Washington Monitor

Retroactive Copyright Protection for Recordings, Japanese Style: An American Diplomatic Triumph . . . Complete with Anomalies and Ironies

by Lionel S. Sobel

You could almost see steam rising from Jay Berman's shirt collar, just by reading the RIAA press release. Mr. Berman is chairman of the Recording Industry Association of America, so it's his job to get intense about issues affecting the record business; and he was. "I am extremely disappointed," he began, "with Japan's failure to implement its obligations by denying the full term of retroactive protection to pre-1971 U.S. sound recordings."

Those who are old enough, or who follow music law closely enough, may have detected an anomaly in Mr. Berman's complaint about Japan's refusal to protect pre-*1971* U.S. recordings. After all, the U.S. itself didn't begin protecting U.S. sound recordings until February 15, *1972* and *still doesn t* protect recordings made before that date. How then, some might ask, did the RIAA have standing to complain about Japan's failure to protect pre-'71 recordings?

The answer to this question is buried in an international trade agreement known as the "Agreement on Trade Related Aspects of Intellectual Property Rights" — commonly referred to as "TRIPs." As a result of Article 14 of TRIPs, members of the World Trade Organization are supposed to provide protection against the unauthorized duplication of recordings from other countries for 50 years, *retroactively* if necessary, beginning in 1996. So record companies — including, of course, RIAA members — were looking forward to getting protection in all WTO countries for recordings first made as long ago as 1946. Japan is a member of the WTO. And according to Mr. Berman, the need for 50-year retroactive protection is "particularly significant in Japan where unauthorized compilations of rock and roll classics are a big business, against which the legitimate U.S. record companies cannot compete."

The Japanese, however, do not read TRIPs the way Mr. Berman and many others do. Instead, the Japanese think that TRIPs authorizes them to limit protection to foreign recordings made since 1971, not before. And that is what Japan indicated at first it would do, not more.

Japan was not alone in believing that it could limit protection for foreign recordings to those made since 1971. Christopher Heath, of the prestigious Max-Planck Institute in Munich, thinks so too. "Japan seems to be correct in its interpretation of the law," he recently wrote, "at least according to general international standards." (Christopher Heath, "All her Troubles Seemed so Far Away: EU v. Japan before the WTO," 18 EIPR 677 (Dec. 1996))

WTO dispute proceedings

But the RIAA had the government of the United States on its side, and in February 1996 the U.S. Trade Representative initiated dispute proceedings against Japan before the WTO. In fact, the RIAA press release quoting Mr. Berman's swipe at the Japanese was issued to announce the WTO proceeding.

Moreover, the U.S. wasn't the only country that took issue with Japan's position. Japan had intended to deny retroactive protection to *all* pre-1971 recordings from other countries, including those from European nations. So in May 1996, the European Union initiated WTO proceedings of its own against Japan.

But as a great pundit once said, "That was then . . . this is now." In the interim, Japan changed its mind.

In December 1996, Japan amended its copyright law to retroactively protect foreign recordings for 50 years. And in January 1997, the U.S. Trade Representative notified the WTO that a "mutually satisfactory solution had been reached." Since it is now 1997, this change in Japanese law means that American and other non-Japanese recordings made since 1947 (rather than 1946) are now protected in Japan, and they will remain protected there for 50 years from the year they were first recorded.

Mr. Berman is pleased. "Record companies and performers owe a huge debt of gratitude to ambassadors [Charlene] Bareshefsky and [former USTR Mickey] Kantor for their tireless efforts to ensure that American recordings and performances are adequately protected in foreign markets," the RIAA chairman recently said. "The amendment to Japanese legislation will put an end to the current trade in pre-1971 unauthorized recordings that is presently costing U.S. record companies a half-billion [dollars] annually."

Mr. Berman is right about the gratitude that American record companies and artists owe to Ambassadors Bareshefsky and Kantor. Getting Japan to change its law was a significant diplomatic triumph. Embedded within that triumph, however, are some noteworthy anomalies and ironies.

Retroactivity requirement

To appreciate these anomalies and ironies, it is first necessary to appreciate how TRIPs goes about requiring WTO members to protect recordings for 50 years, retroactively if necessary.

The 50-year part of this requirement is done in a straightforward way. Paragraphs 1 and 2 of Article 14 of TRIPs require WTO countries to have laws that give performers and record companies the right to prevent the unauthorized reproduction of their recordings. Paragraph 5 of Article 14 then provides that the term of this protection must be at least 50 years from the end of the calendar year in which the recording was made.

The retroactive protection requirement is done only indirectly. TRIPs itself says nothing about retroactivity. Instead, Paragraph 6 of Article 14 provides that ". . . Article 18 of the Berne Convention . . . shall . . . apply . . ." to the rights of performers and record companies. The Berne Convention is an entirely separate agreement (one whose woeful lack of effective enforcement mechanisms is what made TRIPs necessary in the first place). Article 18 is what makes Berne — and thus TRIPs — retroactive. It does so by making Berne applicable "to all works which . . . have not fallen into the public domain in the country of origin through the expiry of the term of protection."

In other words, when a new country joins Berne, countries that already are members of Berne must protect all works from the new member whose copyrights have not yet expired in that country. And the new member must protect all works from countries that already are Berne members whose copyrights in those countries have not yet expired. Note, however, that retroactive protection does not have to be given to works whose copyrights had already expired in their countries of origin, before the new country joined Berne.

Likewise, under TRIPs, retroactive protection does not have to be given to recordings whose copyrights had already expired in their countries of origin before January 1996 when TRIPs became effective. Herein lies the source of one enormous — and potentially embarrassing — irony: although Japan now protects American recordings made since 1947, the United States protects only those Japanese recordings made since 1962!

Irony of the 15-year gap

It is ironic, for several reasons, that Japan provides retroactive protection to American recordings for 15 years more than the U.S. provides retroactive protection to Japanese recordings. First, of course, it is ironic because U.S. pressure was instrumental in Japan's decision to grant protection to foreign recordings, retroactive for 50 years, even though Japan may not have been legally required to do so. Second, it is ironic because the RIAA declared Japan's original position to be "totally unacceptable" partially because that position would have permitted other countries to "randomly select[] a date other than the called for January 1946, from which to begin protection" — something which at first glance it appears the U.S. has done with respect to Japanese recordings. And third, it is ironic because the 15-year gap is solely the result of an accident of Japanese and American copyright history which has nothing to do with either country's policies about granting legal protection to foreign recordings.

In order to see why the United States grants retroactive protection to Japanese recordings made only since 1962, while Japan grants retroactive protection to U.S. recordings made since 1947, it is necessary to look at both U.S. and Japanese copyright law. It's the interaction of these two separate laws that produces this ironic result.

The United States responded to its obligations under TRIPs by amending section 104A of the Copyright Act to grant retroactive protection to foreign works that satisfied certain requirements. (See generally, "Back from the Public Domain: Congress Restores Copyrights to Many Foreign Works" by Lionel S. Sobel (*ELR* 17:3:3)) Two of these requirements are key, with respect to Japanese recordings.

First, the foreign work must have been in the public domain in the U.S. for one of three specific reasons. If the foreign work is a recording, that reason can be that it was first released (anywhere in the world) before February 15, 1972 (and thus was in the public domain in the U.S. because the U.S. did not protect recordings before that date). [Copyright Act sec. 104A(h)(6)(C)(ii)] Thus, pre-February 15, 1972 Japanese recordings qualify for retroactive protection in the U.S., insofar as this requirement is concerned.

Second, the foreign work must "not [be] in the public domain in its source country through expiration of [its] term of protection." [Copyright Act sec. 104A(h)(6)(B)] The U.S. and other countries were authorized to impose this requirement by Article 18 of the Berne Convention and thus by TRIPs; and the United States did so. In order to determine whether a Japanese recording is in the public domain in its "source country" — that is, in Japan — it is of course necessary to look at Japanese copyright law. This is where the part of the accident of history occurred.

Japan began protecting Japanese recordings back in 1934. (Foreign recordings have been protected in Japan since 1971.) At first, and for many years, Japan protected recordings for 30 years. In 1992, protection for recordings was lengthened to 50 years, but existing recordings got the benefit of the 50-year term only if they were still protected in 1992. Since recordings made in

1961 or earlier went into the public domain in Japan 30 years later, in 1991 or earlier, pre-1962 recordings did not get the benefit of the 50-year term and remained in the public domain in Japan.

Since pre-1962 Japanese recordings were already in the public domain in Japan when the United States granted retroactive protection to foreign works, those Japanese recordings did not satisfy one of the requirements for retroactive protection in the U.S., and they didn't get it. Pre-1962 Japanese recordings remain in the public domain in the U.S. as well.

Pre-February 15, 1972 American recordings do *not* suffer the same fate in Japan, however. Even though these recordings are still in the public domain in the U.S., they are now protected in Japan (so long as they were made since 1947) because of the other part of the accident of history. The other part is this: pre-February 15, 1972 American recordings are in the public domain in the U.S. because they *never* have been protected by copyright — *not* because they once were protected and that protection has expired. The distinction is critical, because Berne and thus TRIPs permit countries to deny retroactive protection to foreign works whose copyrights have *expired* in their country of origin; but Berne and TRIPs do not permit countries to deny retroactive protection to foreign works that are in the public domain in their countries of origin because they were never protected there.

Thus, even if Japanese law were to contain a provision that denies retroactive protection to foreign recordings that are in public domain in their countries of origin because their copyrights expired — as U.S. law does — such a provision would not deprive pre-February 15, 1972 American recordings of retroactive protection in Japan, because those recordings did not have their copyrights expire in the U.S. They never had copyright in the U.S. in the first place.

Grounds for Japan to complain?

It's unlikely that Japan will ever have a *practical* reason to complain about U.S. treatment of pre-1962 Japanese recordings. As the U.S. Trade Representative pointed out when announcing the settlement with Japan, American recordings from the pre-1971 era include those by Duke Ellington, John Coltrane, Elvis Presley, Chuck Berry, Little Richard, Johnny Cash, Patsy Cline, Bob Dylan, the Beach Boys and Otis Redding. It has been estimated that 6 million unauthorized recordings by these and other non-Japanese artists have been made and sold in Japan each year. The number of pre-1962 Japanese recordings made and sold in the U.S. without authorization has not been estimated; but the number is almost certainly tiny.

