

## LEGAL AFFAIRS

### **When is "Best Efforts" Really "Best Efforts"? What the Term "Best Efforts" Means in Connection with Licensing Agreements, and How it Has Been Interpreted in Litigation**

by Daniel J. Coplan

The phrase "best efforts" is frequently used in connection with the licensing of intellectual property. Although the term "best efforts" seems innocuous, its simple meaning is deceiving. A "best efforts" requirement in an agreement, whether the requirement is an express term of the agreement or read into the agreement by a court, can lead to expensive and acrimonious litigation. Rather than use an ambiguous "best efforts" clause

in an agreement, it is better to specify measurable performance parameters and explicitly identify the consequences of non-performance.

"Best efforts" rights and obligations can be either express or implied.

### Implied "Best Efforts" Obligations

Generally speaking, the implied duty of "best efforts" usually arises in cases involving exclusive licenses and comes from general contract principles. Milgram on Licensing Sec. 15.25 (Matthew Bender 1997) The implied "best efforts" obligation appears to have its origin in the seminal contract case *Wood v. Lucy, Lady Duff-Gordon*, 222 N.Y. 88, 118 N.E. 214 (1917). In that case, the defendant was a fashion designer who gave the plaintiff the exclusive privilege of marketing the defendant's designs. Although the plaintiff did not expressly

agree to exploit the defendant's designs, the court implied such an obligation, since the defendant's sole revenue was to be derived from the plaintiff's sales of clothes designed by the defendant, and the defendant was thus at plaintiff's mercy. This aspect of the *Wood v. Lucy, Lady Duff-Gordon* case permeates the implied obligation of "best efforts" in licensing agreements.

A distillation of the cases which have interpreted best efforts clauses reveals that courts will read a "best efforts" obligation into an agreement when:

1. the grant of a license is exclusive to the licensee;
2. the licensor's sole source of revenue is derived from the exploitation of the grant of the license; and
3. the amount of any minimum royalty or advance is relatively small or inconsequential or not guaranteed.

For example, in *Permanence Corporation v. Kenametal, Inc.*, 725 F.Supp. 907 (E.D. Mich. 1989), the

court granted a defendant licensee's motion for summary judgment, because it found that no implied "best efforts" clause could be inferred. In that case, the defendant licensee had paid an initial advance in excess of \$500,000 to the licensor, the license agreement contained an integration clause stating that it was the full agreement of the parties, and even though the agreement was an exclusive license, the court considered all of the circumstances surrounding the relationship between the licensor and licensee in determining that no implied "best efforts" obligation existed.

In cases where an implied "best efforts" obligation has been found, some courts still apply a reasonableness standard relying on the licensee's "active exploitation in good faith" and application of good faith business judgment. *Western Geophysical Co. v. Bolt Associates, Inc.*, 584 F.2d 1164, 1171 (2d Cir. 1978). However, even under a "reasonableness" standard,

licensees who are subject to an implied "best efforts" duty are not permitted to exercise their discretion in either an unreasonable manner or in bad faith. Where there is bad faith or unreasonableness, significant liability can attach to a licensee for breach of an implied "best efforts" provision.

For example, in *Perma Research and Development Co. v. Singer Co.*, 402 F.Supp. 881, 896-897 (S.D.N.Y. 1975), *aff'd*, 542 F.2d 111 (2d Cir.), *cert. denied*, 429 U.S. 987 (1976), the plaintiff had developed an anti-skid device for automobile breaks, and the defendant had signed an exclusive agreement not only to market the product, but to develop it and complete its engineering. Here, even though the defendant knew that the product was ultimately capable of being perfected, it engaged in a course of conduct which doomed the project to failure. The defendant failed to conduct long-range experiments, completely ignored suggestions from

the inventor, (i.e., the plaintiff), did not provide sufficient funding for the project, assigned inept and inexperienced employees to develop and engineer the project, and then completely abandoned all efforts to develop and market the product. The result was that the defendant, which could have spent approximately \$30,000 to finish the development of the device, ultimately ended up being liable for an award in excess of \$7,000,000 for the "lost royalties" that the plaintiff would have been paid if the defendant had exercised "best efforts" in developing and marketing the product. In this case, it is also important to note that the assignment of rights to the defendant by the inventor plaintiff was exclusive, and that the plaintiff was completely at the mercy of the defendant for the completion of the project and all revenue that it might expect to receive from the exploitation of the device.

## Express "Best Efforts" Obligations

In cases where the "best efforts" obligation is expressly included in the license agreement, the results have been consistent in placing a greater burden on licensees, which at times almost approaches a fiduciary level of obligation.

For example, in *Polyglycoat Corp. v. C.P.C. Distributors, Inc.*, 534 F.Supp. 200, 203 (S.D.N.Y. 1982), the plaintiff (the licensor and manufacturer) and the defendant (the licensee and distributor) had entered into a contract which had an express "best efforts" term governing the exploitation of a rustproof coating product. The defendant brought a motion for summary judgment, which the court denied on the issue of whether the defendant had violated the "best efforts" clause of the contract. The denial of defendant's motion was based on the defendant's decision not to market the plaintiff's product

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and then to prefer a competing product which it itself was going to manufacture. The court found this to be a violation of the "best efforts" provision of the agreement.

A more startling result can be seen in *Bloor v. Falstaff Brewing Corp.*, 454 F.Supp. 258, 266-70 (S.D.N.Y. 1978). In this case the defendant, a large beer brewer and distributor, purchased the labels, trademarks, accounts receivable, distribution systems and the like, from the plaintiff brewing company in return for the defendant's promise to make royalty payments to the plaintiff. This case did not involve a low royalty or small advance which are often seen in implied "best efforts" cases. Rather, in this case, the defendant made an immediate purchase payment of \$4 million and agreed to royalty payments thereafter of 50 cents for each barrel of Balantine beer sold between 1972 and 1978. The contract also required that the defendant "use its best efforts

to promote and maintain a high volume of sales in the Balantine" beer brands.

In ultimately determining that there was a breach of the express "best efforts" provision of their agreement, the court conducted a thorough analysis of the defendant's ability to perform under the "best efforts" clause and to achieve the goals set forth in the contract. The court concluded that even though the defendant was in a bankruptcy proceeding and claimed financial hardship, the defendant still had ample borrowing capability and over the course of time had improved its financial picture. Nevertheless, the defendant ignored opportunities to promote the distribution of Balantine beer in New York City and, without a satisfactory explanation, closed four of its six retail distribution centers which accounted for a very large portion of the plaintiff's sales. The defendant even stopped establishing "sales goals" for its remaining salesmen, an essential step in any

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marketing effort, and one which would have cost the company nothing to implement. The court concluded that such conduct was not "best efforts." Thus the court awarded the plaintiff more than \$1.3 million in damages, even though the defendant was in bankruptcy, because it had breached an express "best efforts" clause.

