created." The Special Master, however, rejected this argument. Instead, he found that the parties had agreed to split new technologies along "theatrical"

and "non-theatrical" lines. Consequently, Time Warner did not have the right to distribute the movie in videocassette form. *Subafilms, Ltd. v. MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) (ELR 16:5:10)

The problem of determining industry practice is not limited to the movie industry. Playboy Enterprises was also disappointed when it tried to rely on "magazine industry" practice in its assertion of ownership of the copyright in certain illustrations by Nagel. The dispute arose when Playboy began marketing a collection of silk screen impressions of the Nagel prints. Playboy argued that the copyright in the prints had been assigned to it or, in the alternative, the prints were "works made for hire," thereby giving Playboy ownership of the copyrights. Playboy's argument was based on the "endorsement stamp" used on its checks to Nagel which purported to create a "work-for-hire" relationship and

Playboy's retention of copies of many of the original prints. The issue was complicated by the fact that Nagel's relationship with Playboy started in 1974 (under the 1909 Act) and continued to 1984 (under the 1976 Act). The law governing the ownership of copyrights is quite different under the two statutes. The case involved testimony by two well known copyright attorneys, Victor Kovner for Playboy and E. Gabriel Perle for the widow of Nagel. The district court found that Playboy did not own the copyrights in the prints and, instead, it obtained only a "one-time" publication right. The district court's conclusion was based on Perle's testimony, the small price paid, and the lack of proof an oral agreement which the check endorsement confirmed. The Second Circuit affirmed the decision in part, reversed it in part and remanded it on the basis that the district court had applied the wrong test in determining whether the prints were "works for hire"; the court also noted that the

expert testimony on "industry custom" conflicted with factual stipulations agreed to by both parties. *Playboy Enterprises v. Dumas*, 53 F.3d 549 (2d Cir. 1995) (ELR 17:5:12)

Recognizing the potential for disputes over new technologies, most licensees, such as studios and publishers, now include language in the grant of rights clauses that directly address the allocation of rights for later technology. For example, in the *Platinum Record Co.* decision, plaintiff argued that the grant to Lucasfilm of the right to use certain songs in the motion picture "American Graffiti" did not also grant Lucasfilm the right to use the songs in home videos. The parties' contract granted Lucasfilm the right to "exhibit, distribute, exploit, market and perform the said motion picture . . . by any means or methods now or hereafter known." The court rejected plaintiff's notion that it should look behind the written contract to determine whether the

parties actually intended for videocassettes to be encompassed by the contract, and granted summary judgment for Lucasfilm based on the contract language. *Platinum Record Co. v. Lucasfilm, Ltd.*, 566 F.Supp. 226 (D.N.J. 1983) (ELR 6:1:8)

More recently, the Muller case provides another example of the importance of including new media rights in the language of the contract. The dispute involved a contract between Stokowski, the conductor of the Philadelphia Harmonic Orchestra, and Disney, entered into for the purpose of making "Fantasia." Disney was sued by Stokowski's estate following Disney's release of the movie *Fantasia* on home video. Relying on language in the contract that granted to Disney "all rights of every kind in and to" the work, the court held that the contract was clearly designed to embrace future means by which motion pictures meet consumers.

Muller v. Walt Disney Prod., 871 F.Supp. 678 (S.D.N.Y. 1994) (ELR 16:12:3)

However, including the phrase "by any means or method now or hereafter devised" in an agreement is not always enough to ensure that new technologies are covered. It is also important that such phrases modify all the relevant grants of rights, as illustrated by the Ninth Circuit in the Cohen decision. Cohen, the owner of a copyright in a musical composition, granted to a production company a license to use the composition in a film to be distributed in theaters and on television. Cohen filed suit after the production company asserted its right to also distribute the film on videocassette. Although the language of the grant included the right to record and reproduce the words of the music in "any manner, medium, or language," the distribution rights were expressly limited to places of public entertainment and by means of television. The court found that "exhibition by

means of television" contemplated broadcasting or centralized distribution, not the sale or rental of copies on videocassette. The court distinguished the contracts in Platinum and Rooney, which expressly conferred the right to exhibit films by methods yet to be invented. Cohen v. Paramount Pictures Corp., 845 F.2d 851 (9th Cir. 1988) (ELR 9:12:3, 10:6:10)

The Maljack case in the Ninth Circuit makes a further distinction: the requirement of a grant of specific rights or a broad future technology cause to obtain rights in "new" technology does not apply in the interpretation of an assignment instead of a license of rights. Maljack Productions v. Goodtimes Home Video, 30 U.S.P.Q.2d 1959 (C.D.Cal. 1994) (ELR 16:6:16)

Even when the technologies in question are all in existence at the time the contract is entered into, difficulties may be encountered in determining who owns a certain set of rights. For example, a dispute arose

between the publishing house of Simon & Schuster and the film maker Quintex Entertainment, Inc. over certain rights to Lonesome Dove. Simon & Schuster, which is one the largest publishing houses in the United States, obtained the exclusive right to "publish" Lonesome Dove from Larry McMurtry. However, Larry McMurtry had retained the motion picture, educational picture and television picture rights. He licensed the motion picture rights to Quintex which produced a well-known mini-series based on the book.

The Simon & Schuster contract included an "electronic rights" clause which was very broadly drafted to cover exploitation of Lonesome Dove in all types of media. A dispute then arose over Quintex's attempt to distribute an audio cassette of the sound track of the mini-series. Simon & Schuster objected to this distribution as being beyond the scope of Quintex's license to the "movie rights." Despite the planning and

sophistication of a major publisher such as Simon & Schuster, they did not foresee all of the potential "spinoff" products arising from the novel Lonesome Dove. The dispute was settled on undisclosed terms.

Lessons for online exploitation

Given the different approaches taken by different courts, the result in a dispute over electronic rights may depend on where the case is litigated.

However, these cases suggest several lessons for the company wishing to exploit its works online. First, the wording of license grants and the context of those grants can be critical in determining whether they cover online uses. Second, in order to avoid similar problems at a later date, they should include very broad language such as "by any and all means, methods, processes, whether now nor hereafter granted." Third, the company

should be careful about the use of terms such as "all" or "entire" in reservations of rights. On the other hand, content owners should be careful to include an express reservation of rights to avoid an overly broad interpretation of license grants in the future.

Another potential aid to the interpretation of these agreements is industry practice at the time. However, as the Murphy case suggests, the determination of industry practice may be difficult.

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Contracts: 1996 (they can be ordered by calling 800-523-3721).

[ELR 17:8:3]

RECENT CASES

New York court dismisses suit by Jackie Mason seeking damages because Tony Awards committee determined that his one-man show, "Jackie Mason: Politically Incorrect," was not a "play" and thus was not eligible for a Tony Award

Jackie Mason is a funny guy . . . and a classy one too. True, his brand of humor is often politically incorrect. Indeed, Mason himself titled his 1994 show "Jackie Mason: Politically Incorrect." But not many other comedians perform their acts on Broadway, the

way Mason has since the 1986-87 season. Nor have many other comedians received Tony Awards, the way Mason did in 1987 for his show "The World According to Jackie Mason." That award was a "Special" Tony for "Excellence in the Theatre," rather than a regular Tony, because the Award Committee determined that "The World According to Jackie Mason" was not a "play" or "musical," and thus was not eligible for a regular Tony. But Mason didn't complain about the Committee's classification of his show when he accepted the "Special" Tony Award that year.

He did however complain in 1994 - by filing a lawsuit for \$75 million in compensatory and punitive damages - when the Award Committee determined that "Jackie Mason: Politically Incorrect" was not a play or musical and thus was not eligible for a Tony. New York state court Judge Herman Cahn gave the comedian's complaint quite serious consideration, but ruled that

"Politics aside, Mr. Mason is `Legally Incorrect.'" As a result, Judge Cahn has dismissed Mason's case.

Mason's complaint against the American Theatre Wing, The League of American Theaters and Producers and The Dramatists Guild (each of which designates members of the Award Committee) asserted three theories. The first theory was that the Committee had failed to apply "fair standards" - a claim which Judge Cahn determined should be treated under a standard "analogous to the business judgment rule." The issue thus became whether the defendants "had authority to decide that Mason's production was not a play." And Judge Cahn decided that "They most certainly did," because the Tony Rules give the Committee the power to determine eligibility matters. In response to Mason's claim that his one-man show was treated differently than others - because Lily Tomlin received a regular Tony for "The Search for Signs of Intelligent Life in the Universe" -

Judge Cahn noted that many other comedy routines had been disqualified because they were not plays, including those starring Spaulding Gray, Victor Borge, Robert Klien, Mort Sahl, and Whoopi Goldberg.

Mason also asserted that the defendants had discriminated against one-man shows in violation of New York's Human Rights Law. Judge Cahn ruled that this was factually inaccurate, because one-man plays have been declared eligible - such as Ben Kingsley's "Edmund Kean," Robert Morse's "Tru," Lynn Redgrave's "Shakespeare for My Father," Anna Devereaux Smith's "Twilight: Los Angeles 1992," and Estelle Parsons' "Miss Margarida's Way." Moreover, Judge Cahn ruled, "Mason's attempt to expand the realm of protected classes from human beings experiencing discrimination to Broadway shows suffering Tony-deprivation, seems more appropriate for his act than as fodder for a lawsuit."

Finally, Mason claimed that the defendants had breached a contract with him. Judge Cahn acknowledged that contracts exist between contest sponsors and entrants. But, he said, awards for achievements that were accomplished for independent reasons do not create a contract. Moreover, even if the Tony Rules had created a contract, Mason had not fulfilled all of its requirements, because his producer had not certified in writing - as the rules require - that free tickets had been distributed to Tony voters.

Mason v. American Theatre Wing, Inc., 627 N.Y.S.2d 539, 1995 N.Y.Misc.LEXIS 241 (1995) [ELR 17:8:9]

Paramount Pictures infringed copyright to "Laurel and Hardy" recordings by reproducing them in soundtrack of "Hard Copy" segment; but local television stations were protected from copyright liability by "ephemeral recording" exemption when they taped Paramount's satellite feed for later broadcast

It's the kind of slightly scandalous story "Hard Copy" might have covered, if it covered entertainment industry legal topics - and if its own actions weren't at issue. The promo would have been: "Federal appeals court rules that syndicated television show infringed copyrights to Laurel and Hardy recordings by copying them without permission! Details upcoming . . ."