Moreover, Japan has little reason to complain, even on *principle*. This is so because of one further and final anomaly. It is true that Japan now provides more protection to American recordings than the United States provides to Japanese recordings. But it also is true that the United States now provides more protection to Japanese recordings (back to 1962) than it does to American recordings (which are protected only back to February 15, 1972)!

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Copyright Office publishes third 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 third 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)

There are approximately 1,350 works on this third list. The first list of restored copyrights for which Notices of Intent have been filed with the Copyright Office was published in May 1996 (*ELR* 18:2:19). And the second list was published in August 1996 (*ELR* 18:6:26). Those lists covered approximately 2,700 works each.

Copyright Restoration of Works in Accordance With the Uruguay Round Agreements Act, Library of Congress, Copyright Office, 61 Federal Register 68454 (December 27, 1996) [ELR 18:9:7]

IN THE NEWS

Disney reveals that Michael Ovitz received $38.9 million termination payment and vested options for 3 million shares; shareholder suits alleging breach of fiduciary duty and waste of corporate assets are filed in California and Delaware

Michael Ovitz's employment by The Walt Disney Company was terminated as of December 27, 1996 — just a year and three months after he became the company's President, and with three years and nine months still to run on his five-year employment contract. In a Proxy Statement dated January 9, 1997, Disney revealed that "Pursuant to the terms of the employment agreement, Mr. Ovitz's total payment upon such termination amounted to $38,869,000, and his stock option for 3,000,000 shares vested and became exercisable as provided in the agreement."

The Disney Proxy Statement is ambiguous about why Ovitz's employment was terminated and about whether it was terminated by Ovitz or by the company. The Proxy Statement does note that Ovitz's employment agreement provided for the accelerated vesting of his stock options if his employment were terminated by Disney "for any reasons other than good cause" or if it were terminated by Ovitz "on the ground that the Company had assigned him duties materially inconsistent with the position of President." But the Proxy Statement does not indicate which of these two events actually occurred.

Moreover, while the Proxy Statement does indicate precisely how much Ovitz's termination payment amounted to, the Statement does not explain how that figure was calculated. Working from the terms of the agreement itself (see *ELR* 18:7:5 for the full text of the agreement), it appears that Ovitz's $38,869,000 termination payment consists of: the present value of his $1 million per year salary from January 1997 through September 2000 (when his contract was to have expired); plus the present value of $7.5 million per year (apparently for imputed "bonuses") for the 3 3/4 fiscal years from January 1997 through September 2000; plus a $10 million "termination payment."

The exercise price of Ovitz's options on 3 million shares of stock is $57 per share. The exact value of those options depends on the price of Disney stock on the date he exercises those options. But if he exercises his options when the stock is worth, say, $72 a share, the $15 dollar per share spread (between his $57 exercise price and $72) will earn Ovitz $45 million in profit.

Thus, between his termination payment of almost $39 million and his stock options, Ovitz's severance package has a potential value of some $84 million.

According to Disney's Annual Statement, there were 619 million shares outstanding at the end of fiscal 1996, so Ovitz's severance "cost" stockholders less than 14 cents per share. Disney has 564,000 stockholders, which means that on "average," stockholders own just under 1100 shares apiece. And thus, on average, Ovitz's severance "cost" shareholders about $150 each.

Some would say that $150 was a small price to have paid for the possibility that an executive with Michael Ovitz's experience would be available to take over for Michael Eisner, should the need arise. Some would say that . . . but not everyone. In the wake of the announcement that Ovitz would be leaving Disney with a severance package then estimated at $90 million, two shareholder derivative lawsuits were filed — one in California Superior Court and the other in Delaware Chancery Court — alleging that Disney directors had breached their fiduciary duties of loyalty and care and had wasted corporate assets when they entered into and terminated Ovitz's employment agreement. Those cases are now pending, and the Disney Proxy Statement indicates that the "Company believes that the allegations in the complaints are without merit." [ELR 18:9:8]

Elizabeth Taylor and Larry Fortensky are ordered to pay $432,600 to National Enquirer for attorneys fees and costs it incurred in successfully defending libel, privacy and appropriation case filed by Taylor and Fortensky complaining of article about a legal dispute with their neighbor

Relations between the tabloids and celebrities are almost always tense — so tense in fact that litigation between them is not uncommon. The *National Enquirer* alone has been the target of several such cases, including lawsuits filed by Carol Burnett (*ELR* 5:3:17, 6:1:9, 6:8:21), Shirley Jones (*ELR* 4:19:5, 5:12:10, 5:12:19), Clint Eastwood (*ELR* 5:9:13), Tom Selleck (*ELR* 5:9:13), and Engelbert Humperdinck (*ELR* 13:11:9). All of these cases have involved the question of whether the celebrity could recover money *from* the *Enquirer*. None has ever dealt with whether the celebrity would have to pay money *to* the *Enquirer*. None, that is, until now.

Elizabeth Taylor and her ex-husband Larry Fortensky appear to have made media law history by being the first celebrities ever ordered to pay money to the *National Enquirer*. A California trial court has awarded the *Enquirer* $432,600 in attorneys fees and costs it incurred in successfully defending a libel, privacy and appropriation lawsuit Taylor and Fortensky had filed against it, complaining about an article the *Enquirer* published in 1993 concerning a legal dispute they were then having with a neighbor.

The offending *Enquirer* article was headlined "Liz' neighbor flees home after Larry threatens to break his legs — charge made in bitter court battle." The article identified the neighbor as "Max Hoshahn." In fact, the article and its headline were inaccurate in at least two respects. The neighbor was not "Max Hoshahn" but was instead A.M. Real Estate, Inc. And (according to A.M. Real Estate's lawyer) Fortensky had not threatened to break the neighbor's legs; he had threatened to break a tree trimmer's arms.

Taylor and Fortensky responded to the article with a lawsuit. Their case, however, was dismissed by the trial court, on the grounds that the *Enquirer* was protected by the "judicial report privilege" set forth in California Civil Code section 47. That ruling has been affirmed by the California Court of Appeal. (*Fortensky v. National Enquirer, Inc.*, Cal.Ct.App., 2d Dist., Div. 3, B084685 (Apr. 25, 1996))

In a decision marked "Not to be published in the Official Reports," the Court of Appeal noted that under California law, "a media defendant does not have to justify every word of the alleged defamatory material" in order to be protected by the judicial report privilege. Rather, the "media's responsibility lies in ensuring that the '*gist or sting* of the report — its very substance — is accurately conveyed." In this case, the judicial report privilege barred Taylor and Fortensky's libel claim, because "Although the Enquirer article referred to the wrong plaintiff and the wrong limbs . . . , the story did not constitute so substantive a variation of the judicial proceeding that a reasonable reader's impression of plaintiffs would have been altered in any measurable degree."

The privilege also barred Taylor and Fortensky's invasion of privacy claims, because such claims are "superfluous" when an action is really for libel. The privilege barred their appropriation claim as well, the appellate court ruled, because if a publication is privileged, "protection does not depend on the label given the cause of action," and thus Taylor and Fortensky "cannot do an end run around the judicial report privilege by seeking recovery for commercial appropriation."

The appellate court ordered "Each party to bear its own costs on appeal." But costs incurred at the trial court were another matter. Taylor and Fortensky's appropriation claim was based in part on California Civil Code section 3344 (often referred to as the California "right of publicity" statute). It provides that the "prevailing party" in any action brought under that section "shall

. . . be entitled to attorney's fees and costs." So after its victory had been affirmed on appeal, the *National Enquirer* returned to the trial court and sought its fees and costs. In a brief and unpublished order, the trial court awarded the *Enquirer* $432,600, which was most, though not all, of the $490,740 it had sought. (*Fortensky v. National Enquirer, Inc.*, Cal.Super.Ct., L.A.Cnty., BC079683 (Nov. 5, 1996))

The *National Enquirer* was represented by Richard Borow and Bruce Wessel of Irell & Manella in Los Angeles, and by Paul Wolff, Gerson Zweifach and Paul Gaffney of Williams & Connolly in Washington, D.C. Elizabeth Taylor and Larry Fortensky were represented by Neil Papiano and Barbara Berkowitz of Iverson, Yoakum, Papiano & Hatch in Los Angeles. [ELR 18:9:8]

Jury awards more than $5.5 million in damages to Food Lion, finding that ABC committed fraud and trespass while producing an undercover hidden-camera report for PrimeTime Live about the supermarket s food handling procedures

A federal court jury in North Carolina has returned verdicts totaling more than $5.5 million against ABC in a case brought by Food Lion as a result of a "PrimeTime Live" broadcast about the supermarket chain's food procedures. The case is noteworthy, because Food Lion's claims for injury to its reputation were dismissed by Judge N. Carlton Tilley earlier in the case, on the grounds that those claims required proof the ABC broadcast was false and made with actual malice. (*ELR* 17:8:18) Although Food Lion had contended the broadcast was false, the company chose not to attempt to prove that it was.

Instead, Food Lion asserted alternate legal theories, which were novel in the context of cases involving news and documentary programs. Originally, those theories included alleged RICO and federal wire tapping violations — theories that were dismissed by Judge Tilley at the same time he dismissed Food Lion's claims for injury to its reputation. However, Judge Tilley did permit Food Lion to go to trial on its state law claims alleging fraud and trespass; and it was these theories that resulted in the jury's verdicts.

In order to produce its "PrimeTime Live" segment about Food Lion, reporters applied for jobs with the supermarket, falsely claiming to have had prior food industry experience. When they got those jobs, they wore lipstick-sized cameras in their hair while working in a Food Lion store. These were the acts that were the basis for Food Lion's fraud and trespass claims — claims with which the jury agreed.

At the end of the first phase of the trial, the jury returned a verdict in Food Lion's favor for $1,400. This was some $1,000 less than the $2,432 the company had sought on account of wages it had paid the two undercover reporters. The jury also awarded Food Lion additional damages for trespass and breach of the duty of employee loyalty, but that part of the verdict was only $2. Thus, at the end of the first phase of the trial, it appeared as though ABC might escape from the case with a mere slap on the wrist, insofar as money damages were concerned. That was not to be so, however.