## Conclusion

As the foregoing discussion indicates, whether you are a licensor or a licensee, the term "best efforts" used in connection with an exclusive license agreement can have significant consequences. Accordingly, when negotiating your exclusive licenses, here are some thoughts to consider.

From the licensor's perspective, the use of the term "best efforts" in connection with a specific obligation or goal, in light of the Bloor case, would seem

sufficient to require the licensee to be more circumspect in its performance under an exclusive license agreement than otherwise. Further, it is clear that the better practice would be to impose an express "best efforts" obligation on licensee in all licensing agreements, even when all of the elements relied on by courts for finding an implied "best efforts" obligation are present.

From the licensee's perspective, it is clear that before a exclusive licensee should accept an express "best efforts" obligation, the licensee should attempt to define narrowly what the term "best efforts" means in connection with the specific agreement. The easiest way to do this would be to define "best efforts" as achieving certain specific goals or sales levels. The mere acceptance of an express "best efforts" obligation, without anything more, can place the licensee in a near fiduciary position with respect to the licensor, and may require the licensee to make optimum efforts and use all available means

to satisfy that obligation. Caution should also be exercised when entering into an agreement where there is no express "best efforts" clause, however, because the elements which might result in finding an implied "best efforts" obligation may be present. In such circumstances, the licensee should be prepared to act in good faith, or suffer the consequences illustrated in the Perma Research case.

Generally speaking, it is always better to be specific in your exclusive license agreements, rather than general. Specificity usually results in fewer disputes and in more favorable results if disputes arise and must be litigated.

Daniel J. Coplan is a member of the Pasadena firm of Sheldon & Mak. He is a veteran litigator with over 11 years of experience in entertainment, securities, copyright and commercial litigation in both state and federal

jurisdictions. He received his Bachelor of Fine Arts Degree from the prestigious Tisch School of the Arts at New York University and his J.D. from Southwestern University School of Law in Los Angeles. Daniel brings to the practice of law over two decades of experience in motion picture production, exhibition and marketing, and applies his broad-based experience to both transactional and litigation matters. Copyright 1997 by Sheldon & Mak, Inc. [ELR 19:5:4]

## INTERNATIONAL CASES

**British court grants interim injunction prohibiting "The Sun" from publishing poster version of photograph taken without authorization while album cover for new "Oasis" recording was being shot on location; court finds "arguable case" was made for breach of confidence, though not copyright infringement**

The April 17th, 1997, issue of The Sun trumpeted its success: "We got the shots despite a tight ring of security men . . ." its editors bragged. And indeed, they had.

The "shots" in question were photographs of the popular recording group Oasis, posing on the grounds of the Stocks Country Club Hotel in Hertfordshire, England. They were taken by a photographer commissioned

by The Sun who had booked a room at the hotel, after The Sun had learned that Oasis would be there to shoot their own photographs for the cover of their new album.

The Sun's photographer took several photographs of Oasis, one of which was quite similar to the one selected by the group for its album cover. The two photos differed slightly, but only because The Sun's photographer shot from a different angle, some 15 or 20 feet to the left of Oasis' photographer.

The Sun published its photos on April 17th, 18th and 19th. And on the 19th, The Sun went a step further. Beneath the heading "Get our Oasis Poster," the newspaper invited its readers to buy "a glossy poster of The Sun's world exclusive of the new Oasis album shoot." This was too much for Oasis and its record companies, and they sued, for copyright infringement and breach of confidence.

Oasis' copyright arguments were imaginative, though ultimately unsuccessful. They contended that the scene itself - the arrangement of the members of the group, and the props and the site - was protected by copyright, either as a dramatic or artistic work.

Justice Lloyd of the U.K. Chancery Division disagreed, however. The scene was not a dramatic work, he concluded, because it was static and had no story or action. Likewise, the scene itself was not an artistic work, because it was not carved or modeled or the result of any craftsmanship. Nor was it a collage, because the scene was "put together solely to be the subject matter of a number of photographs and disassembled as soon as those were taken."

Oasis also argued that The Sun's photograph was itself a copy of Oasis' own photograph, "regardless of the order in which the two were taken." But Justice Lloyd did not agree. He acknowledged that Oasis' own

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photograph was protected by copyright, and that if The Sun had copied Oasis' photo directly, or had recreated the scene using Oasis' photo as a guide, that would have infringed the copyright in Oasis' own photograph. But "if the subject matter is not itself [protected by] copyright," the Justice explained, "in principle two different photographers can take separate photographs of the same subject without either copying the other." Justice Lloyd noted that "it is a basic proposition of copyright law that two works created from a common source do not by reason of that fact involve copying one of the other, however similar they are."

On the other hand, the Justice was more receptive to Oasis' breach of confidence claim. After reviewing the facts concerning the circumstances that led to The Sun's photographer taking the photograph at issue, Justice Lloyd concluded that it was "sufficiently arguable that in order to get his picture [The Sun's photographer]

must have conducted himself . . . surreptitiously . . . . If so, it is an easy inference that he did so because he knew that photography was not permitted and that he was being allowed to remain in the restricted area only on the basis that photographs would not be taken of the actual shoot."

For this reason, the Justice concluded that Oasis had "a sufficiently arguable case for saying that the taking of the photograph and its publication is in breach of confidence and that future publication can be restrained . . . ." So he did grant an "interim injunction until trial or further order."

*Creation Records Ltd. v. News Group Newspapers Ltd.*, U.K. Chancery Div. (1997) (available in the LEXIS Enggen Library, Cases File) [ELR 19:5:7]

## RECENT CASES

**Creator of "Simon & Simon" TV series is entitled to trial in profit participation case against Universal; but court holds that usury laws do not apply to interest provisions of net profit definition because agreement is not a loan**

Philip De Guere, the creator of the "Simon & Simon" television series, has won the right to a trial in his breach of contract and accounting lawsuit against Universal City Studios - a suit in which he is claiming almost \$44 million in "net profits" under a contract he signed in 1981. De Guere achieved his victory in the California Court of Appeal, after a trial court had earlier dismissed his case on the basis of a report by a special accounting referee who found that Universal did not owe De Guere any money under their contract.

De Guere's contract with Universal entitled him to receive certain fixed compensation plus 40% of the series' "net profits" as defined by a formula set forth in an attached exhibit. De Guere in fact received more than \$4 million in compensation, guarantees and net profit advances in connection with "Simon & Simon." But net profit statements sent to De Guere by Universal showed the series to be almost \$59 million in the red through the end of 1992.