"Hard Copy" is a daily syndicated program produced by Paramount Pictures for broadcast by 129 television stations in their local areas. The show is taped and then distributed to those stations by satellite

transmission. In 1993, Paramount produced a segment of "Hard Copy" called "Caught on Tape" which showed two men engaged in an unsuccessful burglary attempt. To create a soundtrack for that segment, Paramount copied portions of three songs from a "Laurel and Hardy" recording, the copyright to which was owned by Michael Agee (doing business as L & H Records). Paramount did so without a license from Agee, and when the segment was aired, Agee sued. He alleged that Paramount had violated his exclusive right to reproduce his recordings when it produced the "Hard Copy" tape in the first place, that it violated his exclusive right to distribute his recordings when it transmitted the show to television stations, and that the television stations violated his exclusive right to reproduce his recordings by taping Paramount's satellite feed (for later broadcast in their local markets). Agee also claimed that Paramount violated the Lanham Act and state unfair competition

law by failing to give him a credit at the end of the show.

At the District Court level, Agee lost. Judge Constance Baker Motley agreed with Paramount neither it nor the stations that carry "Hard Copy" needed licenses from Agee, and thus she dismissed the case (ELR 16:6:14) and even awarded Paramount attorneys fees (ELR 16:12:23). On appeal, however, Agee has salvaged a partial victory.

In an opinion by Judge Jon O. Newman, the Second Circuit has ruled that Paramount did violate Agee's exclusive right to reproduce his sound recordings when it used them in the "Hard Copy" soundtrack without a license. The appellate court ruled that even though the exclusive right to reproduce sound recordings was enacted by Congress in 1972 to prohibit record piracy, the right is broad enough to include the reproduction of sound recordings in the soundtracks of movies and

television programs. Paramount had argued that its tape was purely incidental to a tape-delayed performance and thus the equivalent of a live broadcast, for which no license would have been necessary. But the court rejected the argument that Paramount's tape was merely to permit a time-shifted performance and thus should have been excused.

On the other hand, the appellate court agreed with Paramount that Agee's exclusive right to distribute his recordings was not violated by its satellite transmission of "Hard Copy" to television stations. The court ruled that the exclusive right to distribute sound recordings is limited to the right to distribute "material" copies of them. (The court resisted the temptation to say "hard copies" of them.) In the context of sound recordings, transmissions of signals should not be considered "distribution," the court explained, because if transmissions were distributions, sound recordings would have a radio

and television public performance right - something the Copyright Act does not give them.

The appellate court also agreed with Paramount that the stations that carried "Hard Copy" were protected from infringement liability - even though they reproduced Agee's recordings when they taped the satellite feed - by the "ephemeral recording" exemption. That exemption is found in section 112(a) of the Copyright Act, and it gives broadcasters the right to make a single copy of copyrighted works in order to facilitate their broadcasts in their own service areas.

The appellate court also agreed with Paramount that its failure to give Agee a credit did not violate the Lanham Act or state unfair competition law.

Editor's note: The appellate court was correct when it ruled that transmissions of intangible signals do not violate the exclusive right to "distribute," under the Copyright Act as it now reads, because the Copyright

Act now grants only the exclusive right to distribute "copies or phonorecords of a work." This means that in a world where more and more works will be delivered to customers in intangible digital form by transmission - via computer networks or satellite transmissions - the exclusive right to distribute "copies and phonorecords" will become insufficient. This is the reason that legislation has been introduced in the House and the Senate that would amend the distribution right to include the right to distribute by transmission.

Agee v. Paramount Communications, Inc., 59 F.3d 317, 1995 U.S.App.LEXIS 15862 (2d Cir. 1995) [ELR 17:8:10]

ABC wins reversal of copyright infringement judgment based on "Good Morning America's" unauthorized broadcast of video clip; appellate court rules that travel video from which ABC took clip was not a "work made for hire" and thus production company that produced the video was not the owner of its copyright

Mackinac Island is an idyllic spot of land in Lake Huron just below the upper peninsula of Michigan. Every year, the Island sponsors a Lilac Festival that is tailor-made for coverage on television shows like ABC's "Good Morning America." In 1990, "Good Morning America" did just that, and introduced its piece with a 38-second clip from a travel video which the program's associate producer had obtained from the Mackinac Island Chamber of Commerce. The video was produced

by Hi-Tech Video Productions which had registered its copyright as a "work made for hire."

ABC did not obtain a license from Hi-Tech to use the clip, and a copyright infringement lawsuit was the consequence. The District Court rejected ABC's arguments that Hi-Tech did not own the video's copyright, and that ABC's use of a 38-second clip was a fair use. As a result, the court entered judgment against ABC for \$3,420 (three times the license fee ABC would have paid for stock footage) plus attorneys fees and court costs. (ELR 15:1:5)

ABC appealed, and by a 2-to-1 decision of the Sixth Circuit Court of Appeals, the network has prevailed. In an opinion by Judge Alice M. Batchelder, the appellate court has ruled that the video was not a work made for hire, and thus Hi-Tech is not the owner of its copyright. (Since the judgment was reversed on this

ground, the appellate court did not rule on ABC's "fair use" argument.)

The Mackinac Island video was produced and directed by Hi-Tech's owner, Stan Akey, with the assistance of an aerial videographer, a scriptwriter/narrator, and a principal videographer. No written agreements existed between Hi-Tech and the three assistants establishing that the video was a work made for hire. Thus, the issue in the case became whether the assistants were "employees," in which case the video would have been a work made for hire, or instead were "independent contractors," in which case it was not. The factors to be considered in making this determination were those spelled out by the Supreme Court in *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989) (ELR 11:3:12). Applying these factors, the District Court had decided that the assistants were "employees." But the two-judge majority of the Court of Appeals,

applying the same factors, decided they were not - that they were instead "independent contractors."

The appellate court majority acknowledged that Akey's right to control and his actual control of the production suggested, "at first blush," that the assistants were employees. But, they said, "neither the right to control, nor actual control alone can turn an otherwise independent contractor into an employee." The majority concluded that other factors were more important, and these other factors led to the conclusion that the assistants were independent contractors. These other factors included the fact that the assistants had provided some of their own equipment (a specially equipped airplane and a computer), had been paid on a per diem basis from which payroll taxes had not been withheld, and had not been provided medical or life insurance. Moreover, in his testimony, Akey repeatedly described his

assistants as "freelancers," "independent contractors" and "subcontractors."

Editor's note: Applying the factors set out by the Supreme Court in *CCNV v. Reid* is obviously more difficult than stating them. In this case, the dissenting member of the Court of Appeals, Judge Nathaniel R. Jones, agreed with the District Court that the assistants were "employees." Thus, the four judges who worked on this case split 2-to-2 on the result those factors require; and ABC won the case only because one of the judges who agreed with it is higher in the judicial hierarchy than one who agreed with Hi-Tech. Nonetheless, there are valuable lessons to be learned from this case. First, Hi-Tech could have prevailed on the work-made-for-hire issue if it had obtained a short and simple written agreement from the three assistants that their work was specially ordered or commissioned for use as part of an audiovisual work. (It may even have been

sufficient if Hi-Tech had gotten such written agreements after ABC's broadcast, although there is a split among the circuits on this point. See, e.g., *Playboy Enterprises v. Dumas*, 53 F.3d 549 (2d Cir. 1995) (ELR 17:5:12)) Second, Hi-Tech could have prevailed in the case, if - in response to ABC's affirmative defense concerning the work-made-for-hire issue - Hi-Tech had acquired an assignment of the copyright interests of the assistants and had filed a corrected copyright registration form, though doing so may have reduced somewhat the damages it recovered and may have eliminated its chance of recovering attorneys fees. Third, ABC could have avoided this lawsuit entirely, if it had obtained a license from Hi-Tech before the "Good Morning America" broadcast. (There was testimony that the associate producer who obtained the video from the Chamber of Commerce had obtained permission from the Chamber of Commerce to broadcast the video, thinking that the Chamber owned

the video's copyright, though that issue was decided against ABC at trial. The copyright notice on the videotape itself should have alerted the producer that Hi-Tech was the copyright owner, rather than the Chamber of Commerce.) By failing to get a license from the proper party, ABC not only exposed itself to liability, it also resulted in the network asserting a "fair use" defense. Though ABC lost the fair use argument at the District Court level, and though the Court of Appeals didn't reach the issue, ABC might have won on that issue - and if it had, it would have been sorry before long. Imagine ABC's response if Hi-Tech had made off-the-air videotapes of ABC News broadcasts for a year, and had then edited clips - each less than 38 seconds - into a year-in-review tape, without a license to do so, on the grounds that doing so was a fair use. Would ABC have shrugged and ignored this use of its materials? In other words, the final lesson of this case is that arguments are sometimes

made to win the case of the moment, even if those arguments are likely to hurt rather than help in future cases; and that is a situation to be avoided (even at the cost of settling the case of the moment).

Hi-Tech Video Productions v. Capital Cities/ABC, 58 F.3d 1093, 1995 U.S.App. LEXIS 16760 (6th Cir. 1995) [ELR 17:8:11]

Copyright registration for Jefferson Airplane album did not include cover artwork, so federal District Court dismisses infringement action against publisher of "Flying Toasters" computer screen saver

The Jefferson Airplane, and the company that owns the copyrights to its albums, have been shot down in a copyright infringement action, because of a small

but important technicality involving the registration of the copyrights to the rock group's 1973 album "Thirty Seconds Over Winterland." That album - some half million copies of which have been sold world-wide - was the one whose cover featured an illustration depicting 1950s vintage, two-slice, rounded toasters, with white wings and clocks flying in squadron formation across the sky.

The flying-toaster image is one that is familiar even to those who were never Jefferson Airplane fans, because it is an image that was popularized again in 1990 by software publisher Berkeley Systems, Inc., as one of the images in Berkeley's "After Dark" computer screen saver.

