RECENT CASES

Jesse "The Body" Ventura is awarded royalties from sale of videos of World Wrestling Federation matches for which he worked as TV commentator, even though his employment agreements did not provide for such royalties; decision suggests a "performer's right" and a duty to negotiate truthfully

Jesse "The Body" Ventura has won what may have been the biggest match of his career - a match that pitted him against the operator of the entire World Wrestling Federation. Moreover, in doing so, he set a mark that may benefit many other performers of all kinds, as well as himself. This particular match was fought in federal courts in Minnesota; and the mark he set is an appellate court decision holding that Ventura is entitled to royalties from the sale of videos of World Wrestling Federation matches for which he worked as a TV commentator, even though his TV-commentator employment agreements did not provide for such royalties. This precedent-setting ruling is based on a blend of two legal doctrines: "quantum meruit" and the right of publicity. And if this decision is followed in future cases, it may be the foundation for a generalized "performers' right" - at least in those cases where the performer's employment contract does not deal specifically with the employer's right to distribute videos (and other products), or where the performer's waiver of video royalties was "fraudulently" induced.

Many of Ventura's fans think of him as a wrestler and an actor, but he also has worked as a color commentator for televised wrestling matches. He began that part of his career by doing TV commentary for World Wrestling Federation matches pursuant to an employment agreements with Titan Sports, Inc., the company that operates the World Wrestling Federation. Ventura's first TV-commentator agreements were oral, and they said nothing at all about the sale of videos. Later, Ventura entered into written employment agreements, negotiated on his behalf by a talent agent. During those negotiations, the agent asked Titan about video royalties and was told that Titan paid royalties only to "feature" performers. Ventura was not a "feature" performer, and his agent did not think it would be wise to try to "break the policy." Thus, Ventura's written contracts waived whatever right to video royalties he might otherwise have had.

Eventually, Ventura went to work as a commentator for the World Wrestling Federation's main competitor; and a year or so later, he filed suit against Titan for royalties he claimed were due him, on account of Titan's sale of videos of WWF matches for which Ventura had worked as a TV commentator. Following a jury trial, the District Court entered judgment in Ventura's favor, and Titan appealed. In a decision by Judge Frank Magill, the Eighth Circuit Court of Appeals has affirmed the judgment, over the dissent of Judge Morris Sheppard Arnold.

The primary legal doctrine on which Ventura's judgment was based is the common law doctrine of "quantum meruit" or unjust enrichment. In Minnesota (and elsewhere), unjust enrichment claims "may be based on failure of consideration, fraud, mistake, and situations where it would be morally wrong for one party to enrich himself at the expense of another," although more is required than one party benefiting from the efforts of the other. Thus, the Court of Appeals ruled that "Ventura's quantum meruit claim may succeed only if Titan's rights to use Ventura's performance are limited so that Titan is not entitled to use the performance without Ventura's consent." The court found that Ventura's claim had properly succeeded in this case, because it concluded "that Titan's rights are limited by Ventura's right to publicity."

Titan had argued that Ventura could not assert a quantum meruit claim because he had entered into express contracts concerning his services, and that the express contracts superseded Ventura's quantum meruit rights. The court acknowledged that quantum meruit claims may not be brought where an express agreement covers the point in dispute. However, the court ruled that quantum meruit is available regarding "those items about which the contract is silent" and in those cases where the express contract is induced by fraud.

In this case, Ventura's oral agreements gave Titan the right to use Ventura's services as a commentator, but were silent about whether Titan could sell videos of those services; and thus quantum meruit was available as to the sale of videos of matches he worked while under oral contracts. Although Ventura's written agreements waived his right to video royalties, the waiver was induced by Titan's representation that it paid such royalties only to "feature" performers - a representation which turned out to be untrue, because Titan had paid royalties to Hulk Hogan, Marvel Comics, and many non-feature wrestlers. Since Ventura had justifiably relied on Titan's misrepresentations concerning its royalty-paying practices, and since Ventura would not have accepted a no-royalty deal if he had known that other non-feature performers would receive royalties, the appellate court held that Ventura's recovery on the basis of quantum meruit was proper even for the periods covered by his written contracts.

The Court of Appeals also affirmed the basis on which Ventura's expert witness had calculated a reasonable royalty rate in order to determine Ventura's damages. The agent testified that a rate of 5 percent of net profits is the least he would have accepted as an agent, though reasonable rates could range from 3.5 percent to 7.5 percent of net profit. (The jury awarded Ventura about $810,000 which was just under 3.5 percent of Titan's net profits.) Ventura's expert had based his opinion on a survey of thousands of licensing agreements involving sports and entertainment figures. And though no agreement was "on all fours" with the Ventura-Titan arrangement, the court ruled that the expert's methods were sufficiently reliable to support the admission of his testimony.

Editor's note: A significant issue in the case was whether the state of Minnesota recognizes a right of publicity; the majority's conclusion that it does is one of the issues about which Judge Arnold dissented. Elsewhere in the country, the existence of a right of publicity is quite well settled, so for most entertainment lawyers, this case is significant because of the way in which it uses the right of publicity as a basis for finding that Titan was "unjustly enriched" when it sold videos containing Ventura's commentary, without paying him. Broadly interpreted, this case does for all performers, as a matter of common law, what Congress did for music performers only in its 1994 anti-bootlegging amendment to the Copyright Act. (ELR 17:2:6) Judge Arnold dissented as to this part of the court's ruling as well, saying that in his opinion, "it is hardly unjust, from an economic viewpoint, that Titan should receive the full benefit from selling copies of the videotapes that it created. Titan, as entrepreneur, staged the wrestling matches, hired the various wrestlers, hired the announcers, and, above all, took the risks that the venture would fail to turn a profit. Now that Titan has been successful, Mr. Ventura wants additional compensation for having performed no additional work. If there is any unjust enrichment in this case, it is in allowing Mr. Ventura a recovery under these circumstances." Judge Arnold supported this conclusion with a discussion of Nelson v. Radio Corp. of America, 148 F.Supp. 1 (S.D.Fla. 1957), which held that a vocalist, hired to perform with the Glenn Miller Orchestra, was not entitled to additional compensation when recordings containing the vocalist's performances with the Orchestra were licensed for sale as phonograph records. Remember, however, that the Nelson case is merely a District Court decision, and that Judge Arnold's opinion is a dissent and thus not the law, at least in the Eighth Circuit. The majority's decision is equally significant for what it says about the consequences of misrepresentations made in the course of negotiations. The assertion that Titan paid royalties only to "feature" performers was made to Ventura's agent by Titan's Vice President of Business Affairs; and though the assertion successfully persuaded Ventura to waive any claim to royalties, that waiver was set aside by the court because it was induced by a misrepresentation. Thus, a negotiation victory turned out not to be worth the time it took to get, or the paper it was written on. In retrospect, it is apparent that Titan would have been better served if it had simply told Ventura's agent that Ventura's commentary was not important enough to justify the payment of royalties to him; and if that meant that Ventura would not accept the deal, then Titan could have decided whether to sweeten its offer to him, or to get another commentator in his place.

Ventura v. Titan Sports, Inc., 65 F.3d 725, 1995 U.S.App.LEXIS 25332 (8th Cir. 1995) [ELR 17:12:3]

Expiration of copyright to 1960 movie "Little Shop of Horrors" relieves musical play licensees of contractual obligation to continue paying royalties to former owner of now-expired movie copyright; but royalties are still due to owner of separate copyright to "Little Shop" screenplay, because release of movie did not publish screenplay, and thus its copyright has not expired

The owner of the copyright to the original 1960 version of the movie "Little Shop of Horrors" must have been horrified itself when it realized, too late, that the movie's copyright has never been renewed - thus putting that classic film in the public domain. Back in 1983, when the movie's copyright was still in effect, musical play rights were licensed to playwright Alan Menken and composer Howard Ashman, and they agreed to pay royalties in connection with the musical they then wrote.

Menken and Ashman also entered into an agreement with Charles Byron Griffith, the screenwriter who wrote the original screenplay on which the movie was based, and agreed to pay him royalties as well.

When the movie's copyright expired, Menken and Ashman's successor, Shoptalk, Ltd., concluded that they no longer were obligated to pay royalties to the company that owned the movie's copyright just before it expired, Concorde-New Horizons Corp.; but it disagreed. So Menken and Shoptalk filed an action in federal District Court in New York, seeking a judicial declaration that they were no longer bound by the royalty provisions of their 1983 agreement with the owner of the movie's copyright. (They continued to pay royalties to screenwriter Griffith.)

Concorde-New Horizons contended that it was entitled to continue receiving royalties, for two reasons: because its contractual right to royalties simply outlasted the movie's copyright; and because the still-valid copyright in the underlying screenplay preserved its right to receive royalties even though the copyright to the movie itself had expired.

Judge Deborah Batts has agreed with Menken and Shoptalk, and disagreed with Concorde-New Horizon. Judge Batts has ruled that "Absent the Motion Picture copyright, Defendant [Concorde-New Horizons] would have had nothing of value to sell or convey to Plaintiffs [Menken and Shoptalk]. Thus, the expiration of the Motion Picture copyright operated to extinguish those of Plaintiffs' obligations under the 1983 Agreement which were dependent on the Motion Picture copyright."

