RECENT CASES

Artist Lebbeus Woods wins preliminary injunction barring further distribution of Universal s 12 Monkeys because prop in movie was copied from Woods copyright-protected drawing

The question of whether a movie’s props must be cleared with as much care as its script has been answered, and that answer is: yes! If there was ever any doubt about this, that doubt has been obliterated by a ruling in a case involving Universal’s movie “12 Monkeys.” Federal District Judge Miriam Cedarbaum granted a motion for a preliminary injunction barring continued distribution of “12 Monkeys” on the grounds that one of the movie’s props was copied from a copyright-protected drawing by artist Lebbeus Woods.

The prop at issue in the case was a chair, wall and sphere assembly. Early in the movie, the main character is told to sit in a chair which is attached to a vertical rail affixed to a wall. The chair then slides several yards up the rail to a horizontal ledge on the wall where a sphere, supported from above, is suspended directly in front of the character.

Several years before the movie was produced, Woods created a drawing of a wall-mounted chair with a sphere suspended in front of it. The drawing — entitled "(Upper) Chamber" — was published twice, first in a catalog published in Germany in 1987 and then in a book published in the United States in 1992.

According to Judge Cedarbaum, Universal could not "seriously contend that '(Upper) Chamber' was not copied during the filming of *12 Monkeys*." She explained that "Terry Gilliam, the director, admits that in preparing the design of *12 Monkeys*, he reviewed a copy of the book that included '(Upper) Chamber.'" Moreover, "Gilliam and Charles Roven, the producer, discussed the drawing with Jeffrey Beecroft, the production designer." Moreover, Judge Cedarbaum's comparison of Woods' drawing and footage from the movie satisfied her that the movie copied from Woods' drawing "in striking detail."

Universal asserted a number of affirmative defenses, but the judge rejected all of them in short order. First she rejected the argument that copyright registration for the book in which the drawing appeared covered only the selection and arrangement of the illustrations in the book, not the earlier-published illustrations themselves. Judge Cedarbaum noted that all of the illustrations in the book were created by Woods, and she ruled that "where the owner of the copyright for a collective work also owns the copyrights for its constituent parts, registration of the collective work satisfies the [registration requirement] for purposes of bringing an action for infringement of any of the constituent parts."

Next, the judge rejected Universal's argument that the infringement was *de minimis* because the movie's infringing footage amounted to less than five minutes while the movie was 130 minutes long. "Whether an infringement is *de minimis*," she said, "is determined by the amount taken without authorization from the infringed work, and not by the characteristics of the infringing work."

The judge also rejected the argument that Woods had delayed unreasonably in making his claim, because the movie had been in release for 29 days before he complained. There was no evidence Woods knew or should have known of the infringement until early January 1996, and he notified Universal of his claim on January 24th. "Three weeks does not constitute unreasonable delay," Judge Cedarbaum ruled.

Finally, the judge rejected Universal's argument that this case involved "special circumstances" that would justify an award of damages or a continuing royalty instead of an injunction. The studio argued that it would suffer considerable financial loss if a preliminary injunction were granted. But to this, the judge merely responded: "Copyright infringement can be expensive. The Copyright Law does not condone a practice of 'infringe now, pay later.'"

Editor s note: Shortly after the injunction was issued, Universal and Woods settled the case, on undisclosed terms.

Woods v. Universal City Studios, Inc., 920 F.Supp. 62, 1996 U.S.Dist.LEXIS 3848 (S.D.N.Y. 1996) [ELR 18:6:3]

John Sayles movie Passion Fish does not infringe copyright to screenplay Crossed Wires ; Court of Appeals affirms District Court ruling that plaintiff failed to prove access or substantial similarity

The movie "Passion Fish" was written and directed by John Sayles, and it does not infringe the copyright to a screenplay by Virginia Towler entitled "Crossed Wires or Bobbie and Wendy were Neighbors." Judge Claude Hilton so ruled for two reasons, when Towler finished presenting her evidence at a trial in federal District Court in Virginia. First, Judge Hilton concluded that Towler failed to prove that Sayles had copied her screenplay. Second, he concluded that "Passion Fish" and "Crossed Wires" are not substantially similar to one another. As a result, Judge Hilton granted Sayles' motion for judgment as a matter of law.

The Court of Appeals has now affirmed Judge Hilton's reasons and his conclusion, bringing the case entirely to an end.

Towler had submitted her "Crossed Wires" script to a company known as SCS Films, mistakenly believing that SCS was owned by Sayles. In fact, SCS was merely the successor to a company that had been involved in distributing two of Sayles' earlier movies; but Sayles did not own SCS and was not affiliated with it in any way. Moreover, the evidence showed that SCS had not forwarded Towler's script to Sayles, that Sayles had never received the script from SCS, and that Sayles had begun work on "Passion Fish" at least four months before Towler sent her script to SCS in the first place. Thus, in an opinion by Judge John Butzner, the Court of Appeals has held that Towler failed to prove even "a reasonable possibility that Sayles gained access to 'Crossed Wires' through Towler's contact with [SCS]."

Even if access could have been inferred, Judge Butzner also agreed that "Passion Fish" and "Crossed Wires" are not substantially similar to one another. Towler had offered the expert testimony of one witness "who catalogued an extensive array of alleged similarities between 'Crossed Wires' and 'Passion Fish,' including characters, dialogue, plot, and setting," and Towler had supplemented the expert's testimony with a "detailed chart that compares fragments of dialogue." But apparently these alleged similarities were random ones, because Judge Butzner explained that "a list comparing 'random similarities scattered throughout the works' is 'inherently subjective and unreliable." According to Judge Butzner, "The only similarity shared by the two screenplays is that they both have a black female character and a white female character who are friends." This similarity was of no legal significance, however, because "Towler cannot copyright such a general idea."

Editor s note: Judge Butzner said that "substantial similarity" is evaluated using a "two-part analysis" involving extrinsic similarity of "ideas that are subject to copyright protection" and intrinsic similarity "in how those ideas are expressed." He reached the right result using this two-part extrinsic-instrinsic method of analysis. But that method is now discredited, because it is itself inherently confusing: ideas are not, by statute, protected by copyright; and thus similarity of ideas is totally irrelevant. The preferred method of analysis is one that was used (most recently) by Judge Denny Chin in the "Groundhog Day" case, *Arden v. Columbia Pictures* (ELR 18:3:5). That method requires proof of "actual copying and improper appropriation." Actual copying may be proved (in the absence of direct evidence) by proof of access and sufficient similarities to permit an inference of copying; and improper appropriation may be proved by substantial similarity of copyright-protected elements. This method would have produced the same result in the "Passion Fish" case, because Towler failed to prove access, and because there were no similarities between copyright-protected elements of her screenplay and Sayles' movie.

Towler v. Sayles, 76 F.3d 579, 1996 U.S.App.LEXIS 2914 (4th Cir. 1996) [ELR 18:6:4]

Producers, distributor, exhibitor and financier of movie Waterland did not infringe composer s copyright by failing to pay fee required by written synchronization license, federal court of appeals holds

Giant oaks grow from small acorns; and expensive federal cases grow from small disputes. Exhibit A: a copyright infringement lawsuit brought by composer Mark Fosson against the companies that produced, distributed, exhibited and financed the 1992 movie "Waterland." Fosson filed the lawsuit because he was not paid the $1,250 fee he had been offered, and had agreed to accept, for a synchronization license permitting the use of his song "Picture of Your Daddy" in the movie's soundtrack.

This relatively small deal was done right, insofar as formalities are concerned. The producers sent Fosson a written Synch License containing all the usual terms, and Fosson read, signed and returned it. The Synch License provided that if Fosson's song were used in the movie, he would be paid $1,250. The song was used, but Fosson wasn't paid, nor in fact was payment tendered until after Fosson's lawyer got involved. By then, however, Fosson's manager had demanded $10,000 for the license. That amount was never tendered, and when Fosson sued, he sued for copyright infringement, not merely for breach of contract.

Before the case was over, it went to the federal Court of Appeals. Fosson lost his copyright case, and though he certainly is entitled to $1,250 — and may even have received it by now — the composer must have come out in the hole. Even if he had no attorneys fees of his own, he has been ordered to pay some of the attorneys fees of the movie's financier.

Fosson's theory of the case was that the Synch License was an offer by him to license his song for $1,250 — an offer that he could revoke before the producers accepted it — and that he had revoked it by demanding $10,000. Alternatively, Fosson contended that the Synch License was "illusory" and lacked consideration because it entitled him to be paid only if his song were used, but did not obligate the producers to actually use it.

District Judge Dickran Tevrizian ruled against Fosson and granted summary judgment in favor of all of the defendants. Now, the Court of Appeals has affirmed, in an opinion by Judge Cecil Poole.

The appellate court rejected the notion that the Synch License was an offer by Fosson. Instead, it ruled, the offer came from the producers, and Fosson accepted the offer by signing and returning the License on the terms it contained. Since the offer was made by the producers, rather than by Fosson, the composer did not have the power to revoke it. Moreover, even assuming Fosson was the offeror, the court ruled — on the basis of Fosson's own deposition testimony — that he had not in fact revoked the offer.

The appellate court also rejected Fosson's argument that the Synch License was illusory and lacked consideration. Although the producers could decide whether or not to use the song, "a valid contract arose by virtue of the obligations the Producers agreed to assume in the event the Composition was used."

Fosson's attempt to turn the producers' breach of the license into copyright infringement is not unprecedented — especially where (as in this case) the damages from the breach are relatively small and the contract does not provide for attorneys fees. (When successful, a copyright infringement claim permits an award of the infringers' profits, as well as the copyright owner's damages, and attorneys fees.) Earlier cases have explained how the breach of a license can be turned into copyright infringement, sometimes. To do so, Judge Poole explained, it is necessary for the breach to be sufficiently material to permit rescission, and the license must actually be rescinded. Use of the copyrighted work after rescission — though not before — would then be an infringement. In this case, however, the Synch License contained a clause by which Fosson expressly waived his right to rescind, so even if the producers' failure to pay were material, "Fosson had no right to rescind as a matter of law by virtue of his waiver." Also, the judge noted, "according to the undisputed facts, Fosson never attempted to exercise any right of rescission."

Adding injury to insult, the appellate court ordered Fosson to pay the attorneys fees incurred by the movie's financier, Film Finances Services, in connection with the appeal, because "Fosson has articulated no theory of liability that would connect the finance company to the allegedly infringing acts." On the other hand, the court denied the fee request of the movie's distributor, Fine Line Features, and of its exhibitors, Landmark Theaters and Cineplex Odeon, saying that as to them, the court did "not find the issues raised on appeal . . . so lacking in merit that an award of fees is warranted."

Fosson v. Palace (Waterland), Ltd., 78 F.3d 1448, 1996 U.S.App.LEXIS 4940 (9th Cir. 1996) [ELR 18:6:4]

Suit by Harry Connick, Jr. s music publishing company against lyricist Ramsey McLean, concerning ownership of copyrights to songs on Connick s album She, is dismissed, because alleged transfer of McLean s interest to publisher was not in writing as required by Copyright Act

If there's a lesson to be learned from the lawsuit between Harry Connick, Jr., and Ramsey McLean, it is this: the relationship between a composer and a lyricist should be documented in writing and signed; otherwise one of them is certain to be disappointed. In this case, the disappointed party is Connick. His breach of contract and other claims against McLean — concerning ownership of the copyrights to the song's on Connick's 1994 album "She" — have been dismissed by Judge Miriam Cedarbaum of the federal District Court in New York City.