The similarity between Jefferson Airplane's flying toasters and those of Berkeley Systems was immediately recognized by the rock group's fans and by the company that now owns the copyright to the "Thirty Seconds. . ."

album. That copyright was registered back in 1973 on Copyright Office Form N - the form created by the Copyright Office for registering then-new sound recording copyrights. (Prior to February 15, 1972, sound recordings were not protected by federal copyright.) No separate registration was filed for the album cover artwork - a fact that became significant only two decades later when Berkeley Systems was sued for infringing the copyright to the album's cover artwork rather than the copyright to the recordings of the songs on the album.

Since registration is a prerequisite to the filing of an infringement action (except for foreign works of Berne Convention origin), Berkeley Systems moved to dismiss the case on the grounds that the registration requirement had never been fulfilled with respect to the particular work whose copyright it had allegedly infringed. In an order issued in 1994 but only recently

published, Judge Fern M. Smith agreed with Berkeley and dismissed the case.

The specific legal question at issue in the case was whether the Form N registration for the album itself included registration of the album's cover artwork as well. The answer was that it did not, because Form N was designed for the registration of copyrights to works in Classification N - namely sound recordings - but not for the registration of album liner notes or cover artwork. While the distinction between an album's sound recordings and its liner notes and cover artwork may seem technical, it was duly noted in both the Copyright Office Examination Practices book and in Copyright Office Circular 56 entitled "Copyright for Sound Recordings." Moreover, the specific Form N used to register the copyright to the "Thirty Seconds. . ." album indicated that a copyright was claimed in "music" alone; no

claim was made to a copyright in the album's cover artwork.

Editor's note: This decision did not invalidate the copyright to the album's cover artwork. Registration is not a prerequisite to copyright protection - only to initiating a lawsuit. Thus, even after this case was dismissed, the owner of the artwork copyright could have (and may have) registered the cover artwork copyright, and then refiled this suit. While fewer remedies are available if a copyright is registered after it has been infringed than if it is registered before it is infringed, the remedies of actual damages, profits and injunctive relief are available even if registration occurs after infringement. So while this decision shows the importance of properly registering copyrights, it does not mean that all is lost by an improper or late registration.

Jefferson Airplane v. Berkeley Systems, 886 F.Supp. 713, 1994 U.S.Dist. LEXIS 14394 (N.D.Cal. 1994) [ELR 17:8:12]

Russian news organizations are granted preliminary injunction against unauthorized publication of copyright-protected articles and photos by American publisher of Russian language newspaper; court applies Russian law in deciding that Russians could bring suit

The Russian news agency Itar-Tass and certain Russian newspapers have been granted a preliminary injunction that bars the publishers of the Kurier - an American-published, Russian language newspaper - from publishing copyright-protected articles and photographs without authorization.

In one sense, neither this case nor the preliminary injunction is remarkable at all. According to Judge John G. Koeltl, the "defendants do not deny that they have stolen articles, that they have no permission from anyone to copy them, and that they have lifted them, type face and all, from the plaintiff publications. . . ." Thus, if the copyrights at issue in this suit had been owned by, say, the Associated Press and the Washington Post, it is likely the judge's opinion would never have been published, because the result would have been so expected. What makes this case interesting and important is that the plaintiffs are not American copyright owners; they are Russians. And while it is clear that Russian copyright owners are now entitled to protection for their works in the United States, it is somewhat less clear how the identity of the owner of the copyright to a work of Russian origin should be determined.

Indeed, in this case, the publishers of the Kurier "asserted the right to continue to electronically cut and paste the articles that appear in the plaintiff publications and pass them off as their own" - not because the Kurier claims those articles are in the public domain in the United States, but instead because the publishers of the Kurier "argue that only [the] individual [Russian] reporters [who wrote the articles at issue] can sue," not Tass or the Russian newspapers in which those articles first appeared.

Both sides in the case offered expert testimony on who has the right, under Russian copyright law, to sue for infringement. On the basis of this testimony, and his analysis of an English language translation of the Russian copyright law itself, Judge Koeltl concluded that Tass and the Russian newspapers do have the right to assert copyright infringement claims on account of the unauthorized copying of articles and photographs (even

if reporters and photographers may have the right to sue for infringement as well), as a matter of Russian law.

Since Tass and the Russian newspapers do have the right to sue for infringement, Judge Koeltl had no difficulty concluding they were entitled to a preliminary injunction in this case, because Russia has been a member of the Berne Convention since March 13, 1995; and as a matter of U.S. law, Berne Convention works are entitled to copyright protection here. The court rejected a fair use defense.

Editor's note: Russian copyright law contains a provision that is similar, though not identical, to the "work made for hire" doctrine of U.S. copyright law. Judge Koeltl's decision contains what appears to be a very thorough and clear explanation of Russian principles concerning "Copyright in a Service-Related Work," as well as related Russian principles concerning "Conditions Governing the Author's Contract" and the

"Copyright of Compilers of Collections and Other Works." The judge's conclusion that Tass and the Russian newspapers do have standing to sue for the infringement of the copyrights to the articles and photographs at issue in this case follows logically from his description of those principles. This opinion is significant because it contains a clear, English-language description of these important provisions of Russian copyright law. What makes the decision even more noteworthy, however, is Judge Koeltl's application of Russian - rather than U.S. - copyright law to decide whether Tass and the Russian newspapers could bring this suit, or whether instead it had to be brought by the reporters and photographers themselves, as the publishers of the Kurier contended. As a general rule, the copyright law of the country where protection is sought is the law that is applied in international copyright cases. Judge Koeltl recognized that this is so in connection

with determining whether an infringement has occurred; he noted, for example, that United States copyright law should be applied in deciding whether the defendants could successfully assert a fair use defense, and he applied the U.S. law in deciding that their use had not been a fair use. However, it has been less clear which country's law should be applied in deciding who the owner of the copyright is. In my opinion, Judge Koeltl was correct in applying Russian law in deciding this question, though other judges have answered this question differently. For example, in *Dae Han Video Productions v. Kuk Dong Oriental Food*, 19 U.S.P.Q.2d 1294 (D.Md. 1990), the court applied United States copyright law in deciding whether the copyrights to Korean-produced television programs were owned by Korean production companies as works-made-for-hire or instead were owned by Korean screenwriters as independent contractors. Likewise in *Autoskill Inc. v. National Educational*

Support Systems, 994 F.2d 1476 (10th Cir. 1993), the court applied United States law to decide whether a computer program was a work-made-for-hire owned by the Canadian employer of the Canadian programmer who wrote the program (though in that case, the defendant had belatedly asserted that Canadian law should have been applied instead, and thus the argument was rejected on procedural rather than substantive grounds). In *Huston v. Turner Entertainment* (ELR 13:3:3, 16:10:3), French courts applied French, rather than United States, copyright law to decide that director John Huston was the "author" of "The Asphalt Jungle," even though the movie was made in the United States by Americans as a work-made-for-hire. Despite these cases, Judge Koeltl's application of Russian law to the copyright ownership issue in this case does not appear to have been disputed by any of the parties, and it finds some support in U.S. law. For example, Federal Rule of

Civil Procedure 17(b) provides that the "capacity of an individual . . . to sue or be sued shall be determined by the law of the individual's domicile. . . ." In copyright cases, ownership of the copyright - or of the particular right alleged to have been infringed - is necessary to file suit for its infringement, capacity to sue and ownership are intertwined, and according to FRCP 17(b) should be determined by the law of the plaintiff's domicile. This principle has recently been applied in *Museum Boutique International v. Picasso*, 886 F.Supp. 1155 (S.D.N.Y. 1995) (reported in this issue at ELR 17:8:18), where the court applied French, rather than U.S., law to determine who has the right to authorize the reproduction of Pablo Picasso's artworks. Also, in *Rano v. Sipa Press*, 987 F.2d 580 (9th Cir. 1993) (ELR 15:8:11), the court suggested (though did not hold) that French - rather than U.S. - law should apply in deciding whether a French photographer could rescind an agreement with a photo

syndication agency. And in *Khan v. Leo Feist*, 165 F.2d 188 (2d Cir. 1947), the court applied the law of Trinidad, rather than the law of the United States, in deciding the validity of an assignment that was given in Trinidad of the copyright to a song written by a Trinidad national. On the other hand, in *Corcovado Music Corp. v. Hollis Music, Inc.*, 981 F.2d 679 (2d Cir. 1993) (ELR 15:7:6), the court applied United States law, rather than Brazilian law, to interpret the extent of rights granted by a music publishing agreement between Antonio Carlos Jobin and a Brazilian publisher that had been executed in Brazil and was written in the Portuguese language! In other words, the choice of law issue in international copyright cases is one that is still unsettled. The approach taken by Judge Koeltl is the one to be preferred, in a world where copyrights have become the foundation for substantial international business transactions. Even though the extent of copyright protection may vary from country to

country according to local law, the identity of the owner of the copyright should be uniform around the world unless ownership has been transferred, and thus determined by the law of the work's country of origin; and in cases where ownership has been transferred, the validity and effect of those transfers should be determined by the law of the country where they took place. Only in this fashion will the expectations of the parties be given effect; indeed, only in this fashion can parties have any expectations at all.

Itar-Tass Russian News Agency v. Russian Kurier, Inc.,
886 F.Supp. 1120, 1995 U.S. Dist. LEXIS 6618
(S.D.N.Y. 1995) [ELR 17:8:13]

Securities fraud class action lawsuits against Balcor Film Investors are dismissed; one action was barred by statute of limitations as a result of disclosures in registration statement and other public sources, and second action failed to show that allegedly fraudulent non-disclosures caused harm to class members

The early 1980s were the heyday for motion picture financing. Studios then were raising tens of millions of dollars for movie production by selling limited partnership interests to the public. It was a time when the proverbial "everyman" could become a movie mogul - and could see name his partnership's name on the silver screen (though not his own) - for as little as \$5,000. The risks of such an investment were moderated by tax advantages then available (advantages that were almost entirely eliminated by the Tax Reform Act of 1986). And there was always the possibility that the movies

would be box-office hits, and that such investments would turn an actual economic profit.