When Concorde-New Horizons claimed that the screenplay's copyright preserved its right to continued royalties, Menken and Shoptalk responded by arguing that the screenplay's copyright had expired as well (even though they had continued to pay Griffith). This was so, they asserted, because release of the movie in 1960 constituted a publication of the screenplay as well. Judge Batts rejected this argument, however. She rejected the argument that the screenplay and the movie were the "same work." Rather, she said, the movie was a derivative work based on the screenplay, "even though" the movie's copyright registration did not classify it as a derivative work or identify the screenplay as a preexisting work. And she ruled that publication of the movie did not publish the screenplay. Thus, Menken and Shoptalk must continue to pay royalties to Griffith.

Editor's note: Judge Batts' decision is correct on both grounds, in my opinion. Note, however, that her decision that the publication of the movie did not publish the screenplay is at odds with a similar decision of the Ninth Circuit Court of Appeals in La Cienega Music Company v. ZZ Top - the case in which the Ninth

Circuit held that release of a record did publish the songs recorded on it (ELR 16:10:13). The conflict between the Second and Ninth Circuits on the issue of whether publication of a derivative work also publishes the underlying work is a conflict the Supreme Court was asked to resolve in the La Cienega Music case; but the Supreme Court inexplicably denied La Cienega Music's petition for certiorari. As a result, if the "Little Shop of Horrors" case had arisen in California, instead of New York, the court probably would have held that the screenplay is in the public domain as well as the movie; and thus Menken and Shoptalk would not have had to pay royalties to anyone any more.

Shoptalk, Ltd. v. Concorde-New Horizons Corp., 897 F.Supp. 144, 1995 U.S.Dist.LEXIS 13066 (S.D.N.Y. 1995) [ELR 17:12:4]

Appellate court affirms order holding New Line Cinema in contempt for failing to comply with consent decree settling Stephen King lawsuit concerning use of his name in marketing "The Lawnmower Man"; but orders requiring New Line to do certain things to cure the contempt are vacated as beyond the scope of the decree

Stephen King is the world's leading writer of horror stories, and someday he may write a book about the horrors of being caught in a civil lawsuit . . . with a writer of horror stories. If he does, that book will be "based on a true story" - one in which King himself is the plaintiff and New Line Cinema the defendant. That case is the one in which King objected to the use of his name in connection with New Line's movie "The Lawnmower Man."

The movie was based on a Stephen King short story, pursuant to a license from King. Nevertheless, early in the case, a federal Court of Appeals ruled that New Line could not use King's name in a "possessory credit" ("Stephen King's The Lawnmower Man") but could use his name in a "based upon credit" ("based upon a story by Stephen King") (ELR 14:8:9). Thereafter, King and New Line settled the case by entering into a court-approved consent decree which prohibited New Line from using King's name in any manner in connection with the film. The consent decree required New Line to do several things to eliminate King's name from hundreds of thousands of "Lawnmower Man" videos that were already in stores by the time the decree was entered. King, however, claimed that New Line failed to do what was required of it; and District Judge Constance Baker Motley agreed and held New Line in contempt (ELR 16:3:4). As a consequence, Judge Motley ordered New Line to take additional actions to cure the contempt. Among other things, New Line was ordered to pay King $10,000 a day until it had complied with those orders (ELR 17:1:16).

New Line appealed the contempt order and the orders requiring it to take additional actions to cure the contempt. The appellate court's ruling is a split decision. In an opinion by Judge Frank Altimari, the Second Circuit Court of Appeals has affirmed the original contempt order, finding that New Line had failed to comply with the consent decree. On the other hand, the appellate court has vacated the orders requiring New Line to do certain things to cure the contempt, on the grounds that the ordered actions were beyond the scope of the consent decree. The appellate court also vacated the $10,000 a day fine, because it was "wholly unrelated to any damages King may have incurred due to New Line's non-compliance with the Decree."

Editor's note: Once this case moved to the contempt stage, the dispute between King and New Line concerned whether New Line had taken the specific actions it had agreed to take to notify video stores that King's name was not to be used in any manner in connection with "The Lawnmower Man," and whether it had taken the actions it agreed to take to provide stickers that would cover over King's name on the movie's video packaging. For that reason, the court's decision in this case is quite fact-specific, because it involves an analysis of the wording used in the consent decree and whether the actions taken by New Line satisfied that particular wording. The decision is of interest to the industry generally because it illustrates the importance of three things: drafting consent decrees with as much precision as possible, emphasizing specific actions to be taken and procedures to be followed; giving specific directions to company personnel responsible for complying with consent decrees; and monitoring the activities of company personnel responsible for compliance to be certain the requirements of decrees are followed to the letter.

King v. Allied Vision, Ltd., 65 F.3d 1051, 1995 U.S. App.LEXIS 26193 (2d Cir. 1995) [ELR 17:12:5]

Appellate court affirms $6 million judgment in favor of estate of Bob Marley against reggae artist's lawyer and accountant, arising from "schemes" to divert estate assets and income in violation of RICO and common law

Bob Marley is the world's best-selling reggae artist, even today, 15 years after his death from brain cancer. When he died, he left behind a widow and 11 children, but no will. Under Jamaican intestacy law, his widow was entitled to 10 percent of his estate outright and 45 percent for life, and his children were entitled to equal shares of the remaining 45 percent. Following Marley's death, his widow, lawyer and accountant engaged in a number of transactions which they said "were aimed at minimizing the estate's tax liabilities" so that more would be left to be distributed to his beneficiaries. But these transactions have been characterized as "schemes" by federal judges who have since reviewed them - thus suggesting that the judges concluded other motives were at work as well.

The reason that judges had occasion to study these transactions at all is that the administrator of Marley's estate sued his lawyer and accountant in federal court, alleging that they and Marley's widow had diverted assets and income from the estate in violation of RICO and common law. After trial, a jury agreed with the administrator, and District Judge Kenneth Conboy entered judgment against the lawyer and accountant for more than $6 million. (ELR 15:8:25) That judgment has now been affirmed by the Second Circuit Court of Appeals, in an opinion by Judge Richard Cardamone.

By the time the case reached the appellate court, it involved legal issues that seem dry, abstract and quite removed from what must have been the hotly disputed nature of the facts of the case. For example, $2.4 million of the judgment consisted of $800,000 in actual damages that were trebled under RICO - and one of the issues on appeal was whether the statute of limitations had run on the estate's RICO claims before suit was filed. The appellate court held it had not. Similarly, the defendants challenged the estate's standing to have brought the case at all, arguing by analogy to cases that hold that a shareholder cannot sue for wrongs inflicted on a corporation. The court rejected this argument as well, holding that "there is no doubt the estate has standing to assert claims based on [the] schemes" that had been used to transfer assets and income from the estate to corporations owned by Marley's widow. The appellate court also affirmed an award of $250,000 in punitive damages against Marley's lawyer, and an award of more than $3 million in attorneys fees and costs incurred by Marley's estate.

The one issue on appeal that provides a glimpse into the factual dispute that must have existed was the question of whether the estate had actually suffered any damages. According to Marley's lawyer, the estate did not suffer any loss by virtue of the diversion of assets and income to the corporations owned by Marley's widow, because those corporations distributed the money "to estate beneficiaries who were entitled to receive them or were used to pay for the estate's legitimate expenses." This argument too was rejected by the appellate court, for two reasons. First, as a matter of law, an estate and its beneficiaries are distinct from one another. Second, and perhaps more important, as a matter of fact, at trial the jury had been instructed that damages could be reduced if funds were used to pay estate obligations the administrator would have authorized. The administrator had sought $9.7 million in compensatory damages from Marley's lawyer and accountant; but the jury found the estate had been damaged only to the extent of $1.05 million. (The final judgment was much larger, because $800,000 in damages were trebled under RICO, and prejudgment interest and attorneys fees were awarded as well.) The appellate court ruled that "Since a jury is presumed to comply with its instructions . . . , the resulting verdict already accounted for any estate expenses paid by defendants that plaintiff [the estate's administrator] would have authorized. Hence, the compensatory damages award was proper."

Bingham v. Zolt, 66 F.3d 553, 1995 U.S.App.LEXIS 27610 (2d Cir. 1995) [ELR 17:12:6]

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Chicago Blackhawks may have violated antitrust law by refusing to grant media credentials and press access to publisher of game day programs that compete with Blackhawks' own game day programs

The Chicago Blackhawks are a profit-motivated business, as well as a National Hockey League sports team; and as a business they try to make money in a variety of ways. For example, they publish and sell game day programs - once called "Goal" - containing articles, photos, statistics and advertising. Most teams do, in the NHL and elsewhere.

Mark Weinberg is a hockey fan and an entrepreneurial fellow. He publishes a Blackhawks game day program called "The Blue Line" which is sold on the streets surrounding the stadium where the Blackhawks play their home games. "The Blue Line" apparently is quite good, because it "easily" outsells the Blackhawks' own program. But the quality of "The Blue Line" is not something the Blackhawks appreciate (even if their fans do) - nor is it something the Blackhawks cared to facilitate. So when Weinberg requested media credentials and press access for team practices, press conferences and post-game interviews, the Blackhawks refused to grant his request. The Blackhawks' assistant director of public relations explained the refusal with remarkable candor. "I don't think we want to set aside credentials for a publication that is conceivably competing against Goal," he said.