The judge has ruled that as co-author of those songs, McLean has an undivided 50% interest in their copyrights, which entitles him to half the royalties they earn and which gives him the (non-exclusive) right to issue licenses for their use by others. This ruling deviates sharply from Connick's expectations. He thought that the copyrights to those songs were co-owned by his music publishing company, Papa's-June Music, Inc., and by McLean in a 70% to 30% ratio; that McLean would be entitled to 30% of the songs' royalties; and that Papa's-June would have the exclusive right to license their use by others.

It's not difficult to understand how Connick came to have the expectation that he did. Back in 1989, McLean sent Connick some poems, just as Connick began to prepare what would become his 1990 album "We Are in Love." Connick rewrote some of the words of McLean's poems, composed music to go with the words, and recorded the results on that album. Just before the album was released, Papa's-June Music and McLean entered into a written Co-Publishing Agreement that divided ownership of the songs' copyrights, and royalties from them, 70% to Papa's-June and 30% to McLean; and the Agreement gave Papa's-June the exclusive right to grant licenses. Then, in 1991, McLean sent Connick some more poems which Connick rewrote and recorded on his 1991 album "Blue Light, Red Light." The existing Co-Publishing Agreement was amended in writing to indicate that it covered the songs on the "Blue Light, Red Light" album too.

Later, McLean sent Connick still more poems which Connick rewrote and recorded on his 1994 album "She." But this time, shortly before "She" was released, McLean notified Papa's-June that he wanted a different arrangement for the songs on that album. No different arrangement was documented before or after "She" was released; so McLean claimed a 50% ownership interest in its songs, and has been paid 50% of the royalties they earned from public performances and album sales. This triggered a lawsuit by Papa's-June Music, based on Connick's understanding that the copyrights to the "She" songs would be owned and administered the same way the copyrights to the co-written songs on his earlier albums are owned and administered.

In rejecting Connick's expectations, Judge Cedarbaum reasoned as follows. Section 201 of the Copyright Act presumes that co-authors of a joint work are each entitled to an equal undivided interest in its copyright.

Any agreement that alters this presumption amounts to a "transfer of copyright ownership" which must be in writing, as required by section 204 of the Act, in order to be valid. Here, there was no writing and thus no transfer. The presumption remains.

Connick argued that section 204's writing requirement does not apply to transfers between joint authors; but Judge Cedarbaum found no such exception in section 204 itself nor in any case authority. "I therefore hold," the judge said, "that the writing requirement of section 204(a) is applicable to transfers between joint authors."

Connick also pointed out that Papa's-June had sent McLean two checks for royalties from the sale of "She" albums, accompanied by attached royalty statements showing that the checks were for a 30% share. McLean endorsed and cashed the checks; and Connick said the checks satisfied the "writing" requirement of section 204 and constituted McLean's written agreement that the terms of the existing Co-Publishing Agreement would apply to the songs on that album. But Judge Cedarbaum was not persuaded and ruled that the checks indicated "nothing more" than that they were for 30% of the royalties for the songs on the album.

All but one of the claims asserted by Papa's-June were premised on the allegation that the Co-Publishing Agreement covered the songs on "She." Because there was nothing in writing transferring their copyrights to Papa's-June, that premise was incorrect. And Judge Cedarbaum dismissed those claims for that reason.

One claim had a different premise. That claim was a fraud claim, and it was premised on the allegation that when McLean submitted his poems to Connick for the "She" album, he knew that Connick would believe them to be governed by the existing Co-Publishing Agreement while McLean harbored a secret intention to seek a different arrangement. The judge dismissed this claim too, because in New York, “a contract claim cannot be converted into a fraud claim by the addition of an allegation that the promisor intended not to perform when he made the promise.” Something more is necessary — a duty separate from the contract, collateral misrepresentations, or special damages apart from those suffered from the breach. In this case, though, “the only fraud alleged arises out of the same facts that serve as the basis for the breach of contract claim.”

Papa s-June Music, Inc. v. McLean, 921 F.Supp. 1154, 1996 U.S.Dist.LEXIS 4569 (S.D.N.Y. 1996) [ELR 18:6:5]

Music publisher s letters to foreign sub-publisher of song Wipe Out were not a sufficient demand for

accounting to permit publisher to exercise 60-day termination right under sub-publishing agreement, federal appellate court rules

Most lawsuits are preceded by an exchange of demand and response letters which become completely irrelevant once a complaint is filed. Not always, however. In a fight between the publisher of the popular song "Wipe Out" and its foreign subpublisher, the wording of the publisher's letters was critical. And though the publisher won the case in the District Court, that victory has been wiped out by the Court of Appeals which has reversed and remanded for further proceedings.

The copyright to "Wipe Out" is co-owned by Richard Delvy and John Marascalco. In 1963 they entered into a subpublishing agreement with Gil Enterprises which gave Gil the right to exploit the song in the British Commonwealth, Canada, Ireland and South

Africa — and to retain 50% of the royalties earned from doing so. By 1988, the customary royalties retained by foreign subpublishers were significantly lower than 50%, so Delvy and Marascalco tried to renegotiate their deal with Gil. Gil, however, refused. Delvy and Marascalco declared the subpublishing agreement terminated, and they made a new subpublishing agreement on more favorable terms with another music publisher.

Gil responded to the termination of its subpublishing agreement by suing in New York state court for breach of contract and other wrongs. Gil settled that case with Marascalco, but not with Delvy. Gil then dropped the state court case and refiled in federal court against Delvy alone. Delvy in turn filed a counterclaim against Gil, seeking a declaration that Gil's subpublishing agreement had been validly terminated and that Gil had no further right to exploit the song. Issue was thus joined and in due course the case proceeded to trial.

The subpublishing agreement required Gil to make period accountings, and it provided that if Gil didn't within 60 days "after receipt of written demand therefor," Delvy (and Marascalco) would have the right to terminate the agreement, effective "after the end of [the 60-day] waiting period." This is why the wording of Delvy's pre-lawsuit demand letters became critical.

Delvy's first letter to Gil "terminated" the subpublishing agreement "effective immediately," without making any demands at all. Gil was not intimidated and responded by asserting that the agreement "remains in full force." Delvy's second letter to Gil asked politely ("Please advise . . ." it said) for "some additional information." Gil didn't respond to the request. So just over 60 days later, Delvy sent a third letter which said that his second letter had been a demand for accounting, and since Gil had not provided one, the third letter was "additional notification of termination."

District Judge Mary Lowe rendered a verdict against Gil and granted Delvy's counterclaim declaring the sub-publishing agreement lawfully terminated, ruling that Delvy's three letters to Gil, taken together, constituted an adequate "demand" and notice of termination. But in an opinion by Judge Frank Altimari, the Court of Appeals has reversed.

Judge Altimari acknowledged that "a demand for accounting need not use the specific language 'demand' to trigger the contracting parties' respective rights and obligations." On the other hand, he said, "Because Delvy's [second] letter was insufficient to put Gil on notice that failure to comply with the request for additional information could result in termination of the Agreement, it did not constitute a demand with the meaning of [the agreement's termination clause]." To be a demand, "his letter needed to be sufficiently imperative as to put

Gil on notice that it was more than a mere request for information."

Gil Enterprises, Inc. v. Delvy, 79 F.3d 241, 1996 U.S.App.LEXIS 4419 (2d Cir. 1996) [ELR 18:6:6]

Appeals court affirms ruling that Shirley Goodman co-authored Let the Good Times Roll with Leonard Lee, and affirms award of half of all royalties received by Lee s widow and daughter since 1976

Rock 'n roll fans of a certain age remember well "Let the Good Times Roll." The song was first recorded in 1956 by Shirley Goodman and Leonard Lee, and it became a big hit for the duo then known as "Shirley and Lee." Younger fans probably remember the song as well, because in later years, it was rerecorded by Barbra Streisand, B.B. King and Ray Charles.

When the song's copyright was registered originally, Lee was identified as its sole author; and from 1956 to his death, he received all of the writer's royalties from the song. After his death in 1976, his widow and daughter received those royalties. Goodman received none.

But in 1984, Goodman contended that she had co-authored the song back in 1956 and had just then learned that its copyright had been registered in Lee's name alone. After realizing she had lost out on almost three decades worth of royalties, Goodman "let roll a seemingly endless legal battle, instigating litigation that has lingered in the federal courts for more than ten years." Now that litigation appears over — and Goodman is the victor.

In an opinion by Judge Jacques Wiener, a federal Court of Appeals has affirmed a final judgment declaring Goodman a joint owner of the song's copyright; ordering the Register of Copyrights to identify her as its co-author and joint owner in the Register's records; and awarding her half of all royalties received by Lee's widow and daughter from 1976 to 1993, as well as prejudgment interest. Real money was at stake; the royalty portion of the judgment came to $670,900.

The passage of 28 years between the song's creation and Goodman's claim of co-authorship raised three issues on appeal. One was the statute of limitations. Earlier in the case, the Court of Appeals had ruled that Goodman's claim of co-authorship arose under the Copyright Act, and therefore federal courts had exclusive jurisdiction to hear it. (*ELR* 9:3:13, 9:5:11) The Copyright Act's statute of limitations is three years. So on appeal from the final judgment, Lee's widow and daughter argued that the limitation period had expired long before Goodman ever filed her suit. But the appellate court disagreed. Judge Wiener explained that while the question of whether Goodman was a co-author arose under the Copyright Act, once it was determined that she was, her right to an accounting for half the song's royalties arose under state law — in this case, Louisiana law — not under the Copyright Act. Louisiana's statute of limitations for an accounting is ten years, and does not begin to run until a demand for an accounting is made. Here, Goodman demanded an accounting in 1984 and sued in 1985, so the statute of limitations had not run.

Lee's widow and daughter also argued that Goodman's claims were barred by the equitable doctrine of laches. But the appellate court rejected this argument as well. In this case, the jury found that Goodman did not know, and had no reason to know, until 1984 that the song's copyright had been registered in Lee's name only; and thus Goodman's delay in bringing suit was not inexcusable. Since laches requires inexcusable delay, Judge Weiner ruled the doctrine was not applicable in this case.

Lee's widow and daughter also contended that it was wrong to require them to pay prejudgment interest beginning in 1976 (when they first began to receive royalties). Instead, they said, prejudgment interest should begin when Goodman made her demand. Not so, the appellate court responded. Under Louisiana law, a duty to account to a co-owner leads to the existence of a "debt," the obligation to pay that debt arises when revenues are received, and interest accrues from the time the debt is due. Thus, the award of prejudgment from 1976 was proper.

Goodman v. Lee, 78 F.3d 1007, 1996 U.S.App.LEXIS 6139 (5th Cir. 1996) [ELR 18:6:7]

Court of Appeals explains difference between scenes a faire doctrine, copyright misuse and copyright invalidity, in decision holding that television commercial is entitled to copyright protection even though it was a knockoff of another company s earlier commercial; judgment for defendant affirmed nonetheless, because defendant s commercial only copied unprotected elements

Television commercials for car polish are not the highest form of entertainment, but a copyright case between competing car polish manufacturers has provided a vehicle for Judge Frank Easterbrook to expound with eloquence on the difference between the *scenes a faire* doctrine, copyright misuse and copyright invalidity. These three principles of copyright law are important to most in the entertainment industry, and Judge Easterbrook sits on a federal Court of Appeals, so his views are important too.

The setting: Reed-Union Corp. makes Nu Finish car polish; Turtle Wax, Inc., makes Finish 2001. Reed-Union's product was the best-selling polish of its type until 1992 when the Turtle Wax product took over the number one spot. Turtle Wax did several things to achieve this success: it "wooed" distributors to get prominent displays; and it priced its polish about $1 per bottle less than Reed-Union's. Turtle Wax did one more thing too: it created an ad campaign that "tracked" Reed-Union's ads, "including a TV commercial that showed a beat-up car revived with new polish, which then lasts through a year of car washes."