In the early '80s, New World Entertainment was primarily a movie production company, and it too turned to the public to raise funds. The brokerage firm of Shearson Lehman sold \$48 million worth of interests in a limited partnership known as Balcor Film Investors to thousands of hopeful investors, in order to fund the production of movies by New World Entertainment. The investors hopes, and those of New World itself, were unfortunately dashed on the rocks of the realities of the movie business. New World's movies were not financially successful, and Balcor's investors did not reap profits (though they may have enjoyed some tax advantages).

As a consequence of Balcor's disappointing performance, two class action lawsuits were filed: one on behalf of investors who had read the Balcor prospectus,

and another on behalf of those who had not read it. These lawsuits have had a much longer run than any of New World's movies - indeed, a longer run than most movies produced by any company. At an early stage, they were dismissed by a federal District Court in Wisconsin, on statute of limitations grounds. (ELR 14:9:18) On appeal, however, the Seventh Circuit Court of Appeals reversed (ELR 16:3:13) and remanded the case for further proceedings. On remand, the District Court dismissed both cases again. The plaintiffs appealed again, but this time the Seventh Circuit has affirmed the dismissal, thus bringing the cases to an end.

The class of investors who read the Balcor prospectus - known as the "Majeski class" - brought a "standard" Rule 10b-5 fraud claim, alleging that the prospectus had not disclosed that Balcor would be receiving only 22.5% of the home video receipts earned by New World's movies, and that New World would retain

the balance for itself. They also alleged that Balcor had failed to reveal that New World and its distributor, Worldvision, had become embroiled in litigation with one another. The primary issue in the Majeski case became whether it was filed within the time required by the statute of limitations - namely, within one year of the time the alleged fraud was discovered "or through the exercise of reasonable diligence" could have been discovered. District Judge John W. Reynolds ruled that the suit was not filed within that time. And in an opinion by Circuit Judge Frank H. Easterbrook, the Seventh Circuit has affirmed. The Court of Appeals ruled that the details of the home video royalty were in Balcor's registration statement - even if they weren't in its prospectus - and thus investors could have learned those details if they had exercised "reasonable diligence," more than a year before the suit was filed. Judge Easterbrook noted that if the suit had been brought within a year, information in

Balcor's registration statement would not have barred a lawsuit alleging the prospectus was incomplete; but, he noted, information in the registration was sufficient to start the statute of limitations running. Likewise, information about the lawsuit between New World and Worldvision were reported in Balcor's quarterly report (which had been sent to the SEC and to investors), and settlement of the lawsuit had been reported in the Wall Street Journal, also more than a year before the suit was filed.

The class of investors who had not read the Balcor prospectus - known as the "Eckstein class" - could not assert a "standard" 10b-5 claim, because Rule 10b-5 requires "reliance," and by definition, those who did not read the Balcor prospectus could not have relied on it. However, if the Eckstein class could have shown that the entire Balcor offering would not have been completed if the prospectus had contained all of the

information it should have, they would have been entitled to prevail, because in that circumstance, they would not have invested at all and thus wouldn't have suffered any damage. Judge Easterbrook affirmed Judge Reynolds's conclusion that the Eckstein class failed to prove what it needed to. Members of the class had declared that they would not have invested in Balcor, if the prospectus had revealed details about the home video revenue. But they didn't show what other investors would have done. Since the offering actually raised \$13 million more than the \$35 million minimum that was required for the offering to close, there was no reason to presume that a sufficient number of other investors would have changed their minds about investing.

Majeski v. Balcor Entertainment Co., Ltd., 893 F.Supp. 1397, 1994 U.S.Dist.LEXIS 20522 (E.D.Wisc. 1994);

Eckstein v. Balcor Film Investors, 58 F.3d 1162, 1995 U.S.App.LEXIS 15786 (7th Cir. 1995) [ELR 17:8:14]

Preliminary injunction barring Minnesota Timberwolves from selling NBA team to Top Rank of Louisiana or moving team to New Orleans is affirmed by appellate court

As the National Basketball Association's 1994-95 season was in its final stages of planning, the NBA was confronted with a hitch that threatened to turn that season's "schedule on its head." The owners of the Minnesota Timberwolves had agreed to sell the team to Top Rank of Louisiana, Inc., which wanted to move the team to New Orleans. In accordance with standard NBA procedures, Top Rank's representatives met with a committee of the NBA Board of Governors so the league could

consider approving the sale. "At the meeting, Top Rank refused to disclose the source of several millions of dollars it planned to use to buy the Timberwolves. Based on the nondisclosure, the committee determined Top Rank's financial support was inadequate and voted to recommend that the NBA's full Board of Governors reject the agreement" - a recommendation that the NBA accepted the following week.

In the meantime, dueling lawsuits were filed. The NBA sued in federal court in Minnesota seeking a declaration that the NBA's permission was necessary before the Timberwolves could be sold or relocated, and an injunction preventing the team's owner and Top Rank from closing the sale or moving the team without NBA approval. Top Rank filed its own lawsuit in state court in Louisiana seeking specific performance of the sale agreement and an injunction preventing the NBA from finalizing the 1994-95 season schedule. Conflicting

orders were then issued. The federal court issued the injunction the NBA had requested, as well as an additional injunction barring Top Rank from pursuing its Louisiana state court action. The state court ignored the federal court order and issued the injunction requested by Top Rank. Top Rank then appealed the federal court's orders, but the NBA has prevailed on almost all issues.

In an opinion by Judge George G. Fagg - one that deals exclusively with procedural issues rather than the merits of the dispute - the Eighth Circuit Court of Appeals affirmed the preliminary injunction preventing the sale or relocation of the team. In so ruling, the appellate court concluded that "the district court did not abuse its discretion when it decided to grant preliminary injunctive relief preventing the parties' dispute about ownership and relocation of the Timberwolves from standing

the NBA and its 1994-95 basketball schedule on its head."

The Court of Appeals also affirmed the district court injunction barring enforcement of the Louisiana state court order that would have prevented the NBA from finalizing its 1994-95 playing schedule. Despite a federal Anti-Injunction Act that generally prevents federal courts from enjoining state court actions, there are exceptions to this general rule, and the state court's order fell into one of those exceptions. On the other hand, the Court of Appeals agreed with Top Rank that the federal district court injunction barring Top Rank from pursuing its state court specific performance action ran afoul of the Anti-Injunction Statute; and thus that portion of the injunction has been reversed.

National Basketball Ass'n v. Minnesota Professional Basketball, Ltd., 56 F.3d 866, 1995 U.S.App. LEXIS 12943 (8th Cir. 1995) [ELR 17:8:15]

Briefly Noted:

Civil rights claim against author.

Judge James McClure, Jr., has denied a motion to dismiss made by author Joseph Wambaugh in an action that accuses Wambaugh of conspiring with Pennsylvania State Troopers to deprive the plaintiff of his constitutional right to a fair trial. The plaintiff, Jay C. Smith, was convicted of murder in 1986, but the conviction was reversed by the Pennsylvania Supreme Court and in a subsequent ruling, that court ordered him discharged from custody on the grounds that exculpatory evidence had

been deliberately suppressed. Smith's claim against Wambaugh is based on correspondence between Wambaugh and one of the Troopers in which the author offered to pay the Trooper "an additional \$45,000" because the Smith prosecution was then "current and hot," in return for which the Trooper was to "reveal" to Wambaugh "everything" the Trooper knew about the case. According to Smith, the Troopers concealed evidence of his innocence, "because they had a mutual pecuniary interest in the success of Wambaugh's book on the murders and in a possible television mini-series based on the book." According to Smith, Wambaugh allegedly participated in the Troopers' conspiracy. Wambaugh moved to dismiss the action on the grounds that it was barred by the statute of limitations. Judge McClure found that Smith's claims based on Pennsylvania state law, for civil conspiracy and abuse of process, were barred by the statute of limitations and thus those claims

have been dismissed. But the judge ruled that Smith's federal civil rights claim, based on 42 U.S.C. section 1983, were not barred; and thus Wambaugh's motion as to that claim was denied.

Smith v. Wambaugh, 887 F.Supp. 752, 1995 U.S. Dist. LEXIS 6818 (M.D.Pa. 1995) [ELR 17:8:16]

Defamation and emotional distress.

A libel and infliction of emotional distress lawsuit that was triggered by a "60 Minutes" segment about Nigerian businessmen has been dismissed, in response to a motion by defendants CBS, Ed Bradley, Andy Rooney and Mike Wallace. The suit was brought by a Nigerian businessman living in the United States on account of statements made in the offending broadcast that accused

Nigerians of doing business with Americans in a fraudulent manner. The suit was brought on behalf of the plaintiff "and all Nigerians engaged in international business with United States citizens." According to the plaintiff, there are more than 500 such Nigerians. Judge Robert W. Sweet dismissed the action on the grounds that "the group is too large" and is not "definite, highly organized or prominent," and thus an unidentified member of the group may not sue for libel, as a matter of New York law. Judge Sweet also dismissed claims for emotional distress and failure to investigate, because those claims arose out of the same statements that were the basis for the libel claim, and "When additional tort claims are aimed at controlling the same speech that is the basis of a libel claim, courts should not entertain the additional claims under less stringent standards."

Anyanwu v. Columbia Broadcasting System, 887 F.Supp. 690, 1995 U.S.Dist.LEXIS 8156 (S.D.N.Y. 1995) [ELR 17:8:16]

Defamatory television news broadcast.

A Minnesota appellate court has affirmed the dismissal of a defamation lawsuit filed against Hubbard Broadcasting by the executive director of Minnesota Board of Veterinary Medicine. The suit arose out of an investigative news report broadcast by Hubbard-owned station KSTP-TV concerning the sub-par practices of two veterinarians. According to the appellate court, the complained-of elements of the broadcast were substantially accurate or the plaintiff had failed to offer evidence of their inaccuracy. The court also affirmed the dismissal of a claim asserting violations of state and

federal wiretapping statutes, based on videotapes of an interview the station had conducted with the plaintiff. This claim failed, the court held, because the plaintiff had not presented any evidence that the interviews were conducted for any criminal or tortious purpose.

Olson v. Hubbard Broadcasting, Inc., 1995 Minn.App. LEXIS 644 (1995) [ELR 17:8:17]

Copyright.