At the end of the second phase of the case, the jury returned a much bigger verdict: $5.5 million in punitive damages. While this is a huge amount, it is significantly less than the jury might have awarded, because Food Lion claimed that it has lost as much as $2.5 billion in sales and stock value as a result of the "PrimeTime Live" broadcast. ABC has nevertheless announced that it will appeal the judgment. So it is likely this case will appear in these pages, at least once more, at some time in the future. [ELR 18:9:9]

RECENT CASES

Anita Baker s contract with personal manager is declared void by California Labor Commissioner, because manager functioned as talent agent without having required license when he initiated contacts with potential employers and responded to and negotiated unsolicited employment offers

Singer Anita Baker had been managed by Sherwin Bash (and his company BNB Associates) for eleven years when the two had a falling out in 1994, apparently because she felt that his "tight control of her career" had preventing her from realizing her film and television ambitions. In 1995, Bash sued Baker in California state court, seeking to enforce their contract; and Baker responded by petitioning the California Labor Commissioner to declare the contract void, on the grounds that Bash had acted as a talent agent without having the license required of agents by California law. Baker also sought restitution of all of the commissions she had previously paid him.

Bash contended that he had never acted as an agent, insisting that he had merely served as a "conduit" for employment offers that had passed through his office. After a several day hearing, however, a Labor Commission Special Hearing Office concluded that documentary evidence, in the form of letters to concert promoters and movie and television producers on Baker's behalf, showed that Bash had initiated contacts with potential employers and had thus "solicited employment" within the meaning of the California Labor Code provision that requires a talent agency license. Moreover, the Hearing Officer ruled, "even negotiations that 'exploit' employment offers emanating from the outside constitute solicitation" of the type that requires a license.

The Hearing Officer rejected Bash's contention that the Labor Code's one-year statute of limitations barred Baker's petition. The Hearing Officer ruled that Bash's own lawsuit against Baker had been filed less than a year before she filed her petition, and his attempt to enforce the contract was a violation of the law within the last year.

On the other hand, the Hearing Officer denied Baker's request for restitution, because she had not paid commissions to Bash for more than a year, and thus her restitution claim was barred by the statute of limitations.

The California Labor Commissioner adopted the Hearing Officer's ruling "in its entirety." Because decisions of the California Labor Commissioner are not published elsewhere, the full text of the ruling is reprinted here.

Bridgforth v. BNB Associates, Ltd., California Labor Commissioner Case No. TAC 12-96 (1996)

[Full Text]

Anita Baker Bridgforth, aka Anita Baker, Plaintiff/Respondent v. BNB Associates, Ltd., Sherwin Bash, Defendant/Appellant

Labor Commissioner of the State of California, Case No. TAC 12-96

Determination of Controversy

The above-entitled petition to determine controversy, filed on May 2, 1996, alleges, *inter alia*, that from October 1, 1983 and continuing thereafter, each of the respondents performed the functions and acted in the capacity of a talent agent without a license, in violation of Labor Code §1700.5. Petitioner [hereinafter "Baker"] seeks a determination from the Labor Commissioner that the written and oral agreements under which respondents [hereinafter "Bash" and "BNB"] performed these services for petitioner are void ab initio and are therefore unenforceable from the time of inception. Petitioner also seeks restitution of all sums paid to respondent as commissions pursuant to these written and oral agreements. Respondents have admitted that they were not licensed talent agents during the times in question but deny that they have violated the Talent Agencies Act. In addition, they claim that the petition is barred by the one-year statute of limitations set forth in Labor Code §1700.44(c) and have requested dismissal of the petition on that ground.[1]

The matter came on for several days of hearing in July and August of 1996 before Thomas S. Kerrigan, Special Hearing Officer, in Los Angeles, California. Petitioner appeared through her attorneys Gerard P. Fox and Cynthia Vroom of Fox & Spillane; respondents appeared through their attorney Thomas A. Schultz of the Harney Law Offices. The matter was taken under submission at the close of the hearing on August 15, 1996.

ISSUES

The questions presented are as follows:

1. Did respondents function as talent agents as that phrase is defined in the Labor Code?

2. If so, what relief, if any, is petitioner entitled to?

DISCUSSION AND FINDINGS

There is no dispute between the parties that Baker, a well-known singer and performer, is an artist within the meaning of Labor Code, §1700.4(b).

The parties stipulated that Bash and BNB were not licensed as talent agents during the times material to the allegations of the petition.

Between October, 1983 and December, 1994, Baker and BNB entered into written agreements whereby Bash and BNB agreed to render services to Baker as her personal manager. The agreements recite that respondents were not rendering services as talent agents within the meaning of the Labor Code. In consideration of the rendition of these services, Baker was to pay BNB a 15 per cent commission on all gross monies received by her during the term of each agreement. There were written agreements executed-in 1983 and 1987, the terms of which are substantially similar. In 1991 the parties entered into an oral agreement at a commission rate of 10 per cent on “an as needed basis.” Baker purported to terminate this final agreement on December 13, 1994.

Early in this relationship Bash and BNB negotiated an endorsement contract for Baker with Soft Sheen Products, a manufacturer of hair care products for African-American women, as documented by undisputed correspondence emanating from Bash. They also negotiated renewal contracts through 1993. As a result of these negotiations Baker became “The Soft Sheen Girl,” i.e., the spokesperson for this company. Bash and BNB received a commission from monies earned by Baker from this work. No licensed talent agent participated in these transactions.

Baker secured a number of major television engagements during the period of her representation by Bash and BNB, as documented by undisputed correspondence, including appearances on The Songwriters Hall of Fame Awards Show in May of 1989, The National Literacy Honors Show in February of 1990, The Detroit Car Show Special in January of 1991 and 1992, the Earth Voice 192 Concert in May of 1992, the Essence Awards Show in April of 1993, a Frank Sinatra special entitled "Duets" in October of 1994, the Disney American Teachers Awards Show in November of 1994, the Christmas in Washington Show in December of 1994, and the Soul Train Awards Show in March of 1995. Bash and BNB were responsible for all business negotiations in connection with these appearances.

At a certain point in her career, Baker, like many other concert performers, was eager to convert her career from concert tours to television and films. She testified at the hearing in this matter that Bash promised to "shake the bushes" to get her movie offers. One such opportunity she claimed Bash tried to solicit was an HBO movie in November of 1990. Correspondence was received documenting discussions between Bash and the producer of that film. Bash purportedly sought production teams to develop television pilots for Baker.

BNB also assisted in securing major concert appearances by Baker during the period of these agreements, including, *inter alia*, an appearance with the Boston Pops Orchestra in July of 1994, and a lucrative appearance at the Universal Amphitheater in December of 1994.

Though they did not come to fruition, BNB also actively negotiated on Baker's behalf for concert appearances in Japan, England, at the Montreux Jazz Festival, and in Germany, Denmark, Holland and elsewhere between 1989 and 1994. Detailed correspondence traces

BNB's efforts in this regard. In a letter dated September 27, 1989 to a French concert promoter, Bash (on BNB letterhead) stated, "I am Anita Baker's manager, and I wonder if you might be interested in presenting her in concert in Paris during June of 1990." Bash wrote similar letters to English and Dutch promoters. He admitted during his testimony that he had longstanding relationships with European concert promoters and initiated contacts with these promoters on Baker's behalf for the purpose of securing employment for her.

Baker appears to have increasingly grown restless under Bash and BNB's tight control of her career. This particularly seems to be the case with respect to her film and television ambitions. Though the testimony is in conflict, it appears that Bash and BNB'S took pains to discourage Baker from retaining the services of established licensed talent agents such as the William Morris

Agency, on the theory that they could do anything that a regular talent agent could do to help her career.

Except for the period between June of 1992 and December of 1993, when Baker was represented by Creative Artists Agency for purposes of securing television and film work, she had no licensed representation during this eleven year period. The Hearing Officer takes official notice that Associated Booking Corporation, the organization that handled a number of concert bookings for Baker, was not licensed as a talent agent in California during this period.[2] There is no evidence that Bash and BNB acted in "conjunction" with a licensed talent agent within the meaning of Labor Code §1700.44(d).

Bash testified at the hearing that he is the sole owner of BNB. He claimed that as an artist manager he primarily "guides" his clients careers, assisting them in finding proper professional help. He has represented Neil Diamond, Herb Alpert, Lou Rawls, and other noted musical artists and performers during a long and apparently distinguished career. He insisted that while he responds to and sometimes negotiates the terms of offers, he never solicits offers for his clients. In the case of Baker, for ex ample, he insisted that he served solely as a "conduit" for employment offers that passed through his office.

To accept Bash's testimony one would have to assume that a major musical artist went without any talent agent representation for a period of almost eleven years (excluding the period of time Baker was represented by Creative Artists Agency) during which time the artist received numerous major television and live concert engagements. Such a proposition not only defies logic, it flies in the face of common industry practice and experience.

Moreover, it is manifest from the record, including voluminous correspondence between Bash and third parties, that Bash was actively engaged in promoting

Baker's employment opportunities. It will not do to argue, as respondents argue, that Bash and BNB did not initiate contacts with music, television, and film producers. For one thing, as noted, the evidence is to the contrary with respect to several of the transactions involved. This evidence more than meets the minimal standard described in *Waisbren v. Peppercorn Productions, Inc*. (1995), 41 Cal.App.4th 246, 255-260. Secondly, and as Baker points out, even negotiations that "exploit" employment offers emanating from the outside constitute solicitation within the meaning of the Talent Agency Act (see, e.g., discussion in *Hall v. X Management, Inc.*, T.A.C. 19-90 at pp. 29-30). Here there can be no question based on the pages and pages of back and forth correspondence received in evidence at the hearing that Bash and BNB actively "exploited" offers to the extent they did not initiate them.

Respondents also argue that many of the television shows in which Baker appeared were merely "promotional," so that she received lesser amounts of compensation, and that most of the European solicitations by Bash resulted in no employment for Baker. These arguments are not well taken. The crucial element is the act of solicitation, even where the solicitation results in either insufficient remuneration or no remuneration for the artist.

Bash and BNB additionally argue that the express language of the written-agreements providing that they were not acting as talent agents should be given substantial weight. But it is the actual conduct of the parties, not their self-serving exculpatory contractual provisions that are at the forefront of the inquiry in a case of this nature. See *Buchwald v. Superior Court* (1967) 254 Cal.App.3d 347, 355. Any other rule would permit circumvention of the law based on careful draftsmanship. The key, therefore, is not how respondents defined their relationship with Baker but how they actually performed it.