In response to Turtle Wax's success, "Reed-Union made a beeline for the courthouse," alleging (among other things) that Turtle Wax's commercial infringed Reed-Union's copyright in its own commercial. The District Court disagreed, however, and granted summary judgment to Turtle Wax on two grounds. First, the District Court ruled that the central elements of Reed-Union's commercial were unprotected *scenes a faire.* Second, it ruled that Reed-Union's commercial was itself a "knock-off" of an earlier commercial produced by Star Brite Distributing (another car polish manufacturer), and thus Reed-Union's commercial was not entitled to copyright protection, either because it was made up of *scenes a faire* or because of "copyright misuse."

Reed-Union appealed, with some success. It has reclaimed the copyright in its commercial, though it still lost the case. In an opinion for the Seventh Circuit Court of Appeals, Judge Easterbrook has held that the "district judge was right the first time and wrong the second." Turtle Wax's commercial did not infringe Reed-Union's copyright, because Turtle Wax only copied unprotected *scenes a faire* from Reed-Union's commercial. But Reed-Union "retains a valid copyright, which it may enforce against aping of the expression that distinguishes [its] commercial from other examples of the genre."

It was "wrong" for the District Court to invalidate Reed-Union's copyright for "misuse," Judge Easterbrook explained, because "Misuse of copyright in pursuit of an anticompetitive end may be a defense to a suit for infringement. . . . [But] general allegations of 'misuse' — here, apparently, Reed-Union's attempt to invoke the copyright law against Turtle Wax for doing no more than Reed-Union had done to Star Brite — does not make the copyright vanish."

The District Court also was wrong to invalidate Reed-Union's copyright on *scenes a faire* grounds. "The difference between the *scenes a faire* doctrine and copyright invalidity is vital to maintain," Judge Easterbrook said. Then he explained that difference, using an example from the past and a pitch of his own creation. "Take Shakespeare's *Romeo and Juliet*, the inspiration of many plays, musicals, and operas, including . . . Bernstein's *West Side Story.* The core scenes of *Romeo and Juliet* — the war between rival clans, developing love between children of the clans, death and reconciliation after the rejection of revenge — are in the public domain (and not only because Shakespeare borrowed freely himself). Bernstein could incorporate them into his own work. But this did not place *West Side Story* itself in the public domain, for it has exposition, language, and music different from Shakespeare's. Bernstein could (and did) copyright his own contributions; no one can copy or perform *West Side Story* without permission, although anyone can use similar scenes. . . . If James Cameron today made a movie of *Romeo and Juliet* in a reconstruction of the Globe Theatre, with Arnold Schwarzenegger as Romeo and Jamie Lee Curtis as Juliet, he could get a copyright. No one could copy or exhibit the film without permission, for the characterizations, movements, and vocal inflections would be original matter protected by copyright; but this would not curtail anyone's rights to stage or film a different production of the play. Situation comedies, soap operas, romance novels built on love triangles, these and more are cobbled together from staple themes; although the themes are not copyrightable, a unique combination of them is."

Reed-Union Corp. v. Turtle Wax, Inc., 77 F.3d 909, 1996 U.S.App.LEXIS 2441 (7th Cir. 1996) [ELR 18:6:8]

Miramax did not violate antitrust laws by granting first-run clearances to art film theater in Center City Philadelphia, but may have violated Pennsylvania movie distribution statute by granting second-run licenses to suburban theaters only rather than to other Center City theaters, federal appellate court rules

The Roxy and the Ritz are art film theaters in "Center City" Philadelphia. Despite the similarity of their names, they were fierce competitors. The Roxy closed its doors in October 1994. But before it did, the Roxy's owner — Orson, Inc. — sued Miramax Film

Corp., alleging two types of claims. Orson alleged that Miramax had violated federal and state antitrust laws by granting the Ritz exclusive first-run clearances in the Center City area. Orson also alleged that Miramax had violated the length-of-run provision of the Pennsylvania Feature Motion Picture Fair Business Practices Law by granting second-run licenses for certain movies to suburban theaters only rather than to the Roxy or other Center City theaters.

Though cases of this kind are usually fact-intensive, Orson and Miramax both made motions for summary judgment. Federal District Judge Curtis Joyner denied Orson's motion, granted Miramax's motion (*ELR* 16:3:14), and ultimately entered judgment in Miramax's favor. Orson appealed, with some but not complete success. In an opinion by Judge Carol Mansmann, the Court of Appeals has affirmed the District Court's dismissal of the antitrust claims, but it has reversed and remanded for further proceedings its ruling on the Pennsylvania Motion Picture Law.

The appellate court rejected Orson's contention that Miramax had agreed to make the Ritz its only first-run exhibitor in Philadelphia. The evidence showed that Miramax had granted first-run licenses to Center City theaters operated by United Artists, AMC and the Roxy itself; and though the Ritz had received many more first-run licenses than the Roxy, the Ritz was much larger and more successful than the Roxy, so Miramax had an economic incentive of its own to prefer the Ritz for that reason.

The appellate court also rejected the contention that first-run clearances violate antitrust law. It observed that Center City theaters "vied for the films of at least 59 distributors." Moreover, "Although the Miramax-Ritz clearances most certainly reduced intrabrand competition to some degree," those clearances "promoted interbrand competition by requiring the Roxy to seek out and exhibit the films of other exhibitors." This "conclusively establishes that the clearances did not produce . . . anticompetitive effects. . . .On the contrary, competition . . . was enhanced; art film consumers in Center City had more movies from which to chose."

Orson had more success with its claim under the Pennsylvania Motion Picture Law. One section of that statute prohibits exclusive first-run licenses from lasting more than 42 days. When that time is up, the distributor is required "to expand the run to second run or subsequent run theaters within the geographical area." The District Court had interpreted "the geographical area" to be metropolitan Philadelphia, and thus concluded that Miramax had complied with its statutory obligation by expanding the run of certain movies to suburban Philadelphia.

The Court of Appeals, however, did not agree. It concluded that "the geographical area" referred to in the statute means "the place where the license was granted in the first place." This meant that summary judgment should not have been granted to Miramax on this claim. Orson was not entitled to summary judgment either, however, because "the record is either disputed or incomplete in critical respects." Thus the appellate court ruled that "further proceedings are necessary to resolve, for example, the length of run and expansion terms, if any, of the licenses; the availability of license agreements and film prints, if relevant, to subsequent run theaters; Orson's damages; and Miramax's intent."

Orson, Inc. v. Miramax Film Corp., 79 F.3d 1358, 1996 U.S.App.LEXIS 6565 (3d Cir. 1996) [ELR 18:6:9]

NBC news writers and producers are artistic professionals and therefore not entitled to benefits of federal overtime pay law, appellate court rules

Some compliments are a two-edged sword. Who in the entertainment industry wouldn't want to be considered a "professional," especially an "artistic professional"?

Ironically, in a dispute between NBC and some of its news writers and producers, the company took the position that its news writers and producers *are* artistic professionals, and the writers and producers took the position they are *not*. The reason they took these counter-intuitive stances: federal law requiring overtime pay does *not* apply to employees who *are* artistic professionals, while it does apply to most others. As a result, if NBC's news writers and producers were artistic professionals, the company did not owe them overtime pay; but if they were artistic professionals, the company did not.

In this case, the writers and producers had worked overtime — more than 40 hours a week — and wanted the extra pay. NBC didn't want to pay it. (More precisely, the writers and producers belong to a union which has a collective bargaining agreement with NBC, and the collective bargaining agreement required NBC to pay overtime at a rate that was one and a half times the employees' *base* pay. The writers and producers received base pay plus additional fees; but under the collective bargaining agreement, their additional fees were not taken into account in calculating the amount of their overtime pay. Federal law, by contrast, requires overtime at a rate that is one and half times "all remuneration" which in this case would have included the writers' and producers' additional fees. Thus, what was at stake in the case was additional overtime pay at the rate of one and a half times those additional fees.)

At trial, federal Magistrate Judge Kathleen Roberts ruled *in favor* of the writers and producers by finding that they were *not* the sort of artistic professionals excluded from the overtime provisions of federal law. (*ELR* 16:2:19) The Court of Appeals has reversed, however. In a decision by Judge John Walker, the appellate court has held that the writers' and producers' "work entails a sufficient degree of creativity to qualify them . . . as employees whose primary duty consists of the performance of work requiring invention, imagination, or talent in a recognized field of artistic endeavor."

While Judge Walker's opinion was of course a compliment to their skills and talent, it also meant that the writers and producers were not entitled to overtime pay as a matter of federal law. (As things turned out, this ruling affects only the past. When the writers' and producers' union negotiated a new collective bargaining agreement with NBC, the issue was eliminated. Under the new collective bargaining agreement, additional fees will be included with base pay for the purpose of calculating overtime pay.)

Freeman v. National Broadcasting Co., Inc., 80 F.3d 78, 1996 U.S.App.LEXIS 6211 (2d Cir. 1996) [ELR 18:6:10]

Court grants summary judgment dismissing medical malpractice action brought by Milwaukee Brewers pitcher Jason Zimbauer against his former doctor, because Zimbauer failed to show doctor breached standard of care

As a major league pitcher, Jason Zimbauer enjoyed some success during his years with the Milwaukee Brewers. But in what may have been one of the most important contests of his career, he has struck out. A federal District Court in Wisconsin has dismissed a medical malpractice action brought by Zimbauer against his former physician, Dr. Dennis Sullivan, without even conducting a trial.

Zimbauer injured his shoulder while pitching, late in the 1990 season, and went to Dr. Sullivan for treatment. Dr. Sullivan diagnosed Zimbauer's injury and treated him for almost three years. In 1993, however, Zimbauer consulted another physician, Dr. James Hill, whose diagnosis differed from Dr. Sullivan's. Shortly thereafter, Zimbauer sued Dr. Sullivan for malpractice.

In response to a court order to designate his experts, Zimbauer designated Dr. Hill as his only expert. During his deposition, however, Dr. Hill testified only about his own treatment of Zimbauer; Dr. Hill specifically testified that he did not have an opinion about the treatment provided by Dr. Sullivan, nor did Dr. Hill intend to form such an opinion or testify to an opinion at trial.

In medical malpractice cases, the burden is on the plaintiff to show that the physician failed to use the required degree of skill and care, and that the failure was the proximate cause of the plaintiff's condition. Moreover the degree of skill and care that is necessary can only be proved by expert testimony, in virtually all cases. Thus, since Zimbauer's sole designated expert indicated he neither had nor would testify to an opinion about whether Dr. Sullivan had used the necessary degree of care or skill, or about whether Zimbauer's condition resulted from Dr. Sullivan's treatment, Zimbauer had failed to prove his case.

Zimbauer responded by relying on the doctrine of *res ipsa loquitur* — a doctrine that permits negligence to be inferred in certain cases. In this case, the doctrine could be used only if lay jurors would be able to say, as a matter of common knowledge, that the consequences of Dr. Sullivan's treatment of Zimbauer were not those that would ordinarily result if due care had been exercised. But Zimbauer's injury occurred while pitching professional baseball which "required him to repeatedly move and stress his arm and shoulder in ways unusual for the common layperson." Thus, diagnosis of his injury required knowledge "within the specialized field of sports medicine." This lead Judge Robert Warren to rule that the answer to the question of whether Zimbauer's condition would have resulted if due care had been exercised by Dr. Sullivan was "most certainly outside the layperson's common knowledge."