A photographer has lost his copyright infringement suit against a liquor store that sold posters, tee-shirts and post cards bearing a photograph he had taken. On the basis of facts established during trial, Judge John L. Kane, Jr., ruled that the photographer's copyright was invalid, because he had misrepresented material facts

concerning the authorship and publication status of the photograph in the copyright registration form he submitted to the Copyright Office. Moreover, Judge Kane ruled that even if he assumed the copyright was valid, the photographer would not have a right to recover, because the photographer had granted the defendant a non-exclusive license to use the photograph on merchandise, because the photographer was guilty of laches in bringing his suit nine years after he had given the liquor store owner the photograph, and because he was estopped from claiming damages. The photograph at issue depicted a heterosexual couple simulating cunnilingus, but Judge Kane does not appear to have been influenced or offended by its subject matter. In a footnote, the judge wrote that "Given its subject matter, this opinion may join certain cases found in well-thumbed volumes in law school libraries" that are "favorites of second year law students imprisoned in libraries and seeking diversion

from the boredom of yet another year of the highly touted and low-yielding case method of instruction." He then cites 17 such opinions.

Martin v. Cuny, 887 F.Supp. 1390, 1995 U.S. Dist. LEXIS 8340 (D.Colo. 1995) [ELR 17:8:17]

Copyright.

Judgment has been granted to several music publishing companies against the president and sole shareholder of a corporate record company that had sold recordings of unlicensed songs and songs whose mechanical licenses had been terminated for non-payment of royalties. Judge Sonia Sotomayer granted the plaintiffs' motion for summary judgment and awarded them statutory damages of \$90,000 (at the rate of \$10,000 for

each licensed song, and \$15,000 to \$25,000 for each unlicensed song) plus attorneys' fees and court costs. The record company went bankrupt and thus proceedings against it were stayed. Judgment was entered against the corporation's president and sole shareholder, because he was found to be vicariously liable for the infringements the corporation had committed. Judge Sotomayer rejected the defendant's argument that the publishers had not actually revoked their mechanical licenses, as well as the defendant's estoppel and laches defenses.

Peer International Corp. v. Luna Records, Inc., 887 F.Supp. 560, 1995 U.S.Dist.LEXIS 3548 (S.D.N.Y. 1995) [ELR 17:8:17]

Copyright.

Judgment has been granted to several music publishing companies against the corporate owner of a saloon, on account of the continued performance of music at the saloon after its ASCAP license was terminated for non-payment of license fees. Judge George F. Gunn, Jr., granted the publishers' motion for summary judgment and awarded them statutory damages of \$8,000 (at the rate of \$2,000 per infringement) plus attorneys' fees of \$3,465 and court costs. Judgment also was entered against two officers of the saloon's corporate owner, because Judge Gunn found they were vicariously liable for the infringements.

Cross Keys Pub. Co. v. LL Bar T Land & Cattle Co.,
887 F.Supp. 219, 1995 U.S. Dist. LEXIS 7317 (E.D. Mo.
1995) [ELR 17:8:17]

Sovereign immunity.

The Fifth Circuit Court of Appeals has affirmed the dismissal of a sovereign immunity defense asserted by the University of Houston in a Copyright and Lanham Act suit brought by playwright and author Denise Chavez against Arte Publico Press, which is a component part of the University. The case arose out of the allegedly unauthorized republication by Arte Publico Press of a collection of Chavez's short stories entitled *The Last of the Menu Girls*, and out of the allegedly unauthorized use of her name as the "selector" of the plays in an anthology published by the Press entitled *Shattering the Myth*. The University of Houston is owned and operated by the state of Texas, which is why the University asserted a sovereign immunity affirmative defense. Both the Copyright Act and the Lanham Act were amended by Congress to expressly eliminate sovereign

immunity as a defense. But the University argued that those amendments were themselves unconstitutional. The appellate court rejected that argument, however, holding that sovereign immunity is not available as a defense to any infringing actions taken by the Press after the effective date of those amendments.

Chavez v. Arte Publico Press, 59 F.3d 539, 1995 U.S.App.LEXIS 20420 (5th Cir. 1995) [ELR 17:8:17]

Claims against Picasso heir.

A federal District Court in New York City has dismissed a case brought against Pablo Picasso's daughter, Paloma Picasso, by Museum Boutique Intercontinental, a company which creates and licenses artistic designs incorporating images of famous works of art

including those by Picasso. In its lawsuit, Museum Boutique alleged that it had acquired the exclusive right to reproduce certain Picasso paintings and to create derivative works based on those paintings, and it alleged that its exclusive rights had been infringed by actions taken by the administrator of the reproduction rights to Picasso's paintings and by SPADEM, a French organization that protects the intellectual property rights of artists. The primary issue raised by Paloma Picasso's motion for dismissal was whether she could be sued for actions taken by the administrator and by SPADEM. Judge Shira A. Scheindlin concluded that Paloma Picasso could not be sued for the actions of the administrator or SPADEM, even though Paloma may have benefited from those actions because she is a Picasso heir and thus one of the beneficial owners of the reproduction rights to her father's artworks. Judge Scheindlin based this conclusion on an analysis of French law

concerning ownership and the right to manage the reproduction rights to Picasso's art. Under French law, those rights could be exercised only by the administrator and SPADEM, not by any of the heirs individually. Thus under U.S. law - Federal Rule of Civil Procedure 17(b) - only the administrator and SPADEM could sue or be sued in connection with those rights in the United States. Judge Scheindlin also dismissed an interference with contract claim against Paloma Picasso, on the grounds that the allegations of the complaint were not sufficient to state a claim, as a matter of New York state law.

Museum Boutique Intercontinental v. Picasso, 886 F.Supp. 1155, 1995 U.S. Dist. LEXIS 7751 (S.D.N.Y. 1995) [ELR 17:8:18]

Trade dress protection.

A greeting card publisher is not entitled to "trade dress" protection for the design of its cards, and thus it was not entitled to a preliminary injunction against a competing publisher, the Second Circuit Court of Appeals has ruled. The design for which the plaintiff sought protection consisted of die-cut photographs, that is, photographs that have been cut to the outline of the animal, person or other object that is the subject of the photo. The inside and back panels of the plaintiff's cards are usually blank. In an opinion by Judge Jon O. Newman, the appellate court acknowledged that section 43(a) of the Lanham Act has become a source of protection for the design of certain products (as well as their packaging). But Judge Newman ruled that "just as copyright law does not protect ideas but only their concrete expression, neither does trade dress law protect an idea, a

concept, or a generalized appearance." In this case, the appellate court concluded that the plaintiff was seeking protection for "an idea or concept - die-cut photographic greeting cards."

Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc., 58 F.3d 27, 1995 U.S.App. LEXIS 15539 (2d Cir. 1995) [ELR 17:8:18]

Undercover investigation claims.

An undercover investigation of the operating practices of Food Lion markets by the ABC network program "Prime Time Live," and the resulting broadcast of a "Prime Time Live" segment about those practices, has resulted in a multi-count civil lawsuit against the network and those involved in producing the program.

ABC and the other defendants moved to dismiss Food Lion's lawsuit on the grounds that its complaint did not state claims recognized by law, and on the grounds that those claims are barred by the First Amendment. ABC's motion has been granted with respect to some - but only some - of Food Lion's claims, and it has been denied with respect to others. Judge N. Carlton Tilley, Jr., has dismissed Food Lion's RICO and federal wiretapping claims, on the grounds that those laws were not violated when "Prime Time Live" personnel conducted an undercover investigation by becoming Food Lion employees in order to gain access to its premises to view and videotape its practices. Judge Tilley also ruled that Food Lion could not recover damages for injury to its reputation that may have been caused by the "Prime Time Live" broadcast, because the First Amendment requires that falsity and actual malice be present to support such damages regardless of the legal theory under which they

are sought. On the other hand, the judge denied ABC's motion to dismiss Food Lion's claims under North Carolina state law for fraud, negligent supervision, trespass, respondeat superior liability, breach of fiduciary duty, constructive fraud, unfair and deceptive trade practices, and civil conspiracy.

Food Lion, Inc. v. Capital Cities/ABC, Inc., 887 F.Supp. 811, 1995 U.S.Dist.LEXIS 8118 (M.D.N.C. 1995) [ELR 17:8:18]

Previously Reported:

In the case of NFL Players Ass'n v. Pro Football (ELR 16:7:12), a federal Court of Appeals has ruled that the District Court's decision has become "moot." The case is one in which the NFL Players Association had

won an arbitration award requiring the Washington Redskins to suspend any player that had not paid his 1993 Player Association dues by the end of that year. That award was vacated by the District Court, in a ruling that granted summary judgment to the Redskins, on the grounds that the arbitrator's award violated Virginia's right-to-work statute. As a result of subsequent events, the 1993 season ended without any of the Redskins players being suspended. Because the dispute only involved dues for that season, the case became moot "due to circumstances unattributable to any of the parties," and thus the appellate court vacated the lower court's decision and remanded the case with instructions to dismiss. *NFL Players Ass'n v. Pro Football, Inc.*, 56 F.3d 1525, 1995 U.S.App. LEXIS 15804 (D.C.Cir. 1995)

In the case of *Engel v. CBS* (ELR 14:9:5), a federal District Court in Los Angeles has granted a motion by defendants CBS, Moses & Singer, and Stanley

Rothenberg to transfer the case to the Southern District of New York. In a decision that deals solely with procedural issues - and not with the merits of the underlying claims made by Los Angeles-based entertainment attorney Donald Engel - Judge James M. Ideman has ruled that the proper venue for the case is New York and that the convenience of the parties and witnesses also made transfer to New York "appropriate." *Engel v. CBS, Inc.*, 886 F.Supp. 728, 1995 U.S. Dist. LEXIS 10971 (C.D.Cal. 1995)

The following previously reported case has been published: *Lopez v. Tulare Joint Union High School Dist.*, 34 Cal.App.4th 1302, 40 Cal.Rptr.2d 762 (1995) (ELR 17:2:20).
[ELR 17:8:19]

INTERNATIONAL CASES

English judge finds that lyrics of UB40 song "Don't Break My Heart" were written by a British woman, rather than by the Pakistani man from whom the group acquired an assignment of the lyrics' copyright; judge also rules that although the lyricist impliedly authorized the Pakistani to adapt and record the lyrics himself, she did not impliedly authorize UB40 to record them

It's every music publisher's nightmare (or at least the nightmare of publishers' lawyers). Someone produces a piece of paper containing lyrics or music or both, and claims to be the person who wrote what is on the paper. The song is good. A copyright assignment or license is prepared; money changes hands; the song is recorded and becomes successful. Then a stranger

appears - out of the proverbial woodwork - and claims to be the true author of the song. Usually such claims are false. Sometimes, however, they are true. They were true - a British judge has recently found - in a case brought by a British verse writer named Deborah Banks who said she was the author of the lyrics to a song recorded by UB40 in the mid-1980s, "Don't Break My Heart."

