# WASHINGTON MONITOR

## Librarian of Congress affirms arbitration decision that substantially increases compulsory license fees payable by satellite TV companies for retransmission of superstation and network TV signals; studios, networks and sports leagues may triple their satellite retransmission income

Producers, sports leagues, music publishers and other copyright owners have won a significant victory in their bid to be paid greater royalties by satellite TV companies - like DirectTV and PrimeStar - that retransmit superstation and network TV signals. The Librarian of Congress has affirmed a substantial increase in the fees payable by satellite TV companies under the compulsory license provision of the Copyright Act.

From 1992 through the end of 1997, satellite TV companies paid 14 or 17.5 cents per subscriber per month to retransmit the signals of superstations such as WTBS in Atlanta and WGN in Chicago, and paid an additional 6 cents per subscriber per month to retransmit network stations such as those affiliated with ABC, CBS and NBC.

As a result of the order of the Librarian of Congress, satellite TV companies will have to pay 27 cents per month per subscriber in order to retransmit superstation signals and an additional 27 cents per subscriber per month to retransmit network signals. The new rate takes effect on January 1, 1998. It has been estimated that the fee increase will boost the satellite retransmission income of studios, TV networks and sports leagues from $30 million to $90 million a year. Satellite companies pay these fees to the Copyright Office which later distributes the fees among the owners of the copyrights to programming broadcast by superstations and network affiliates and retransmitted by satellite TV companies.

The increase applies only in those fees paid by satellite TV companies for retransmitting the signals of superstations and network affiliates. Satellite TV companies are permitted to retransmit such signals under a compulsory license created by Congress in the Satellite Home Viewer Act of 1988. (See "Legislative Accomplishments of the 100th Congress" by David Goldberg (ELR 10:10:10)) The Satellite Home Viewer Act (which added section 119 to the Copyright Act) is similar to the compulsory license for signal retransmission that was given to cable TV systems in 1978 (and which is found in section 111 of the Copyright Act).

The license fees paid by satellite TV companies to carry channels like CNN, ESPN and HBO are not covered by the Librarian's ruling, because those channels are not covered by the satellite (or cable) compulsory license. Instead, the fees paid for those types of channels are negotiated between satellite (and cable) companies on the one hand and channel operators on the other.

Whenever Congress creates a compulsory license, it also must create a method by which the amount of the license fee will be determined. The satellite TV compulsory license was set to expire at the end of 1994, but Congress extended the license for another five years. In 1993, Congress transferred both rate-setting and royalty distribution duties to a Copyright Arbitration Royalty Panel (abolishing the oft-criticized Copyright Royalty Tribunal). The Panel's decision was made subject to review by the Register of Copyrights who was to make a recommendation to the Librarian of Congress who was to make a final order that is subject to review by the federal Court of Appeals.

The decision to increase satellite TV license fees to 27 cents was made originally by the Copyright Arbitration Royalty Panel. Following her review, Register of Copyrights Mary Beth Peters recommended that the 27 cent rate be adopted; and Librarian of Congress James Billington has done so.

Editor's note: While copyright owners are quite pleased with the result, it has not been without controversy. Satellite TV companies object to the higher fees, of course. Their reason is this: although the satellite and cable TV compulsory licenses are similar, they are not identical. Most important, the license fees paid by satellite and cable companies are calculated in different ways. Cable companies pay pursuant to a complicated formula (rather than a flat per subscriber per month rate). And satellite TV companies say that the amount that cable companies pay is much less than the new satellite TV rate. As a result, although satellite TV companies are permitted to increase the prices they

license fees they will now have to pay, satellite TV companies are concerned that if they do so, cable companies will gain an advantage in the competition between the two industries for subscribers. The Motion Picture Association of America has urged Congress to resolve this dilemma by eliminating the satellite and cable TV compulsory licenses altogether, thus allowing license fees to be set by negotiations in a free market. So far at least, that is a solution that has not been embraced by the satellite TV industry. Although the satellite compulsory license fee was adjusted at the direction of Congress, and by the method prescribed by Congress, some sixty members of the House complained to the Librarian, and at least two Senators were so displeased with the result, they have introduced a bill that would postpone the effective date of the rate increase for a year.