De Guere then did what people in his situation often do: he hired an accounting firm to conduct an audit. His accountants concluded that Universal's statements had understated the series' revenues, had overstated its production and distribution costs, and had overstated interest on production costs. The accountant concluded that instead of being the red, the series had actually earned net profits of \$110 million, so that De Guere's 40% was worth \$44 million. This is enough to sue for,

and De Guere did, for breach of contract and an accounting. Moreover, since according to the accountant's report, Universal had overstated interest costs alone by \$56.9 million, De Guere added a claim for penalties under California's usury law.

At Universal's request (and over De Guere's objection), the trial court appointed a special accounting referee. One of the reasons Universal and De Guere disagree so significantly about the profitability of "Simon & Simon" is that they interpret certain provisions of the "net profit" definition differently, especially the provisions that deal with the order in which revenues are to be applied to distribution fees, distribution expenses, interest and production costs. Thus, the referee conducted an evidentiary hearing on disputed issues of contract interpretation, and he heard and ruled on De Guere's arguments that the net profit definition was a contract of

adhesion, drafted by Universal, so that ambiguities should be interpreted against the studio.

After this hearing, the referee found: that the net profit definition was not a contract of adhesion; that any ambiguities could be resolved by reference to industry custom and practice, about which Universal had presented credible evidence; and that if the contract were interpreted in light of industry custom, the series' deficit might be reduced by \$11 million, from \$59 million to \$48 million. Even so, the referee concluded, no accounting was necessary, because "Simon & Simon" would still be far from reaching "net profits."

The trial court adopted the referee's report and dismissed the case, rejecting De Guere's argument that he was entitled to a trial on the issue of how the contract should be interpreted and a judge's ruling (rather than the referee's ruling) on whether the contract was one of adhesion.

De Guere appealed the dismissal of his case, as well as an earlier trial court ruling that had rejected his claim under California usury law. In an opinion by Justice Epstein, the California Court of Appeal has resurrected De Guere's breach of contract and accounting claims, though not his usury claim.

The appellate court has ruled that the referee exceeded his authority by ruling on disputed issues of contract interpretation and on the legal question of whether the net profit definition is a contract of adhesion. And the appellate court held that the trial court had denied De Guere his right to a trial on those issues, when it relied on the referee's report to dismiss his case.

On the other hand, the appellate court affirmed the trial court's ruling that the contract between De Guere and Universal - pursuant to which Universal agreed to finance and produce "Simon & Simon" and pay De Guere a percentage of its net profits after it

recouped its costs and interest on those costs - was not a loan from Universal to De Guere. Since it was not a loan, the deal was not subject to California usury law.

*De Guere v. Universal City Studios, Inc.*, 65 Cal.Rptr.2d 438, 1997 Cal.App.LEXIS 560 (Cal.App. 1997) [ELR 19:5:8]

**Paramount Pictures' ad for "Naked Gun" was fair use parody of Annie Leibovitz's photo of pregnant Demi Moore, federal court rules**

In a rare victory for advertisers who use parodies of copyrighted material, Paramount Pictures has defeated an infringement claim by photographer Annie Leibovitz. An early ad for Paramount's *Naked Gun: The Final Insult* 33 1/3 featured a photo of actor Leslie

Neilsen's head superimposed on the naked body of a pregnant model. The model in the Paramount ad was posed in a fashion that copied the pose of actress Demi Moore in a photo taken by Leibovitz for the August 1991 cover of *Vanity Fair*. The two photos were so similar, in fact, that both parties agreed "that in the absence of a fair use defense," Paramount's ad infringed the copyright to Leibovitz's photograph.

Leibovitz and Paramount both moved for summary judgment on the fair use question. And federal District Court Judge Loretta Preska has ruled in Paramount's favor. The judge did the four-part fair use analysis mandated by section 107 of the Copyright Act.

The most difficult factor to evaluate was the "purpose and character" of Paramount's use. After careful analysis, Judge Preska concluded that Paramount's ad "clearly takes satiric aim" directly at Leibovitz's photo, and that "from the outset, it was intended to make a

mockery of an image that had become a `cultural icon.'" Moreover, the "main theme of Naked Gun 33 1/3 centers around the protagonist's struggle with his new life as a retired police detective and pressure from his wife to start a family." This was important for fair use purposes, because the judge found that the advertisement's use of the Leibovitz photograph was "intentionally linked to issues of childbearing and pregnancy that are central to the plot of Naked Gun 33 1/3." The Paramount ad was of course for a commercial purpose, and this ordinarily works against a finding of fair use. In this case, however, Judge Preska found that the "highly transformative character of the . . . ad trumps its admittedly commercial purpose," so that the "purpose and character" factor weighed in Paramount's favor "albeit perhaps by only a slight margin."

The "nature of the copyrighted work" factor weighed against fair use, because Leibovitz's

photograph "is a highly creative work that falls well within the heartland of copyright protection."

The judge found the Paramount ad took "no more of the [Leibovitz] photograph than was necessary to conjure it up in the eyes of a viewer" of the ad. And thus the "amount and substantiality of the portion used" factor weighed in favor of fair use.

Finally, insofar as the "effect on the potential market" for the copyrighted work was concerned, Leibovitz admitted that she had noticed "no adverse effect on the sale or licensing" of her photograph.

Thus, since three of the four fair use factors weighed in favor of finding the Paramount's ad was a fair use of Leibovitz's photo, Judge Preska granted Paramount's motion for summary judgment.

Editor's note: Paramount took a risk when it decided to do this parody ad. On its face, this case is hard to distinguish from *Steinberg v. Columbia Pictures* (ELR

9:5:9) where a federal District Court rejected a fair use defense in ruling that artist Saul Steinberg's copyright in a New Yorker magazine cover was infringed by the poster for Moscow on the Hudson. Judge Preska did distinguish the Steinberg case by saying that the poster for Moscow on the Hudson was not a parody of Steinberg's famous representation of a New Yorker's myopic view of the world, while the Naked Gun ad was a parody. This distinction was what Paramount needed to defeat Leibovitz's claim, but the distinction couldn't have been counted on in advance. In *MGM v. American Honda* (ELR 18:2:9), for example, the court found that a Honda television commercial parodied the action film genre rather than the James Bond character in particular, and on that basis, the court rejected Honda's fair use defense.