Weinberg responded with an antitrust lawsuit, alleging violations under the Illinois Antitrust Act (which is modeled after the federal Sherman Act and which is construed in accordance with federal precedent). Weinberg asserted that the Blackhawks had leveraged their monopoly power in professional hockey in Chicago to gain a competitive edge in the sale of game day programs, and that the Blackhawks had denied him access to an "essential facility," namely access to practices and players. An Illinois trial court granted the Blackhawks' motion to dismiss Weinberg's case, for failure to state a claim. But the Appellate Court of Illinois has reversed the dismissal, ruling that his complaint does state a valid antitrust claim.

The appellate court ruled that Weinberg's complaint had alleged all of the facts necessary to support his antitrust claim on the leverage-of-monopoly-power theory: it alleged that the Blackhawks have monopoly power in NHL hockey in Chicago; they used that power to gain an advantage in the market for game day programs by denying Weinberg media credentials and press access in order to prevent competition for their own program from "The Blue Line"; and the statement of their public relations director showed that the Blackhawks had denied credentials and access, intending to get an unwarranted advantage.

The appellate court also ruled that Weinberg's complaint alleged all of the facts necessary to support his "essential facilities" doctrine theory: it alleged that the Blackhawks have exclusive control over media credentials and press access; Weinberg cannot reasonably duplicate access to practices and players; Weinberg was denied access even though others were granted it; and the denial lessened the quality of "The Blue Line."

As a result, the case has been remanded to the trial court for further proceedings.

Weinberg v. Chicago Blackhawk Hockey Team, Inc., 274 Ill.App.3d 637, 653 N.E.2d 1322, 1995 Ill.App. LEXIS 589 (Ill.App. 1995) [ELR 17:12:7]

Connecticut trial court dismisses most, but not all, claims made by television news anchor against TV station owner arising from station's decision to remove anchor from evening news broadcasts

Television news anchors - like professional athletes - are replaced from time-to-time. So anchorman Don Lark shouldn't have been surprised when it happened to him in 1994. At least that's what most observers would have thought. But Lark was surprised, and angry as well, because he said he had been orally assured that from August 1992 through August 1995 he would be the anchor for the 6:00 and 11:00 p.m. news programs broadcast by the Post-Newsweek station in Connecticut. Thus, when he was replaced in 1994, Lark sued Post-Newsweek and Armond Terzi, the anchorman who replaced him.

Early in the case, Lark sought a temporary injunction which would have prevented Post-Newsweek from replacing him on the 6:00 and 11:00 p.m. broadcasts. But a Connecticut trial court denied the injunction, ruling that he had not proved he would be irreparably harmed, so long as the station continued to pay him in accordance with his written contract. (ELR 16:10:27)

Lark's complaint alleged several different legal theories; and shortly after the court denied Lark's request for an injunction, Post-Newsweek and Terzi filed a motion to strike several of those theories. In an unreported decision, the trial court has granted their motions as to all but one of Lark's claims. The court denied Post-Newsweek's motion to strike Lark's claim that the station had breached the covenant of good-faith and fair dealing impliedly contained in their written employment contract. The court did so, because it held that Lark's allegation that he had a contract with the station and an expectation that he would remain as lead anchor until that contract ended, along with an allegation that the station breached the contract by hiring Terzi "in bad faith" to take Lark's place, were sufficient to support a claim for breach of the implied covenant of good faith and fair dealing.

On the other hand, the court has granted Post-Newsweek's motion to strike Lark's other claims. His promissory estoppel claim was stricken on the grounds that such a claim "generally lies when there is no written contract, or the contract cannot be enforced for one reason or another," while in this case, Lark did have a contract that "appears to be enforceable." Lark's claims for negligent and intentional infliction of emotional distress have been stricken, because he did not allege facts showing that Post-Newsweek knew its conduct would harm him or create an unreasonable risk that it would harm him, and because he did not allege facts that "rise to the level of outrageous conduct." The court also struck a claim under Connecticut's trade practices act, because that act does not apply to the employer-employee relationship.

Lark's claim against Terzi, Lark's replacement, for interference with contract was stricken, because Lark did not allege that Terzi acted fraudulently or maliciously in seeking or signing an anchorman contract of his own with Post-Newsweek. Negligent and intentional infliction of emotional distress claims against Terzi also were stricken, for the same reasons those claims against Post-Newsweek were stricken.

Lark v. Post-Newsweek Stations Connecticut, Inc., 1995 Conn.Super.LEXIS 2332 (Conn.Super. 1995) [ELR 17:12:7]

University of Oregon did not breach contract with head basketball coach when it reassigned him to coach golf team following losing basketball season, because administrative rules incorporated by reference into coach's contract gave University the right to reassign personnel in accordance with staff needs

Being the head coach of a Pac-10 basketball team is one thing. Being its golf coach is something else. This was quite apparent to Don Monson, the University of Oregon basketball coach from 1983 to 1992, and probably to the University as well. What was less clear was whether the University breached its contract with

Monson when it reassigned him to coach the golf team at the end of the 1991-92 season - a season in which the basketball team lost 21 games, including two by margins of some 50 points.

On the one hand, Monson's contract - which ran through 1994 - was for him to be the head coach of the University's basketball team; on the other, the contract specifically incorporated by reference the provisions of the University's administrative rules, one of which gave the University to right to reassign personnel "in accordance with the staff needs of the institution." Monson believed that accepting reassignment to the golf team would have been "professional suicide" for him, because he never would have been able to get back into basketball coaching. At the same time, the University believed that it "need[ed] to make a change in leadership in the men's basketball program."

Monson refused to accept the reassignment, left the school's campus and never returned. The University considered him to have resigned and paid him nothing further. Monson then sued, seeking all of the pay and benefits due him over the remaining two years of his contract, as well as damages for money and benefits he would have received (as he had in the past) from non-University sources (like radio and television shows, a basketball camp, and shoe and sporting goods contracts) as the school's basketball coach. The trial judge denied the University's motion for a directed verdict; and the jury awarded Monson almost $300,000 (of the $426,000 he had sought).

The University appealed, and the Oregon Court of Appeals has reversed. It has ruled that the trial court should have granted the University's motion for a directed verdict, because it did not breach Monson's contract in the first place.

The trial judge had taken a narrow view of the University's right to reassign personnel to satisfy its "staff needs." He had ruled that Monson's reassignment to the golf team would have been proper under that provision only if the University had proved it then needed a new golf coach. This was an incorrect interpretation, the appellate court concluded. Rather, the Court of Appeals held that the University not only has the right to reassign personnel into positions where they are needed; it also has the right to reassign personnel out of positions they hold if - as in this case - it determines that "a staff member is no longer the most effective person for a particular position" or if - as in this case - it determines that "a department would be better served by having a different staff member in that position."

Editor's note: This case, like all breach of contract cases, turns on the particular language of the contract at issue. It does not stand for the proposition that universities may always reassign coaches from one team to another without being in breach. Here, the right to re-assign was part of the contract itself - even though the right was contained in a clause buried in administrative rules incorporated into the document actually signed by Monson only by reference. Thus, all universities cannot be confident of similar results, unless they too have re-assignment rights in their coaching contracts. From a coach's point of view, the lesson of this case is that all of the university "boilerplate" (that is so often incorporated into university employment contracts) must be closely inspected, as well as the contract itself; or involuntary reassignment has to be prohibited, if the coach has enough bargaining power to do so.

Monson v. State of Oregon, 136 Ore.App. 225, 901 P.2d 904, 1995 Ore.App.LEXIS 1218 (Ore.App. 1995) [ELR 17:12:8]

Appellate court affirms dismissal of antitrust and tort claims by player Joe Caldwell against American Basketball Ass'n and Spirits of St. Louis, because claims are exempted and preempted by federal labor law

Basketball player Joe Caldwell was an All-Star member of the Spirits of St. Louis, a team in the old American Basketball Association, in the early 1970s. But in 1974, the Spirits suspended him because they believed he had been involved in planning a short-lived walkout by fellow team member Marvin Barnes. Caldwell never played professional basketball again, for any team. And he believed - and subsequently alleged - that the reason he didn't was that ABA teams and others had conspired to keep him out of the game, in violation of federal antitrust and state tort laws. According to Caldwell, the ABA had done so because he had been president of the ABA Players Association and had engaged in union activities that displeased the league.

The ABA and its co-defendants denied that they had conspired to keep Caldwell out of the league on account of his union activities or for any other reason. They contended that Caldwell never played again simply because he had become old and injured, and because the ABA merger with the NBA had reduced the number of professional teams then in existence so there were fewer jobs for players. Judge Leonard Sand agreed with the ABA and dismissed Caldwell's case, in response to a defense motion for summary judgment. (ELR 15:10:22)

The Second Circuit Court of Appeals has affirmed the dismissal, but on different grounds. In an opinion by Judge Ralph Winter, the Court of Appeals has held that Caldwell's tort claims are pre-empted by federal labor law, and that the nonstatutory labor exemption bars his antitrust claims.