*Rate Adjustment for the Satellite Carrier Compulsory License*, Library of Congress, Copyright Office, 62 Federal Register 55742 (Oct. 28, 1997) [ELR 19:8:5]

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

During 1997, the United States Copyright Office published three additional lists 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)

Three such lists also were published by the Copyright Office during 1996 (ELR 18:2:19, 18:6:26, 18:9:7). And one last list will be published during 1998. The 1998 list will be the final one, because the Act required Notices of Intent to Enforce to be filed with the Copyright Office by December 31, 1997.

*Copyright Restoration of Works in Accordance With the Uruguay Round Agreements Act*, Library of Congress, Copyright Office, 62 Federal Register 20211 (April 25, 1997), 62 Federal Register 44841 (August 22, 1997), 62 Federal Register 66765 (December 19, 1997) [ELR 19:8:6]

## IRS advises record company to report royalties paid to recording artists as "compensation for services" rather than as "royalties"; IRS declines company's request to rule on tax consequences to recording artists themselves

The Internal Revenue Service has advised a record company to report royalties it pays to recording artists as "compensation for services" rather than as "royalties," on annual information returns filed by the record company with the IRS. The IRS gave this advice to an unidentified record company in a Private Letter Ruling, in response to a request from the record company itself.

The ruling indicates that it is directed only to the record company that requested it, and that the ruling "may not be used or cited as precedent."

The IRS reasoned that the contract between the record company and its artists - one whose terms appear to be standard throughout the record industry - provides that amounts are to be paid to artists in return for their personal efforts, not for the use of any property the artists may own. Indeed, the IRS noted, recording artists have no proprietary interest in the recordings they create under the contract.

The record company also had asked the IRS for advice on the tax consequences to recording artists of the royalty payments they receive from the record company. But the IRS declined to respond to that request, saying that it only rules "on tax consequences of the taxpayer making the request."

Editor's note: The Private Letter Ruling does not indicate what the consequence might be of the distinction between reporting royalties as "compensation for services" rather than as "royalties." The information returns on which record companies report the royalties they have paid during the year include Form 1099-MISC. That form is divided into several boxes: royalties are to be reported in box 2 of the form, while compensation for services is to be reported in box 7. Thus one consequence of the Private Letter Ruling is that it advises the record company to report artist royalties in box 7 rather than box 2. The question is whether there are other more significant consequences as well. The Private Letter Ruling does not mean that record companies are necessarily required to withhold payroll taxes from artist royalties or to pay payroll taxes themselves as an employer. That is, payroll taxes do not automatically have to be withheld and paid simply because record royalties are classified as "compensation for services." Payroll taxes do have to be withheld and paid if recording artists are "employees," but not if they are not employees. For "employees," the annual information return that must be filed is a W-2 Form (rather than a Form 1099-MISC). Form 1099-MISC is filed for non-employees, from whom payroll taxes do not have to be withheld or paid by the hiring company. From the point of view of recording artists, there may be a tax-significant consequence to having royalties classified as "compensation for services" rather than as "royalties." For example, the Private Letter Ruling relies on Boulez v. Commissioner, 83 T.C. 584 (1984) (ELR 7:3:9), a case in which the Tax Court held that record royalties paid to conductor Pierre Boulez by CBS Records were "compensation for services" rather than "royalties." In that case, the distinction between royalties and compensation mattered to Boulez, because he was a French citizen who then resided in Germany; and a German-U.S. tax treaty provided that German residents did not have to pay U.S. income tax on "royalties" earned in the U.S., but did have to pay U.S. income tax on "compensation for services" earned here. Thus, in that case, Boulez did have to pay U.S. income tax on his record royalties, because they were classified as "compensation for services" rather than as "royalties."

*Internal Revenue Service Private Letter Ruling*, PLR 9725037, 1997 WL 337371 (1997) [ELR 19:8:6]

## INTERNATIONAL CASES

### United Kingdom copyright in "To Know Him Is To Love Him" reverted to songwriter Phil Spector 28 years after first publication in the United States, under AGAC form contract, British court rules; court requests further argument on whether it can rule on non-U.K. copyright claims also

Legendary record producer Phil Spector began his music industry career in 1958 when he wrote "To Know Him Is To Love Him." Though only 17 years old at the time, Spector had a good head for the business side of music, even then.

Spector was concerned that music publishers might seek to take advantage of him, so he went to the offices of the Songwriters Guild - then known as the American Guild of Authors and Composers - and he picked up a copy of the AGAC standard form music publishing contract. When Warman Music Inc. expressed interest in publishing "To Know Him Is To Love Him," Spector presented the company with the AGAC form contract, and Warman signed it.