Judge Warren therefore adopted the recommendations of Magistrate Judge Aaron Goodstein, and granted Dr. Sullivan's motion for summary judgment, dismissing the case.

Zimbauer v. Milwaukee Orthopaedic Group, Ltd., 920 F.Supp. 959, 1996 U.S.Dist.LEXIS 4259 (E.D.Wisc. 1996) [ELR 18:6:11]

Swap meet operator may be liable for vicarious copyright infringement, and for contributory copyright and trademark infringement, on account of vendor s sale of counterfeit recordings, federal appellate court rules

The Latin/Hispanic record company Fonovisa has struck a significant blow in the war against record piracy

— one that will benefit all record companies and recording artists, as well as others who make and sell licensed merchandise of every kind. Fonovisa has done so by winning an important ruling from the federal Court of Appeals for the Ninth Circuit in a copyright and trademark lawsuit against the operator of swap meet based in Fresno, California.

The primary enemies in piracy cases are, of course, the pirates themselves. But pirates often evade the law's usual processes, and thus the law itself, by surfacing to sell their bogus products for just brief snatches of time from vans in venue parking lots or from folding tables at weekend swap meets that are organized by someone else. As a result, anti-piracy fighters have taken the battle to those who provide aid and comfort to pirates, including those who operate swap meets where pirated merchandise is sold.

The Copyright and Lanham Act do not contain provisions that explicitly make one person or company liable for infringements actually committed by another. But for years, courts have routinely applied the customary tort law concepts of "vicarious" and "contributory" liability in copyright and trademark cases. In Fonovisa's lawsuit against swap meet operator Cherry Auction, Inc., District Judge Robert Coyle ruled that although these concepts have been used in cases like Fonovisa's, the record company had failed to allege facts — which even if proved — would constitute vicarious or contributory copyright or trademark infringement by Cherry Auction; and thus he dismissed Fonovisa's complaint without a trial. (*ELR* 16:6:29) But that ruling was only the first battle in what became a longer war.

Fonovisa pursued Cherry Auction in a higher court, and won the next battle: the Court of Appeals has reversed. In a succinct but well-reasoned opinion by

Judge Mary Schroeder, the appellate court has ruled that Fonovisa's complaint did allege facts which would constitute vicarious copyright infringement and contributory copyright and trademark infringement.

Judge Schroeder held that Fonovisa adequately alleged that Cherry Auction had "control" over the record pirates who did business at its swap meets, and received "financial benefits" from the sale of pirated recordings, to satisfy the test for vicarious copyright infringement. This was so, the judge explained, because Cherry Auction had the right to terminate vendors for any reason and thus had the right to control their activities. Cherry Auction also "reap[ed] substantial financial benefits from admission fees, concession stand sales and parking fees, all of which flow[ed] directly from customers who want to buy the counterfeit recordings at bargain basement prices." Judge Schroeder ruled that it was not necessary for a swap meet operator to receive a commission based on the amount taken in by pirates in order for an operator to "financially benefit" from record pirates' sales.

Judge Schroeder also held that Fonovisa had adequately alleged contributory copyright infringement, because it had "materially contributed" to the pirate's infringing sales by providing services to the pirate including "space, utilities, parking, advertising, plumbing, and customers."

Fonovisa's complaint adequately alleged contributory trademark infringement, because liability may be imposed on a swap meet operator that is "willfully blind" to the trademark violations of vendors. The judge explained that "a swap meet operator can not disregard its vendors' blatant trademark infringements with impunity."

Editor s note: In the contributory trademark infringement portion of her ruling, Judge Schroeder relied on a Seventh Circuit swap meet case, *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.* (*ELR* 14:2:9) — a case that District Judge Coyle had refused to follow because, in his view, it would impose liability "on third parties who have never had a traditional role in enforcing the Lanham Act." Thus, Judge Schroeder's reliance on *Hard Rock* — a case she described as "sound" — not only conforms Ninth and Seventh Circuit doctrine on this issue, it also appears to give trademark owners in the Ninth Circuit an additional weapon in their war on pirates, one they had not explicitly had before.

Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 1996 U.S.App.LEXIS 1181 (9th Cir. 1996) [ELR 18:6:11]

Stephen King denied attorneys fees for contempt proceedings against New Line Cinema in Lawnmower Man case; New Line s conduct not shown to be willful

Like a nightmare from one of Stephen King's own horror novels, the "Lawnmower Man" case drags on, inflicting losses on both sides. In the latest installment of this Stephen King serial, federal District Judge Constance Baker Motley has denied King's motion seeking an award against New Line Cinema for the attorneys' fees King incurred in connection with contempt proceedings he brought against New Line based on New Line's failure to abide by a consent decree that was intended to bring the "Lawnmower Man" case to an end (but didn't).

Those who followed the lawsuit's earlier installments will recall that it began when King complained that his name had been used improperly in connection with New Line's distribution of the movie version of "Lawnmower Man." 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 also 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 Judge Motley agreed and held New Line in contempt (ELR 16:3:4). As a consequence, the judge ordered New Line to take additional actions to cure the contempt. Among other things, the judge ordered New Line to pay King $10,000 a day until it had complied with those orders (*ELR* 17:1:16); and she ordered it to pay King's attorneys' fees for the contempt proceedings. New Line appealed.

In an opinion by Judge Frank Altimari, the Court of Appeals affirmed the original contempt order, finding that New Line had failed to comply with the consent decree. On the other hand, the appellate court 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, and the appellate court 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." (*ELR* 17:12:5)

The appellate court also remanded the case to Judge Motley for reconsideration of the attorneys' fees award. It did so, because in the Second Circuit, attorneys' fees may be awarded to the party bringing a contempt proceeding only if the contempt was "willful." In this case, the appellate court said that New Line's actions "may have been careless," but it was "reluctant to conclude that the noncompliance was willful." On remand, Judge Motley closely reviewed the facts concerning six actions taken by New Line which violated the consent decree, and which King contended were taken "willfully." The judge concluded, however, that King failed to show that New Line had acted willfully. And that is why she denied King's motion for attorneys' fees.

King v. Allied Vision, Ltd., 919 F.Supp. 747, 1996 U.S.Dist.LEXIS 4179 (S.D.N.Y. 1996) [ELR 18:6:12]

Time Warner Cable wins two cases against sellers of unauthorized cable decoders; disclaimer no defense, court holds in one case; more than $7.4 million in damages awarded in the other

Time Warner Cable has won two important victories in the cable-TV industry's never-ending war against sellers of unauthorized signal decoders.

In a case brought in federal District Court in Arizona, Judge John Roll has granted Time Warner's motion for partial summary judgment, ruling that a company known as Cable Box Wholesalers, Inc., violated section 553(a) of the Communications Act by selling devices that permitted basic cable subscribers to intercept premium and pay-per-view channels without paying for them.

Section 553(a) imposes liability on decoder manufacturers and sellers only if the decoders are "intended by the manufacturer or seller . . . for unauthorized reception . . . ." Cable Box Wholesalers asserted that it had no such intent. To prove this, Cable Box pointed to a disclaimer in its catalog which warned customers that it is illegal to intercept cable signals and which advised customers to contact their local cable companies to "obtain specific authorization" to use its products. Thus, Cable Box argued that the question of whether it did or did not intend for its decoders to be used for unauthorized signal interception was a disputed issue of fact, requiring a trial.

Judge Roll disagreed, however. He found that no reasonable juror could conclude that Cable Box lacked intent, for two reasons. First, Cable Box charged its customers more to buy decoders than Time Warner itself charged to rent them; so people would buy from Cable Box, rather than rent from Time Warner, only if they intended to use Cable Box's decoders to avoid paying

Time Warner's subscription fees. Second, the judge held that disclaimers are not a defense to claims made under section 553(a).

Time Warner settled, by consent judgment, a similar but separate case in New York against a company known as U.S. Cable T.V., Inc. However, that company violated the consent judgment, and Time Warner brought a contempt proceeding against it. U.S. Cable did not contest the assertion it was in civil contempt, so in a proceeding before Judge David Trager, the only issue was what damages should be awarded because of that contempt.

Section 553 of the Communications Act permits damages of $250 to $10,000 per violation, while section 605 of the Act permits damages of $10,000 to $100,000 per illegal device. On its face, section 605 appears to apply only to the unauthorized interception of over-the-air signals, not cable signals. But in *International*

Cablevision v. Sykes (*ELR* 18:5:19), the Second Circuit Court of Appeals recently held that section 605 applies to cable signals too. And therefore, Judge Trager applied section 605 in assessing damages against U.S. Cable, because its "extreme acts of contumacy make the more severe provisions of [section] 605 seem appropriate." Using the lowest amount permitted by that section — $10,000 per device — Judge Trager awarded Time Warner $7,440,000 on account of the sale of 744 decoders. The judge also awarded Time Warner $55,500 in attorneys fees and costs in connection with its investigation and prosecution of the contempt proceeding, as well as certain other (and by comparison, much smaller) costs.

Time Warner Cable v. Cable Box Wholesalers, Inc., 920 F.Supp. 1048, 1996 U.S.Dist.LEXIS 4887 (D.Ariz. 1996); *Time Warner Cable v. U.S. Cable T.V., Inc.*, 920

F.Supp. 321, 1996 U.S.Dist.LEXIS 3316 (E.D.N.Y. 1996) [ELR 18:6:13]

Troll dolls are not entitled to trade dress protection, and use of copyright notices on troll dolls is not false advertising even if dolls are in public domain, federal appeals court rules

Though troll dolls are physically small, they generated big sales several years ago. In 1991 alone, troll doll sales topped $200 million. With this much at stake, it's not altogether surprising that competing doll manufacturers would wind up in court; and two did: EFS Marketing and Russ Berrie & Co.

EFS was the earlier troll maker, and when Russ Berrie entered the troll market, EFS sued Berrie on a number of theories, under the federal Lanham Act and

New York state law. Federal District John Keenan decided in Berrie's favor on most claims, ruling that Berrie had not violated EFS's trade dress rights under the Lanham Act nor any of its rights under state law. Judge Keenan did hold that Berrie's use of copyright notices on its trolls constituted "false designation of origin" under the Lanham Act, because the copyright notices falsely implied that its trolls were "original." But the judge declined to award EFS damages for that violation. Moreover, Judge Keenan held that the troll copyrights claimed by Berrie and by EFS were invalid. (*ELR* 16:4:30, 16:11:19)

On balance, Berrie won the case, but the loss of its copyrights grated on it sufficiently so that it appealed. EFS appealed as well. As a result of the appeal, Berrie has emerged completely victorious, and EFS won something as well. It has recaptured the copyrights to its dolls, for the time being at least, as has Berrie.

In an opinion by Judge Ellsworth Van Graafeiland, the Court of Appeals has held that EFS's troll dolls are not inherently distinctive, and that EFS had not proved that its trolls had acquired secondary meaning. The appellate court therefore affirmed Judge Keenan's rejection of EFS's trade dress claim.

However, the appellate court reversed Judge Keenan's ruling that Berrie's use of copyright notices on its trolls constituted a "false designation of origin" under the Lanham Act. Judge Van Graafeiland reasoned that if the improper use of a copyright notice, by itself, amount to a "false designation" under the Lanham Act, all copyright cases could be turned into Lanham Act violations. Instead, since the Lanham Act is intended to protect consumer reliance, something more than improper use of copyright notices is necessary, because a "naked copyright symbol . . . is not very likely to influence consumer purchasing decisions."

The appellate court also vacated Judge Keenan's ruling that the troll copyrights claimed by both companies were invalid, on the grounds that the evidence was not sufficient to show the invalidity of all their copyrights. The validity of those copyrights has been left for an "independent copyright proceeding" if "either of the parties sees fit to pursue" such a proceeding "on a proper record."