Judge Winter explained that if it were true, as Caldwell alleged, that he had been kept out of the ABA because of his union activities, the defendants would have committed an unfair labor practice under the National Labor Relations Act, because union activities are protected by that Act. Since the ABA's actions would have been an unfair labor practice, they would be "subject to the exclusive jurisdiction of the National Labor Relations Board." As a result, Caldwell's state law tort claims were pre-empted by federal labor law and were properly dismissed for that reason.

In analyzing Caldwell's antitrust claims, Judge Winter assumed that in the absence of a collective bargaining relationship between the ABA Players Association and the ABA, the conduct alleged by Caldwell would have violated federal antitrust law. Nevertheless, because there was such a relationship, the appellate court held that his antitrust claims were barred by the "so-called non-statutory labor exemption." This exemption was judicially created in order to prevent subversion of fundamental principles of federal labor policy which would occur if employees could assert antitrust claims for alleged wrongs that should be heard and decided by the National Labor Relations Board. Thus, Caldwell's antitrust claims were properly dismissed as well, the Court of Appeals ruled.

Editor's note: This case was first filed back in 1975 but was held in "suspense" for 18 years because of Caldwell's bankruptcy. From Caldwell's point of view, the passage of so much time weakened his case legally, because in 1975, it appeared that the labor exemption would not apply to agreements among teams concerning the terms on which they would employ players in their leagues. See, e.g., Kapp v. National Football League, 390 F.Supp. 73 (N.D.Cal. 1974); Mackey v. National Football League, 407 F.Supp. 1000 (D.Minn. 1975); and Robertson v. National Basketball Ass'n, 389 F.Supp. 867 (S.D.N.Y. 1975). This view was caustically criticized by Ralph Winter, then a Yale law professor, in an article he co-authored with attorney Michael Jacobs, in which they expressed their opinion that as between employers and employees - including players and sports leagues - engaged in collective bargaining, the antitrust laws neither have nor ought to have any application whatsoever to the determination of the terms and conditions of employment. See, Antitrust Principles and Collective Bargaining by Athletes: Of Superstars in Peonage, 81 Yale L.J. 1 (1971). Over the years, their view gained ground; and Professor Winter became Judge Winter - the same Judge Winter who wrote the court's decision in Joe Caldwell's case. By now, it is clear that the non-statutory labor exemption does bar

antitrust claims by players against their teams and leagues, under most circumstances. See, e.g., National Basketball Ass'n v. Williams, 45 F.3d 684 (2d Cir. 1995) (ELR 16:11:5), and Powell v. National Football League, 930 F.2d 1293 (8th Cir. 1989) (ELR 12:9:5). One aspect of that issue remains unsettled and is now before the United States Supreme Court: whether the labor exemption continues to apply after a collective bargaining agreement has expired and an impasse in negotiations has been reached. That issue is being considered in Brown v. Pro Football, Inc. (ELR 17:4:19), a case which the Supreme Court should decide soon.

Caldwell v. American Basketball Ass'n, 66 F.3d 523, 1995 U.S.App.LEXIS 27176 (2d Cir. 1995) [ELR 17:12:9]

Colorado and Wisconsin appellate courts reach different conclusions about whether musicians were "employees" or "independent contractors" of booking agencies that obtained employment for them, for purposes of state unemployment compensation laws

Within a span of just six weeks, appellate courts in Colorado and Wisconsin reached different conclusions - in entirely unrelated cases - about whether musicians were "employees" of the booking agencies that obtained employment for them, or whether instead they were "independent contractors." The difference mattered in both cases, because Colorado and Wisconsin have laws that require employers to make unemployment compensation payments to the state on behalf of their "employees" but not on behalf of "independent contractors."

In the Colorado case, the musicians were members of a band known as the "Big Chill" whose agency, the TBT Agency, booked them for performances at weddings and other special events, and occasionally at hotels, nightclubs and other establishments. Clients paid the Agency, and the Agency in turn paid the musicians. Each musician was responsible for his own transportation, lodging, clothing and meal expenses, and each provided his own musical instrument which for some amounted to a substantial investment. Moreover, none of the musicians was required to play at all performances booked for the "Big Chill"; and all of the musicians accepted employment independent of the "Big Chill" which they would honor, even if the date conflicted with a "Big Chill" performance, if the conflicting date was accepted first. For these reasons, the TBT Agency contended that the musicians were "independent contractors." The court disagreed however. It emphasized that "although" the "musicians were free to play other musical engagements, the musicians worked mainly out of their homes, did not maintain business addresses or telephone numbers, and earned from 95 to 99 percent of their income as musicians with this band." For these reasons, the court ruled that the musicians were not "customarily engaged in an independent trade, occupation, profession, or business related to the services they performed with the band." If they had been engaged independent from the band, they would not have been employees, as that term is defined in the Colorado statute. But since they weren't, the court held they were employees of the Agency, and the Agency had to pay unemployment compensation tax to the state in connection with their earnings.

In the Wisconsin case, the musicians were represented by Les Artistes Agency which placed them with clients who wanted entertainment for gatherings and social events. In this case too the clients paid the Agency, and the Agency paid the musicians. In Wisconsin - as in Colorado - the unemployment compensation statute defines "employee" to exclude those who perform services "in an independently established trade, business or profession." In this case, the court (in a decision marked "Not recommended for publication in the official reports") found that the musicians in question did perform independently, and thus were not employees of the Agency. "The musicians' percentage of income from the agency was generally less than five percent of their total annual income. The musicians were also known to go out and get their own business. There is no evidence that the musicians were economically dependent on [the Agency] for their livelihood." Since they were not employees of the Agency, it was not required to make unemployment compensation contributions to the state in connection with their earnings.

Editor's note: The standard applied in these two cases appears to be the same. The results differed, because in one case the musicians earned 95 percent or more of their income from the agency, while in the other case, the musicians earned less than 5 percent of their income from the agency. Since these cases turned on the language of the specific statutes in each state, other states may have somewhat different standards for determining when unemployment compensation contributions must be made by booking agencies. Moreover, while both of these cases involved only the question of whether unemployment compensation had to be paid, the difference between musicians being "employees" and an "independent contractors" is likely to be significant for other purposes as well - such as state payroll tax deductions, mandatory disability insurance, and the like. Note too that both of these cases arose because the clients paid the booking agencies, and the agencies paid the musicians. If the clients had paid the musicians directly, and the agencies had received commissions, it does not appear that the agencies would have been liable for unemployment insurance payments - not even in the Colorado case - because under those circumstances, the musicians would have been employees of the clients, if they were employees at all.

Barge v. Industrial Claim Appeals Office of Colorado, 905 P.2d 25, 1995 Colo.App.LEXIS 276 (Colo.App. 1995); Foard v. Labor & Indus. Review Comm., 1995 Wisc.App.LEXIS 997 (Wisc.App. 1995) [ELR 17:12:10]

Federal regulation pre-empts Wisconsin's effort to prohibit certain "negative option billing practices" used by Time Warner Cable, federal appellate court rules

In most communities, cable TV subscribers are offered literally dozens of separate channels. Some are local stations whose signals are also available over the air, using nothing more exotic than set-top rabbit-ear antennae. Others are available only by cable (or now by satellite). Cable system operators have an infinite number of ways to group these channels, for sale to their subscribers. Cable operators do so by creating "tiers," each of which carries a selection of channels and each of which is separately priced. In this fashion, subscribers are able to order the group of channels they want to watch and are willing to pay for.

Time Warner operates cable systems in the state of Wisconsin, and like other cable operators, it groups its available channels into tiers. At one time, Time Warner offered its Wisconsin subscribers a "basic" tier that included local network affiliates, a public TV channel, and superstations WGN and WTBS. A separate "standard" tier - available at additional cost - included MTV, CNN, ESPN, the USA Network, the Discovery Channel and E! Entertainment. (Movie channels were available separately, for additional fees.)

In 1993, Time Warner regrouped its offerings. It removed superstations WGN and WTBS from the basic tier and the Discovery Channel and E! Entertainment from the standard tier; and these four channels were offered to subscribers "a la carte" for 79 cents each per month, or together in a package for $2.20 per month. When Time Warner did this, it reduced the price of its standard tier, so that there was no change in the total amount paid each month by subscribers who took the basic and standard tiers and the newly-created four-channel package containing WGN, WTBS, Discovery and E!

When Time Warner made this change, it automatically provided the new four-channel package to subscribers who had previously taken the basic and standard tiers. Those subscribers were informed they could cancel the four-channel package at any time, but unless they did call to cancel it, Time Warner automatically charged them for it. The Attorney General of Wisconsin contended that this practice constituted a "negative option billing practice" which is prohibited by Wisconsin state law, and he brought an action against Time Warner before the Wisconsin Department of Agriculture, Trade & Consumer Protection. Time Warner responded by filing suit against the Attorney General in federal District Court, seeking to enjoin the state proceeding on the grounds that it was pre-empted by federal regulations adopted by the FCC pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The District Court disagreed with Time Warner and dismissed its case. (ELR 16:5:23)

Now however the Seventh Circuit Court of Appeals has reversed. In a decision by Judge Kenneth Ripple, it has held that Time Warner had regrouped its tiers in a manner specifically permitted by FCC regulation, and thus Wisconsin's effort to prohibit Time Warner from continuing to do so was pre-empted.