*Leibovitz v. Paramount Pictures Corp.*, 948 F.Supp. 1214, 1996 U.S.Dist.LEXIS 19263 (S.D.N.Y. 1996) [ELR 19:5:9]

**Character played by Chuck Norris in CBS series "Walker, Texas Ranger" may be substantially similar to character Norris played in movie "Lone Wolf McQuade"; but federal court dismisses infringement claim by company that had purchased movie's copyright from Orion Pictures, because Orion had retained TV rights to movie and CBS had obtained TV license from Orion**

Chuck Norris fans will remember his 1983 movie "Lone Wolf McQuade" in which Norris starred as J.J. McQuade, a Texas Ranger who uses martial arts. Those same fans have made the current CBS television series

"Walker, Texas Ranger" an enormous success. The series stars Chuck Norris as Cordell Walker, a Texas Ranger who uses martial arts. The similarities between McQuade and Walker are obvious. But are they actionable? That was the question that was posed in an infringement action filed by a company known as Lone Wolf McQuade Associates, the owner of the copyright to Norris' 1983 movie.

"Lone Wolf McQuade" has had three owners, over the years. It was produced by a company known as 1818 Productions, which sold it to Orion Pictures, which sold it to Lone Wolf McQuade Associates. When Orion sold to McQuade Associates, Orion expressly retained certain rights, including remake and sequel rights and "television series rights." In the early 1990s, Orion and CBS discussed the possibility of doing a TV series based on "Lone Wolf McQuade," but no deal was made.

Instead, in 1993, CBS introduced "Walker, Texas Ranger."

The similarities between the "McQuade" movie and the "Walker" TV series triggered two infringement claims against CBS, one by Orion and another by McQuade Associates. Eventually, in December 1996, Orion and CBS settled. As part of that settlement, Orion granted CBS a license to use "Lone Wolf McQuade" in connection with the "Walker, Texas Ranger" series, retroactive back to the beginning of 1990. McQuade Associates was not a party to that settlement, however.

Instead, McQuade Associates and CBS continued to litigate; and in due course, they filed cross-motions for summary judgment. Though McQuade Associates won some points, CBS won more; and Judge John Koeltl has dismissed most of McQuade Associates' claims.

The judge rejected CBS's argument that the "McQuade" and "Walker" characters are not substantially similar to one another, as a matter of law. Instead, the judge found that "there are numerous characteristics that are common to both J.J. McQuade and Cordell Walker that contribute to an overall perception of the characters and the works as similar. These similarities include the two characters' approaches to law enforcement, style, fighting technique, characteristic behavior, and methods of operation as modern-day Texas Rangers, their portrayal by Chuck Norris, their attitudes toward authority and rules, and their style of attire and choice of vehicle."

For these reasons, the judge said, a "reasonable jury could conclude that the total combination of all the traits of Cordell Walker are substantially similar to those of J.J. McQuade and not simply reminiscent of that character." Thus, Judge Koeltl refused to grant CBS's

motion for summary judgment on this ground. But he also refused to grant McQuade Associates' counter-motion on the copyright infringement issue, saying: "although there are definite similarities between the two works, whether these similarities rise to the level of substantial similarity is a disputed issue of material fact that cannot be resolved upon this motion."

The judge did, however, grant CBS's motion for summary judgment on the alternative ground that the network had obtained a television license from Orion. McQuade Associates had argued that Orion's license was invalid for a number of reasons, all of which the judge rejected. The judge also dismissed McQuade Associates' misappropriation claim, because it was preempted by copyright law.

Despite CBS's successes, the case was not dismissed entirely, because of remaining issues about whether Orion had retained (and thus conveyed to CBS)

videocassettes rights, and whether CBS had marketed its series in a way that would have caused viewer confusion about its source.

*Lone Wolf McQuade Associates v. CBS Inc.*, 961 F.Supp. 587, 1997 U.S. Dist. LEXIS 4836 (S.D.N.Y. 1997) [ELR 19:5:9]

### **Unauthorized "Seinfeld" trivia book infringes Castle Rock's copyright to TV series episodes, federal court rules; court rejects fair use defense asserted by book's author and publisher**

Beth Golub is a lawyer. Like many others in her profession, Golub aspired to do something more creative, and she did. She conceived and then authored a trivia book about the popular TV series *Seinfeld*. The

book - entitled, appropriately enough, The Seinfeld Aptitude Test - contains 643 trivia questions about the events and characters in the series. Apparently the book is quite good. NBC has distributed copies of it in connection with promotions for the show. And even the program's executive producer has said it's "a fun little book."

The one thing to book is not is authorized. The copyright to Seinfeld is owned by Castle Rock Entertainment. While Castle Rock has licensed the publication of one Seinfeld book - The Entertainment Weekly Seinfeld Companion - neither Golub nor her publisher, Carol Publishing Group, sought or were given a license for their trivia book. The result of course was that Castle Rock sued for copyright infringement. And federal District Court Judge Sonia Sotomayor has ruled in Castle Rock's favor.

Golub and Carol Publishing responded to Castle Rock's infringement claim with a creative argument. According to them, The Seinfeld Aptitude Test "does not copy [Castle Rock's] protected expression, but merely quizzes readers as to the show's underlying facts and ideas." Facts and ideas are not protected by copyright. But Judge Sotomayor said this argument was based on a "false premise." The book does not ask "factual" questions about Seinfeld, like the names of the actors, directors and producers involved in the series, or how many seasons it's been on the air.

Instead, the book asks questions about events depicted during episodes of the program. "The facts depicted in a Seinfeld episode, however, are quite unlike the facts depicted in a biography, historical text, or compilation. Seinfeld is fiction; . . . the `facts' in the various Seinfeld episodes . . . are plaintiff's creation. . . . In other words, by copying `facts' that plaintiff invented, [the

book] `appropriates [plaintiff's] original contributions." And those are protected by copyright.

Golub and Carol Publishing also argued that the fair use doctrine insulated them from liability. The judge did the four factor analysis required by section 107 of the Copyright Act, and concluded that only one - the nature of the book, which she said was "transformative" - favored fair use. The remaining three weighed against fair use: *Seinfeld* is a work of fiction; the book drew on "essential" elements of the program; and the book occupied a market for derivative works based on the series "which plaintiff . . . must properly be left to control."

For these reasons, Judge Sotomayor granted Castle Rock's motion for summary judgment with respect to copyright infringement liability.

*Castle Rock Entertainment v. Carol Publishing Group, Inc.*, 955 F.Supp. 260, 1997 U.S.Dist.LEXIS 2066 (S.D.N.Y. 1997) [ELR 19:5:10]

**Court of Appeals affirms preliminary injunction barring distribution of book about O.J. Simpson case written and illustrated in style that parodies "Cat in the Hat," in copyright and trademark case brought by Dr. Seuss Enterprises against Penguin Books and Dove Audio**

Dr. Seuss Enterprises has prevailed for a second time in its copyright and trademark case against the publishers of *The Cat NOT in the Hat!*, a book about the O.J. Simpson case that parodies the style of Dr. Seuss in text and illustration. In an opinion by Judge Diarmuid O'Scannlain, the Ninth Circuit Court of Appeals has

affirmed a preliminary injunction issued by District Judge Napoleon Jones (ELR 18:9:16). The preliminary injunction barred Penguin Books and Dove Audio from distributing some 12,000 copies of the book which apparently had been printed, though not yet bound, at the time Dr. Seuss Enterprises filed its complaint.