EFS Marketing, Inc. v. Russ Berrie & Co., Inc., 76 F.3d 487, 1996 U.S.App.LEXIS 2077 (2d Cir. 1996) [ELR 18:6:13]

Briefly Noted:

Goodwill Games ordered to arbitrate dispute with Organizing Committee. Goodwill Games, Inc., has been ordered to arbitrate a dispute with the 1998 Organizing Committee, as required by an arbitration clause in the agreement by which Goodwill Games granted the Organizing Committee the right to stage the 1998 games. In addition, Goodwill Games has been enjoined from terminating the agreement, pending the outcome of that arbitration. As a consequence of a falling out between the two organizations, Goodwill Games had sent the Organizing Committee a notice of termination, apparently so Goodwill Games could grant rights to the 1998 games to another organization. Goodwill Games said that the agreement gave it the right to terminate, with or without cause, and that the arbitration clause simply established the procedure by which the parties could litigate the issue of "cause." Goodwill Games argued that "cause" was relevant only because if it terminated the agreement without cause, the Organizing Committee would be entitled to liquidated damages.

But Federal District Judge Paul Friedman has ruled that Goodwill Games may terminate the contract only if the Organizing Committee committed a material breach, and thus Goodwill Game's right to terminate at all involves a dispute that must be resolved by arbitration. *Organizing Committee v. Goodwill Games*, 919 F.Supp. 21, 1995 U.S.Dist. LEXIS 20521 (D.D.C. 1995) [ELR 18:6:15]

Athletic association may not sanction high school for permitting student to play basketball under court order. The Michigan High School Athletic Association may not sanction Ann Arbor Huron High School for complying with a court order that required the school to permit a student to play basketball, a federal Court of Appeals has ruled. The student suffered from Attention Deficit Hyperactivity Disorder and had to repeat the 11th grade. As a result, by the time he was a senior, he had already been in high school more than eight semesters, and was therefore ineligible to play basketball under the Athletic Association's "eight semester" rule. But a federal District Court enjoined enforcement of the rule against the student, on the basis of the Americans with Disabilities Act and the Rehabilitation Act. By the time the Association's appeal was heard, the student had graduated, and therefore the appellate court vacated the injunction as moot. According to another Association rule, if a student is permitted to play pursuant to a court order that is later reversed or vacated for any reason, the school may be sanctioned. In an opinion by Judge James Oakes, the appellate court held that the Athletic Association "may not sanction the school district in this case for obeying a valid court order. . . . Had the school district failed to follow the preliminary injunction and attempted to prevent [the student] from competing, it would have been subject to contempt proceedings." Judge Oakes explained that "by sanctioning parties that follow valid court orders," the Athletic Association's rules "run counter to the judiciary's authority to enforce its contempt orders." *McPherson v. Michigan High School Athletic Association*, 77 F.3d 883, 1996 U.S.App.LEXIS 3720 (6th Cir. 1996) [ELR 18:6:15]

Puerto Rico Sports Department enjoined from barring martial arts competition. A federal District Court in Puerto Rico has enjoined Puerto Rico's Department of Sports from enforcing a cease and desist order that would have prevented sports promoters from holding a full-contact martial arts competition known as "The Ultimate Fighting Championship." The Department of Sports has the "unquestioned . . . power" to regulate contact sports under Puerto Rican law.

Nevertheless, the Department did not have regulations in effect concerning full-contact martial arts events at the time promoters of the Championship had entered into contracts for it to be televised and subsequently sold as videos. Moreover, the promoters had spent money on advertising and had sold thousands of tickets. For these reasons, Judge Daniel Dominguez has granted the promoters a preliminary injunction. The judge reasoned that the Department's cease and desist order violated due process, because the promoters were told that a hearing conducted by Department was for "investigative" purposes and were not told that the hearing would "adjudicate" the promoters' right to abide by their then-existing contracts. The judge also concluded that the promoters would suffer irreparable harm if they were barred from holding the event, and that the balance of harms favored the promoters rather than the Department. *Semaphore Entertainment Group Sports Corp. v.*

Gonzalez, 919 F.Supp. 543, 1996 U.S.Dist.LEXIS 3079 (D.P.R. 1996) [ELR 18:6:15]

Dismissal of college basketball coach s defamation suit is affirmed. A federal Court of Appeals has affirmed the dismissal of a defamation lawsuit filed by University of Kansas women's basketball coach Marian Washington. The District Court had dismissed the case on the grounds that the offending statement was protected by the First Amendment. (*ELR* 17:10:10) The statement appeared in an article written by Joseph Smith, the president of the Women's Basketball News Service, and was published in "Dick Vitale's 1993-94 College Basketball Preview" magazine. According to the article, the Kansas Jayhawks women's basketball team for 1993-94 was "loaded with talent . . . [b]ut coach Marian Washington usually finds a way to screw things up. This season will be no different." Judge Douglas Ginsburg began the appellate court's decision by noting Washington's accomplishments: "She is a prominent member of the coaching community and a former president of the Black Coaches Association. Her Kansas Jayhawk teams have won more than 60% of their conference games and attended five NCAA tournaments." Nonetheless, Judge Ginsburg held that her case had been properly dismissed, because "Washington has not shown that the . . . statement . . . is 'objectively verifiable' and false. Nor has Washington shown that no reasonable person could find that the characterization . . . is supported by the facts." *Washington v. Smith*, 80 F.3d 555, 1996 U.S.App.LEXIS 7558 (D.C.Cir. 1996) [ELR 18:6:15]

New Hampshire has jurisdiction over defamation suit by sports agent against former client and co-author of client s autobiography. A federal District Court in New Hampshire has ruled that it has personal jurisdiction over former Buffalo Bills quarterback Jim Kelly in a defamation suit filed by Kelly's former agent, A.J. Faigin, as a result of statements made about Faigin in Kelly's autobiography *Armed and Dangerous*. Kelly and sportswriter Vic Carucci, who co-authored the book and was sued as well, both reside in Buffalo, New York. As a result, they moved to dismiss the lawsuit for lack of personal jurisdiction, but Judge Shane Devine has denied their motion. The book was published by Doubleday, "a national publisher," and sold at least 36 copies to seven bookstores in New Hampshire. Though these 36 copies amounted to only 0.13% of the book's nationwide sales, Judge Devine ruled that Kelly and Carucci had "purposefully availed themselves of the New

Hampshire market." The judge acknowledged that Buffalo is "not so close" to New Hampshire that Kelly and Carucci are "our neighbors." Nevertheless, "the distance is not unduly onerous," he concluded. *Faigin v. Kelly*, 919 F.Supp. 526, 1996 U.S.Dist.LEXIS 6724 (D.N.H. 1996) [ELR 18:6:16]

Liberty Cable should have classified its New York city SMATV systems as a single system when paying compulsory copyright license fees. Liberty Cable has been ordered to pay triple royalties because of its willful failure to properly classify its New York city Satellite Master Antenna Television systems, in calculating the compulsory license fees it was required to pay for retransmitting copyright-protected programming. The order was issued by District Judge Harold Baer in a copyright infringement lawsuit in which Columbia

Pictures and the other major movie studios asserted that Liberty Cable had improperly treated each of its SMATV systems as a separate, small cable system. Liberty Cable did so, because under section 111(d) of the Copyright Act, small systems pay compulsory fees at lower rates than large systems. To prevent large system operators from taking advantage of the lower rates charged small systems, section 111(f) of the Copyright Act requires seemingly separate systems to be treated as one, if they are under common ownership or control or if they operate from one head-end. Liberty Cable's New York city SMATV systems are under common ownership and they do operate from one head-end. Judge Baer found that Liberty Cable knew that it should have treated its SMATV systems as one large system for compulsory license fee purposes, and thus he ruled that its failure to do so was a willful infringement. *Columbia Pictures Industries, Inc. v. Liberty Cable, Inc.*, 919

F.Supp. 685, 1996 U.S.Dist.LEXIS 3390 (S.D.N.Y. 1996) [ELR 18:6:16]

Substantial similarity does not require virtual copy or consumer confusion, appellate court rules in doll copyright case. In a copyright infringement case involving wooden dolls, a federal appeals court has held that the District Court should not have required that the accused doll be a "virtual copy" of the protected doll, or that ordinary observers would "confuse" the two dolls. Thus, the case has been remanded for reconsideration of the plaintiff's motion for a preliminary injunction. The proper test for infringement, the appeals court explained, "is whether the accused work is sufficiently similar that an ordinary observer would conclude that the defendant unlawfully appropriated the plaintiff's protectable expression by taking material of substance and value."

Country Kids n City Slicks, Inc. v. Sheen, 77 F.3d 1280, 1996 U.S.App.LEXIS 3850 (10th Cir. 1996) [ELR 18:6:16]

BMI awarded injunction and damages for unlicensed public performances of copyright-protected music in New York bar. BMI and several music publishers have been awarded a permanent injunction against a New York City bar in which copyright-protected songs were publicly performed without a license. They also have been awarded $12,000 in statutory damages (at the rate of $1,500 per song) which federal Magistrate Judge Sharon Grubin said was "approximately five times what BMI license fees would have been plus plaintiffs' investigative expenses." Prejudgment interest and attorneys fees and costs were awarded as well, though BMI was granted only half the fees it requested because its in-house litigation lawyer had not maintained "contemporaneous time records." (Magistrate Judge Grubin specifically noted that her review of the BMI lawyer's work satisfied her that the number of hours and hourly rate sought were "quite reasonable"; but "contemporaneous time records" are required in the Second Circuit.) *Broadcast Music, Inc. v. R Bar of Manhattan, Inc.*, 919 F.Supp. 656, 1996 U.S.Dist.LEXIS 4224, 4226 (S.D.N.Y. 1996) [ELR 18:6:16]

Music publishers awarded injunction, statutory damages and fees in case against unlicensed bar. Several ASCAP-affililated music publishing companies have been awarded all of the relief they requested, in a copyright infringement suit against the operator of the Idle Time Bar in Skandia, Michigan.