UB40 had paid a Pakistani man named Javid Khan 10,000 pounds for an assignment of the copyright to lyrics Khan had said he wrote himself. Ali Campbell - UB40's lead singer - had known Khan for a decade or more at the time this transaction took place and had asked Khan to write lyrics for a song UB40 could record. The lyrics Khan produced did not contain a "hook line" or a title. Campbell himself wrote those, as well as the music, for what became "Don't Break My Heart."

At the time all this occurred, Khan also was friendly with Deborah Banks, and - according to Banks - Khan had asked her to write lyrics for a song he, Khan, could record with UB40. She did, and gave the lyrics to Khan, she later testified. Khan of course denied he got the lyrics from her; he testified he wrote them himself, just as Campbell had suggested.

At trial, Judge Harmon heard testimony from Banks and Khan and other witnesses. And for reasons Judge Harmon explained in some detail in his written decision, he concluded that Banks was telling the truth and thus was the actual author of the lyrics in question and the owner of their copyright.

The issue then became whether Banks had impliedly granted a license for the use of her lyrics (she hadn't done so expressly); and if so, whether UB40 (and its fellow defendants) were beneficiaries of that license. As to this issue, Judge Harmon ruled that Banks had

granted Khan an implied license, because she wrote the lyrics for him thinking - because this is what Khan told her - that he would record her lyrics as a vocalist in a performance with UB40. However, the implied license only went as far as Khan himself. When the song was actually recorded by UB40, Khan was not one of the vocalists. Banks' implied license did not go so far as to authorize UB40 to record her lyrics without Khan, Judge Harmon ruled. Judgment was therefore entered for Banks.

Banks v. CBS Songs Ltd., U.K. Chancery Division (1995) (available in the LEXIS Enggen Library, Cases File) [ELR 17:8:20]

British court grants injunction temporarily barring release of recording by "Saxon" allegedly "bootlegged" in 1980 while the band was performing at Castle Donington Music Festival

The lead singer of the heavy metal band "Saxon" has obtained an interlocutory injunction against Rainbow Communications Ltd., temporarily barring the company from releasing an album of Saxon recordings. Rainbow is a newly-organized record company that had intended to take its maiden step in the industry with an album of performances given by Saxon back in 1980 at that year's Castle Donington Music Festival. Rainbow obtained a recording of those performances from a member of the band, though that member and the rest of the band "fell out" not long after he gave Rainbow the recording and he was then "sacked."

According to Saxon's lead singer, the 1980 recording was made without the band's consent, and thus was a "bootleg" that breached his rights under the United Kingdom Performance Protection Act - rights which are now protected by the U.K. Copyright, Designs & Patent Act of 1988. Rainbow, on the other hand, claims that the band had consented to the recording of its performances at the 1980 music festival, because the group - as well as other bands performing at the festival - had made a deal with Polydor for the release of a compilation album of concerts given at the festival. Such an album was in fact released, and two of its tracks were performances by Saxon. According to Rainbow, the consent given to Polydor in 1980 "effectively destroys" any "bootlegging" claim under the Performance Protection Act or the Copyright, Designs & Patent Act. Not so, Saxon's lead singer responded; the

consent given in 1980 was merely to "incorporate two tracks after suitable remits."

To decide whether to issue the requested injunction, Judge Laddie first balanced the hardships that would be suffered by the parties. He concluded that the "balance is fairly even." A new album by Saxon, entitled "Dogs of War," was about to be released, and its sales - as well as the reputation of the group - could be injured by release of the 1980 recordings. On the other hand, Rainbow is a new company, and could suffer harm if prevented from delivering the album to customers, as promised, or if release of the album were delayed beyond the 15th anniversary of the 1980 music festival.

Therefore, Judge Laddie based his decision on two other factors - the status quo, and the strength of the parties' respective cases. Both pointed in the direction of issuing the injunction, because the album had not been released yet, and because the judge thought it likely that

the only consent given in 1980 was consent for two tracks on a festival compilation album. The judge also rejected Rainbow's argument that Saxon's lead singer had delayed unreasonably in seeking the injunction. However, to minimize the harm done to Rainbow, Judge Laddie ordered a speedy trial.

Editor's note: The United Kingdom protected performers' rights long before the United States did; but now such rights are protected by U.S. law as well, as a result of an amendment to the U.S. Copyright Act that became effective in December 1994. (See, Lionel S. Sobel, "Bootleggers Beware: Copyright Law Now Protects Live Musical Performances, but New Law Leaves Many Questions Unanswered" (ELR 17:2:6)) Thus, this British case is a harbinger of cases to be expected in the United States. Indeed, if Rainbow had released the album of Saxon's 1980 music festival performances in the United States, U.S. law would have applied, and the rights

asserted by Saxon's lead singer in this British case may have become the first test of performers' rights under the new U.S. law. This is so, because even though the effective date of the U.S. law is December 8, 1994, any unauthorized reproduction or distribution of an unauthorized recording after that date violates the act, even if the unauthorized recording was made before that date.

Byford v. Rainbow Communications Ltd., U.K. Chancery Division (1995) (available in the LEXIS Enggen Library, Cases File) [ELR 17:8:20]

NEW LEGISLATION AND REGULATIONS

California amends its "Son of Sam" law to permit victims to recover income earned from the commission of a felony, even if it is earned prior to conviction

The O.J. Simpson prosecution has resulted in at least one change in California law of importance to those in the entertainment industry. Shortly before the jury returned its "not guilty" verdict, the California legislature enacted, and Governor Pete Wilson signed, a bill that amends the California "Son of Sam" statute in order to permit victims to recover income "accrued, earned, or paid" to a felon, before - as well as after - a felon's conviction.

"Son of Sam" laws are those that prevent criminals from profiting from their crimes. The first such statute was enacted in New York in 1982, and several other states quickly adopted similar statutes, many of them

virtually identical in language to New York's. California's "Son of Sam" law was enacted in 1983. The original version of the New York law was declared unconstitutional by the Supreme Court in 1991 in *Simon & Schuster v. Crime Victims Board* (ELR 13:8:3). But the language and procedures of the California statute were not modeled on the New York act, and perhaps for that reason, the constitutionality of the California statute has never been challenged in court. Indeed, there are no reported cases construing the California "Son of Sam" law on any issue.

The California law appears at Civil Code section 2225. As originally enacted, it permitted victims to recover profits earned by convicted felons from the sale of rights to stories about their felonies. The law was amended in 1994 to permit victims to reach all profits earned by a felon from "the notoriety gained from the commission of a felony" - not just profits earned from

the sale of story rights. (ELR 16:6:32) But even as amended, the statute applied only to money earned by felons after their convictions. It did not apply to money earned before conviction, not even to money earned while charges were pending or while trials were being conducted.

During the O.J. Simpson trial, Simpson earned royalties from a book ("I Want to Tell You") and certain licensed merchandise which would not have been subject to the then-existing version of California's "Son of Sam" law, even if Simpson had been convicted. (See, e.g., Douglas E. Mirell, "Can O.J. Simpson Profit From the Sale of His Book?" (ELR 16:8:3)) Thus, the California legislature amended the law again to cover pre-conviction (as well as post-conviction) earnings in order to prevent a reoccurrence of the O.J. Simpson circumstances. The effective date of the new amendment is January 1, 1996. Of course, even as amended,

California's "Son of Sam" law does not apply to Simpson's earnings - not even to royalties from his book, merchandise or new video - because he was found not guilty.

California Senate Bill 287, amending California Civil Code section 2225 (1995) [ELR 17:8:22]

Several states adopt legislation regulating music performance licensing practices of ASCAP, BMI and SESAC

Music would seem to be an unlikely subject for business battles. In fact however, public performances of non-dramatic music - and royalties made payable by such performances - have been the subject of never-ending battles between bars, restaurants and stores on

the one hand and ASCAP, BMI and SESAC on the other. (ASCAP, BMI and SESAC are the three organizations that issue non-dramatic public performance licenses on behalf of songwriters and music publishers.) Those battles have now spilled over from federal courts and Congress - where they have been fought for decades - into the halls of state legislatures, literally from coast to coast.

The November 1995 issue of the Entertainment Law Reporter reported that Texas had adopted legislation regulating the licensing practices of ASCAP, BMI and SESAC, and that similar legislation was still pending in nine other states including Virginia. (ELR 17:6:28) In fact Virginia was the first state to enact such legislation. (See the "Letters to the Editor" section of this issue. ELR 17:8:26) Moreover, similar (though not identical) bills have been enacted in Colorado, Illinois, Maryland, Missouri, Oklahoma, West Virginia and

Wyoming as well. And such bills also are pending in California, Florida, Georgia, Iowa, Minnesota, New Hampshire, New Jersey, Rhode Island and Washington state.

The enacted bills have a number of features in common. All require licensing organizations to provide certain information to businesses that may want to publicly perform music, before a license agreement is signed. All require public performance license agreements to be in writing. All make it a violation of state law for licensing organizations to fail to conform to the bills' requirements. And all give local businesses certain remedies against licensing organizations, should they violate state law.

Details of the various bills differ. Some impose greater requirements on ASCAP, BMI and SESAC than others. For example, the Maryland and Missouri bills require performing rights societies to establish a "toll free

telephone number" that Maryland and Missouri businesses can call for information regarding the specific songs and copyright owners represented by each performing rights society. Likewise, some bills give local businesses more remedies than others. The West Virginia bill, for example, requires performing rights societies or copyright owners to provide "notice" concerning their public performance royalty rates at least annually, by publication in a West Virginia newspaper or directly to West Virginia businesses; and the bill provides that if such notice is not provided, that failure "shall constitute a complete defense to any civil action brought by a copyright owner or performing rights society seeking to recover royalties in circumstances where no contract exists between such parties regarding royalties."