The preliminary injunction was based in part on the similarities between the Penguin/Dove book's cover illustration and the cover illustration of Dr. Seuss's *The Cat in the Hat*, including the Cat's stovepipe hat. These similarities led the District Court to find that Dr. Seuss Enterprises had shown it was likely to succeed on the merits of its copyright infringement claim - a finding that the appellate court concluded was "not clearly erroneous."

Dr. Seuss Enterprises' trademark claims were based on the same visual similarities it had relied on to show copyright infringement, as well as similarities

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between the titles of the two books and names of their narrators: The Cat in the Hat versus The Cat NOT in the Hat; and "Dr. Seuss" versus "Dr. Juice." On the trademark claim, the District Court found there to be serious questions for litigation and a balance of hardships that favored Dr. Seuss Enterprises. The appellate court concluded that this finding too was "not clearly erroneous."

The real parody - and wit - of The Cat NOT in the Hat! came from the style of its poetry, rather than from its visual elements and title. On appeal, Penguin and Dove attempted to salvage some of their book's value by arguing that the preliminary injunction was overbroad, because it barred them from distributing the entire book even though all of its offending elements were on its cover. But the appellate court rejected this argument, saying that they had created the "all-or-nothing predicament" about which they were then complaining.

"Even though the book had not yet been bound when Seuss initiated this action," Judge O'Scannlain explained, "Penguin and Dove still went forward with their production schedule and completed the stitching and binding. As a result, the publisher can no longer alter the final product to eliminate the infringing elements. Penguin and Dove's decision left the court no choice but to enjoin the entire book." And for that reason, the Court of Appeals rejected their overbreadth argument as well.

*Dr. Seuss Enterprises v. Penguin Books*, 109 F.3d 1394, 1997 U.S.App.LEXIS 5822 (9th Cir. 1997) [ELR 19:5:11]

**Andrew Lloyd Webber loses copyright infringement counterclaim against songwriter Ray Repp; court finds that Repp did not have access to Webber's song "Close Every Door," and that Repp's song "Till You" was not sufficiently similar to Webber's song to infer that Repp copied it**

A long copyright infringement battle between composer Andrew Lloyd Webber and songwriter Ray Repp has come at last to an end. But after pre-trial motions (that produced three published opinions) and a five-day trial, the two men are back where they started. Federal District Judge Shirely Kram has ruled that neither of them copied songs from the other; and thus both of their claims and counterclaims have been dismissed.

The case began several years ago when Repp sued Webber, alleging that Webber's song "The Phantom of the Opera" infringed the copyright to a song

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written by Repp entitled "Till You." In 1994, Judge Kram granted Webber's motion for summary judgment, and dismissed Repp's complaint, for three reasons. First, Judge Kram found that Repp had failed to show that Webber had access to Repp's song. Second, she found that "Till You" and "Phantom" are not strikingly similar. And third, she noted that Repp had failed to submit evidence to contradict Webber's proof of independent creation. (ELR 16:9:3)

Before Webber's summary judgment motion was granted, he filed a counterclaim against Repp alleging that Repp's song "Till You" infringed the copyright to "Close Every Door," a song written by Webber for his musical "Joseph and the Amazing Technicolor Dreamcoat." Following the dismissal of Repp's complaint, Repp sought summary judgment on Webber's counterclaim, relying on some of the same arguments that had succeeded for Webber. Repp's motion was

denied, however, in 1995. (ELR 17:10:5) The following year, after conducting additional discovery, Repp renewed his summary judgment motion, time arguing that Webber's counterclaim was barred by the statute of limitations; but that motion was denied as well. (ELR 18:4:5)

The case then went to trial before Judge Kram, sitting without a jury. At the trial's conclusion, Judge Kram has ruled in favor of Repp, on two grounds. First, the judge found that the evidence would not support an inference that Repp had had access to Webber's "Close Every Door" during the time between the time that song was first published and the time Repp wrote "Till You." While recordings and sheet music of "Close Every Door" had been sold during that period, and the song had been performed on stage and radio, Repp testified that he had not heard it until after writing his own song.

And the judge said she had been "given no persuasive reason to doubt the veracity of this representation."

Second, while the two songs are similar in many ways, some of those similarities are "musical devices" that are "among the most common devices used in music." Moreover, the two songs are "entirely different" in several other ways. Because the similarities were not necessarily significant, and because of the songs' differences, the judge concluded that "Webber has failed to establish that Repp copied `Close Every Door.'"

*Repp v. Webber*, 947 F.Supp. 105, 1996 U.S. Dist. LEXIS 18066 (S.D.N.Y. 1996) [ELR 19:5:11]

**Publicity, privacy and Lanham Act rights of Black Panther co-founder Bobby Seale were not violated by Gramercy Pictures' movie "Panther" or its soundtrack album, federal District Court rules**

In 1966, civil rights activist Bobby Seale co-founded the Black Panther Party. Almost 30 years later, Gramercy Pictures produced and released the movie "Panther," a "docudrama" in which the real-life leaders of the Black Panthers - including Seale - were portrayed by actors. Photos of the actors were used to advertise the movie, and were used on the covers of its homevideo and soundtrack album. None of this was done with Seale's consent, however. And thus Seale filed a lawsuit against Gramercy, Polygram and others, alleging right of publicity, false light invasion of privacy, and Lanham Act claims.

In a two-stage proceeding, federal District Judge Raymond Broderick has given careful and respectful consideration to Seale's assertions. But in the end, the judge ruled against Seale and in favor of Gramercy, Polygram and the other defendants, on all counts.

In the first stage of the case, Judge Broderick granted the defendants' motion for summary judgment with respect to Seale's right of publicity and Lanham Act claims based on the release of the movie and homevideo. The judge ruled that under the Restatement (Third) of Unfair Competition, the use of a person's name and likeness in a motion picture, or to advertise a motion picture, does not constitute a use "for the purposes of trade," and thus does not violate that person's right of publicity. Moreover, the judge held, the use of Seale's name and likeness in the movie, on the cover of the homevideo, and to promote the movie was protected by the First Amendment. Likewise, Judge Broderick ruled

that the use of Seale's name and likeness in these ways did not violate the Lanham Act.