As mentioned hereinabove, respondents initially challenged the jurisdiction of the Labor Commissioner in prehearing proceedings claiming that the petition was untimely under Section 1700.44(c) of the Labor Code. That challenge was rejected on the ground that the filing of the Complaint in the underlying Superior Court action on July 25, 1995 was an attempt within the one-year statute of limitations of Section 1700.44(c) to enforce the aforementioned contracts entered into by the parties. Respondents renewed this challenge at the time of the hearing. A ruling must again issue in petitioner's favor on this point inasmuch as the allegations of the Complaint, specifically the allegations of Paragraphs 7, 8, 9, 10, and 15 thereof, make it evident that respondents are seeking to enforce all contracts entered into between the parties. The filing of this Complaint effectively started the one-year statute of limitations running again.

CONCLUSIONS OF LAW

1. Petitioner is an "artist" within the meaning of Labor Code §1700.44(a). The Labor Commissioner has jurisdiction to determine this controversy pursuant to Labor Code §1700.44(a).

2. Respondents violated Labor Code §1700.5, in that they, and each of them, engaged in and carried on the occupation of a talent agency without first procuring a license therefor from the Labor Commissioner. The various aforementioned agreements between respondents and petitioner are accordingly void *ab initio* and are unenforceable for all purposes. (*Waisbren v. Peppercorn Productions, Inc.*, *supra*, 41 Cal.App.4th 246;

Buchwald v. Superior Court, supra, 254 Cal.App.2d 347.)

3. Petitioner has made no showing that respondents received any commissions or other monies pursuant to the aforementioned agreements during the one-year period prior to May, 1996, the date the Petition was filed with the Labor Commissioner. She is accordingly entitled to no monetary recovery.

DETERMINATION

The written agreements entered into between the parties in 1983 and 1987, and the oral agreement entered into between them in 1991, are each void and unenforceable for all purposes. Having made no showing that respondents received compensation pursuant to these agreements during the one-year limitations period prescribed by Labor Code §1700.44(c), petitioner shall have no monetary recovery.

DATED: December 23, 1996

Thomas S. Kerrigan
Special Hearing Officer

The above Determination is adopted by the Labor Commissioner in its entirety.

DATED: December 27, 1996

Roberta Mendonca
State Labor Commissioner

[Footnotes]

1. The Labor Commissioner issued a preliminary order denying the request for dismissal on June 4, 1996, finding that if the aforementioned contracts are, in fact, violative of the Talent Agencies Act, respondents' attempt to enforce these contracts through a court action constituted a new and separate violation of the law within the one-year limitations period.

2. The records of the Labor Commissioner reflect that Associated Booking Corporation was licensed in California between 1961 and 1982, but not thereafter. [ELR 18:9:11]

Seattle grunge rock band Gruntruck and its members were properly released from their contract with Roadrunner Records in bankruptcy proceeding, federal court rules

Desperate times require desperate measures. And 1992 (or ’93) was a desperate time for the Seattle grunge band “Gruntruck” and its remaining members, Ben McMillan and Thomas Niemeyer. Roadrunner Records had just released the band’s second album, and though it sold 80,000 copies, it was not as successful as any of them had hoped. Unrecouped royalty advances, recording costs and tour expenses had put the band $130,000 in the hole to Roadrunner; and the band’s relationship with the record company had begun to “distintegrate.”

So Gruntruck and its members took drastic measures: they all filed Chapter 7 bankruptcy petitions, in order to discharge their debts and terminate their recording contract. In doing so, they were following a path successfully taken by James Taylor (while a member of “Kool and the Gang”) when he successfully rejected his music contracts by filing for bankruptcy (*In the Matter* *of Taylor*, 913 F.2d 102 (3d Cir. 1990)), and by singer-songwriter Willie Nile when he successfully rejected his recording contract by filing for bankruptcy (*In re Noonan*, 17 Bankr. 793 (S.D.N.Y. 1982) (*ELR* 4:20:1)).

However, Roadrunner was not impressed with the James Taylor or Willie Nile cases. Actress Tia Carrere had once tried bankruptcy, without success, to get out of her contract with ABC so she could leave "General Hospital" to take a more lucrative role on the "A Team" (*In re Carrere*, 64 Bankr. 156 (C.D.Cal. 1986) (*ELR* 8:4:15)). To Roadrunner's thinking, Carrere's case was squarely on point, Taylor's was incorrectly decided, and language contained in the decision in Nile's case was more important than the actual result.

Fortunately for Gruntruck, the Bankruptcy Court did not share Roadrunner's way of thinking. Nor did the District Court to which Roadrunner appealed the Bankruptcy Court's ruling.

District Judge Barbara Jacobs Rothstein has held that Tia Carrere's case is distinguishable from Gruntruck's, because it did not appear that Carrere was actually bankrupt. Instead, it appeared as though the only reason she filed for bankruptcy was to get out of her ABC contract in order to take a more lucrative part, and thus Carrere may have been guilty of "bad faith" in filing for bankruptcy in the first place. In Gruntruck's case, there was no evidence it had sought or been offered a contract by any other record company, nor any other reason to conclude that Gruntruck had filed in bad faith, the judge concluded.

Judge Rothstein also concluded the Taylor case had been correctly decided. That case held that executory contracts for personal services may be rejected in bankruptcy. And in Judge Rothstein's opinion, the Taylor decision "is entirely consistent" with both "the letter of the law" and "the fresh start policy" which is "the underlying policy of the Bankruptcy Code."

Finally, though Judge Rothstein acknowledged that there is language in the Willie Nile case that seems to support Roadrunner's position, the ultimate result in that case was "clearly in opposition to the result sought" by Roadrunner.

As a result, Judge Rothstein concluded that the Bankruptcy Court had correctly ruled that Gruntruck's contract with Roadrunner had been rejected in bankruptcy, and thus was no longer binding.

All Blacks B.V. v. Gruntruck, 199 Bankr. 970, 1996 U.S.Dist.LEXIS 12480 (W.D.Wash. 1996) [ELR 18:9:14]

Former Paramount Communications head Stanley Jaffe did not properly exercise stock options when Paramount was acquired by Viacom, New York appellate court rules

Stanley Jaffe had been the President of Paramount Communications for three years when Paramount was acquired by Viacom in 1994. In the wake of that acquisition, Jaffe was fired. He first learned of his fate in February 1994, when he was orally told by Martin Davis, Paramount's Chairman, that the Board had decided to terminate him and that effective immediately, he would have no role in Paramount's ongoing business or operations.

History does not record what if anything Jaffe said to Davis upon learning he was fired. But (as one judge has since noted) Jaffe was "a sophisticated business executive," so it's unlikely he said anything as petty as "You can't fire me; I quit!" In retrospect, however, Jaffe should have quit; and he should have put it in writing as well.

The explanation for why, exactly, Jaffe should have quit in writing is somewhat complicated. The bottom line, however, is dramatic: if he had quit in writing soon after Davis fired him, Jaffe would have had the right to immediately exercise options on 466,668 shares of Paramount stock, which he then could have sold to Viacom for up to $107 each. Because Jaffe did not quit in writing, his attempt to exercise those options was not effective in time to sell them for $107. Instead, by the time he was able to exercise those options, the stock could be sold to Viacom for only $50 a share. In short, this was one of those cases when it would have been better to quit than be fired — perhaps as much as $26.6 million better — though the difference seems far more apparent in retrospect than it must have been at the time.

Here's the explanation for this counter-intuitive result.

When Viacom acquired Paramount, it did so with a two-step bid. Paramount shareholders who tendered their stock by March 1, 1994 got $107 for each of their shares. Shareholders who tendered their stock after March 1st got a package of Viacom securities worth $50 a share. As a result, it very much mattered to Jaffe whether he could exercise his Paramount options in time to tender by March 1st.

(The Viacom deal was somewhat more complicated than this, because Viacom's $107 per share offer was for 50.1% of Paramount's shares only. If more than 50.1% of Paramount's shares were tendered by March 1st, those who did tender by that date would participate pro-rata in the $107 per share offer, while the rest of their stock would be exchanged for the Viacom securities worth only $50 per share. However, this does not change how important it was to Jaffe to exercise his options by March 1st; it simply affects how many of the 466,668 shares he could have sold to Viacom at $107 each, if he had exercised his options by then.)

Jaffe's 1991 employment agreement with Paramount gave him the right to exercise options on 700,000 shares, but only at the rate of 116,666 shares per year through February 1997, *unless certain events occurred.* If any of those events occurred, Jaffe's right to exercise his options would be accelerated so he could exercise all of them immediately. Two of these events became particularly relevant in connection with Viacom's acquisition of Paramount, and the Board's decision to terminate Jaffe as a consequence of that acquisition.

Jaffe had exercised his options in 1992 and 1993, so that by 1994 he had options to 466,668 shares still remaining. He could exercise all of those options immediately if Paramount terminated his contract as a result of a change in control of the company or if he terminated the contract as a result of a reduction in his duties or responsibilities. However — and this turned out to be critical — in order for Paramount to terminate the contract, it had to give Jaffe *written* notice; and in order for Jaffe to terminate the contract, he had to give Paramount *written* notice.

When Davis fired Jaffe in February, he did so only orally, and thus Davis's statements were not sufficient to constitute the kind of termination that would accelerate Jaffe's right to exercise his options. For this reason, though Jaffe purported to exercise them, he was not successful. Paramount refused to honor Jaffe's exercise of the options. When Jaffe sued for breach of contract, a New York trial court dismissed his complaint; and the Appellate Division has affirmed.

Eventually, Paramount did give Jaffe written notice it had terminated his contract — but it didn't do so until April 1994, by which time the shares could be sold to Viacom for only $50 each, not $107.

The appellate court did not think there was anything unfair about the way in which Paramount had handled things, because, the court pointed out, when Davis notified Jaffe (in February) that he would have no further role in Paramount's ongoing business or operations, effective immediately, Jaffe could have given Paramount written notice that he was terminating their contract because his duties and responsibilities had been reduced. *If* Jaffe had done so, the court said, he then would have had the right to exercise his options immediately, in time to tender his shares to Viacom for $107 each.