The AGAC contract was designed to protect songwriters. Decades later, the extent to which the contract did so was tested in a case that involves a dispute over who owns the song's copyright outside the United States and Canada, now that 28 years and more have passed since it was first published in the U.S. The dispute arose because of conflicting interpretations of provisions of the AGAC form contract - a dispute that a British court has resolved, at least in part, in favor of Mother Bertha Music, which is Spector's current publisher, and against Bourne Music Limited, which is the British company to which Warman assigned all of the song's copyrights outside the U.S. and Canada.

Mother Bertha's claim to copyright ownership is based on Paragraph 1 of the AGAC contract. In that paragraph, Spector assigned to Warman his copyright in the song "throughout the entire world . . . for the original term of the United States copyright or for the period of twenty-eight years from the date of publication in the United States, whichever may be shorter. . . ." Warman thereafter assigned the song's copyright to Bourne "for the entire world exclusive of the United States and Canada . . . for the life of the copyright and any and all extensions or renewals thereof within the control of the American Publisher . . . ."

According to Mother Bertha, since paragraph 1 gave Warman the copyright outside the U.S. and Canada only for "twenty-eight years from the date of the publication in the United States," 28 years was all that Warman controlled, and thus that was all that Bourne received as a result of the assignment from Warman.

Chancery Division Justice Ferris agreed that this was correct, and so he ruled that in 1986 - 28 years after the song was first published in the U.S. in 1958 - Bourne's interest in the song's copyright automatically reverted to Spector who later assigned it to Mother Bertha when he formed that company in 1988 (and named it after his own mother, Bertha Spector).

Bourne's claim to continued ownership of the copyright was based on Paragraph 8 of the AGAC contract. It too provided that "All . . . copyrights . . . throughout the world shall revert to the Writer . . . at the end of twenty-eight years from the date of publication in the United States. . . ." But Paragraph 8 went on to say that "The Publisher shall, at the expiration of the said period, execute any and all documents which may be necessary . . . to revest in the Writer any copyright in the United States or any other countries throughout the world; provided, however, . . . if the Writer shall sell or assign to some person other than the Publisher, his . . . copyright in the composition in the United States or elsewhere . . . for the period beyond said original term of twenty-eight years . . . then unless there shall have been given to the Publisher at least six months' written notice of an intention to offer said rights for sale . . . the assignment under Paragraph 1 hereof shall continue in respect of such rights in countries other than the United States and Canada."

Mother Bertha acknowledged that Spector never gave six-months' notice to anyone, and that is why Bourne was able to claim that Spector's assignment to Warman, and Warman's assignment to Bourne, remained valid.

Justice Ferris said he didn't think this was so, because since the reversion to Spector took place automatically after 28 years, no documents were necessary to "revest" the copyright in Spector, and thus the proviso clause of Paragraph 8 never took effect. Moreover, the justice said that even if he were wrong about the automatic reversion effect of Paragraph 1, six-months' notice would have been required only if Spector had sold his reversionary copyright interest during the first 28 year term. Since Spector didn't sell the reversionary copyright interest until 1988 - two years after the reversion took place - the notice requirement did not apply, and Bourne could not rely on the absence of notice to claim continuing ownership of the song's copyright.

As a result, Justice Ferris has declared Mother Bertha to be the owner of the song's copyright in the United Kingdom.

Mother Bertha was not entirely victorious, however. It had asked Justice Ferris to declare it the owner of the song's copyright throughout the world (not merely in the U.K.), and it sought an accounting from Bourne for all the royalties it has collected from sub-licenses everywhere in the world since 1987. The justice acknowledged that under his interpretation of the AGAC contract, Mother Bertha is probably entitled to worldwide relief. "The problem which arises," Justice Ferris added, "concerns the ability of an English court to grant financial relief in respect of acts of infringement carried out abroad."

Mother Bertha argued that since Bourne is an English company, "it would not be right to compel [Mother Bertha] to resort to proceedings in a multiplicity of jurisdictions in order to recover what is due them from such a defendant." Justice Ferris responded that "The attractions of this argument are hard to deny." But he did deny them, at least temporarily, pending further argument on the impact of a recent British decision on the question of whether a claim for the infringement of a non-U.K. copyright is "justiciable" in an English court.