Seale's remaining claims were litigated before Judge Broderick in a week-long trial. Based on evidence the judge heard during that trial, he rejected Seale's false light invasion of privacy claim. The judge held that one objected-to scene did not in fact portray Seale in a false light. A second objected-to scene did depict Seale in a false light, Judge Broderick found. But since Seale is a public figure, he had to prove that the defendants had acted with actual malice; and the record did not show malice. Rather, the judge found that the evidence showed that the defendants "took substantial efforts to ensure the historical accuracy of the film's depiction of Bobby Seale." Among other things, two consultants - the first woman member of the Black Panthers and a University of California history professor - were hired to

work on the movie. For this reason, the judge dismissed Seale's false light invasion of privacy claim as well.

Finally, Judge Broderick dismissed Seale's right of publicity and Lanham Act complaints about the cover of the movie's soundtrack album. In so ruling, the judge explained that there was no evidence that the album's use of photographs of the actor who portrayed Seale was for the "purposes of trade," nor did the photographs suggest that Seale endorsed, approved or was otherwise affiliated with the album.

*Seale v. Gramercy Pictures*, 949 F.Supp. 331, 1996 U.S. Dist. LEXIS 18768 (E.D. Pa. 1996); 964 F.Supp. 918, 1997 U.S. Dist. LEXIS 7341 (E.D. Pa. 1997) [ELR 19:5:12]

**Fred Astaire's widow loses right of publicity suit against producer of instructional dance videos that contain clips from two movies showing Astaire dancing; federal appellate court rules that California statute exempts use of clips of deceased personalities in videos**

Legendary performer Fred Astaire has been called "the world's greatest dancer," and many of his now classic movies portrayed him doing just that - dancing. Though Astaire passed away in 1987, his dance performances live on, most recently in a series of instructional dance videos produced and distributed by Best Film & Video Corp. These videos are about 30 minutes long, and they begin with 90-second clips from two of Astaire's movies, *Second Chorus* and *Royal Wedding*. The clips show Astaire dancing, and are followed by a

narrator who then introduces the series and the instructional portion of the video.

California Civil Code section 990 prohibits certain commercial uses of the name or likeness of a "deceased personality" without the consent of the surviving spouse (or other heirs). So when Best began distributing its dance videos without the consent of Astaire's widow, Robyn Astaire, she sued. Astaire's widow was successful at first; federal District Judge David Kenyon granted summary judgment in her favor. But the Ninth Circuit Court of Appeals has reversed, and has ordered that judgment be entered in favor of Best.

In an opinion by Judge Charles Wiggins, the Court of Appeals has ruled that the use of clips of Astaire's performances are exempt from right of publicity liability, under a specific provision of the very statute on which Astaire's widow had relied in her attempt to recover from Best in the first place. Paragraph (n) of

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California Civil Code section 990 provides that the section does not apply to the use of a deceased personality's name or likeness in a "film." Technically, Best's videos were not films, but the appellate court concluded that the term "film" includes pre-recorded videotapes.

Astaire's widow then argued that even if Best's videos are "films," they nevertheless are not exempt, because although the statute exempts films, it goes on to provide that "an advertisement or commercial announcement [is] not exempt," even if it is a film. The appellate court was not persuaded however, because the statute specifically does exempt advertisements and commercial announcements for films, television programs, books and certain other things. And in this case, even if the Astaire dance clips were considered to be advertisements for the rest of the videos, they were exempt advertisements because the videos are films.

The appellate court also rejected an argument made by Astaire's widow that the exemption for films "is limited to `legitimate historical, fictional, and biographical accounts of deceased celebrities.'" Judge Wiggins said that the language of the statute "should be given its ordinary and usual meaning," and given that meaning, "Best's use of the Astaire film clips is accordingly exempt."

Judge Mary Schroeder dissented.

*Astaire v. Best Film & Video Corp.*, 116 F.3d 1297, 1997 U.S.App.LEXIS 14820 (9th Cir. 1997) [ELR 19:5:13]

**Actress Bettie Page loses right of publicity lawsuit against distributor of videos of movies in which she starred in 1950s; court rules that distributor has First Amendment right to use newly created artistic drawing of Page in advertising for videos, and court awards distributor \$82,500 in attorneys' fees incurred in successful defense of case**

During the 1950s, Bettie Page was a very successful model and actress. Her photographs appeared in such magazines as Playboy and Art Photography. And she starred in plays, television programs and movies, including two movies produced by Irving Klaw entitled Varietease and Teaserama.

Page retired in 1957, but in recent years, interest in her has revived; and she has become a "cult queen" and "nostalgic icon" - so much so, she says, that her

likeness has become as recognized as those of James Dean and Marilyn Monroe.

Given Page's recently rejuvenated popularity, it is not surprising that Varietease and Teaserama have found new life as videocassettes. Indeed, Something Weird not only released the two movies on cassette, it re-cut them into new versions. And it commissioned an artist to create a new, original, artistic drawing of Page which Something Weird uses in its advertising and on the video box covers for Page's movies.

Page did not dispute Something Weird's right to distribute the video versions of her movies, nor even its right to advertise them with photographs taken from the movies themselves. She did however contend that Something Weird violated her right of publicity, under California common law and California Civil Code section 3344, when the distributor used a drawing of her - rather than a photograph - to advertise the videos.

Early in the case, federal District Judge Richard Paez rejected Something Weird's contention that New York law should be applied in this case, rather than California law (ELR 18:3:8). But as the case turned out, the difference between the laws of those two states did not matter much; and to the extent it did, the difference actually appears to have favored Something Weird, rather than Page.

In response to cross-motions for summary judgment made by both Page and Something Weird, Judge Paez has ruled that Page's action is barred by the First Amendment. He held that the distributor's use of Page's likeness in advertising her two movies was "incidental" to the release of the videos. And since the videos themselves are protected by the First Amendment, advertising for them is protected by the First Amendment as well. The law makes no distinction, Judge Paez ruled, between "the use of a still image from the film and `new

artwork' which depicts the likeness of [Page] as seen in the films."

The distributor's First Amendment right to use Page's name and likeness extended to its use of her name in the company's catalog, which promoted other videos as well as the two in which she appeared, Judge Paez also ruled.

California Civil Code section 3344 provides that the "prevailing party" in a right of publicity case is entitled to attorneys' fees and costs. New York law does not have an equivalent provision, so ironically, Something Weird benefited from the court's earlier ruling that California rather than New York law applies in this case. Since Something Weird was the prevailing party, Judge Paez awarded it almost \$82,500 in attorneys' fees.

*Page v. Something Weird Video*, 960 F.Supp. 1438, 1996 U.S.Dist.LEXIS 20757 (C.D.Cal. 1996) [ELR 19:5:13]

**Elvis Presley Enterprises obtains injunction barring "The Velvet Elvis" nightclub from using aspects of Elvis' persona in advertising, but court permits nightclub to use "The Velvet Elvis" service mark and display Elvis memorabilia as decor**

In 1991, Barry Capece opened a nightclub in Houston - one whose decor was intended to remind patrons "not to take themselves nor the world they live in too seriously." Capece decorated his club with "bad, albeit once widely popular, art." The art works he used were velvet paintings of celebrities like Stevie Wonder,

Chuck Berry and Bruce Lee, as well as a collection of velvet nudes.