Jaffe v. Paramount Communications, Inc., 644 N.Y.S.2d 43, 1996 N.Y.App.Div.LEXIS 7127 (App. Div. 1996) [ELR 18:9:15]

Idea submission case against Bertelsmann Music Group was properly dismissed where alleged agreement was indefinite and idea for cable TV music channel was not novel, New York appellate court rules

The Appellate Division of the New York Supreme Court has affirmed the dismissal of an idea submission case against Bertelsmann Music Group, because the plaintiff’s complaint failed to state a cause of action.

Nina Marraccini had submitted a proposal to BMG for a new home shopping cable channel to be called “Pop TV” featuring recording artists promoting fashion, accessories and merchandise as well as their music. According to Marraccini, BMG orally agreed that if it used her idea, it would pay her, employ her, and give her equity in the channel. Sometime thereafter, BMG announced a joint venture with TCI for a home shopping music channel. That joint venture was abandoned after several months, but Marraccini sued anyway.

The Appellate Division affirmed the trial court's dismissal of the case, for two reasons. First, the oral agreement did not specify the amount the Marraccini was to be paid, the nature of the job she was to be given, or the extent of the equity she was to receive in the proposed channel. Thus, the contract was "far too indefinite to constitute an enforceable contract."

Second, the idea for "a music video cable television channel, with the marketing of associated merchandise by means of home shopping, was an idea preexisting in the public domain." Thus, the idea was neither novel nor original. Under New York law, "no promise to pay for [an idea's] use may be implied, and no asserted agreement enforced, if the elements of novelty and originality are absent."

Marraccini v. Bertelsmann Music Group, 644 N.Y.S.2d 875, 1996 N.Y.App.Div. 7551 (App.Div. 1996) [ELR 18:9:16]

Dr. Seuss Enterprises wins preliminary injunction barring publication of book about O.J. Simpson case written and illustrated in style that parodies Cat in the Hat ; court finds likelihood of copyright infringement and possible trademark infringement

Dr. Seuss and Dr. Juice are not related — not even by a licensing agreement — and therein lies a tale of alleged copyright and trademark infringement. Dr. Seuss of course was the *nom de plume* of Theodor Geisel, the author of *The Cat in the Hat* and other illustrated children's classics. Dr. Juice is the *alter ego* of

Alan Katz and Chris Wrinn, the author and illustrator of *The Cat Not in the Hat!*

Katz and Wrinn's book is a "fresh new look" at the O.J. Simpson murder case, told in a style that parodies Dr. Seuss, both in text and illustration. While *The Cat Not in the Hat!* appears to have been clever and funny, its virtues were lost on Dr. Seuss Enterprises, which is the company that owns the copyrights and trademarks to works created by Geisel. As a result, when Penguin Books and Dove, Inc., began advertising their forthcoming publication of *The Cat Not in the Hat!*, Dr. Seuss Enterprises filed suit and quickly sought a preliminary injunction.

Judge Napoleon Jones, of the federal District Court in San Diego, has granted Dr. Seuss Enterprises the preliminary injunction it sought. While Judge Jones was unpersuaded by several of the arguments made by Dr. Seuss Enterprises, he did find that Seuss had shown a likelihood that *The Cat Not in the Hat!* infringes the copyright to the cat-in-stovepipe-hat illustration on the cover of Dr. Seuss' *The Cat in the Hat.* And that was enough for the preliminary injunction Seuss had requested.

Judge Jones rejected, in part, the defendants' argument that their book was a "fair use." In doing so, the judge made a distinction between a parody of a copyright-protected work on the one hand and a parody of an unrelated person or issue on the other. A parody of a copyright-protected work may be a fair use, while a parody of an unrelated person or issue is less likely to be a fair use.

In this case, the distinction was important, because Katz and Wrinn's book was a parody of the issues raised in the O.J. Simpson murder prosecution, not Dr. Seuss' *The Cat in the Hat*; so the judge found the fair use defense was not likely to be successful with respect to the defendants' use of that book's cover illustration. On the other hand, Dr. Seuss Enterprises had claimed that *The Cat Not in the Hat!* also infringed the copyright to Dr. Seuss' *Horton Hatches the Egg*, because Katz and Wrinn's book copies *Horton* s central rhyme. While Judge Jones agreed with this much of Dr. Seuss Enterprises' argument, the judge also found that the fair use defense might be successful with respect to this claim. This was so because Katz had said that he meant to criticize *Horton* s endorsement of unquestioning faithfulness, and this claim "cannot be rejected on its face," the judge said.

Dr. Seuss Enterprises' trademark claims were not as strong as its copyright claims. The judge found that while the trademark claims raised "serious questions for litigation," they were not likely to succeed, because there was only a possibility, and not a likelihood, that Katz and Wrinn's book would create confusion among book buyers. The judge did, however, rule that the defendants' First Amendment argument was unlikely to succeed, because "alternative means of achieving the satiric or parodic ends exist that would not entail consumer confusion."

Judge Jones did reject Dr. Seuss Enterprises' trademark dilution claims. While the Federal Trademark Dilution Act does not require a likelihood of consumer confusion, the Act contains an exception permitting the "noncommerical use of a mark"; and the Act's legislative history indicates that parody and satire were intended to fall within the noncommercial use exception. Moreover, the judge said, the First Amendment would apply to dilution claims based on parody and satire; and thus, Dr. Seuss Enterprise's dilution claim was likely to fail for that reason as well.

Finally, Judge Jones rejected the defendants' argument that a preliminary injunction would amount to an unconstitutional prior restraint. The judge noted that copyright law adequately accommodates First Amendment concerns by denying protection to mere ideas and by permitting fair uses of copyrighted works. And it has been held that trademark law does not run afoul of the First Amendment because it is "content neutral."

Dr. Seuss Enterprises v. Penguin Books USA, Inc., 924 F.Supp. 1559, 1996 U.S.Dist.LEXIS 6201 (S.D.Cal. 1996) [ELR 18:9:16]

Letter sent by law firm to celebrities, seeking their endorsement of a complaint to be filed with attorney general alleging underpayment of royalties to celebrities designated charities from sale of recordings, was privileged and protected by anti-SLAPP statute,

California appellate court rules in decision affirming dismissal of record company s case against law firm

As lawyer-letters go, one sent by the Beverly Hills firm of Rosenfeld Meyer & Susman was relatively dignified and restrained. It nevertheless made Dove Audio, Inc., very angry — so angry, in fact, that Dove sued the law firm in California state court for libel and interference with economic relationships. Dove's complaint was dismissed by the trial court, and the California Court of Appeal has affirmed.

Rosenfeld Meyer represents the family and estate of Audrey Hepburn. Several years ago, Ms. Hepburn and 13 other celebrities made a recording for Dove Audio entitled "Carnival of the Animals." The recording was a compilation of lyrics by Ogden Nash which were read by the celebrities to the music of Camille Saint-Saens. Dove had agreed to pay a two percent royalty for the celebrities' participation, divided among charities they designated. When Ms. Hepburn's son later learned that his mother's designated charity had received less than a hundred dollars, he asked Rosenfeld Meyer to look into the matter and after obtaining the support of the other celebrities to contact the proper governmental agency to request an investigation.

Rosenfeld Meyer therefore wrote a letter to those who had made the recording, asking for their endorsement of the filing of a complaint with the California Attorney General with regard to Dove's alleged underpayment of royalties. Dove denied that it had failed to pay the royalties it had agreed to, and Dove said that the law firm's letter damaged Dove's reputation and business and disrupted its economic relationships with other celebrities who have since refused to perform readings for Dove.

Rosenfeld Meyer made a motion to dismiss Dove's complaint on two grounds. First, it argued that the letter was privileged under a section of the California Civil Code that grants an absolute privilege for communications made in connection with legal proceedings. Second, it argued that Dove's case was barred by a California anti-SLAPP statute — a statute that authorizes courts to dismiss lawsuits filed primarily to chill the exercise of First Amendment rights. ("SLAPP" stands for "strategic lawsuit against public participation.")

Dove contended that these statutes did not apply to Rosenfeld Meyer's letter, because it was not written in connection with a proposed lawsuit. This was so, Dove asserted, because the California Attorney General would not have had the power to rule on the celebrities' complaint that Dove had failed to pay royalties; rather, if the Attorney General's office had agreed with that complaint, it would have had to file a lawsuit asking a court to rule on the complaint. The appellate court rejected Dove's contention, however. Instead, the court interpreted both statutes broadly enough to protect statements made in connection with a proposed complaint to the Attorney General. And thus the appellate court affirmed the dismissal of Dove's case.

The appellate court also affirmed an order that Dove pay Rosenfeld Meyer more than $27,000 in attorneys fees incurred during proceedings before the trial court; and the appellate court ordered Dove to pay additional attorneys fees for the appeal (in an amount to be determined by the trial court on remand).

Dove Audio, Inc. v. Rosenfeld, Meyer & Susman, 47 Cal.App.4th 777, 54 Cal.Rptr.2d 830, 1996 Cal.App. LEXIS 711 (Cal.App. 1996) [ELR 18:9:17]

Owner and current licensing agent of Three Stooges intellectual property are awarded more than $1.2 million by federal court in trademark and unfair competition action against former licensee and its president who continued to advertise and sell merchandise after license expired and preliminary injunction had been issued

When an intellectual property license expires, the licensee must stop selling the previously licensed merchandise. The president of a former licensee of "Three Stooges" merchandise has learned this seemingly obvious lesson, in a very expensive way. Because the corporate licensee continued to sell "Three Stooges" merchandise after its license expired, and continued to advertise the merchandise on a World Wide Web site even after a preliminary injunction had been issued barring it from doing so, the company's president has been held in contempt of court and a judgment has been entered against him for more than $1.2 million by a federal District Court in New York City.

The case against the former licensee and its president was brought by Comedy III Productions, Inc., the owner of the "Three Stooges" intellectual property rights, and by Sony Signatures, Inc., the current licensing agent for "Three Stooges" products. Federal District Judge Sonia Sotomayor granted a summary judgment motion made by Comedy III and Sony, ruling that the former licensee's continued sale of "Three Stooges" merchandise after its license had expired was "wilful, intentional and in bad faith." The judge also found the licensee to be in contempt for violating a preliminary injunction that prohibited the licensee from selling or advertising "Three Stooges" merchandise, because the company had continued to advertise the merchandise on a World Wide Web site after the injunction was issued.