The 1992 Cable Act itself bars "negative option billing" by prohibiting cable operators from charging "for any service or equipment that the subscriber has not affirmatively requested by name." However, in its implementing regulations, the FCC provided that the general ban on negative option billing does not apply to "the addition or deletion of specific channels from an existing tier of service, or the restructuring or division of existing tiers of service that do not result in a fundamental change in the nature of an existing service." The appellate court determined that the FCC regulation is consistent with the statute, and that it authorized Time Warner to make the changes it did. As a result, Wisconsin regulation of Time Warner's practice was held to be pre-empted.

Time Warner Cable v. Doyle, 66 F.3d 867, 1995 U.S. App.LEXIS 27314 (7th Cir. 1995) [ELR 17:12:11]

Briefly Noted:

Statute of limitations in suit to recover ownership of and royalties from song.

Singer-songwriter Tom King has lost his lawsuit against EMI Music Publishing and others by which he had sought to recover ownership of the songs "Time Won't Let Me" and "Was it Really Real" and royalties they had earned over a 26-year period. King alleged that he had assigned his share of the copyrights in the songs in 1966 as a result of a fraud committed by his managers, and that he mistakenly thought he had reacquired ownership of them in 1968 as part of the settlement of a lawsuit the managers had filed against him. Twenty-six years later, when he realized he had not reacquired ownership of the songs, he sued EMI, the then-current owner of the songs' copyrights, and others, in state court in Ohio. The Ohio statute of limitations for claims of this sort is four years, and thus King's case was dismissed. The Ohio Court of Appeals has affirmed the dismissal, despite King's contention that he did not actually know of the alleged fraud that had been committed against him. The appellate court rejected this contention, because King had been receiving itemized royalty statements from EMI or its predecessor, Beachwood Music, for years in connection with other songs he had written, and those statements clearly revealed that no royalties were paid in connection with "Time Won't Let Me" or "Was it Really Real." As a result, King had not exercised "due diligence" in determining whether he had been defrauded, as required by Ohio law. The appellate court therefore held that the trial court had correctly ruled that the statute of limitations barred King's claim.

King v. EMI Music Publishing, 1995 Ohio App. LEXIS 3452 (Ohio App. 1995) [ELR 17:12:12]

Breach of employment agreement.

Partial summary judgment has been granted to the former general manager of the Capital District Islanders, an American Hockey League team, in his breach of contract action against the team's owner, on account of the termination of his services in 1993, prior to the end of a five-year employment agreement the team owner and general manager had entered into in 1991. The agreement permitted the team owner to terminate the general manager's employment only "for cause," and it required that he be given notice and an opportunity to cure the cause before he could be terminated. Also, "for cause" was "limited solely to [the general manager's] neglect or refusal to perform his duties." Following the 1992-93 season, the team owner "changed its franchise to the Albany River Rats in the New Jersey Devils organization" and terminated the general manager without giving him notice or an opportunity to cure any "cause" it may have had for doing so. The general manager sued, seeking compensation and benefits due under the remaining years of his contract; and after the team owner answered his complaint, the general manager filed a motion for partial summary judgment. A New York trial court denied the motion, apparently in response to the team owner's contention that additional discovery was necessary. But the Appellate Division has reversed. It ruled that the team owner's "knowledge of the underlying facts and means of access to relevant evidence were equal, if not superior, to [the general manager's]." Moreover, the evidence submitted in connection with the summary judgment motion left "no question that [the team owner] failed to comply with the requirement of the parties' written employment contract that [the general manager] not be discharged without cause or discharged for cause without advance written notice."

Hanson v. Capital District Sports Inc., 630 N.Y.S.2d 429, 1995 N.Y.App.Div.LEXIS 8794 (App.Div. 1995) [ELR 17:12:12]

Arbitration.

An action by one theatrical production company against the officers and directors of another production company, arising out of the alleged breach of an agreement between the companies to jointly produce the musical "Hair" at the Old Vic Theater in London, has been stayed in favor of arbitration, by order of the New York Appellate Division. The agreement between the two production companies contained a broadly worded arbitration clause. But the plaintiff, Hirschfeld Productions, Inc., contended that arbitration was not required, because it had alleged tort claims against the officers and directors of the other company, Mirvish Productions, and because the officers and directors of Mirvish Productions were not themselves parties to the agreement. A New York trial court agreed with the plaintiff, and thus denied the defendants' motion to stay the action. But the Appellate Division has reversed. It ruled that the tort claims all arose out of the companies' agreement to jointly produce "Hair," and that the attempt to distinguish the officers and directors of Mirvish from the company itself in order to avoid an arbitration would be contrary to the public policy of encouraging the arbitration of disputes. Moreover, since a corporation can only operate through the actions of its officers and directors, the Appellate Division held that they were entitled to exercise the right to arbitrate disputes that had been granted to their company in the joint production agreement.

Hirschfeld Productions, Inc. v. Mirvish, 630 N.Y.S.2d 726, 1995 N.Y.App.Div.LEXIS 8739 (App.Div. 1995) [ELR 17:12:12]

Investment Tax Credit.

ABC was not entitled to Investment Tax Credit for the years 1980 through 1983 in connection with its production of the television series "All My Children," because the domestic syndication rights to the series were retained by Agnes Nixon, the series' creator. In the years when Investment Tax Credit was still available (it no longer is), the credit could be claimed only by those who had an "ownership interest" in a film, which meant an "exclusive right to display a qualified film" in the United States. Episodes of "All My Children" were qualified films. But ABC did not own domestic syndication rights and thus did not have the "exclusive" right to display those episodes in the U.S. As a result, Judge Diane Gilbert Weinstein of the Court of Federal Claims has denied ABC's motion for partial summary judgment, and has granted the Government's motion, ruling that ABC was not entitled to the credit for the years at issue.

American Broadcasting Companies, Inc. v. United States, 95-2 U.S. Tax Cas. 50442, 1995 U.S. Claims LEXIS 153 (Ct.Cl. 1995) [ELR 17:12:13]

Defamation and emotional distress.

A Texas Court of Appeals has affirmed a summary judgment dismissing a defamation and intentional infliction of emotional distress action filed against the author and publishers of "Sleeping With The Devil" by a Houston police officer depicted in that book. The appellate court conducted a detailed evaluation of the book in an unpublished opinion (which by Texas rule is not to be cited as authority) by Justice Camille Hutson-Dunn. On the basis of that evaluation, the appellate court concluded that the complained-of passages of the book were either substantially true or could not reasonably be interpreted as stating actual facts about the police officer; and thus it held that his defamation claim had been properly dismissed. Under Texas law, an intentional infliction of emotional distress claim requires proof of "extreme and outrageous conduct." In this case, the police officer contended that the publication of defamatory statements about him constituted such conduct. But because the appellate court had held that the offending passages were not defamatory, it concluded that "as a matter of law, the [book's author and publisher] did not engage in extreme and outrageous conduct," and thus the police officer could not prevail on his emotional distress claim either.

Liles v. Finstad, 1995 Tex.App.LEXIS 1719 (Tex.App. 1995) [ELR 17:12:13]

Athlete drug testing policy.

The constitutionality of an Oregon school district drug testing policy for student athletes has been upheld once again, in what appears to be the last of several federal decisions addressing this particular policy. In earlier proceedings, the Ninth Circuit Court of Appeals held that the athlete drug testing policy of the Vernonia School District was unconstitutional under the Fourth Amendment and under the Oregon Constitution (ELR

16:7:15). But that decision was overturned by the United States Supreme Court which held that the policy does not run afoul of the Fourth Amendment (ELR 17:2:13). The Supreme Court remanded the case to the Ninth Circuit for reconsideration of its decision that the policy also violated the Oregon Constitution, because the Ninth Circuit had interpreted the Oregon Constitution in accordance with its interpretation of the Fourth Amendment - an interpretation that turned out to be incorrect. On remand, the Ninth Circuit has decided that the Oregon Supreme Court would not give student athletes greater protection under the Oregon Constitution than under the Fourth Amendment; and thus the Ninth Circuit has upheld the constitutionality of the policy under the Oregon Constitution. The Ninth Circuit's opinion, by Judge Ferdinand Fernandez, was only one sentence in length; and it triggered a strong dissent from Judge Stephen Reinhardt who chastised his colleagues for failing to certify the question to the Oregon Supreme Court for it to decide, as the plaintiffs had requested.

Acton v. Vernonia School District, 66 F.3d 217, 1995 U.S.App.LEXIS 26039 (9th Cir. 1995) [ELR 17:12:13]

Damages for lost photographs.