One of the "more coveted" of these velvet paintings was of Elvis Presley, so Capece named his club "The Velvet Elvis." He even registered that name as a service mark with the U.S. Patent and Trademark Office, without any objection - at the time - by Elvis Presley Enterprises.

Elvis Presley Enterprises is the owner of Elvis' trademarks, tradenames and publicity rights; and it does a multi-million dollar a year business in licensing and sales. So although Presley Enterprises did not object to the registration of "The Velvet Elvis" at first, it is not surprising that eventually it did. Its objections were asserted in a federal court lawsuit alleging trademark infringement and dilution and violation of the right of publicity. The case was tried before District Judge Vanessa Gilmore, and Presley Enterprises has

succeeded, but only partially so. On balance, in fact, Capece was probably the happier of the two litigants.

Judge Gilmore did a careful multi-factor trademark infringement analysis, and concluded that "The Velvet Elvis" service mark and the use of Elvis memorabilia as decor do not create a likelihood of confusion, and thus do not infringe Presley Enterprises' trademarks.

The judge also ruled that "The Velvet Elvis" does not dilute Presley Enterprises' trademarks. This was so, she explained, because humorous uses do not generally cause blurring, the way other uses might; and because even though some Elvis fans might consider "The Velvet Elvis" to be "in poor taste," it is "not likely to prompt an unsavory or unwholesome association in consumers' minds with the `Elvis' or `Elvis Presley' trademarks" so that "a tarnishment claim cannot be sustained."

Finally, Judge Gilmore concluded that "The Velvet Elvis" service mark "does not amount to an

unauthorized commercial exploitation of the identity of Elvis Presley," because it "represents an art form reflective of an era that Elvis helped to shape" and was adopted by Capece "for this reason - not because of its identification with Elvis Presley." Thus "The Velvet Elvis" does not violate Presley Enterprises' right of publicity. Likewise, the use of Elvis memorabilia as decor "does not amount to any [right of publicity] violation as it is not intended for the purpose of advertising, selling, or soliciting the purchase of products, merchandise, goods or services. In other words, the function of the memorabilia is not to promote a product or capitalize on the personality of Elvis himself but rather to recreate an era of which Elvis was a public part."

On the other hand, the judge reached "a different conclusion with respect to the use of Elvis imagery and indicia of his persona in . . . advertisements." The ads infringed Enterprises' trademarks, because they were not

connected with the nightclub's "parodic purpose," and because "pictures and images of Elvis Presley would, to the ordinary customer without knowledge of the underlying parody, leave the distinct impression that the bar's purpose was to pay tribute to Elvis Presley or to promote the sale of . . . products and services" related to those sold by Presley Enterprises.

Also, the judge found that the use of pictures or images of Elvis in advertisements for "The Velvet Elvis" was "unquestionably" an "unlawful appropriation of the identity of Elvis Presley," and as such a violation of Presley Enterprises' right of publicity.

For these reasons, the judge enjoined Capece from using "the image and likeness of Elvis Presley, [and] phrases that are inextricably linked to the identity of Elvis" and from "displaying the `Elvis' portion" of the service mark "in print larger than that used for its

counterpart "Velvet" in connection with "the promotion or advertising of "The Velvet Elvis."

But the judge denied Presley Enterprises' request for an injunction that would have prohibited Capece from continuing to use "The Velvet Elvis" service mark, and she denied Presley Enterprises' request for an award of profits and attorneys fees.

*Elvis Presley Enterprises, Inc. v. Capece*, 950 F.Supp. 783, 1996 U.S.Dist.LEXIS 20695 (S.D.Tex. 1996) [ELR 19:5:14]

**Right of publicity claims by unpaid movie actors, complaining of CBS's distribution of "Legend of the White Horse" videos, are preempted by copyright law, California appellate court rules**

Stephan Fleet and Archie Lee Simpson were actors in the "Legend of the White Horse." The movie was independently produced by a company known as White Dragon Productions, and distribution rights in all media throughout the world were pre-sold to CBS for \$1.25 million.

During production, Performance Guarantees, Inc. (the movie's completion bond company) took over the project and completed the film but refused to pay the balance of Fleet and Simpson's salaries. As a result, the two actors notified CBS that since they had not been paid, CBS could not use their names and likenesses in connection with distribution of the movie. Having

already paid \$1.25 million for distribution rights, CBS released the movie nonetheless, on videotape.

Fleet and Simpson then sued CBS for misappropriating their names and likenesses in alleged violation of California Civil Code section 3344 - California's right of publicity statute. CBS responded with a motion for summary judgment, arguing that it owns the movie's copyright and therefore Fleet and Simpson's claims are preempted. The trial court agreed and granted CBS's motion. And the California Court of Appeal has affirmed.

In an opinion by Associate Justice Baron, the appellate court has ruled that the dramatic performances given by Fleet and Simpson during the movie's production had been fixed in a tangible medium - namely, film - and thus their performances came within the subject matter of federal copyright. In addition, they were seeking to prevent CBS from distributing the movie, and thus

they were making a claim that is equivalent to an exclusive right of copyright. For these reasons, Justice Baron agreed that Fleet and Simpson's claims are preempted by copyright.

In so ruling, Justice Baron cited with approval the *Baltimore Orioles v. Major League Baseball Players* case (ELR 8:11:7), in which the Seventh Circuit Court of Appeals rejected, on copyright preemption grounds, right of publicity claims made by professional baseball players against Major League Baseball on account of the televising of baseball games.

Fleet and Simpson had relied on the United States Supreme Court's landmark right of publicity decision in *Zacchini v. Scripps-Howard Broadcasting*, 433 U.S. 562 (1977). But Justice Baron distinguished that case on the grounds that *Zacchini* had never consented to the taping of his human cannonball act by Scripps-Howard, while Fleet and Simpson had agreed that their performances

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could be filmed by White Dragon Productions. Justice Baron also distinguished other right of publicity cases on which Fleet and Simpson had relied, on the grounds that those cases had involved still photos of the plaintiffs, or the mere use of their names, and thus those cases had not involved copyrightable "subject matter." In this case, Justice Baron emphasized, Fleet and Simpson's performances were "dramatic," and as such, fell squarely within the Copyright Act's definition of copyrightable subject matter.