The web site did indicate that "Three Stooges" merchandise was not available "right now" or "at this time." But that did not satisfy the injunction's ban on advertising, Judge Sotomayor ruled, because the disclaimer "gave the public the false impression the products would become available in the future."

The former licensee's president was held in contempt and judgment was entered against him personally, because he was active in the company's day to day operation (and was a shareholder), and because he "participated personally, directly and with wilful blindness" in his company's violation of the plaintiffs' rights.

After Judge Sotomayor granted summary judgment and held the licensee and its president in contempt, the case was referred to Magistrate Judge James Francis for an "inquest on damages." Neither the licensee nor its president participated in that inquest. So, because Judge Sotomayor had found the licensee's violation to be wilful and even contemptuous, Magistrate Judge Francis has recommended that Comedy III and Sony be awarded three times the licensee's post-license sales. Those sales amounted to more than $363,500. Thus, in an unreported ruling, Magistrate Judge Francis has recommended that Comedy III and Sony be awarded almost $1.1 million in damages. In addition, he has recommended that Comedy III and Sony be awarded their attorneys fees in full — fees that came to almost $129,000 for 530 hours of work on the case by partners, associates and paralegals of the New York City firm of Parcher, Hayes & Liebman.

Comedy III Productions, Inc. v. Class Publications, Inc., 1996 WL 219636, 1996 U.S.Dist.LEXIS 5710 (S.D.N.Y. 1996) [ELR 18:9:18]

Supreme Court to rule on constitutionality of Communications Decency Act restrictions on Internet transmissions of indecent or patently offensive material to minors

The United States Supreme Court has agreed to hear the federal government's appeal from a three-judge District Court ruling that enjoined enforcement of provisions of the Communications Decency Act that restrict "indecent" or "patently offensive" transmissions to minors over the Internet. In an action brought in federal District Court in Philadelphia by the ACLU, the American Library Association and several other organizations and individuals, the court ruled that the objected-to provisions of the Decency Act "are unconstitutional on their face," and the government was enjoined from enforcing those provisions.

The three-judge court was convened to rule on the challenge to the Act's constitutionality pursuant to a provision Congress had included in the Act itself in anticipation of just such a challenge. The panel consisted of Circuit Judge Delores Sloviter and District Judges Ronald Buckwalter and Stewart Dalzell. In separately-authored opinions, all three judges agreed that the objected-to provisions of the Act are substantially overbroad and unconstitutional for that reason. In addition, Judges Sloviter and Buckwalter concluded that the Act is vague in its definition of restricted communications and is unconstitutional for that reason as well.

The government appealed the Philadelphia court's ruling to the United States Supreme Court, and the Supreme Court has agreed to hear the case. A decision by the Supreme Court is expected by the end of the current term in June.

An entirely separate though similar case was filed in New York City by Joe Shea, the editor and publisher of *The American Reporter*, an online newspaper. Shea's suit attacks the constitutionality of the Decency Act's ban on Internet communications of "patently offensive" material to minors. In New York too a three-judge panel was convened. The panel members in that case were Circuit Judge Jose Cabranes and District Judges Leonard Sand and Denise Cote. They concluded that although the Act is not unconstitutionally vague, it is overbroad and unconstitutional for that reason. Thus, the New York court enjoined the government from enforcing the objected-to provision of the Act in this case as well.

American Civil Liberties Union v. Reno, 929 F.Supp. 824, 1996 U.S.Dist.LEXIS 7919 (E.D.Pa. 1996), *hearing granted*, 117 S.Ct. 554, 1996 U.S.LEXIS 7482

(1996); *Shea v. Reno*, 930 F.Supp. 916, 1996 U.S.Dist.LEXIS 10720 (S.D.N.Y. 1996) [ELR 18:9:18]

Million dollar defamation judgment against The Globe is affirmed in favor of Pakistani photojournalist who was identified as the actual assassin of Robert Kennedy in the book The Senator Must Die and then by The Globe in article about the book; California appellate court rules that plaintiff was a private figure and that neutral reportage privilege does not apply to statements about private figures

Robert Kennedy was assassinated in 1968 by Sirhan Sirhan, most people believe. But not all. Some conspiracy theorists believe the true assassin was someone else, and have written entire books detailing their beliefs. One such book was *The Senator Must Die* by

Robert Morrow which was published in November 1988. Six months later, the tabloid newspaper *The Globe* published an article about the book's allegations — including its assertion that Senator Kennedy was actually killed by a Pakistani photojournalist named Khalid Khawar who had himself been photographed on the podium near Senator Kennedy the night of the assassination. Photographs of Khawar appeared in the book, and a copy of one of them was republished in *The Globe.*

After *The Globe* article appeared, Khawar and his children received death threats, and his house and his son's car were vandalized. Khawar gave an interview to a television station in the city where he then lived, in order to deny that he had been involved in the assassination. He also sued *The Globe*, as well as the book's publisher, for defamation in California state court. The book publisher settled before trial, but *The Globe* did not.

Khawar won his trial against *The Globe*, and judgment was entered in his favor for $1,175,000 — $500,000 of which were for punitive damages. In an opinion by Judge Arnold Gold, the California Court of Appeal has affirmed that judgment.

The appellate court has ruled that Khawar was a private figure rather than a public figure (or even a limited-purpose or involuntary public figure). This was so, the court explained, because Khawar's appearance on the podium with Senator Kennedy did not make Khawar a public figure in the context of an assassination that took place in a hotel pantry rather than on the podium. And Khawar's affirmative decision to attend a campaign rally was not an action by which he had thrust himself into a public controversy. Likewise, Khawar's appearance on television after *The Globe* published its article about him did not turn Khawar into a public figure, because "Khawar was privileged to conduct this interview in order to protect his own interests without sacrificing his status as a private figure."

Khawar's status as a private — rather than public — figure was significant to the outcome of his defamation case, for at least two reasons. First, it meant that he merely had to show that *The Globe* had been negligent — rather than reckless — in publishing the allegation that he had assassinated Senator Kennedy. The appellate court ruled that substantial evidence supported the jury's finding *The Globe* had been negligent, including its failure to contact Khawar or any witness to the assassination to determine whether Khawar had been involved in

Second, Khawar's private figure status was significant because *The Globe* had asserted the "neutral reportage privilege" — a privilege that is recognized in some jurisdictions and that insulates the news media from liability in cases where they merely report defamatory but newsworthy allegations made by others. So far, the California Supreme Court has not recognized the privilege. Moreover, most jurisdictions that have recognized such a privilege make it available only in cases brought by *public* figures. Thus, the appellate court ruled that even if the privilege exists in California, the privilege was not available in this case, because Khawar is a *private* figure. (The court declined to follow an Ohio appellate court decision that had extended the privilege to a report about a private figure, saying that while the Ohio case "may be persuasive within its jurisdiction, it is not binding upon this court.")

Though Khawar only had to prove negligence to be entitled to compensatory damages, he had to prove malice to be entitled to punitive damages. The appellate court ruled that substantial evidence supported the jury's award of punitive damages, including "the fact that the article is not merely false but glaring false — it makes assertions that on the surface seem extraordinarily improbable — a fact that is circumstantial evidence that Globe's representatives had a very high degree of skepticism concerning the truthfulness of the charges." The court also noted the failure of the author to contact Khawar or other key witnesses, and the testimony of *The Globe* s editors that they did not know of any evidence that would have lent credibility to the charges made by Morrow in the book that was the subject of the article.

Khawar v. Globe International, Inc., 46 Cal.App.4th 1, 54 Cal.Rptr.2d 92, 1996 Cal.App.LEXIS 523 (Cal.App. 1996) [ELR 18:9:19]

Saban Entertainment not liable for breach of Power Rangers licensing agreement, because license claimed by Cosrich was not in writing as

required by Copyright Act; and Tsumura, the company to which Saban did grant license, is not liable to Cosrich for interference with contract or prospective economic advantage, because no contract existed between Cosrich and Saban, and because Tsumura s conduct was privileged

The "Mighty Morphin Power Rangers" are not only the stars of their own television series. Like other fanciful characters that have captured the imagination of American youth, "Power Rangers" also grace the surfaces of countless products, including children's toiletries.

Saban Entertainment is the owner of the "Power Rangers" copyright, and Tsumura International is the company to which Saban granted an exclusive license in the children's toiletries category. To someone unschooled in the economics of the children's toiletries industry, the Saban-Tsumura deal looks like a rich one: Tsumura agreed to pay Saban a $250,000 guarantee against a 10% royalty.

Before Saban and Tsumura made their deal, Saban made a deal with another children's toiletries company, Cosrich, which is one of Tsumura's competitors. The Cosrich deal was oral only, however. Before it was reduced to writing, Tsumura had hiked its original 5% offer to 8% and then finally to 10%. And while the Cosrich deal too had been for a 10% royalty, Cosrich had offered a guarantee of only $50,000. Since Tsumura had offered a guarantee that was five times as great, Saban preferred Tsumura's offer, but by then Saban was worried that Cosrich might sue for breach of their oral agreement. Saban therefore asked Tsumura to indemnify it, should Cosrich sue; and Tsumura agreed to do so.

Just as Saban feared, Cosrich did sue, in California state court. It sued Saban for breach of contract; and it sued Tsumura for interference with contract and prospective economic advantage. Though it appears that Cosrich and Saban actually did reach an oral agreement, and though Cosrich spent thousands of dollars preparing a "Power Ranger" line of toiletries, Cosrich has lost it lawsuit. The trial court granted Saban's and Tsumura's motions for summary judgment; and the Court of Appeal has affirmed.

Cosrich's breach of contract claim against Saban failed, because the exclusive license it had been granted by Saban was a copyright license, and the Copyright Act requires exclusive licenses to be in writing and signed by the copyright owner, in order to be valid. In this case, no such signed writing existed. The appellate court rejected Cosrich's claim that the writing requirement was satisfied by its own written proposal to Saban, by an internal Saban deal memo, by license agreements Saban had made with other companies, and by a letter

Saban had sent to Tsumura stating that Saban had decided to grant the children's toiletries license to "another company." These documents did not satisfy the Copyright Act's writing requirement, the appellate ruled, because none was intended as a "memorandum of contract communicated to" Cosrich. Moreover, the Copyright Act's writing requirement is "more stringent than the common law statute of frauds," because "the equitable defense of estoppel does not apply."