Editor's note: Though the details of the various bills differ, all share one thing in common: they will make it more difficult and expensive for ASCAP, BMI

and SESAC to issue public performance licenses in the states where those bills have been enacted. For this reason, these bills interfere with the ability of copyright owners to exercise rights given them by federal law, and thus these bills should be preempted by the Copyright Act. However, as previously noted (ELR 17:6:28), there are reasons to doubt that these bills will be declared invalid on preemption grounds, at least not in full. The West Virginia provision making failure to give notice a "complete defense" to civil actions to recover royalties is virtually certain to be preempted, if it is meant to apply in copyright infringement actions for unlicensed performances. Authority for this proposition is found in *Ocasek v. Hegglund*, 673 F.Supp. 1084 (D.Wyo. 1987) (ELR 10:1:17), which held that a copyright infringement action would not be barred by a copyright owner's failure to comply with the licensing and filing requirements of a Wyoming statute that was a forerunner to the

current crop of bills. On the other hand, years of litigation seem probable with respect to the validity of other state-law imposed requirements - like fee schedule filings and toll free phone numbers - if non-compliance with those requirements is asserted as a basis for other civil and even criminal remedies granted by state law.

Colorado Enforcement of Music Copyrights Act, Colo. Rev. Stats. 6-13-101 to 6-13-104 (1995); Illinois Music Licensing Fees Act, 1995 Ill. ALS 114, 1995 Ill. Laws 114 (1995); Maryland Copyright Royalties Act, Md. Commercial Law Code 11-1401 to 11-1405 (1995); Missouri Act Relating to Contracts for the Payment of Royalties, 1995 Mo. SB 355 (1995); Oklahoma Consumer Protection Act - Royalties, 15 Okla. St. sec. 790 (1995); Virginia Music Licensing Fees Act, Va. Trade & Commerce section 59.1-460 to 59.1-466 (1995); West Virginia Copyright Protection Act, W.Va. Code

section 47-2A-2 to 47-2A-4 (1995); Wyoming Protection of Copyright Users Act, Wyo. Stat. section 40-13-102 to 40-13-103 (1995) [ELR 17:8:22]

IN THE NEWS

Right of publicity case brought by actors George Wendt and John Ratzenberger, alleging that figures displayed in airport bars depict them in their roles as "Norm" and "Cliff" in the television series "Cheers," is dismissed by District Court a second time

Judge Manuel Real has dismissed a right of publicity case brought by actors George Wendt and John Ratzenberger against Host International, the operator of a chain of airport bars and restaurants that display life-

size robotic figures that the two actors say depict them in their roles as "Norm" and "Cliff" in the long-running television series "Cheers." According to news reports, Judge Real found that there is no similarity between the facial features of Wendt and Ratzenberger and Host's robotic figures.

The is the second time Judge Real has dismissed the actors' lawsuit. Last year, the Ninth Circuit Court of Appeals reversed Judge Real's first decision (ELR 17:4:17). Judge Real had dismissed the case originally on the basis of photographs that had been submitted in support of Hosts' motion for summary judgment. In its decision reversing that dismissal, the Ninth Circuit made a point of indicating that the similarities between the actors and their robotic counterparts should be determined by looking at the actual three-dimensional figures displayed by Host, rather than at photographs. According to news reports, that is what Judge Real did before

dismissing the case again. Host brought two of its figures from a bar in Las Vegas to the judge's courtroom in Los Angeles.

The actors reportedly intend to appeal again. [Jan. 1996] [ELR 17:8:24]

CompuServe suspends subscriber access to more than 200 Internet newsgroups in response to order of German prosecutor

"In cyberspace, the First Amendment is a local ordinance." John Perry Barlow - lyricist for the Grateful Dead and co-founder of the Electronic Frontier Foundation - has said so many times, and now the Germans have proved just how right he was. CompuServe has suspended - "temporarily," it says - access to more than 200 Internet newsgroups in response to a "direct

mandate from the prosecutor's office in Germany." Each of the suspended newsgroups was specifically identified by German authorities as "illegal under German criminal law." CompuServe did not select the newsgroups or determine the nature of the newsgroups that have been suspended.

The German government is investigating "illegal" material on the Internet, and in connection with that investigation ordered CompuServe - an Ohio company - to comply with German law. German authorities have advised CompuServe that they are investigating newsgroups and other Internet content that may contain child pornography, other pornographic material illegal for adults, as well as content that although not illegal for adults is of such an explicit nature that it is illegal for minors.

In addition to providing its subscribers with access to material on its own computers, CompuServe also

provides its subscribers with access to the Internet - a worldwide network of computers owned and managed by people and companies that have no connection with CompuServe whatsoever. CompuServe has no control over the content of the material on computers that make up the Internet.

CompuServe has 500,000 subscribers in Western Europe and anticipates doubling that number in the next year. At the present time, CompuServe does not have the technological ability to block only German subscribers from accessing the newsgroups their government has declared "illegal." That is why those newsgroups have been blocked from CompuServe subscribers worldwide, including those in the United States. CompuServe is investigating ways in which it can restrict user access to selected newsgroups by geographical location, and has said that when it finds a way to do so, it will reopen

access to the blocked newsgroups to its subscribers located outside of Germany.

In the meantime, CompuServe has announced that it "must comply with the laws of the many countries in which we operate. However, laws in different countries are often in conflict, and this creates new challenges unique to the emerging online industry."

Ironically, even German Internet users still have access to the newsgroups that offend their government, if their access provider is a company other than CompuServe.

The newsgroups in question are not World Wide Web sites. They are more akin to electronic bulletin boards which contain messages - most of which are pure text - posted by participants in an ongoing electronic discussion. Though it is possible to use newsgroups to distribute images, special software must first be used to encode images into text and then to decode them from

text, in order view them as images. The process is more difficult and cumbersome than the procedure for transmitting images (and even photographs) on the World Wide Web.

While many Internet users have been critical of the Germans for imposing their standards on the entire world - and have been critical of CompuServe for acquiescing - legislation is now pending in the United States Congress that would make transmission of "indecent" material over the Internet a crime as a matter of U.S. law. Of course, here in the United States, the First Amendment is much more than a local ordinance, and thus the proposed legislation has been criticized as unconstitutional.

These are the newsgroups declared "illegal" by German authorities:

alt.binaires.pictures.erotica.teen;

alt.binaries.erotica.senior-citizens;

alt.binaries.multimedia.erotica;
alt.binaries.pictures.black.erotica.females;
alt.binaries.pictures.erotica.anime;
alt.binaries.pictures.erotica.centerfolds;
alt.binaries.pictures.erotica.senior-citizens;
alt.binaries.pictures.erotica;
alt.binaries.pictures.erotica.amateur.d;
alt.binaries.pictures.erotica.amateur.female;
alt.binaries.pictures.erotica.amateur.male;
alt.binaries.pictures.erotica.animals;
alt.binaries.pictures.erotica.anime;
alt.binaries.pictures.erotica.art.pin-up;
alt.binaries.pictures.erotica.balls;
alt.binaries.pictures.erotica.bears;
alt.binaries.pictures.erotica.bestiality;
alt.binaries.pictures.erotica.black.females;
alt.binaries.pictures.erotica.black.male;
alt.binaries.pictures.erotica.blondes;

alt.binaries.pictures.erotica.bondage;
alt.binaries.pictures.erotica.breasts;
alt.binaries.pictures.erotica.butts;
alt.binaries.pictures.erotica.cartoons;
alt.binaries.pictures.erotica.cheerleaders;
alt.binaries.pictures.erotica.d;
alt.binaries.pictures.erotica.disney;
alt.binaries.pictures.erotica.female;
alt.binaries.pictures.erotica.female.anal;
alt.binaries.pictures.erotica.fetish;
alt.binaries.pictures.erotica.fetish.feet;
alt.binaries.pictures.erotica.fetish.hair;
alt.binaries.pictures.erotica.fetish.latex;
alt.binaries.pictures.erotica.fetish.leather;
alt.binaries.pictures.erotica.furry;
alt.binaries.pictures.erotica.gaymen;
alt.binaries.pictures.erotica.latina;
alt.binaries.pictures.erotica.male;

alt.binaries.pictureserotica.male.anal;
alt.binaries.pictureserotica.midgets;
alt.binaries.pictureserotica.oral;
alt.binaries.pictureserotica.orientals;
alt.binaries.pictureserotica.plushies;
alt.binaries.pictureserotica.pornstar;
alt.binaries.pictureserotica.pornstars;
alt.binaries.pictureserotica.pre-teen;
alt.binaries.pictureserotica.pregnant;
alt.binaries.pictureserotica.redheads;
alt.binaries.pictureserotica.spanking;
alt.binaries.pictureserotica.tasteless;
alt.binaries.pictureserotica.teen;
alt.binaries.pictureserotica.teen.d;
alt.binaries.pictureserotica.teen.female;
alt.binaries.pictureserotica.teen.fuck.Teens;
alt.binaries.pictureserotica.teen.male.Teens;
alt.binaries.pictureserotica.terry.agar;

alt.binaries.pictures.erotica.transvestites;
alt.binaries.pictures.erotica.uncut;
alt.binaries.pictures.erotica.urine;
alt.binaries.pictures.erotica.voyeurism;
alt.binaries.pictures.erotica.young;
alt.binaries.pictures.groupsex;
alt.binaries.pictures.lesbians;
alt.binaries.pictures.lolita.misc;
alt.binaries.pictures.nude.celebrities;
alt.binaries.sounds.erotica;
alt.homosexual;alt.magick.sex;
alt.magick.sex.angst; alt.motss.bisexua-l;alt.politics.sex;
alt.recovery.addiction.sexual;
alt.recovery.sexual-addiction;
alt.religion.sexuality; alt.sex; alt.sex.aliens; alt.sex.anal;
alt.sex.animals;
alt.sex.asphyx;
alt.sex.balls;