Judge Gordon Quist has granted the publishers' motion for default judgment (the operator did not respond), and issued an injunction prohibiting the bar from performing "any musical composition licensed through ASCAP." The judge also awarded $8,750 in statutory damages — more than three times the $2,800 in license fees ASCAP would have charged — in order to "deter" the bar from "continuing its wrongful conduct." And Judge Quist granted the publisher's request for full attorneys fees and costs of almost $3,300. *Cross Keys Pub. Co. v. Wee, Inc.*, 921 F.Supp. 479, 1995 U.S.Dist.LEXIS 20686 (W.D.Mich. 1995) [ELR 18:6:17]

Failure to do full trademark search, despite advice of own lawyer, may be evidence of bad faith. The failure of clothing manufacturer Tommy Hilfiger, U.S.A., Inc., to do a full trademark search — despite the advice of its own lawyer that a full search ought to be done — before using the words “Star Class” on a line of “nautical sportswear” should have been considered by the trial court in deciding whether Hilfiger had infringed the trademark of the International Star Class Yacht Racing Association in “bad faith,” a federal Court of Appeals has ruled. Writing for the court, Judge James Oakes said, “Given Hilfiger’s awareness that it was copying ‘authentic details . . . from the sport of competitive sailing,’ it should have shown greater concern for the possibility it was infringing on another’s mark. Hilfiger’s choice not to perform a full search under these circumstances reminds us of two of the famous trio of monkeys who, by covering their eyes and ears, neither saw nor heard any evil. Such willful ignorance should not provide a means by which Hilfiger can evade its obligations under trademark law.” Judge Oakes also reasoned that since other cases have found that those who rely on an attorney's advice "generally cannot be said to have acted in bad faith . . . the *failure* to follow the advice of counsel given before the infringement must factor into an assessment of an infringer's bad faith." The District Court had found that Hilfiger infringed the Racing Association's "Star Class" mark, but denied the Association an accounting of profits and attorneys fees which are awarded only when an infringement is committed in bad faith. Thus on remand, the District Court was ordered to reconsider the bad faith issue and if bad faith is found, its ruling on profits and fees as well. *ISCYRA v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 1996 U.S.App.LEXIS 6570 (2d Cir. 1996) [ELR 18:6:17]

Appellate court remands trademark case involving Champions Golf Club name for

reconsideration of likelihood of confusion. "Champions Golf Club" is the name of two separate clubs. The older is in Houston, Texas, and was opened by former pro golf champions Jimmy Demaret and Jack Burke. The younger is in Nicholasville, Kentucky (near Lexington). The Texas club sued the Kentucky club for trademark infringement, but Judge Henry Wilhoit (of the federal District Court in Kentucky) ruled in favor of the Kentucky club, finding there was no likelihood of confusion. The Court of Appeals has reversed, however. In an opinion by Judge James Ryan, the appellate court has remanded the case, and has directed the District Judge to apply an eight-factor test (in specifically described ways) in reconsidering the likelihood that confusion will result from two golf clubs using the same "Champions" name. *Champions Golf Club v. Champions Golf Club*, 78 F.3d 1111, 1996 U.S.App.LEXIS 4934 (6th Cir. 1996) [ELR 18:6:17]

New York Racing Association awarded treble damages and profits, punitive damages and attorneys fees in trademark case against seller of unlicensed T-shirts. The New York Racing Association has won a trademark and unfair competition lawsuit against a former licensee that ought to send a strong signal to others about the importance of respecting expiration dates in trademark licenses. The Association operates Saratoga Race Course and is the owner of registered service marks for the word "Saratoga." The Association has an active and successful trademark licensing program (it grossed $2.7 million between 1990 and 1994), and as part of that program, once granted a license to Stroup News Agency Corp. authorizing Stroup to sell T-shirts bearing the "Saratoga" mark during a specified term. The license expired and was not renewed; but

Stroup nevertheless continued to sell T-shirts long after the license agreement's 90-day sell-off period had passed. Federal District Judge Thomas McAvoy granted the Association summary judgment establishing Stroup's liability, and then conducted a trial to determine damages. While relatively modest in absolute terms, the award was huge in relation to any benefit Stroup may have received from selling infringing T-shirts. Judge McAvoy awarded the Association $5,000 on account of Stroup's profits, trebled to $15,000, because Stroup's infringement was "deliberate, flagrant, and mulish" and because Stroup earned "intangible benefits" from holding itself out to customers as a seller of official Saratoga merchandise; an additional $750 on account of the Association's damages which were the unpaid 15% royalty it receives from licensed sellers, trebled to $2,250 on account of Stroup's wrongful conduct; both of which were then doubled to $34,500 under New York state unfair competition law, to sanction Stroup. The judge also awarded the Association attorneys fees in an amount to be proved by affidavit. *New York Racing Association v. Stroup News Agency Corp.*, 920 F.Supp. 295, 1996 U.S.Dist.LEXIS 3526 (N.D.N.Y. 1996) [ELR 18:6:17]

Suit against author and publisher of *The Promised Land* is dismissed. A federal District Court in Mississippi has dismissed a lawsuit against the author and publisher of "The Promised Land: The Great Black Migration and How It Changed America," and against the producer and broadcaster of a documentary film based on the book. Judge Neal Biggers has granted the defendants' motion for summary judgment, because some claims were barred by the doctrine of *res judicata*, another was barred by the statute of limitations, and others were not supported by any facts. The suit was brought by Robert Haynes, one of the characters portrayed in the best-selling non-fiction work. Haynes' complaint alleged claims for defamation, invasion of privacy, quantum meruit, misappropriation of likeness and copyright infringement. Most of these claims had previously been asserted in a suit filed by Haynes in federal court in California; the District Court dismissed that case on the merits and the Court of Appeals affirmed, both in unpublished rulings. Haynes' suit in Mississippi added two new defendants — the documentary producer and the cable system that carried it — and two new claims, those for misappropriation and copyright infringement. But in response to a motion for summary judgment by those defendants, Haynes failed to submit evidence creating an issue of fact. (Other members of the Haynes family who also are portrayed in the book filed a separate lawsuit of their own against the book's author and publisher; that case too was dismissed on motion for summary judgment and the dismissal was affirmed on appeal. (*ELR* 15:8:17; 16:3:10)) *Haynes v. Lemann*, 921 F.Supp. 385, 1996 U.S.Dist.LEXIS 4382 (N.D.Miss. 1996) [ELR 18:6:18]

Court affirms NLRB finding that HarperCollins committed unfair labor practices, but refuses to enforce NLRB order to bargain. In 1993, employees of HarperCollins San Francisco voted 36-31 not to be represented by the Communications Workers of America. In the months leading up to that election, the company did several things to discourage unionization — things that the NLRB later found were unfair labor practices. As a consequence, the NLRB ordered the company to bargain with CWA despite the outcome of the election. HarperCollins and the NLRB filed cross-petitions with the Court of Appeal — HarperCollins for review of the NLRB's findings and order, and the NLRB for enforcement of its order. Each side has come away with a partial victory. In a decision by Judge Frank Altimari, the appellate court has affirmed the NLRB's finding that HarperCollins' pre-election activities amounted to unfair labor practices; but the court refused to enforce the NLRB's order that HarperCollins bargain with the CWA. "A new election, not a bargaining order, is the preferred remedy for employer misconduct which taints a union election," Judge Altimari explained, unless "it may reasonably be concluded that the employees will be unable to exercise a free choice in a Board-supervised rerun election." The appellate court was "unpersuaded that such a conclusion is justified in this case." Moreover, a bargaining order was not warranted in this case, the judge said, because substantial time had passed since the company's employees first asked for the election, because there had been significant employee turnover since then, and because the company had refrained from any further anti-union conduct. *HarperCollins San Francisco v. National Labor Relations Board*, 79 F.3d 1324, 1996 U.S.App.LEXIS 5404 (2d Cir. 1996) [ELR 18:6:18]

Publishers entitled to notice if publications are disapproved for inmate subscribers. Publishers are entitled to receive notice and an opportunity to be heard, if prison officials disapprove their publications for receipt by inmates, a federal Court of Appeals has held. The ruling was issued in a case brought by the publisher of Gallery, a monthly magazine that includes articles, fiction, commentary and photos of nude women. Two inmates at the Keen Mountain Correctional Center subscribed to Gallery. They were not permitted to receive it, however, because it was disapproved under a

Virginia Department of Corrections Operating Procedure that allows prison officials to deny inmates access to obscene publications and those whose content "may be detrimental to the security, good order or discipline of the institution." Gallery's publisher said that the magazine has never been deemed obscene in a court action to which it was party. According to Keen Mountain officials, they disapproved Gallery because of some of its written content, not because of its nude photos. In an opinion by Judge Sam Ervin, the appellate court reasoned that Virginia Department of Corrections procedures already require written notice to inmates when a publication is disapproved, and "providing a copy of this notice to publishers of disapproved publications and allowing publishers to respond in writing would pose a minimal burden on corrections officials." *Montcalm Publishing Corp. v. Beck*, 80 F.3d 105, 1996 U.S.App.LEXIS 6144 (4th Cir. 1996) [ELR 18:6:18]

INTERNATIONAL CASES

Recording artist wins injunction from German court barring record company from creating a sampler album by mixing artist s recordings with recordings by groups known for their neo-fascist leanings, even though artist had transferred his copyrights and performance rights to record company without restriction . . . for unlimited exploitation

Recording artists (like others) are often known by the company they keep, or appear to. So it is not surprising that a recording artist — especially a German artist — would object to having his recordings included on a sampler album with recordings by groups that are known for their neo-fascist leanings. What is surprising is that a record company would do so without specific consent, even to the point of defending litigation by the objecting artist.

The record company had legal — if not moral — grounds for taking the position it did. The objecting artist had previously entered into an agreement by which the artist transferred "without restriction" to the record company the artist's copyrights and performance rights in several of his recordings "for unlimited exploitation" by the company. Indeed, the agreement gave the record company the right to exploit the artist's recordings "in all possible forms" and even gave the company the right "to decide on the time, manner and form" of the recordings' release.

The artist did object to the mixing of his songs with those of neo-fascist groups, and claimed that the agreement he had signed with the record company did not authorize it to use his recordings on such a sampler, because the agreement only specified royalties for the artist's original recordings, not their reuse on a sampler. The German Court of First Instance (the Landgericht) disagreed, however, and refused to enjoin the record company.

On appeal, the artist had more success, though not with every issue. The German Regional Court of Appeal in Frankfurt (the Oberlandesgericht), rejected the artist's contract argument, saying that the transfer was "far-reaching." Thus it was "appropriate to assume" that the record company had the right to use "all usual and well-known forms of exploitation," including the right to extract the artist's recordings from his own albums to include them in samplers along with recordings by others.

On the other hand, Germany's Basic Law — its Constitution — protects "the general inherent rights of the person." These rights are expressed in the German

Copyright Act in sections which protect not only an author's right to exploit his or her work but also the author's "intellectual and personal relationship to the work." This was the right the record company had infringed, the Court of Appeal ruled, because the sampler left the impression that the artist held the same neo-fascist views as other groups on the sampler. "Since association with such groups has a considerable adverse effect on the plaintiff . . . the defendant is obliged to refrain from such compilations to the disadvantage of the plaintiff. . . ."

Re Neo-Fascist Slant in Copyright Works, Oberlandesgericht (Regional Court of Appeal), Frankfurt Am Main [1996] ECC 375 (available in LEXIS Eurcom Library, Cases File) [ELR 18:6:19]

Artist s copies of bronzes made by sculptor Henry Spencer Moore during last years of his life were owned by Henry Moore Foundation, rather than Moore individually, despite artist s copy convention, British court rules in decision rejecting ownership claim by Moore s executor

Even the best-laid plans go awry, as a dispute between the late Henry Moore's charitable foundation and his executor so well proves. Henry Spencer Moore was one of England's "most renowned" sculptors, and the dispute in question concerns ownership of the "artist's copies" of bronzes he created during the last ten years of his life, between 1977 and 1986.

The origins of this dispute can be traced to 1976 when Moore incorporated the Henry Moore Foundation as a registered charity in order "to protect his artistic legacy." The Foundation was one element of the sculpture's well-laid plans. The other element was a subsidiary of the Foundation, incorporated that same year, called HMF Enterprises Ltd. Moore entered into a written "service agreement" with HMF Enterprises, pursuant to which Moore promised not to "carry on the business of a sculptor" for anyone other than that company. Moore created 215 bronzes pursuant to this service agreement, and in the process, created "artist's copies" of them as well.

Moore had a daughter, Mary Danowski; and in the beginning, the daughter was a Trustee of her father's Foundation. This too was part of Moore's plans, because he believed that his legacy would best be protected by members of his family who understood his wishes and intentions. After a while however, the daughter became "disenchanted" with the Foundation's professional advisors. And after Moore and her mother both died, Danowski's "estrangement from the

Foundation and its affairs became complete." Apparently she had not become estranged from her parents, however, because she was an executor and trustee of the wills of both.