The Second Circuit Court of Appeals has ordered a new trial in a case in which a jury awarded a photographer $450,000 in damages on account of the loss of 300 of his transparencies, unless the photographer acquiesces to an award of $100,000. The photographer, William Gasperini, is a "well-regarded journalist for CBS News and the Christian Science Monitor" who sold photographs only "on occasion" and who earned just over $10,000 doing so over a 10-year period from

1984 through 1993. In 1990, Gasperini delivered 300 transparencies to the Center for the Humanities for its use in producing a video titled "Conflict in Central America." When the transparencies were lost, the Center admitted liability, but it and Gasperini disagreed about the amount he should be compensated. The jury's award was apparently based on expert testimony, offered by Gasperini over the Center's objection, that the "industry standard" rate for publishable transparencies was $1,500 each. However, in an opinion by Judge Guido Calabresi, the Court of Appeals rejected this testimony, because in setting damages in cases like this, New York law requires consideration of the uniqueness of the transparencies and the earning level of the photographer. Here, Gasperini had not shown that all 300 of the transparencies were unique, and his earnings of $10,000 over 10 years did not support such a large award either. The appellate court determined that this was an appropriate case for remittitur. Accordingly, it set aside the $450,000 judgment and ordered a new trial, unless Gasperini is willing to accept $100,000.

Gasperini v. Center for Humanities, Inc., 66 F.3d 427, 1995 U.S.App.LEXIS 25860 (2d Cir. 1995) [ELR 17:12:13]

Removal of books from libraries.

Removing books from libraries is not quite the same as banning them - but it is controversial nonetheless. Two separate lawsuits have presented that controversy to federal courts in Louisiana and Kansas. Though the cases are unrelated to one another, both reached the same interim result: both courts have ruled that trials will be necessary to determine the motives of school officials who decided to remove the books at issue from their school libraries. The Louisiana case involves the book Voodoo & Hoodoo by Jim Haskins, a "serious and scholarly" book that traces the development of African tribal religion and the practice of voodoo and hoodoo in New Orleans and other communities in the United States. The Kansas case involves Annie on My Mind by Nancy Garden, an "award-winning novel for young readers depicting a fictional romantic relationship between two high school girls." The Constitutional standards for removing books from libraries on account of their content was articulated by the United States Supreme Court in Board of Education v. Pico, 457 U.S. 853 (1982) (ELR 4:16:5). The plurality opinion in that case held that although books may be removed from libraries if they are "pervasively vulgar" or lacking in "educational suitability," it is unconstitutional to do so in order to deny students access to ideas with which school officials disagree. This standard requires a detailed factual inquiry into the school officials' motives. In the Louisiana case, a District Court had entered summary judgment in favor of parents who had challenged the book-removal decision of the St. Tammany Parish School Board; but the Fifth Circuit Court of Appeals reversed that judgment, in an opinion by Judge Jacques Wiener, Jr., ruling that there were material issues of fact concerning the school board's motives. In the Kansas case, District Judge G. Thomas Van Bebber similarly ruled that there were issues of fact concerning the motives for the book-removal decision of the Johnson County School District, and therefore Judge Van Bebber denied a motion for summary judgment made by the parents who brought that case.

Campbell v. St. Tammany Parish School Board, 64 F.3d 184, 1995 U.S.App.LEXIS 26187 (5th Cir. 1995); Case

v. Unified School Dist. No. 233, 895 F.Supp. 1463, 1995 U.S.Dist.LEXIS 11020 (D.Kan. 1995) [ELR 17:12:14]

INTERNATIONAL CASES

German Supreme Court upholds injunction granted to The Doors barring distribution in Germany of bootleg recordings manufactured in Luxembourg of live performances given by The Doors in Sweden

The case has the earmarks of a law school hypothetical; but it's real. In 1968, The Doors - an American group - performed live in Sweden. More than 20 years later, unauthorized "bootleg" recordings of those performances were manufactured by a company in Luxembourg. A German company imported the bootleg recordings and sold them in Germany. The Doors filed suit in Germany to prevent their continued sale there, and to recover damages for sales that had already been made.

The result: an injunction was issued and an accounting ordered. A German Regional Court of Appeal affirmed. And the German Federal Supreme Court has affirmed again. In granting The Doors this significant victory, the court addressed three important issues.

The first issue dealt with the basis on which The Doors were able to claim the benefit of German anti-bootlegging law. The German right that permits performers to prevent the distribution of bootleg recordings is a right that is granted to non-Germans - like The Doors - by virtue of the Rome Convention. The United States, however, is not a party to the Rome Convention, so The Doors could not claim the benefit of the Rome Convention by virtue of their nationality. On the other hand, the Rome Convention also applies to all performances that take place in any country that is a party to the Convention, regardless of the nationality of the performers. Sweden is a party to the Rome Convention, and was when The Doors performed there in 1968. Thus, the fact that their performances took place in Sweden became the necessary "connecting factor" that permitted The Doors to use the Rome Convention to get the benefit of German law.

The second issue arose from the fact that performers' rights in Luxembourg have only a 20-year duration, and thus, since the recordings at issue were manufactured there, those recordings were lawful in the country where they were made. The question the German Supreme Court had to decide was whether this meant that those recordings could be sold in Germany, even though performers' rights in Germany last 25 years and thus were still in effect when the bootleg recordings were sold there. The German company that was selling the bootleg recordings argued that German law, by its own terms, only prohibits the sale of "unlawfully produced" recordings; and since The Doors recordings were produced in Luxembourg, they were not "unlawfully produced" and could be sold in Germany. The court rejected this argument, however, saying that it "is contradicted by the sense and purpose of the protective right conferred on the performing artists and by the intention of the legislature . . . to grant the performing artist comprehensive protection against the unauthorized reproduction and distribution of his performance." From this, the court concluded that the "concept of unlawful manufacture . . . is therefore to be interpreted in a wide sense . . . and is in principle to be extended to all unauthorized records, even if they were manufactured in a foreign country in which protection does not apply."

The third issue was whether the remedies sought by The Doors would violate provisions of the EEC Treaty that guarantee free movement of goods within the common market. The Supreme Court held that the EEC Treaty did not prevent Germany from barring the sale of Luxenbourg-made recordings that infringe German rights, in cases like this one where recordings were lawfully sold in their country of manufacture only because rights had expired there rather than because the rights-holder had authorized their sale.

Re a Record by "The Doors", [1995] ECC 327 (German Fed. Sup. Ct. 1993) (available in LEXIS Eurcom Library, Cases File) [ELR 17:12:15]

French copyright collection agency SPEDIDAM - which collects fees on behalf of musicians for live performances of their recordings - did not abuse its dominant position in setting fee amounts, French tribunal rules in proceeding brought by Theatre de las Renaissance

SPEDIDAM is a French copyright collection agency whose purpose is to protect the rights of non-featured performing artists in connection with the recording, broadcasting and reuse of their performances. Under French law, musicians are entitled to compensation when their recordings are publicly performed. And in France, as elsewhere, musical recordings are sometimes performed in connection with shows that are otherwise "live." To represent the rights of musicians in such cases, SPEDIDAM has musicians initial an attendance sheet when they take part in a recording session whose purpose is to create a sound track for a live performance. SPEDIDAM then grants a license for the use of the sound track, charging fees that are set by its board of directors. And SPEDIDAM distributes the license fees it collects to the musicians who initialed the attendance sheets.

The Theatre de las Renaissance arranged for the recording of a piece of incidental music to be used in connection with its live shows, and the SPEDIDAM attendance sheet was initialed by 44 musicians who participated in that recording session. The Theatre, however, objected to the license fee demanded by SPEDIDAM, and initiated a complaint. The Theatre argued that the amount of the fee demanded by SPEDIDAM did not take into account the actual use to be made of the recording, was unreasonable, was in fact ten times the fees collected by SACEM on behalf of composers whose music was publicly performed, and was "abnormally high by comparison with those applied in other European Community countries."

The Conseil de la Concurrence has rejected the Theatre's contentions. The Conseil agreed that SPEDIDAM "has a de facto monopoly in the market for the collection of fees for artists and performers taking part in the recording of a sound track or phonogram subsequently used during a `live' performance." It did not agree, however that SPEDIDAM had "abused its dominant position." The Conseil found that the method used by SPEDIDAM to set its licensee fees did take into account the number of performances and duration of the musical work used. The Conseil found that the fact that the fee may have been ten times the fees collected for composers was "irrelevant" because the two fees are "for different services." And the Conseil ruled that the Theatre had not shown that SPEDIDAM's fees were excessive in comparison with those charged in other countries.

As a result, the Conseil has dismissed the Theatre's complaint.

Theatre de la Renaissance v. Societe Civile de Perception et de Distribution des Droits des Artistes-Interpretes de las Musique et de las Danse, [1995] ECC 376 (Conseil de la Concurrence 1995) (available in LEXIS Eurcom Library, Cases File) [ELR 17:12:16]

WASHINGTON MONITOR

U.S. Trade Representative announces results of 1995 review of world-wide protection of rights of U.S. intellectual property owners, as well intended

enforcement actions; treatment of American entertainment industry in other countries is detailed

The office of the United States Trade Representative has announced the results of its 1995 review of international protection of the rights of American intellectual property owners, as well as the Clinton Administration's decisions concerning actions it will take to improve that protection.

Ambassador Charlene Barshefsky, who has been Acting U.S. Trade Representative since Mickey Kantor's appointment as Secretary of Commerce, said that protection for this country's intellectual property rights has been improving, in part as a result of the implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (commonly referred to as the "TRIPs Agreement"). Barshefsky also said that progress was made during 1995 in resolving many long-standing problems.