Editor's note: The court's interpretation of the AGAC contract did not seem to depend on anything that was unique to British law. It is likely that an American judge would have analyzed the reversion of foreign-rights provision of the contract in the same way, and might have reached the same conclusion too. This contract interpretation portion of this decision probably will not have much impact on the music publishing industry. Language similar to that in Paragraph 8 of the AGAC contract may not appear in many publishers' contracts. Indeed, that language appeared only in the 1948 and 1969 versions of the AGAC contract; it does not appear in the 1978 version. (Copies of the various versions of the AGAC contract can be found in Kohn on Music Licensing, Second Edition, by Al Kohn and Bob Kohn.) Also, this case does not answer the still-intriguing question of whether a "Rear Window" reversion has consequences on the continued exploitation of a work outside the United States, because this case does not involve a "Rear Window" type reversion at all. (See "View from the `Rear Window': A Look at the Practical Consequences of the Supreme Court's Decision in Stewart v. Abend" by Lionel S. Sobel (ELR 12:1:3)) Instead, this case involves a contract-based reversion to a still-living songwriter. This case is significant for lawyers involved in international copyright enforcement efforts, because of its recognition that English courts may have jurisdiction to deal with infringements of non-U.K. copyrights. In the United States, federal courts do not have jurisdiction to rule on infringements alleged to have occurred entirely in another country. Until recently, the rule has been the same in the United Kingdom as well. (See "Pursuing the Home Court Advantage in International Copyright Litigation" by Lionel S. Sobel (ELR 17:4:3)). A new British case appears to have changed the rule in the U.K., however, and perhaps throughout the

European Community. The case is Pearce v. Ove Arup Partnership, [1997] All ER 31, [1997] 2 WLR 779. The plaintiff in Pearce brought an action in an English court alleging that his Dutch copyright in architectural drawings was infringed by the construction of a building in Holland. The defendants moved to strike the claim (the British equivalent of a motion to dismiss) on the grounds that such a claim could not be heard by English courts. The court disagreed, however. It ruled that by virtue of the Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, English courts may hear cases involving claims that copyrights were infringed outside of the United Kingdom. The Brussels Convention is adhered to by members of the European Community, so the Pearce decision may eventually be the basis for giving Mother Bertha the relief it seeks against Bourne throughout the entire European Community, not just the United Kingdom.

Moreover, the Pearce decision may even be the basis for giving Mother Bertha the relief it seeks worldwide, because Pearce says - in what would be called dicta in an American decision - that the Brussels Convention gives courts jurisdiction to hear civil and commercial cases involving alleged wrongs committed in countries that are not members of the European Community.

*Mother Bertha Music Limited v. Bourne Music Limited*, Chancery Division (1997) (available in LEXIS Enggen Library, Cases File) [ELR 19:8:8]

## RECENT CASES

### Novelist Barbara Chase-Riboud fails in bid to enjoin opening of "Amistad"; though novelist raised "serious questions," court concludes that she did not satisfy burden of showing she is likely to succeed on merits of claim that movie infringes copyright to her historical novel "Echo of Lions"

On the eve of the premiere of the Steven Spielberg-directed movie "Amistad," a federal District Court in Los Angeles was asked to issue a preliminary injunction that would have barred the movie's opening. The request was made by author Barbara Chase-Riboud who alleges that "Amistad" infringes the copyright to her 1989 novel Echo of Lions. As movie-goers already know, Judge Audrey Collins denied Chase-Riboud's motion, and the movie is now showing in theaters across the country.

Chase-Riboud is no stranger to copyright infringement litigation, and she has been successful in the past. Several years ago, she proved that the play "Dusky Sally" by Granville Burgess infringed the copyright to her historical novel Sally Hemmings: A Novel (ELR 13:6:6). Her "Amistad" case raises issues that are similar to those litigated in the "Dusky Sally" case, and she undoubtedly hoped for a similar outcome.

Chase-Riboud was able to assert and prove at least two dramatic and legally significant facts in her suit against Dreamworks, the company that produced and is distributing "Amistad."

First, in 1993, she granted Dustin Hoffman's production company, Punch Productions, Inc., an option on the movie rights to Echo of Lions. During the time that option was in effect, screenwriter David Franzoni participated in pitching Punch's "Echo of Lions Project" to major studios; and sometime after Punch's option lapsed, Dreamworks hired Franzoni to write "Amistad." Franzoni is in fact the movie's credited screenwriter. (Franzoni denies reading Echo of Lions, saying that when he works on fact-based movies, he goes directly to historical sources and avoids reading fictional material. But Chase-Riboud has challenged the truth of this assertion.)