alt.sex.bears;
alt.sex.bestiality;
alt.sex.bestiality.barney;
alt.sex.bestiality.hamster.duct-tape;
alt.sex.bondage; alt.sex.bondage.furtoonia;
alt.sex.bondage.sco.unix; alt.sex.boredom; alt.sex.boys;
alt.sex.breast; alt.sex.brothels; alt.sex.carasso; alt.sex.
children; alt.sex.cthulhu; alt.sex.disney;
alt.sex.doom.with-sound; alt.sex.dylan; alt.sex.enemas;
alt.sex.erotica.market.place; alt.sex.erotica.marketplace;
alt.sex.escorts.ads; alt.sex.escorts.ads.d;
alt.sex.exhibitionism; alt.sex.extropians; alt.sex.fat;
alt.sex.femdom; alt.sex.fencing;
alt.sex.fetish.amputeealt.sex.fetish.diapers;
alt.sex.fetish.drew-barrymore; alt.sex.fetish.fa;
alt.sex.fetish.fashion; alt.sex.fetish.feet;
alt.sex.fetish.hair; alt.sex.fetish.jello;
alt.sex.fetish.motorcycles; alt.sex.fetish.orientals;

alt.sex.fetish.peterds.momma; alt.sex.fetish. power-
rangers. kimberly.tight-spandex; alt.sex.fetish.robots;
alt.sex.fetish.scat; alt.sex.fetish.size;
alt.sex.fetish.smoking; alt.sex.fetish.sportswear;
alt.sex.fetish.startrek; alt.sex.fetish.the-bob;
alt.sex.fetish.tickling; alt.sex.fetish.tinygirls;
alt.sex.fetish.trent-reznor; alt.sex.fetish.waifs;
alt.sex.fetish.watersports; alt.sex.fetish.wet-and-messy;
alt.sex.fetish.white-mommas; alt.sex.fetish.wrestling;
alt.sex.first-time; alt.sex.fish; alt.sex.furry;
alt.sex.gangbang; alt.sex.girl.watchers; alt.sex.girls;
alt.sex.guns; alt.sex.hello-kitty; alt.sex.historical;
alt.sex.homosexual; alt.sex.incest; alt.sex.intergen;
alt.sex.jesus; alt.sex.jp; alt.sex.magazines;
alt.sex.marsha-clark; alt.sex.masturbation;
alt.sex.midgets; alt.sex.modem-kamikaze; alt.sex.motss;
alt.sex.movies; alt.sex.necrophilia;
alt.sex.nudels.me.too; alt.sex.oral; alt.sex.orgy;

alt.sex.pedophilia; alt.sex.pedophilia.boys;
alt.sex.pedophilia.girls; alt.sex.pedophilia.pictures;
alt.sex.pedophilia.swaps; alt.sex.pictures;
alt.sex.pictures.d; alt.sex.pictures.female;
alt.sex.pictures.male; alt.sex.plushies; alt.sex.pre-teens;
alt.sex.prostitution; alt.sex.reptiles; alt.sex.safe;
alt.sex.services; alt.sex.sgml; alt.sex.sm.fig;
alt.sex.snakes; alt.sex.sounds; alt.sex.spanking;
alt.sex.stories; alt.sex.stories.d; alt.sex.stories.gay;
alt.sex.stories.hetero; alt.sex.stories.moderated;
alt.sex.stories.tg; alt.sex.strip-clubs; alt.sex.super-size;
alt.sex.swingers; alt.sex.tasteless; alt.sex.telephone;
alt.sex.toons; alt.sex.trans; alt.sex.ugly; alt.sex.uncut;
alt.sex.video-swap; alt.sex.voxmeet; alt.sex.voyeurism;
alt.sex.wanted; alt.sex.wanted.escorts.ads;
alt.sex.watersports; alt.sex.weight-gain; alt.sex.wizards;
alt.sex.young; alt.sex.zoophile; alt.sex.y.bald.captains;
alt.stories.erotica; alt.support.disabled.sexuality;

alt.tv.tiny-toon.sex; clari.news.crime.sex;
clari.news.gays; clari.news.sex; aus.sex; de.talk.sex;
es.alt.sexo; fido.ger.sex; fido.sex-ger; fido7.ru-sex;
fido7.ru-sex.adv; fido7.russian-sex; finet.sex;
fiod7.other.russian.sex; fiod7.ru.sex; gay-net.behinderte;
gay-net.btx-ecke; gay-net.coming-out; gay-net.dfue;
gay-net.erotica-stories; gay-net.gruppen.general; gay-net.
guide.bundesweit;
gay-net.guide.weltweit;
gay-net.haushalt; gay-net.international;
gay-net.kontakte; gay-net.labern; gay-net.lederecke;
gay-net.spiele; gay-net.test; rec.arts.erotica;
shamash.gayjews; slo.sex;
soc.support.youth.gay-lesbian-bi;
t-netz.sex;
t-netz.sex-stories;
tw.bbs.sci.sex;
ucb.erotica.sensual; uw.alt.sex.beastiality;

uw.alt.sex.bestiality;
uw.alt.sex.bondage;
uw.alt.sex.stories;
uw.alt.sex.stories.d; zer.t-netz.sex
[Jan. 1996] [ELR 17:8:24]

DEPARTMENTS

Letters to the editor:

Virginia first state to regulate music performance licensing practices

Last night I read the November 1995 issue of the Entertainment Law Reporter and discovered something that I feel compelled to correct. It deals with the article "Texas adopts legislation to regulate music performance

licensing practices of ASCAP, BMI and SESAC" on page 28 [which reported that Texas was the first state to enact such legislation and that a similar bill was still pending in Virginia (ELR 17:6:28).]

Texas was not the first state, by a long shot, to enact this type of legislation. The first was Virginia which passed its legislation in February and made it law on July 1st of this year [1995]. Having played a major role in the drafting and passage of the Virginia legislation, I thought I would share with you the background of how this movement started around the country.

The New Jersey Restaurant Association drafted its model bill in the latter part of 1994, and sent over 3,000 copies of the "New Jersey" bill across the country to legislators and their colleagues in the restaurant industry. The New Jersey model was outrageous from a federal preemption standpoint since it drastically

affected the ability of the performing rights societies to enforce their copyright interests.

In January 1995, the New Jersey model was introduced in bill form in the Virginia legislature at the urging of the Virginia Hospitality Association. When the performing rights societies hired lobbyists to defeat the legislation, the Virginia Hospitality Association hired me to assist their efforts. At the same time, the performing rights societies were fighting the legislation in New Jersey.

Recognizing the federal preemption problems, I rewrote the bill to focus on preventing coercion or deceptive acts with respect to the performing rights societies' licensing practices. When this revised version passed the Virginia Senate, the performing rights societies sat down with us and we negotiated a compromise bill. The result is the attached Virginia Music Licensing Fees Act. Eventually, the New Jersey legislature enacted

the New Jersey Restaurant Association model bill. Pending approval from Governor Whitman, the performing rights societies went to the federal consent decree court to be released from their requirement to provide public performance licenses in New Jersey if the model bill became law. The consent decree court approved the request. Faced with the threat of having all public performance licenses in her state revoked, Governor Whitman vetoed the legislation.

The performing rights societies are still battling various versions of this legislation in other states.

With best regards, I am

Sincerely yours,

Kirk T. Schroder

LeClair Ryan

Richmond, Virginia

[Editor's note: See the "New Legislation and Regulations" section of this issue of the Entertainment Law Reporter (ELR 17:8:22) for a report on the Virginia Music Licensing Fees Act, as well as recently-enacted music licensing statutes in Colorado, Illinois, Maryland, Missouri, Oklahoma, West Virginia and Wyoming.]
[ELR 17:8:26]

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Accessibility and Commercialization in Copyright Theory by Robert A. Kreiss, 43 UCLA Law Review 1 (1995)

Copyright Infringement Post Isoquantic Shift: Should Bulletin Board Services Be Liable? by Andrea Sloan Pink, 43 UCLA Law Review 587 (1995)

Baseball's Antitrust Exemption - A Corked Bat for Owners? by William S. Robbins, 55 Louisiana Law Review 937 (1995)

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Replacing the Idea/Expression Metaphor with a Market-Based Analysis in Copyright Infringement Actions by Edward C. Wilde, 16 Whittier Law Review 793 (1995)

Criminalizing Free Speech: California's Ban on Witnesses Who Have Sold Their Testimony for a Fee by Sean Michael Foldenauer, 3 San Diego Justice Journal 485 (1995)

Central Issues in the Acquisition and License of Intellectual Property Rights by Christopher P. Bussert and Robert A. Rosenbaum, 15 The Licensing Journal 5 (1995) (published by GB Enterprises, PO Box 1169, Stamford, CT. 06904-1169)

Survey of Illinois Law: Intellectual Property Law Developments by John Bostjancich & Patricia S. Smart, 19 Southern Illinois University Law Journal 855 (1995)

The Entertainment Law Review, published by Sweet & Maxwell/ESC Publishing, Mill Street, Oxford, OX2 OJU, United Kingdom, has issued Volume 6, Issue 8 with the following articles:

Approaches to the Problems of Multimedia: An Author's Perspective by Chris Barlas, 6 Entertainment Law Review 303 (1995)

Some Implications of the New Regulations Regarding Rental Rights by Anthony Mosawi, 6 Entertainment Law Review 307 (1995)

UK Copyright and the Communication of Sound Recordings to the Public: The Slings and Arrows of Outrageous Fortunes by Anthony Robinson, 6 Entertainment Law Review 312 (1995)

The Effect of International Developments on US Copyright Law by Leslie A. Kurtz, 6 Entertainment Law Review 322 (1995)

Quotas Without Content: The Questionable Legality of European Content Quotas under the Television Without Frontiers Directive by Maurits Dolmans, 6 Entertainment Law Review 329 (1995)

Pornography and the Internet by Malcolm Webb and Ann Buckingham, 6 Entertainment Law Review 334 (1995)

New Copyright Act Passed in Denmark Offering Increased Protection for Photographers, Performers and Producers by Per Neumann, 6 Entertainment Law Review 337 (1995)

[ELR 17:8:26]