This is where Moore's plans went awry, because in her capacity as the executor and trustee of her parents' wills, Danowski sued the Foundation and HMF Enterprises, claiming ownership of the "artist's copies" of the bronzes her father had created while employed by HMF Enterprises.

"Artist's copies" are those an artist makes and retains for himself when creating a work that is reproduced in multiple copies, like bronze sculptures or lithographs. Even when the artist has announced that a work is a "limited edition," there is a custom in the "art trade" — known as the "artist's copy convention" — that permits the artist to make as many as two additional copies, over and above the announced number in the limited edition, which the artist may keep or later sell.

According to Danowski, her father — rather than the Foundation or HMF Enterprises — owned these artist's copies before he died; her mother inherited them from her father; and when her mother died, she became the owner as executor and trustee. According to the Foundation and HMF Enterprises, they — rather than Moore — owned all of the sculptures Moore created under his contract with HMF — including those that might have been called "artist's copies" if Moore had not entered into the contract with HMF.

The dispute was tried in the British Chancery Division over a period of 20 days, at the conclusion of which the trial judge ruled for the Foundation and HMF Enterprises in a 188-page judgment. Danowski appealed, but the Civil Division of the British Court of Appeal has affirmed.

The appellate court ruled first that after Moore entered into the service agreement with HMF, all of the sculptures he created belonged to the company, insofar as the language of the service agreement was concerned.

Danowski argued, however, that the language of the service agreement was not the end of the matter. She contended that "artist's copies convention" must be considered to be an implied term of the service agreement, so that this custom must be considered as well as the words on the face of the agreement. Apparently there was little dispute that such a custom exists in the art world (at least in Britain). But the trial court found, and the appellate court agreed, that the custom applies only when artists sell works they have created to others. There was no evidence that any such custom exists when artists are employed — as Moore was — pursuant to contracts that provide that the employer is to own the works created in the course of the employment relationship.

Danowski v. Henry Moore Foundation, U.K. Court of Appeal (Civil Division) (1996) (available in LEXIS Intlaw Library, Engcas File) [ELR 18:6:19]

NEW LEGISLATION AND REGULATIONS

California, Missouri and Kansas enact new laws regulating sports agents; 28 states now have sports agent statutes

As recently as 15 years ago, no state attempted to regulate sports agents — not even states that had long regulated other occupations like barbers and beauticians. That's changed, of course. By now, some 28 states have player agent statutes on their books. (A list of those statutes is at the end of this article.) This year alone, California completely revamped its player agent regulation statute, and Missouri and Kansas adopted agent regulation statutes for the first time.

California

California was a pioneer in the regulation of sports agents. In 1982, it became the first state to do so. (*ELR* 3:17:5) The original scheme was quite elaborate, and required — among other things — sports agents to register with the California Labor Commissioner. But for reasons that have never been apparent, the registration requirement was largely ignored. More than two years after the law took effect, fewer than 30 agents had registered in the entire state (*ELR* 5:10:3), and by this year that number had fallen to 20.

Moreover, the law did little or nothing to prevent or punish abuses — at least insofar as colleges and universities were concerned. (*ELR* 9:8:3) Indeed, as recently as last year, the University of Southern California and several other colleges "encountered problems with a sports agent who illegally paid athletes" in order to induce them to become his clients. This jeopardized the eligibility of the athletes themselves as well as accomplishments of their teams as a whole, under NCAA rules that prohibit student-athletes from retaining or accepting money from agents.

The upshot of that episode was that USC went to the California legislature, accompanied by the entire University of California system and other California colleges, and by the NCAA, the PAC-10 and other athletic conferences. Together these venerable institutions supported a complete top-to-bottom rewriting of the California statute that regulates sports agents. With support like that, and apparently no organized opposition, the California legislature responded by repealing the old statute and replacing it with an entirely new one known as the Miller-Ayala Athlete Agents Act.

The new Act reflects a philosophy that civil litigators and criminal prosecutors can do a better job of regulating player agents than an administrative agency. Thus the old requirement that agents register with the California Labor Commissioner has been eliminated entirely. (This feature of the new law will no doubt be welcomed by player agents, especially the ethical ones, and this may be one reason no organized opposition to the Act appears to have surfaced.)

In place of the little-complied-with registration requirement, the Miller-Ayala Act contains a set of specific “dos-and-don’ts” that player agents must comply with, or suffer the likelihood of severe civil and criminal penalties. The Act is codified in the California Business and Professions Code beginning at section 18895. Its provisions address three issues: the agent-player relationship; the rights of high schools and colleges; and penalties for its violation.

Insofar as the agent-player relationship is concerned, the new Act requires agent-player contracts to be in writing and contain a prescribed warning that student-athletes are likely to lose their interscholastic and intercollegiate eligibility by signing. It requires agents to maintain trust accounts if they receive their clients' money. It prohibits agents from having financial interests in companies involved in the same sports as their clients. It prohibits agents from splitting fees or receiving pay from leagues, teams or player association employees, and bars agents from paying school employees for referrals. It prohibits agents from postdating agent, endorsement or employment contracts. And it permits student-athletes to rescind contracts within 15 days.

To protect high schools and colleges, the new Act prohibits agents from contacting student-athletes except in writing, and requires agents to send copies of written materials to the athletes' schools as soon as they are sent to the athletes. If contracts are entered into with or by student-athletes, agents must send copies to the students' schools within 48 hours.

To enforce these requirements, the Act gives athletes and schools the right to bring a civil action for damages if they are "adversely affected" by an agents' violation of the Act. Moreover, the Act creates a presumption that a student-athlete and his or her school is "adversely affected" if the athlete is declared ineligible by an athletic association as a result of the agent's acts. This presumption is quite significant, because the Act provides that in such a case, the plaintiff may recover actual damages or $50,000, whichever is greater, as well as punitive damages, court costs and attorneys fees.

Any contract that does not comply with the Act's requirements is "void and unenforceable," and if an agent is found liable in a civil lawsuit, the agent has to refund whatever compensation the agent may have received for representing the athlete. To be certain these civil lawsuits will be effective, agents are required to have an agent for the service of process in California; and agents are required to provide security — of the same kind required of lawyers in limited liability partnerships — for claims that may be made against them.

Last, but by no means least, it is a misdemeanor to violate the Act, punishable by a fine of as much as $50,000 and imprisonment in a county jail for a year.

Although the new Act does not apply to lawyers — or to other professionals like financial planners, tax consultants, insurance agents, securities dealers, or real estate agents — when they are rendering services "customarily provided by that profession," lawyers and other professionals are not entirely exempt. The Act does apply to lawyers and others if they recruit or solicit athletes to enter into an agent contract, endorsement contract, or sports services contract, or if they negotiate "to obtain employment for any person with a professional sports team or organization or as a professional athlete." Thus, for example, it appears that if a lawyer were retained by a student-athlete to negotiate a sports contract, the lawyer would have to send a copy of the contract to the student's school within 48 hours after it was entered into.

Insofar as lawyers are concerned, there is one additional penalty for violations of the Act. On top of everything else, section 6106.7 of the California Business and Professions Code has been amended to make the violation of the Miller-Ayala Athlete Agents Act "a cause for the imposition of discipline of an attorney" by the California Supreme Court.

Missouri

Missouri has enacted a succinct but comprehensive agent regulation statute, the first such statute in that state aimed at player agents in particular. It is codified Chapter 436 of the Revised Missouri Statutes beginning at section 436.200.

The statute requires "athlete agents" to register with the Missouri Secretary of State every two years, and to pay a $500 registration fee when doing so. Those who are not registered are prohibited from conducting business as athlete agents, and doing so without registering is a class B misdemeanor.

If a student athlete enters into a contract with an agent, both the student and the agent are required to notify the student's college. Failing to do so is a crime: an "infraction" if the student fails, and a class B misdemeanor if the agent fails. Moreover, if the college is not notified, the student-athlete and the agent are made liable to the athlete's college for damages the college may suffer if the student is declared ineligible, as well as "additional damages" of three times the value of any athletic scholarship the college may have given the student-athlete while he or she was eligible.

Contracts between student athletes and agents must contain a prescribed warning that the student may lose his or her collegiate eligibility, and warning the student of his or her obligation to notify his or her college. Any athlete-agent contract that fails to contain this warning is "null, void and unenforceable." Moreover, the student-athlete has the right to rescind any contract with an agent, within 10 days after notifying his or her college of the contract.

Agents are prohibited from offering athletes anything to induce them to become clients. Agents also are prohibited from offering coaches or other college employees anything of value for referrals, and agents are barred from accepting as clients any athletes who are referred by coaches or other college employees who have been offered anything of value for referrals.

Kansas

Kansas is the home of the headquarters of the NCAA, so it is not surprising that it too has enacted an agent regulation statute, though it took Kansas until this year to do so. The Kansas Athlete Agent Act is quite lengthy and detailed — longer by far than neighboring Missouri's, and longer than California's new statute too. The Kansas act relies on administrative regulation as well civil and criminal enforcement.

Athlete agents are required to register and renew yearly with the Kansas Secretary of State, pay a fee of $1,000 each time they do, and post a $100,000 surety bond or provide proof of liability insurance. Lawyers — including those licensed to practice in Kansas — are expressly included among those who must register, if they do any of the things that require non-lawyers to register: recruit or solicit college athletes to enter into an agent contract, a professional sports services contract, or a financial services contract; or offer or attempt to obtain employment for an athlete with a professional sports team. On the other hand, licensed financial advisors — such as securities brokers, real estate brokers, insurance agents and investment advisors — are exempt from the registration requirement, so long as they do not offer or attempt to procure employment for the athlete with a professional sports team.

Agents are prohibited from "directly" contacting college athletes until after their last intercollegiate contest, and are barred from entering into agreements with college athletes before their last contest that purport to take effect after that contest is completed. Though "direct" contacts are prohibited, agents are permitted to send athletes written materials concerning their professional credentials and the specific services they offer their clients. The Act also permits parents or other advisors to contact and interview agents to determine their "professional proficiency." Likewise, Kansas colleges are permitted to sponsor athlete agent interviews on campus where registered agents may interview athletes. (The Act contains detailed provisions concerning the manner in which these authorized on-campus interviews are to be administered.)

The Act gives college athletes 16 days to cancel an agent contract, if they change their minds and decide they "do not wish" the agent's services. Moreover, agents are required to file copies of their agent contracts with the Kansas Secretary of State and, if the athlete is a student at a college in Kansas, with the athletic director of the college as well.

Agents are prohibited from dividing fees with professional leagues or teams or their employees. Agents also are barred from offering anything of value to employees of colleges in Kansas for referrals or to athletes to induce them to become clients.

Violations of the Act are a class A misdemeanor, if committed "intentionally or knowingly." Violations also subject agents to civil penalties of as much as $25,000, as well as the possibility they will have to refund any compensation previously received. Contracts negotiated by unregistered agents are "void."

If a college in Kansas is affected by any violation of the Act by an agent, specifically including the disqualification of an athlete from intercollegiate competition, the college may sue the agent for actual and exemplary damages, court costs and attorneys fees.

Editor s note:

While agent regulation statutes in all states are similar to one another in broad outline, they differ from one another in their details, in ways that are very significant. The most obvious contrast is between states that require registration and those that do not. But other distinctions are significant too. For example, the types of activities that make someone an "athlete agent" differ from state to state. The definition of "athlete" does as well: some statutes apply only to the representation of athletes still enrolled in school (some include high school students while others only include college students), while other statutes apply to the representation of athletes whose college careers are long behind them and have been professionals for years. Likewise, some statutes apply only to athletes who play team sports, while others also apply to athletes who play individual sports like golf and tennis.