Nevertheless, American intellectual property owners continue to face serious problems in several countries of the world. And the Administration has decided to take several steps to address them. According to Barshefsky, the Administration's enforcement decisions resulted from "close consultations" with affected industry groups and Congressional leaders, and she said they "demonstrate the Administration's commitment to utilize all available avenues to pursue resolution of intellectual property rights issues."

Special Section 301 Reviews

The U.S. Trade Representative (USTR) conducts an annual review under the so-called "special 301" provisions of the Trade Act of 1974. The "special 301" provisions of the Trade Act of 1974 require the USTR to determine whether the "acts, policies and practices" of foreign countries deny "adequate and effective" protection of intellectual property rights or "fair and equitable" market access for Americans who rely on intellectual property protection.

Once countries have been identified that deny such protection or market access, the USTR is required to designate which, if any, of these countries should be designated "priority foreign countries." "Priority foreign countries" are those countries that: have the most onerous and egregious acts, policies and practices which have the greatest adverse impact, actual or potential, on the relevant U.S. products; and are not engaged in good faith negotiations or making significant progress in negotiations to address these problems.

If a trading partner is identified as a "priority foreign country," the USTR must decide within 30 days whether to initiate an investigation of those acts, policies and practices that were the basis for identifying the country as a "priority foreign country." A "special 301" investigation is similar to an investigation initiated in response to an industry Section 301 petition, except that the maximum time for an investigation under Special Section 301 is shorter in some circumstances (i.e., where the issues do not involve a violation of the TRIPs Agreement) than are other Section 301 investigations.

Countries not made "priority foreign countries" may nevertheless be placed on a "priority watch list" or on a lower-severity "watch list" or may be made the subject of a mere "special mention" which is less severe still.

The Trade Representative's recent announcement follows a lengthy information gathering and negotiation process. The interagency Trade Policy Staff Committee that advises the USTR on implementation of "special

301" obtains information from the private sector, American embassies abroad, the United States' trading partners, and the annual National Trade Estimate Report.

Priority Foreign Country

The most newsworthy of the Administration's decisions concerns China which remains the site of extensive piracy of intellectual property, particularly copyrighted sound recordings, music, videos and business and entertainment software.

Barshefsky announced that despite signing a bilateral Intellectual Property Rights Enforcement Agreement with the United States in February 1995, in which China promised to substantially improve enforcement efforts and grant market access for legitimate audiovisual and computer software products, piracy remains rampant, and economic damage to U.S. industries continues to rise. Overall, China has made some progress in halting the retail trade in infringing goods, but has failed to stop illegal CD, video and CD-ROM production at some 31 plants operating in China to prevent the export of infringing goods, or to honor its promise to grant market access for legitimate audiovisual products.

As a result, the Administration made China its top "Priority Foreign Country" for the year. No new investigation was initiated following this designation. Rather, Barshefsky said the focus of further efforts would be on China's compliance with the 1995 Enforcement Agreement. She also said that "Trade sanctions for noncompliance could be imposed at any time" if "China is not satisfactorily implementing the Agreement."

Support for this action was expressed immediately by Jay Berman, Chairman of the Recording Industry Association of America, and by Jack Valenti, Chairman of the Motion Picture Association of America.

After the Administration designated China a Priority Foreign Country, further negotiations were held between the Trade Representative's office and China, but those negotiations broke down; and just two weeks later, the Administration announced that it would impose 100 percent tariffs on $3 billion worth of imports from China, effective mid-June. China immediately responded by announcing that it would impose tariffs of its own on imports from the United States. That is where matters stood, as this issue of the Entertainment Law Reporter went to press.

Priority Watch List

The Administration has decided to place several trading partners on the "priority watch list" because the lack of adequate and effective intellectual property protection or market access in these countries is especially significant for U.S. interests. The trading partners placed on this list of greatest concern to the entertainment industry are the European Union, Greece, India, Indonesia, Japan, Korea and Turkey.

The European Union has been placed on the priority watch list because its denial of national treatment with respect to audio and video levies remains a problem in certain of its member countries.

Greece has not yet acted to stop motion picture, software and sound recording piracy, including widespread unauthorized broadcasts of protected films and TV programs by unlicensed television stations. The USTR moved Greece to the priority watch list in November 1994 and maintained this designation in 1995. In August 1995, Greece took the potentially significant step of enacting a new Broadcast Law - apparently with strong enforcement provisions - which could have been used to address the unauthorized broadcasting and retransmission of U.S. programming on Greek television. However, the Greek Government has chosen not to use the new law to move against TV piracy. Barshefsky said the Administratin will press Greece to honor its TRIPs obligation to provide for the effective enforcement of intellectual property rights and will consider available remedies if conditions warrant. An out-of-cycle review will be conducted in September.

India was a "priority foreign country" from 1991 to 1993. It has modern copyright legislation but improvements continue to be necessary in the enforcement area.

Indonesia has been placed on the priority watch list because enforcement of intellectual property rights needs to be improved there, including the imposition of deterrent penalties for computer software and book piracy. In April 1995 the Indonesian Government announced an action plan to intensify its enforcement efforts against copyright piracy and to require Government Ministries to purchase only licensed software. But this plan needs to be implemented fully and aggressively. U.S. owners of well-known trademarks encounter serious problems with trademark infringement, which also must be addressed. Although Indonesia has taken some steps to improve protection, its efforts have not been adequate given the magnitude of the problems there, Barshefsky said.

The United States continues to pursue a WTO dispute settlement proceeding against Japan because of that country's failure to provide an adequate term of protection for pre-existing sound recordings.

In Korea, the piracy of software continues to be a problem. In addition, Korea's current law does not provide full retroactive copyright protection for pre-1957 works as required under the TRIPs Agreement.

Turkey has been on the priority watch list since 1992 largely because it has had inadequate intellectual property laws and its enforcement efforts have been ineffective. Copyright piracy is widespread. Turkey also maintains a discriminatory 25 percent municipality tax only on receipts from the showing of foreign films in a manner inconsistent with the national treatment obligations of Article III of the 1994 GATT. The Administration will invoke formal consultations with Turkey under WTO's dispute settlement procedures in the near future with respect to this matter.

Watch List

The Administration has decided to put 26 countries on the "watch list." The "watch list" is a means of monitoring progress in implementing commitments with regard to the protection of intellectual property rights and for providing comparable market access for U.S. intellectual property products. Of the 26, those countries of greatest concern to the entertainment industry are Bahrain, Brazil, Canada, Chile, Columbia, El Salvador, Guatemala, Italy, Kuwait, Oman, Paraguay, Peru, Philippines, Poland, Russia, Saudi Arabia, Singapore, Thailand, United Arab Emirates, and Venezuela.

Bahrain expressed its intent to join international intellectual property conventions in February 1995. The U.S. has urged Bahrain to bring its copyright regime into line with its obligations under the Berne Convention and the WTO, and to begin to take effective enforcement action against widespread piracy of copyrighted works of all types.

Brazil is expected to fulfill its long-standing commitments to introduce much-needed amendments to its copyright law.

Canada implemented an 80% tax on split-run editions of U.S. magazines such as the Canadian edition of Sports Illustrated. As a consequence, the Administration has initiated WTO dispute settlement procedures concerning this matter. Also in December 1995, the Canadian Radio-Television Telecommunications Commission announced discriminatory direct-to-home satellite television licensing conditions of serious concern to U.S. companies. The Trade Representative is collecting information on the new licensing system to determine whether it violates NAFTA and Canada's WTO obligations. In April 1996, Canada introduced copyright law amendments that could discriminate against U.S. copyright holders. A stated objective of these "reforms" is to help strengthen Canadian identity and contribute to its cultural sector. But the Administration has said that it wants to ensure that these amendments are not at the expense of U.S. copyright interests.

In Chile, there are problems due to the absence of protection for encrypted satellite signals. Also copyright protection for computer software and the existence of rental and importation rights remain unclear.

In Colombia, a 1994 Broadcast Law increased restrictions on foreign content, including imposition of a complicated, burdensome system of sub-quotas for different hours of the day.

El Salvador's copyright law went into force in June 1994 but implementation and enforcement of the law has been extremely lax. Despite widespread piracy, there were no seizures of pirated materials by government officials until late February 1996, when police raided more than 20 establishments and seized 43,000 cassettes and videos, as well as duplication equipment, and other materials. No arrests were made as a result of these raids. The Government of El Salvador has promised additional raids in 1996, as well as instructions to judges on the proper handling of IPR cases. Salvadoran laws protecting patents and trademarks are deficient and their enforcement remains weak. The Administration will conduct an "out-of-cycle" review of these efforts in July 1996.

Guatemala's copyright law is deficient, and the Administration has urged Guatemala to give priority to moving copyright law reform through its legislature and to offer better trademark protection. The Administration also remains concerned about the interception and unauthorized retransmission of U.S. satellite-carried programming by cable and multichannel microwave distribution systems.

In Italy, the Government stepped up enforcement efforts over the past year, including several large well-publicized raids, particularly against copyright piracy. Nevertheless, losses due to piracy remain high. A major impediment to reducing video piracy has been the inadequacy of criminal penalties. Italy's failure to enact pending anti-piracy legislation that would significantly increase criminal penalties is a significant problem as is counterfeiting of trademarked products. Moreover, the degree to which Italy provides TRIPs-mandated protection against "bootleg" sound recordings is unclear. An "out-of-cycle" review will be conducted to evaluate Italy's progress in addressing these issues.