Second, Echo of Lions was submitted directly to Spielberg's Amblin Entertainment which evaluated it but declined to option it.

Both of these facts are powerful evidence that Dreamworks had access to Echo of Lions - facts of the kind that, with enough evidence of similarity - could support an inference that "Amistad" was copied from it.

However, copying is not, by itself, sufficient to win a copyright infringement case, especially one involving historical events. Judge Collins noted that in copyright infringement actions, no reliance may be placed on any similarity that results from unprotectable elements; and that copyright protection does not extend to historical facts or theories, both of which may be copied "as long as the defendant does not bodily appropriate the expression of the plaintiff."

Chase-Riboud had won the "Dusky Sally" case by showing that the playwright had bodily appropriated her expression - had not, in other words, simply copied historical facts and theories. And in the "Amistad" case, she tried to do the same. She emphasized nine similarities between her Echos of Lions and "Amistad," each of which she argued is protected expression and each of which appears in the movie in a substantially similar way.

The nine similarities are those between: (1) her Black character Henry Braithwaite and the movie's

Theodore Joadson; (2) the novel and movie's main character Cinque; (3) the novel and movie's portrayal of a relationship between John Quincy Adams and Cinque; (4) the depiction of the actual Amistad case as the country's first civil rights trial; (5) the title of the novel and the title of an early version of the movie's screenplay; (6) the novel and movie's depiction of the eventual destruction of an African slave colony; (7) the ability of the translator Covey to speak near-perfect English; (8) the number of children Cinque was depicted as having; and (9) the linking of the Amistad case to the Civil War.

Judge Collins separately evaluated each of the nine claimed similarities, and found that none suggested Chase-Riboud would ultimately be successful. The judge concluded that each of the nine elements was not protected by copyright, or was not depicted in the movie in a way that was substantially similar to its depiction in the novel, or was neither protected nor depicted in a substantially similar way.

In addition, Judge Collins concluded that Chase-Riboud had not shown the irreparable injury necessary for a preliminary injunction. Chase-Riboud claimed two types of damage: financial damage to the value of the movie rights to her novel; and loss of credit damage to herself, because "Amistad" does not credit her contribution to the public consciousness regarding slavery. But the judge decided that any damage done by "Amistad" to the value of movie rights to Echo of Lions could be compensated with money damages if she ultimately wins the case. And the judge determined that Chase-Riboud "already has received substantial credit for her important contributions" to public consciousness of slavery, as a result of the success of the novel itself.

Finally, although Judge Collins said that Chase-Riboud had "raised serious questions going to the merits of her copyright infringement claim," the novelist had not shown that the "balance of hardships" tipped in her favor, because Dreamworks had already invested as much as $75 million in "Amistad."

The judge's ruling is not yet available in the advance sheets or on Lexis or Westlaw, but it is available on the Internet - along with the Complaint, some of the Plaintiff's points and authorities, and other material about Chase-Riboud's case and the original Amistad case - at the World Wide Web site maintained by Cornell Law School.

*Chase-Riboud v. Dreamworks*, United States District Court, Central District of California, Case No. CV 97-7619 ABC (Dec. 1997), http://www.law.cornell.edu/amistad/ruling.html [ELR 19:8:10]

## California Labor Commissioner rules that personal manager did not "procure employment" for members of "Big Soul" by obtaining their songwriting services for his own music publishing company, and therefore manager did not need talent agency license

In a rare victory for personal managers, the California Labor Commissioner has ruled that George Tobin did not "procure employment" for his management clients by signing them to a music publishing agreement with his own publishing company. Since Tobin had not sought to procure employment for his clients, Kelleth Chinn and Caroline Wampole who perform under the name "Big Soul," the Commissioner concluded that Tobin had not violated California Labor Code section 1700.5 which requires those who procure employment to have a talent agency license.

The Commissioner rejected Tobin's argument that an exemption that permits unlicensed managers to procure recording contracts should be extended to cover music publishing contracts as well - even where (as in this case) the publisher obtains rights only to songs that are recorded. The Commissioner said that exemptions should be narrowly construed.

Nonetheless, no such exemption was necessary in this case, because Tobin himself owned the music publishing company to which Chinn and Wampole were signed. An employer does not "procure employment," the Commissioner explained. A talent agency license is necessary only when the representative seeks to obtain employment for a client with third parties.