*Fleet v. CBS, Inc.*, 58 Cal.Rptr.2d 645, 1996 Cal.App. LEXIS 1119 (Cal.App. 1996) [ELR 19:5:15]

**Music publisher that acquired copyright to "Bye Bye Blackbird" from songwriters' children during 19-year extension period is entitled to receive mechanical royalties from "Sleepless in Seattle" soundtrack album, rather than the publisher that owned song's copyright before children had terminated its rights, even though soundtrack album contained recording of song made prior to termination**

Ordinarily, precision is preferred to ambiguity when drafting contract language. However, in a dispute between two music publishing companies over which is entitled to mechanical royalties from the "Sleepless in Seattle" soundtrack album, one publisher has been hoisted on the petard of its own contract's specificity; and thus it lost out on royalties it otherwise would have received.

One of the cuts on the "Sleepless in Seattle" soundtrack album is Joe Cocker's recording of "Bye Bye Blackbird," a song written by Mort Dixon and Ray Henderson in 1926. The copyright to that song was renewed in 1953, and the renewal term was assigned to (a predecessor of) Warner/Chappell Music. In 1969, Warner/Chappell granted a mechanical license to A&M Records, authorizing it to make and sell "Record No. SP 4182" by "Recording Artist Joe Cocker."

The copyright to "Bye Bye Blackbird" would have expired in 1982, but for an important change in the law that became effective before then. The Copyright Act of 1978 added an additional 19 years to the renewal terms of copyrights. This new provision also gave authors (or their heirs) the right to terminate prior grants in order to recapture the 19-year extension for themselves. But the law also provided that those who had made derivative works before such termination have the

right to continue to exploit those derivative works, under the terms of the prior grant, even after the grant is terminated. (Copyright Act sec. 304(c)(6))

Dixon and Henderson had passed away by 1982, so the law gave their children the right to terminate Warner/Chappell's ownership of the copyright to "Bye Bye Blackbird." They did, and then sold the song's copyright to Fred Ahlert Music Corp. Thereafter, licenses for new recordings of the song would be issued by Ahlert Music, and royalties for those recordings would go to it.

For a while, it looked (to many) as though Ahlert Music also would be entitled to receive any post-1982 royalties earned from further sales of the 1969 Joe Cocker recording of the song. But in 1985, in *Mills Music v. Snyder* (ELR 6:9:8), the Supreme Court held that a music publisher is entitled to continue receiving mechanical royalties paid by record companies pursuant to

mechanical licenses issued by that publisher, even after songwriters (or their heirs) terminate the publisher's rights and recapture ownership of the 19-year extension terms.

Since the "Sleepless in Seattle" soundtrack album included the 1969 Joe Cocker recording of "Bye Bye Blackbird" that Warner/Chappell had licensed to A&M Records, Warner/Chappell naturally believed that the Mills Music v. Snyder decision meant that it was entitled to the royalties generated by the soundtrack album. This, however, is where the very precision of the Warner/Chappell license to A&M Records worked against Warner/Chappell.

Federal District Judge Harold Baer has ruled that while Warner/Chappell is entitled to continue to receive royalties from mechanical licenses it granted, the license it granted to A&M Records was for "Record No. SP 4182" only. The "Sleepless in Seattle" album is a

different recording. And thus Ahlert Music is entitled to receive the royalties the album generates, not Warner/Chappell.

Editor's note: Judge Baer cited and paraphrased Kohn on Music Licensing in support of his conclusion, because that book - a leading text on music publishing law and practices - explained that "by using a record number on a license, a licensor limits the license to that configuration (i.e., phonorecord rather than CD), so that if the licensee wishes to use a different configuration, he must obtain another license." This appears to mean that even if A&M Records itself was the company that released the "Sleepless in Seattle" soundtrack album, and even if Warner/Chappell were still the owner of the copyright to "Bye Bye Blackbird," A&M Records would have had to obtain a new license from Warner/Chappell to do so; the old license for "Record No. SP 4182" would not have been sufficient. If so, then

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Judge Baer's decision is correct. There is some irony in the judge's reliance on Kohn on Music Licensing. Its co-author, Al Kohn, was Vice President of Licensing for Warner/Chappell prior to his retirement several years ago.

*Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, 958 F.Supp. 170, 1997 U.S. Dist. LEXIS 4871 (S.D.N.Y. 1997) [ELR 19:5:16]

**Actress Hunter Tylo does not have to answer deposition questions about her marital relationship, but does have to answer questions concerning her attempts to become pregnant, in suit against Spelling Entertainment after it terminated her contract to appear in "Melrose Place" when she became pregnant**

Actress Hunter Tylo thought she was going from daytime to primetime, but wound up in court instead. And the dispute that takes her there seems suitable for a plotline on both of the television shows in question.

In February 1996, Tylo had been a regular on "The Bold and the Beautiful" when Spelling Entertainment signed her to appear in at least eight episodes of the forthcoming season of "Melrose Place." Her new role had not yet been created. But her contract with Spelling did contain a customary clause that said it

could be terminated if there were "any material change in [Tylo's] appearance."

A month after signing the contract, Tylo learned that she was pregnant and immediately informed Spelling so the "Melrose Place" writers could account for pregnancy in developing her character. Instead, Spelling terminated Tylo's contract, "because this character is by necessity not pregnant. . . ." Tylo responded by suing Spelling for breach of contract, employment discrimination and related claims. Among other things, she sought damages for emotional distress and for Spelling's alleged failure to tell her that she couldn't be in the series if she became pregnant.

Early in the case, Spelling's lawyers took Tylo's deposition and asked her a series of questions about her relationship with her husband, and about her efforts to become pregnant. Tylo's lawyers objected to both lines of questions, on the grounds that they invaded her right

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to privacy under the California Constitution. But the trial court ordered Tylo to answer. Tylo then petitioned the California Court of Appeal which has issued a ruling that gives each side half a loaf.

Spelling's defense to Tylo's claim for emotional distress damages was that her distress really arose from the near breakup of her marriage, as had been reported in several articles. But in an opinion by Justice Hastings, the appellate court ruled that before Tylo could be asked about her relationship with her husband, Spelling had to first identify the emotional injuries Tylo claimed were the result of being terminated, and then show there is a "nexus" between those damages and any emotional damages that may have arisen out of her marital relationship. Since Spelling had not yet made that showing, the appellate court ruled that this line of questions violated Tylo's right of privacy.

On the other hand, the questions that concerned her efforts to become pregnant were permissible, because she knew there was a "change of appearance" clause in her contract, and thus if she were actively trying to become pregnant when she signed the contract, she may not have relied on Spelling's failure to specifically tell her that she could not have the part if she became pregnant.

*Tylo v. Superior Court*, 64 Cal.Rptr.2d 731, 1997 Cal. App.LEXIS 508 (Cal.App. 1997) [ELR 19:5:17]

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