Cosrich's interference with contract claim against Tsumura failed, because in the absence of a signed written license agreement between Cosrich and Saban, there was no contract with which Tsumura interfered.

Cosrich's interference with prospective economic advantage claim did not require an actual contract. But that claim failed too, because as a competitor of Cosrich, Tsumura was privileged to seek a "Power Rangers" license, and "Tsumura's actions were neither underhanded, immoral nor wrongful," the appellate court ruled. Cosrich argued that Tsumura had forfeited its competitor's privilege by agreeing to indemnify Saban. But the Court of Appeals disagreed. "The indemnity agreement is not against public policy as it does not encourage litigation that was not otherwise likely to occur; it merely reallocates the costs of that event," the court explained. "Further, it does not violate any established business ethics."

PMC, Inc. v. Saban Entertainment, Inc., 45 Cal.App.4th 579, 52 Cal.Rptr.2d 877, 1996 Cal.App.LEXIS 451 (Cal.App. 1996) [ELR 18:9:20]

District court sets aside multi-million dollar jury verdict for licensing agency in fraud case against Andy Warhol estate; court rules that agency knew or

should have known that many of Warhol s works had fallen into public domain or had been licensed to others, and that agency had not proved that representation that estate controlled all rights was made with evil motive

When artist Andy Warhol died in 1987, he left behind an enormous body of valuable work — so enormous and so valuable, it has become the subject of a significant body of judicial decisions dealing with legal disputes concerning those works. (*ELR* 10:11:12, 13:5:17, 15:3:11, 16:6:24, 16:12:8, 17:7:14, 18:8:16)

The latest of these cases involves a claim that Andy Warhol's estate, and its executor and general counsel, fraudulently induced Schlaifer Nance & Company to enter into an agreement with the estate pursuant to which Schlaifer Nance would license other companies to make and sell merchandise bearing reproductions of artworks created by Warhol. According to Schlaifer Nance, the estate and its executor and general counsel falsely represented that the estate "controlled all rights" to Warhol's artworks, when in fact many of those works had fallen into the public domain or already had been licensed to others.

After a seven-day trial in a federal District Court in New York City, a jury returned a verdict in favor of Schlaifer Nance against all three defendants for punitive damages in the amount of $1 million each, on top of compensatory damages of $63,941. Despite the jury's verdict, the defendants made a motion for judgment in their favor, and Judge Denny Chin has granted their motion for judgment as a matter of law and has dismissed Schlaifer Nance's complaint with prejudice.

According to Judge Chin, "the incontrovertible evidence showed . . . [that Schlaifer Nance] knew or should have known that the representations that the

Estate controlled all the rights to all of Warhol's works could not have been true." This was so, in part, because an exhibit to the licensing agreement listing Warhol's works showed that the copyrights to many of them were owned by others, and that no copyright at all was indicated for others. "Yet [Schlaifer Nance] entered into the licensing agreement without conducting any due diligence and without making any reasonable effort to determine the truth or falsity of the purported representations." Since it had not made an effort to determine the truth, "the jury could not have found . . . that [Schlaifer Nance's] reliance on defendants' purported misrepresentations was reasonable and justifiable." And since reasonable and justifiable reliance is an element of fraud, the jury should not have found in Schlaifer Nance's favor.

Moreover, Judge Chin ruled, even if the estate's *executor* had misrepresented the extent of the estate's ownership of Warhol's works, the estate's *general counsel* could not be held liable for failing to correct such a misrepresentation. "Even assuming that Hayes [the general counsel] knew that Hughes [the executor] was making a fraudulent statement in his presence, Hayes was under no duty to speak because there was no fiduciary or attorney-client relationship between him and [Schlaifer Nance]," the judge explained.

Even if the jury could have properly found fraud, "it could not have reasonably found that defendants acted with the evil motive or high degree of moral culpability required for an award of punitive damages," said Judge Chin. This was so, he explained, because the defendants had nothing to gain by defrauding Schlaifer Nance. The licensing agreement provided for no "up-front money." The estate was to be paid only royalties, so it would have profited only if Schlaifer Nance successfully exploited the estate's rights.

Schlaifer Nance & Co., Inc. v. Estate of Warhol, 927 F.Supp. 650, 1996 U.S.Dist.LEXIS 6586 (S.D.N.Y. 1996) [ELR 18:9:21]

CNN wins dismissal of defamation case arising out of its rebroadcast of investigative report produced by Canadian Broadcasting Corporation, because CNN had no reason to doubt reliability of CBC or specific report, federal District Court rules

Rabbi Ephraim Bryks is an American citizen who now lives in Queens, New York; but during the 1980s he was the principal and a teacher at an Orthodox Jewish school in Winnipeg, Canada. Something happened while Bryks was at that school; exactly what isn't clear from the case reports. What is clear, however, is that in

1994, the Canadian Broadcasting Corporation produced and broadcast an investigative report that "examined allegations that [Bryks] had engaged in sexual misconduct with students" while he was at the Jewish school.

CBC offers its reports to other broadcasters through a syndicated news service, and CNN is a subscriber. As a result, CNN Headline News rebroadcast the CBC report about Bryks, virtually unedited.

In response to the CNN broadcast, Bryks sued CBC and CNN for libel in federal District Court in New York City. Early in the case, the court dismissed Bryks' suit against CBC, ruling that it was immune from suit in federal courts because it was an organ of the Canadian government. (*ELR* 18:3:14) The case proceeded, against CNN which enjoys no similar immunity.

Now, however, the court has dismissed the case against CNN as well, for another reason. Judge Michael Mukasey has granted CNN's motion for summary judgment, because although Bryks himself is a private figure, "allegations of sexual assault by a community religious leader on school-children surely are 'of legitimate public interest and concern.'" This meant that under New York law, Bryks had to show that CNN had rebroadcast the CBC report in a "grossly irresponsible manner." But as a "republisher" of material from CBC, New York law permitted CNN to rely on CBC's research unless CNN "had, or should have had, substantial reasons to question the accuracy" of CBC's report.

Bryks attempted to show that CNN had reasons to question CBC's accuracy; but Judge Mukasey was not persuaded. The judge reviewed Bryks' arguments that CNN had reason to doubt CBC's accuracy in general, and the accuracy of the offending report in particular. But the judge did not agree with either argument. Even if the evidence Bryks offered was credited, Judge

Mukasey concluded, it was "insufficient to prove 'gross irresponsibility' on the part of CNN."

Bryks v. Canadian Broadcasting Corp., 928 F.Supp. 381, 1996 U.S.Dist.LEXIS 8300 (S.D.N.Y. 1996) [ELR 18:9:21]

Briefly Noted:

Owner of Detroit area video stores is granted preliminary injunction against competitor s use of Hollywood Video name, but injunction covers limited area only. In a case that illustrates the value and importance of federal trademark registration, a company that operates video stores in Detroit has been granted a preliminary injunction against a competitor's use of the name "Hollywood Video." But the injunction covers a far smaller area than the plaintiff had sought, because the competitor had registered the "Hollywood Video" mark and the Detroit company had not. The result in the case turned on a Trademark Act provision that gives nationwide priority to the owner of a federally registered mark, except against those who actually used the mark before the registration application was filed. A prior user is permitted to continue using the mark, but only in the areas where it had been used before the filing. In the "Hollywood Video" case, the defendant began using the mark nationally — though not in Detroit — in 1981, but it did not file a registration application until 1992. In the interim, in 1986, the plaintiff began to use the mark in Detroit, without attempting to register it. When the defendant expanded into Detroit, the plaintiff sought an injunction that would have barred the defendant's use of the mark throughout the state of Michigan. Instead, District Judge Paul Gadola has issued a preliminary injunction barring the defendant from using the mark in the vicinity of the plaintiff's stores only. Moreover, even that injunction is limited still further, because three of the plaintiff's stores were opened after the defendant had filed a registration application; and thus the defendant was not enjoined from using the mark in the vicinity of those stores. *All Video, Inc. v. Hollywood Entertainment Corp.*, 929 F.Supp. 262, 1996 U.S.Dist.LEXIS 8702 (E.D.Mich. 1996) [ELR 18:9:22]

Radio station s request for preliminary injunction against competitor s use of service marks Your Hometown Radio Station and Make Believe Ballroom is denied. Federal District Judge Alfred Lechner has refused to enjoin the use of the slogans "Your Hometown Radio Station" and "Make Believe Ballroom" by radio station WVNJ-AM, even though competing radio station WJUX-FM used those slogans first and claimed them as service marks. The judge ruled that "Your Hometown Radio Station" is a descriptive slogan that would be protectible only if it had acquired secondary meaning, and that WJUX-FM had not made a sufficient showing that the slogan had acquired such meaning. Judge Lechner refused to enjoin WVNJ-AM's use of "Make Believe Ballroom," because that slogan has become so identified with big band music of the 1940s and '50s that it is likely it has become generic, and unprotectible for that reason. *FM 103.1, Inc. v. Universal Broadcasting of New York, Inc.*, 929 F.Supp. 187, 1996 U.S.Dist.LEXIS 8665 187 (D.N.J. 1996) [ELR 18:9:22]

New Hampshire court has jurisdiction over Virginia-resident author of book, in defamation

action brought by Florida resident against author and New York publisher. A federal District Court in New Hampshire has ruled that it has personal jurisdiction over Susan Trenton, the author of the book *The Power House*, in a defamation suit filed by Robert K. Gray, the subject of that book. Because Trenton lives in Virginia, and had no contact with New Hampshire in connection with the book, she moved to dismiss the lawsuit for lack of personal jurisdiction. But Judge Steven McAuliffe has denied her motion. The book was published by St. Martin's Press, which has the right to publish the book "throughout the world." In all, 30,817 copies of the book were sold in the United States, only 61 of which were sold in New Hampshire. Judge McAuliffe did a multi-part analysis of the factors to be considered in deciding whether a court has personal jurisdiction over an out-of-state resident; and he concluded that he does. Though the judge did not emphasize any one factor, he did note that the case would proceed against St.Martins in New Hampshire, even without Trenton as a co-defendant; and she acknowledged that she would have to travel to New Hampshire from her home in Virginia to testify in the case in any event, so she wouldn't suffer any burdens as a result of having to defend herself in New Hampshire that she wouldn't have to suffer even if Gray were forced to sue her separately in Virginia. Why, exactly, Gray chose to sue in New Hampshire is not made clear in the court's decision; Gray lives in Florida, and though he spoke in New Hampshire twice, he did so decades ago — in 1956 and 1960 — and his contacts with that state "are generally insignificant." *Gray v. St. Martin s Press, Inc.*, 929 F.Supp. 40, 1996 U.S.Dist.LEXIS 12089 (D.N.H. 1996) [ELR 18:9:23]