Because decisions of the California Labor Commissioner are not published elsewhere, the full text of the ruling is reprinted here.

*Chinn v. Tobin*, California Labor Commissioner Case No. 17-96 (1997)

[Full Text]

Kelleth Chinn and Caroline Wampole,
professionally know as "Big Soul", Petitioners,
vs.
George E. Tobin,
an individual dba George Tobin Music

Labor Commissioner of the State of California
Case No. 17-96
Determination of Controversy

BACKGROUND

Petitioners, Kelleth Chinn and Caroline Wampole, are musicians professionally known as the musical group "Big Soul", who entered into two written agreements with Respondent, George Tobin, on June 22, 1993 - an "Artist Agreement" and a "Personal Management Agreement." Respondent is the owner of a business that is engaged in the recording and publishing of music. At all relevant times herein, both parties resided in and did business in the State of California.

Under the "Artist Agreement", petitioners agreed to render their "exclusive recording services" to Respondent, that Respondent would be the sole owner of all master recordings recorded during the term of the agreement, that Respondent and anyone else authorized by Respondent (e.g., a major record label) would have exclusive rights to manufacture records from these master recordings, and to permit the public performance of these recordings; that Respondent would hold the publishing rights to any compositions recorded by petitioners, and that Respondent could subsequently assign all or part of these rights to a publishing company. In return, Respondent agreed to commercially exploit and finance the production of petitioner's recordings, and to pay various recording costs, advances to petitioners, and royalties. The Artist Agreement also provided that Respondent could produce, at his discretion, music videos, and that Respondent would be the sole owner of the rights to any such videos, with petitioners entitled to royalties based on any profits that may result from the commercial exploitation of such videos.

Pursuant to the Artist Agreement, Tobin arranged for Petitioners' use of a professional recording studio and sound engineer, and secured and paid for the services of session musicians to record with Petitioners. Tobin also undertook efforts to promote Petitioners' recordings with record industry executives and with radio programmers through meetings and the distribution of promotional CD recordings. Respondent paid over $43,000 for recording studio time, recording tape, the services of studio musicians and the sound engineer, and costs of other materials.

Under the "Personal Management Agreement", petitioners agree that Respondent would serve as their "exclusive personal manager" and "adviser . . . in connection with all matters relating to Artist's professional career in all branches of the entertainment industry. . . ." The Personal Management Agreement gave Respondent the authority to function as petitioners' attorney-in-fact with respect to various matters. Of primary interest here, under paragraph 3(c) of the Personal Management Agreement, Respondent was authorized, "subject to Artist's approval after consultation with Manager and in accordance with paragraph 7 hereof, [to] prepare, negotiate, consummate, sign, execute and deliver for

Artist, in Artist's name or in Artist's behalf, any and all agreements, documents and contracts for Artist's services. . . ." Paragraph 7 of the Personal Management Agreement states: "Artist understands that Manager is not an employment agent, theatrical agent, or artist's manager, and that Manager has not offered, attempted or promised to obtain employment or engagements for Artist, and that Manager is not permitted, obligated, authorized or expected to do so. Manager will consult with and advise Artist with respect to the selection, engagement and discharge of theatrical agents, artists' managers, employment agencies and booking agents (herein collectively called "talent agents") but manager is not authorized hereunder to actually select, engage, discharge or direct any such talent agent in the performance to [sic] the duties of such talent agent."

As compensation for respondent's services provided under the Personal Management Agreement, petitioners agreed to pay commissions to the respondent in an amount equal to 20% of petitioners' gross earnings in the entertainment industry, including but not limited to earnings derived from activities in motion pictures, television, radio, theatrical engagements, public appearances in places of entertainment, records and recording, except that respondent would not be entitled to commissions on any record royalties or advances paid to petitioners pursuant to the Artist Agreement. In accordance with this provision, Respondent did not deduct any commissions from the advances that were paid to Petitioners pursuant to the Artist Agreement.

The term of the Personal Management Agreement is defined as "equal to and co-terminus to the term of the Artist Agreement", while Artist Agreement states that it "shall terminate concurrently with the [Personal] Management Agreement should the [Personal] Management Agreement terminate for any reasons whatsoever . . . ."