All of the statutes are ambiguous (probably, intentionally so) about their intended geographic sweep; on their faces, they appear to apply to every agent — including those who live and have offices out-of-state — who has any contact with an in-state athlete, school or team. The permissible geographic sweep of these statutes is limited by the Due Process clause of the Constitution; but no published judicial decision has yet to deal with an attempt by one state to require out-of-state agents to register simply because they recruit in-state athletes or negotiate employment contracts for athletes with in-state teams.

Player associations have agent regulation plans of their own. (*ELR* 8:2:3) The 28 state statutes now on the books are listed on the following page.

Miller-Ayala Athlete Agents Act, Cal. Stats. 1996, Chaps. 857 and 858, amending Cal. Bus. & Prof. Code sec. 6107.7, adding Cal. Bus. & Prof. Code sec. 18895 et seq., and repealing Cal. Labor Code sec. 1510 et seq. (1996); *Missouri Athlete Agents Act*, 1996 Mo. SB 526, amending RSMo Chapter 436 by adding sec. 436.200 et seq. (1996); *Kansas Athlete Agent Act*, 1995 Kans. Sess. Laws 178 (1996) [ELR 18:6:21]

Player agent statutes of 28 states:

Alabama
Code of Ala. 8-26-1 et seq.

Arkansas
Ark. Stats. 17-16-101 et seq.

California
Cal. Bus. & Prof. Code 18895 et seq.
Cal. Bus. & Prof. Code 6106.7

Colorado
Colo. Rev. Stats. 23-16-101 et seq.

Connecticut
Conn. Pub. Act 95-331

Florida
Fla. Stats. 468.451 et seq.

Georgia
Off. Code Ga. 43-4A-1 et seq.

Indiana
Ind. Stats. 35-46-4-1 et seq.

Iowa
Iowa Code 9A.1 et seq.

Kansas
1995 Kans. Sess. Laws 178

Kentucky
Kentucky Rev. Stats. 518.010 et seq.

Louisiana
La. Rev. Stats. 4:421 et seq.

Maryland
Md. Bus. Reg. Code 4-401 et seq.

Michigan
Mich. Stats. 28.643(5)

Minnesota
Minn. Stats. 325E.33

Mississippi
Miss. Code 73-41-1 et seq.

Missouri
RSMo 436.200 et seq.

Neveda
Nev. Rev. Stats. 398.005 et seq.
Nev. Rev. Stats. 597.920

New Jersey
N.J. Stats. 34:8-43

North Carolina
N.C. Gen. Stats. 78C-71 et seq.

North Dakota
N.D. Cent. Code 9-15-01 et seq.

Ohio
Ohio Rev. Code 4771.01 et seq.

Oklahoma
70 Okl. Stats. 821.61 et seq.

Pennsylvania
18 Pa. C.S. 7107

South Carolina
S.C. Code 59-102-10 et seq.

Tennessee
Tenn. Code 49-7-2111 et seq.

Texas
Tex. Rev. Civ. Stats. Art. 8871

Washington
Rev. Code Wash. 18.175.010 et seq.
[ELR 18:6:24]

New anti-counterfeiting act amends federal criminal, copyright, trademark and tariff statutes to significantly increase penalties for counterfeit records, videos and software

Congress and the President have raised the ante for counterfeiters by increasing the penalties for civil as well as criminal violations of copyright and trademark law. The Anticounterfeiting Consumer Protection Act of 1996 makes small but significant changes to federal criminal law and to the Copyright, Trademark and Tariff Acts — changes that are intended to increase the deterrent effect of those statutes by making it truly expensive to violate them.

The Anticounterfeiting Act is based on a Congressional finding that copyright and trademark counterfeiting have five very unfavorable characteristics. Counterfeiting has been linked with organized crime; it deprives legitimate trademark and copyright owners of substantial revenue and consumer goodwill; it poses health and safety threats to consumers; it eliminates American jobs; and it is a multibillion-dollar drain on the United States economy.

To counter these effects, the Anticounterfeiting Act makes a number of dramatic changes in existing law. First, and perhaps foremost, the Act makes trafficking in counterfeit goods a "predicate offense" under the federal RICO Act. RICO is short for "Racketeer Influenced and Corrupt Organizations," so now, those who make and sell counterfeit records, videos and software are "racketeers" in the eyes of federal law enforcement officials. This means that federal officials now have expanded power to seize counterfeiters' raw materials and tools as well as the "fruits" of their counterfeiting activities.

The Anticounterfeiting Act also amends the Lanham Act to give trademark owners the option of recovering statutory damages, instead of their actual damages and the counterfeiters' profits. This remedy — which has long been available in copyright cases — will be valuable to trademark owners in cases where it is difficult for them to prove their actual damages and difficult or even impossible to prove the counterfeiters' profits (counterfeiters are not known for keeping accurate financial records). The range of possible statutory damages authorized by the new Act is broad: $500 to $100,000 for each counterfeit mark for each type of goods or services sold; and where the use of the mark is willful, as much as $1 million for each counterfeit mark for each type of goods or services sold.

The Copyright Act has been amended to eliminate a provision (in section 603 of that Act) that had permitted imported counterfeit goods to be returned to the country from which they had been exported, in cases where the importer had shown it had no reason to know the goods were counterfeit. As a consequence of this provision, the Customs Service told Congress that it had intercepted the same counterfeit goods over and over again, as importers tried time and again to get them into the country. Now, as a result of an amendment to that provision of the Copyright Act, imported copyright counterfeits will be destroyed; they will no longer be returned to their country of export.

The Tariff Act also has been amended to ensure that counterfeits are routinely destroyed and to give the Customs Service the power to impose fines in connection with seized counterfeits.

The Anticounterfeiting Act does something else that ought to have a deterrent effect on counterfeiting. It makes counterfeit goods "contraband" — like heroin and other drugs — for the purpose of a federal law that authorizes law enforcement officials to seize cars, trucks, boats and airplanes used to transport counterfeit goods of any kind or counterfeit labels for records, videos or software.

Anticounterfeiting Consumer Protection Act of 1996, Public Law 104-153, 110 Stat. 1386 (104th Cong. 1996) [ELR 18:6:25]

WASHINGTON MONITOR

Copyright Office publishes second list of foreign works whose once-expired copyrights have been restored and whose owners have filed Notices of Intent to Enforce Restored Copyright

The United States Copyright Office has published a second list of foreign works whose owners have filed Notices of Intent to Enforce Restored Copyrights. The foreign works in question are those that once were in the public domain in the United States, but whose copyrights were restored on January 1, 1996, as a result of Congress' enactment of a new section 104A of the Copyright Act as required by the Uruguay Round Agreements Act. (See, Lionel S. Sobel, "Back from the

Public Domain: Congress Restores Copyrights to Many Foreign Works" (*ELR* 17:3:3))

All eligible works had their U.S. copyrights restored automatically, and the owners of those copyrights are able to enforce their restored copyrights immediately against infringers who have never relied on the public domain status of those works. However, the owners of restored copyrights are not permitted to enforce them against "reliance parties" — defined as those who were already using the work or had acquired copies of the work before the new law was enacted — unless and until the copyright owner files a Notice of Intent to Enforce a restored copyright in the Copyright Office or serves such a Notice on the individual reliance party. Thus, the owners of restored copyrights are able to enforce their rights against "reliance parties" only by filing a Notice of Intent to Enforce copyright, or by personally serving such a Notice on reliance parties.

The new law requires the Register of Copyrights to publish in the Federal Register lists of restored works for which Notices of Intent to Enforce Restored Copyrights have been filed. (These lists are to be published every four months for a period of two years, commencing May 1, 1996.) The law then permits reliance parties to continue to use those works for a 12-month period beginning on the date of publication in the Federal Register of the list identifying the restored work. (If a Notice of Intent is both filed with the Copyright Office and served on a reliance party, the 12-month period for continued use begins on the date of publication or the date of service of the Notice, whichever date is earlier.)

The first list of restored copyrights for which Notices of Intent have been filed with the Copyright Office was published in the Federal Register on May 1, 1996 (*ELR* 18:2:19). That list contained the titles of approximately 2,700 works for which such Notices were filed before April 19, 1996. The newly-published second list also covers approximately 2,700 works; Notices for these works were filed with the Copyright Office between April 19 and August 16, 1996.

The list published in the Federal Register contains only the names of the owners and the titles of the works for which Notices have been filed, because that is the only information required by law to be published, and because the Copyright Office does not have the funds to include any additional information. (The Copyright Office, like other federal agencies, must pay to have notices published in the Federal Register.) However, by using published information concerning owner names and titles of works, those who wish to know more may search the Copyright Office's database for additional information contained in the Notices of Intent to Enforce.

Notices of Intent to Enforce are located in the Copyright Office History Documents (COHD) file which is available through the Internet (as well as from computer terminals located in the Copyright Office itself and in other parts of the Library of Congress). The information available online includes: the title or brief description if untitled; an English translation of the title; the alternative titles if any; the name of the copyright owner or owner of one or more exclusive rights, the date of receipt of the Notice in the Copyright Office; the date of publication in the Federal Register; and the address, telephone and telefax number of the copyright owner. If given on the Notice, the online information will also include the author, the type of work, and the rights covered by the notice. This information may be obtained over the Internet through the Copyright Office Home Page on the World Wide Web at: http://lcweb.loc.gov/copyright. The Copyright Office computer is accessible Monday-Friday 6:30 a.m.-9:30

p.m. U.S. Eastern Time, Saturday 8:00 a.m.-5:00 p.m., and Sunday 1:00 p.m.-5:00 p.m.

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DEPARTMENTS

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Entertainment and Sports Lawyer, published by the American Bar Association Forum on the Entertainment and Sports Industries, 750 N. Lake Shore Drive, Chicago, IL 60611-4497, has issued Volume 14, Numbers 2 and 3 with the following articles:

An Entertainment Lawyer s Guide to The Telecommunications Act of 1996 by Meeka Jun and Steven D. Rosenboro, 14 Entertainment and Sports Lawyer 1 (1996) (for address, see above)

Copyright Enforcement in a Digital Environment: Tolls on the Superhighway? by Virginie L. Parant, 14 Entertainment and Sports Lawyer 3 (1996) (for address, see above)

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Book Review: Kohn on Music Licensing, Second Edition by Al Kohn and Bob Kohn, reviewed by Heather J.

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Agent, Lawyer, Agent/Lawyer...Who Can Best Represent Student Athletes? by Richard M. Nichols, 14 Entertainment and Sports Lawyer 1 (1996) (for address, see above)

Agents, Managers, and Lawyers: A Roadmap for the Entertainment Industry by Kenneth J. Abdo, 14 Entertainment and Sports Lawyer 3 (1996) (for address, see above)

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Enforcement of the California Talent Agencies Act: The Procedures of the Labor Commissioner by Miles E. Locker, 14 Entertainment and Sports Lawyer 11 (1996) (for address, see above)

Agents Cannot Recoup Expenses - For Now by Anthony R. Berman, 14 Entertainment and Sports Lawyer 13 (1996) (for address, see above)

How New York and Tennessee Regulate Talent Agencies by Paul Karl Lukacs, 14 Entertainment and Sports Lawyer 15 (1996) (for address, see above)

Book Reviews: Music, Money and Success by Jeffrey Brabec and Todd Brabec, reviewed by Gabrielle Holley, 14 Entertainment and Sports Lawyer 18 (1996) (for address, see above)

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The European Intellectual Property Review, published by Sweet & Maxwell Ltd., FREEPOST, Andover, Hants, SP10 5BR, United Kingdom, has issued Volume 18, Number 9 with the following articles:

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[ELR 18:6:27]