Enforcement efforts by the Government of Kuwait to combat piracy of software and audiovisual products have improved following an April 1995 decree issued by the Ministry of Information. However, unauthorized duplication of software, especially in government agencies, continues to be a major problem. And Kuwait has been slow to move ahead on adopting copyright legislation.

Modernization of Oman's intellectual property regime is lagging; its review of draft copyright legislation has taken more than a year. Because its protection of intellectual property remains minimal and stagnant, while neighbors strengthen their regimes, Oman increasingly appears to be a haven for pirates. The Administration will continue to monitor levels of piracy in Oman and efforts to improve intellectual property protection, including the status of draft legislation to update its copyright laws.

Paraguay has become a piracy center in South America, particularly in production of sound recordings and entertainment software. Pirate production centers have been built on the Brazilian and Argentine borders. Paraguay also has become a transshipment center for pirated goods originating in China bound for larger South American markets. Enforcement actions against these activities are urgently needed in Paraguay. In addition, Paraguay's trademark and copyright laws need significant revision to bring them into conformity with international obligations. An out-of-cycle review will be conducted in September to evaluate whether sufficient progress toward addressing these problems has occurred.

Peru has demonstrated progress in the protection of intellectual property rights. However, while enforcement efforts against copyright piracy have increased, piracy continues to be a significant problem. The Peruvian Government needs to intensify its anti-piracy efforts, particularly to combat sound recording and book piracy.

The Philippines has made progress improving its enforcement efforts against intellectual property piracy, as promised in a 1993 bilateral agreement between the United States and that country. While the legislative commitments made in that agreement have not yet been fulfilled, the Philippines Congress is currently considering legislation that would go beyond the 1993 commitments to make its major intellectual property laws consistent with TRIPs. The Administration expects to the Government of the Philippines to enact this legislation quickly and to continue progress in eliminating the use of pirated software in government agencies. In anticipation of progress in both of these areas, an out-of-cycle review will occur in October.

In Poland, the Administration continues to monitor implementation and enforcement of rights provided under its copyright law enacted in February 1994. The national treatment obligations of the TRIPs Agreement now obligate Poland to provide full protection for foreign sound recordings, and the Administration will monitor Poland carefully to ensure that such protection is now provided.

The Russian Federation has fulfilled some of its obligations under the 1992 U.S.-Russia Trade Agreement, including passage of intellectual property protection laws and adherence to the Berne and Geneva

Conventions. However, extensive piracy of U.S. video cassettes, films, music, recordings, books, and computer software considerably overshadows these legislative developments. Real enforcement efforts have begun only recently. Russia's failure to combat aggressively the rampant and increasing piracy of U.S. intellectual property must be remedied immediately. An "out-of-cycle" review in December will monitor Russia's effort to put in place meaningful criminal penalties and to provide retroactive protection for artistic and literary works and sound recordings.

Saudi Arabia has made progress in improving its enforcement activities against copyright piracy, particularly for motion pictures and sound recordings. However, serious copyright problems remain particularly regarding computer software piracy. Saudi Arabia's copyright law contains deficiencies making it incompatible with international standards, including an inadequate term of protection. an out-of-cycle review will occur in September.

Although Singapore has a good record of protecting intellectual property, its copyright law is not TRIPs consistent. Outstanding issues include lack of rental rights for sound recordings and software, inadequate protection against making bootleg copies of musical performances, the scope of copyright protection for cinematographic works and overly broad exceptions from copyright protection.

Thailand has made progress in providing more effective intellectual property protection, including the entry into force of a modern copyright law in March 1995, but certain concerns remain. These include: a falling off of enforcement activity in 1995; and the need to ensure that deterrent penalties are imposed on convicted pirates. To monitor this situation, an out-of-cycle review will occur in October.

In the United Arab Emirates, piracy of motion pictures and sound recordings has been largely eliminated. However, that country's copyright law omits specific protection for sound recordings and is deficient in a number of other areas.

While Venezuela's copyright law establishes a generally effective and Berne-consistent system, the enforcement efforts against copyright piracy continue to be modest. Piracy and lack of border enforcement continue to be a significant problem. Also Venezuela has not yet fully implemented the WTO TRIPs Agreement.

Special Mention

The Trade Representative's report also noted developments in several other countries that were worthy of special mention, though these countries have not been put on either "watch list" for this year.

Bolivia has made some efforts to enforce its anti-piracy laws. However, TV, book, and sound recording piracy continues to be a significant problem. The national treatment obligations of the TRIPs Agreement now require Bolivia to provide full copyright protection for sound recordings. The Administration will monitor carefully to ensure that such protection is provided. An "out-of-cycle" review will be conducted in September to evaluate continued antipiracy efforts in all areas as well as revisions in the copyright law that are consistent with international standards.

The Government of Bulgaria has implemented a substantial portion of its commitments under an April 1995 exchange of letters by adhering to the Geneva Phonograms Convention and publishing a statement in its official gazette confirming copyright protection for U.S. and other foreign sound recordings. Another positive step was the recent passage of a decree establishing a title verification system aimed at preventing and detecting unlicensed production at the CD plants and other facilities. However, Bulgarian enforcement efforts have waned recently. As a result, exports of pirated product appear to have increased significantly. An "out-of-cycle" review will be conducted in September to ensure implementation of the title verification system and that enforcement efforts are improved. Special attention will be paid to the level of production of pirated CDs and CD-roms carrying computer software, as well as the export of illegitimate CDs and CD-roms from Bulgaria throughout the region and to other markets.

Cyprus has made progress on piracy since passage of its copyright law in January 1994. The Administration will be monitoring efforts by the Government of Cyprus to continue to act aggressively against piracy of software and of video and audio recordings.

In Germany, efforts by U.S. firms to combat high levels of computer software piracy are undercut by the apparent unavailability of ex parte search and seizure procedures in civil court cases. The Administration will consider the TRIPs-consistency of this situation after establishing more definitively the unavailability of these procedures in Germany.

The Government of Honduras has drafted and submitted to the Honduran Assembly amendments intended to address shortcomings found in Honduras' 1993 copyright law. The Administration continues to work with the Government of Honduras to improve its trademark laws and their enforcement, particularly through negotiations on a bilateral agreement and implementation of the TRIPs Agreement.

Hong Kong has taken steps to combat the flood of pirated compact discs entering its territory from China, and to draft legislation to enable local prosecutors to pursue Hong Kong investors in pirate plants on the mainland. Despite these efforts, however, the problem is growing, as evidenced by the ubiquity of pirated CDs and software throughout Hong Kong.

Israel has an inadequate copyright law which, combined with poor enforcement, has led to widespread cable and software piracy. The Administration seeks revision of the copyright law and improved enforcement and passage of a law governing licensing of satellite signals by cable operators.

Jordan's 1992 copyright law is cumbersome and falls far short of international standards in most respects. Jordan intends to revise its copyright law as part of its economic liberalization program and accession to the WTO. Trademark protection is unavailable absent extreme vigilance by U.S. rights holders and revisions in the law are necessary to expand the definition of "trademark" to include services and goods.

Mexico is experiencing significant problems with copyright piracy and, to a lesser extent, trademark counterfeiting. As a result, a bilateral working group on intellectual property has been established which has already begun to make progress. The Administration looks for increased efforts by the Government of Mexico to amend its copyright law and to improve copyright and trademark enforcement.

Panama has become a major transshipment and assembly point for pirated and counterfeited products. The Government of Panama has only recently begun to enforce its customs and IPR laws, particularly in the Colon Free Zone, where most of this activity occurs.

Romania passed a new copyright law in March 1996 which appears to meet international standards. The Administration will monitor developments over the coming year to ensure that the new law is effectively implemented and enforced in order to end the piracy of U.S.

motion pictures by TV stations in Romania, the production of pirated audio cassettes, and piracy of American books.

South Africa has been provisionally removed from the watch list. In September 1996, an out-of-cycle review will be conducted to confirm that the legislative changes to which South Africa committed itself in December 1995 are being expeditiously accomplished; and legislation has been introduced into Parliament and other appropriate measures have been undertaken which would bring South Africa into compliance with its international obligations and resolve outstanding trademark concerns.

Taiwan has continued to make significant strides in improving the protection of intellectual property. As a result, Taiwan has being removed from the watch list. However, concerns remain about certain aspects of intellectual property protection and enforcement in

Taiwan. As result, an 18 point action plan was concluded in late April. The plan outlines improvements to be made in such areas as cross- strait piracy, enforcement, education and the export monitoring system. To monitor implementation, an out-of-cycle review will be conducted in October.

U.S. works do not receive copyright protection in Vietnam unless they are published in that country within 30 days of their first publication elsewhere, basically leaving all U.S. works without protection in Vietnam. Discussions have begun to conclude a bilateral agreement with Vietnam which would establish bilateral copyright relations, and in doing so, bring Vietnam into closer conformity with Berne Convention requirements. Other issues must be addressed in the context of the broader bilateral trade agreement that is being negotiated to allow Vietnam to receive MFN status.
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