Columbia Pictures and other studios obtain seizure writ in video piracy case. A federal District Court in Chicago has issued an *ex parte* writ of seizure and impoundment in a video piracy case brought by Columbia Pictures and other studios against the owner of a video store called Gloria's Video. Judge George Marovich granted the studios' application for the writ on the basis of evidence presented in an affidavit by an investigator who stated that he rented what he believed to be bootlegged copies of the movies "Desperado," "Under Siege 2," "Waterworld," "Mortal Combat" and "My Family." The judge also sealed the court file temporarily, because the judge found that the defendant might move or destroy the inventory if the case were publicized before the writ could be executed. This is not the first such writ to be issued in the Seventh Circuit, but it appears to be the first in that circuit to be accompanied by a published decision. *Columbia Pictures Industries,* *Inc. v. Jasso*, 927 F.Supp. 1075, 1996 U.S.Dist.LEXIS 16605 (N.D.Ill. 1996) [ELR 18:9:23]

California Athletic Commission does not have authority to regulate professional boxing on Indian reservations. Boxing is regulated in California by the State Athletic Commission and has been for decades. So it was only natural for the Athletic Commission to seek to regulate and license boxing events, even when they take place on Indian reservations within the state. But a federal District Court in Los Angeles has ruled that the Commission does not have the authority to regulate boxing on Indian reservations, because the state statute that gives the Commission its authority is *civil* and *regulatory* in nature, rather than criminal or prohibitory. Thus a federal statute that granted states the right to extend their *criminal* jurisdiction over otherwise sovereign tribal lands did not give California the right to regulate boxing on Indian reservations. *Twenty-Nine Palms Band of Mission Indians v. Wilson*, 925 F.Supp. 1470, 1996 U.S.Dist.LEXIS 6800 (C.D.Cal. 1996) [ELR 18:9:23]

California Athletic Commission is immune from liability to boxer who was denied license. The California Athletic Commission is immune from liability to professional boxer Diomedes Colome, and to his manager Jimmy Montoya, for damages they suffered when the Commission refused to renew Colome's professional boxers license just before he was scheduled to fight in the 1988 Stroh Boxing Tournament, a California Court of Appeal has ruled. The 1988 Stroh Tournament was held in the Forum in Inglewood, California; and under California law, Colome could not box in that state without a license from the Athletic Commission. The

Commission, which is a state agency, had refused to renew Colome's license because it appeared that he had failed a required neurological examination. But after the Stroh Tournament was concluded, the Commission reviewed the results of the exam, concluded that he had passed it, and then renewed his license. By then, however, Colome and his manager had suffered financial damages as a result of being excluded from the Tournament — including damages for an injury to Colome's fist, suffered when the boxer punched his hotel bathroom door in anger when his license was not renewed. Colome and his manager sued to recover those damages, and were awarded judgments totaling more than $1.4 million. The appellate court has reversed, however, on the grounds that the Commission, its employees, and the doctor who performed the neurological examination all enjoy sovereign immunity from liability. *Colome v. State Athletic Commission of California*, 47 Cal.App.4th

1444, 55 Cal.Rptr.2d 300, 1996 Cal.App.LEXIS 721 (Cal.App. 1996) [ELR 18:9:23]

License to use private box in UNLV sports arena is property. A license to use a private box in the sports arena at the University of Nevada, Las Vegas, is "property," the Nevada Supreme Court has ruled. Such licenses give their owners the exclusive right to watch UNLV basketball games and other events from their boxes. The question of whether a private box license is "property" arose in a case brought by a judgment creditor of a licensee who sold a part interest in his box to a friend and gave the remaining interests to his children. The judgment creditor claimed that these transfers were invalid under the Nevada Uniform Fraudulent Transfer Act, and thus the creditor's subsequent purchase of the private box license at a Sheriff's Sale gave the creditor the right to use the box rather than the debtor's friend and children. The trial court ruled against the creditor, saying that the private box license was not "property" that could be sold at a Sheriff's Sale, nor was it property that could be fraudulently transferred. The Nevada Supreme Court has reversed that ruling, however, reasoning that under the definitions of "property" found in state law, the private box license was "property" for both purposes. *Sportsco Enterprises v. Morris*, 917 P.2d 934, 1996 Nev.LEXIS 88 (Nev. 1996) [ELR 18:9:24]

INTERNATIONAL CASES

British court rejects Attorney General s claim to copyright in and royalties from book No Other Choice written by a former member of British

Secret Intelligence Service who was subsequently convicted of spying for the Soviet Union

When the paperback edition of *No Other Choice* is published, its author, George Blake, ought to add a new chapter in which he praises the British legal system for its impartial handling of a civil lawsuit the Attorney General had filed against him on behalf of the Crown.

Blake was a member of the British Secret Intelligence Service from 1944 until 1961 when he was convicted of spying for the Soviet Union and sentenced to 42 years in prison. After five years in prison, Blake escaped, going first to Berlin and then to Moscow where he now lives. *No Other Choice* is his memoirs and "an apologia for the course his life has taken."

The book was published in Britain by Jonathan Cape Ltd. which promised to pay him 150,000 pounds as an advance against royalties. Much of that actually was paid to Blake; but 90,000 pounds remained unpaid, when the Attorney General sued Blake, seeking to recover those royalties and any others that may become due, and seeking an order assigning the book's copyright to the Crown. According to the Attorney General, these remedies were appropriate because Blake had breached his fiduciary duty to the Crown by writing the book.

Since Blake still had 37 years left on his prison term for spying, he was not in a position to come to Britain from his current home in Moscow to defend the case. As a result, the Chancery Division appointed English lawyers as *amici curiae* — not to defend Blake, but rather to assist the court "in evaluating the submissions" made by the Attorney General and to draw the court's "attention to the legal principles and authorities which might, in argument, seem to oppose the grant of the relief sought by the plaintiff." Apparently, the *amici* did quite a good job.

The Attorney General argued that Blake had a fiduciary duty "not to use his position as a former member of the SIS so as to make for himself a profit" and "not to use the Crown's property, including intangible property such as [originally] confidential information [which has since lost its confidential character], for his own benefit." The court concluded, however, that such duties would be "too wide to be acceptable."

"I would readily accept," the court explained, "that former members of any of the security or intelligence services owe the Crown a lifelong duty not to disclose confidential information acquired by them in the course of their duties," even if "this duty would . . . prevent them from writing their memoirs of life in the service." However, in this case, the Attorney General acknowledged that the information in *No Other Choice* was no longer confidential. And the duty recognized by the court does not prevent the publication of non-confidential information. The court explained: “It is obvious that the duty contended for by the Crown in this case represents an interference with the defendant’s rights of free expression . . . safeguarded by . . . the European Convention for the Protection of Human Rights and Fundamental Freedoms . . . to which the United Kingdom has for over 40 years adhered.”

The court noted that the Official Secrets Act does prohibit members of the security and intelligence services from disclosing “any information” — confidential or not — they acquire by virtue of being a member of those services. But that Act did not help the Attorney General, because it is a criminal statute. Blake violated the Act, the court stated, but that “would not lead to any of the remedies sought in this action.” Nor did it “assist the Crown to establish a breach of duty under the civil law for which the civil law remedies sought in this action can be claimed."

The Attorney General urged the court to follow the decision of the United States Supreme Court in *Snepp v. United States* (*ELR* 1:20:1), in which a constructive trust was imposed on the royalties earned by former CIA agent Frank Snepp from his book *Decent Interval*. In that case, however, Snepp had signed an employment contract in which he agreed to submit any books for pre-publication review. That was the duty he breached, and a constructive trust was the appropriate remedy. Blake's case was different, however, the British court said, because Blake hadn't signed an employment contract.

Attorney General v. Blake, [1996] 3 All ER 903 (available on LEXIS in the Intlaw Library, Engcas File) [ELR 18:9:25]

DEPARTMENTS

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Star Wars: Film Permitting, Prior Restraint & Government s Role in the Entertainment Industry by Jon Garon, 17 Loyola of Los Angeles Entertainment Law Journal 1 (1996)

When Museums Act Like Gift Shops: The Discordant Derivative Works Exception to the Termination Clause by Jill I. Prater, 17 Loyola of Los Angeles Entertainment Law Journal 97 (1996)

No Runs, No Hits, Two Errors: How Maryland Erred in Prohibiting Replacement Players from Camden Yards During the 1994-95 Major League Baseball Strike by Peter F. Giamporcaro, 17 Loyola of Los Angeles Entertainment Law Journal 123 (1996)

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Native American Life Stories and Authorship : Legal and Ethical Issues by Lenora Ledwon, 9 St. Thomas Law Review 69 (1996)

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Angels Revisited: The Debate Continues by D. Michael Rose, 7 Entertainment Law Review 311 (1996) (for address, see above)

Investigative Journalism: Should Children be Seen or Heard? by David Stone, 7 Entertainment Law Review 313 (1996) (for address, see above)

The Protection of Multimedia Products through the European Community s Directive on the Legal Protection of Databases by Stephan Beutler, 7 Entertainment Law Review 317 (1996) (for address, see above)

Innovative Funding for the Music Industry - An Irish Approach by John Kettle, 7 Entertainment Law Review 329 (1996) (for address, see above)

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Television Without Frontiers : An Imminent Change in UK Regulation of Satellite Serices? by Tim Johnson and Grainne McKenna, 7 Entertainment Law Review 335 (1996) (for address, see above)

Review of the Practical Enforcement of Authors Rights in the Russian Federation by Igor Pozhitkov, 7 Entertainment Law Review 337 (1996) (for address, see above)
[ELR 18:9:26]