On or about May 17, 1996, respondent filed an action in the Los Angeles Superior Court against Kelleth Chinn, Caroline Wampole, and various other defendants seeking damages for breach of contract with respect to obligations purportedly arising from this Artist Agreement and Personal Management Agreement. Shortly thereafter, petitioners filed this petition to determine controversy, alleging that respondent acted in the capacity of a talent agency without having been licensed by the State of California, and that these two agreements are void from their inception and unenforceable by virtue of respondent's violation of Labor Code section 1700.5.

Pursuant to both parties' claims that this controversy could be decided without an evidentiary hearing, a pre-hearing conference was held on October 7, 1996 in San Francisco, California, before the undersigned attorney for the Labor Commissioner, specially designated to hear this matter. Petitioners were represented by David D. Stein; respondent was represented by David C. Phillips, David M. Given and Steven F. Rohde. Based on the evidence and argument presented at this hearing, and after considering the post-hearing briefs and declarations that were filed, the Labor Commissioner adopts the following determination.

## LEGAL ANALYSIS

At all times relevant herein, Respondent was not licensed as a talent agency. Labor Code section 1700.5 provides that "no person shall engage in or carry on the occupation of a talent agency without first procuring a license therefor from the Labor Commissioner." The term "talent agency" is defined at Labor Code section 1700.4(a) as "a person or corporation who engages in the occupation of procuring, offering, promising or attempting to procure employment or engagements for an artist or artists, except that the activities of procuring, offering or promising to procure recording contracts for an artist or artists shall not of itself subject a person or corporation to regulation and licensing." It is undisputed that petitioners are artists under Labor Code section 1700.4(b), as "musical artists," "composers," and "lyricists" are expressly defined as "artists." The question that is presented here is whether respondent acted as a "talent agency" within the meaning of section 1700.4(a).

In essence, petitioners' case boils down to the allegation that respondent "procured employment" for Big Soul, within the meaning of Labor Code section 1700.4(a), by obtaining their songwriting services for his own music publishing business, and thereby violated the Act by not being licensed as a talent agent in accordance with Labor Code section 1700.5. This claim is succinctly presented in the Petition to Determine

Controversy as follows: "Petitioners allege that Respondent wrongfully seeks to secure for himself valuable publishing rights in the original compositions authored by Petitioners."1 No evidence of any sort was presented to indicate that Respondent procured, offered, attempted or promised to procure employment for Petitioners, with respect to Petitioner's song writing services, for any person or entity other than the Respondent himself and Respondent's music publishing business. We do not believe that this alone would establish a violation of the Talent Agencies Act, in that a person or entity who employs an artist does not "procure employment" for that artist, within the meaning of Labor Code section 1700.04(a), by directly engaging the services of that artist. Instead, we hold that the "activity of procuring employment," under the Talent Agencies Act, refers to the role an agent plays when acting as an intermediary between the artist whom the agent represents and the third-party employer who seeks to engage the artist's services.

Petitioners' novel argument would mean that every television or film production company that directly hires an actor, and that every concert producer that directly engages the services of a musical group, without undertaking any communications or negotiations with the actor's or musical group's talent agent, would itself need to be licensed as a talent agency under the Act. To suggest that any person who engages the services of an artist for himself is engaged in the occupation of procuring employment for that artist, and that such person must therefore be licensed as a talent agent is to radically expand the reach of the Talent Agencies Act beyond recognition. The Act "must be given a reasonable and common sense construction in accordance with the apparent purpose and intention of the lawmakers - one . . . that will lead to wise policy rather than mischief or absurdity." Buchwald v. Superior Court (1967) 254 Cal.App.2d 347, 354-355. The purpose of the Act was to require licensing of agents, that is, individuals who represent artists by attempting to obtain employment for such artists with third party employers. We can find nothing in the legislative history of the Talent Agencies Act that would even remotely indicate any legislative intent to require the licensing of employers who directly offer employment to artists, and to construe the Act in such a manner would lead to absurd results. Nor are we aware of any prior Labor Commissioner determinations or court decisions that have held that an employer violates the Talent Agencies Act by engaging the services of an artist for himself without being licensed as a talent agent. The cases cited by Petitioners - Church v. Brown (1994) TAC 52-92-and Humes v. MarGil Ventures, Inc., (1985) 174 Cal.App.3d 486 - do not lend support to that contention.

The respondent in Church v. Brown was not licensed as a talent agent and was employed as the casting director for the film production company which produced the film "Stolen Moments" and which employed Thomas Haden Church as an actor in the production of this film. But those were not the facts that the Labor Commissioner relied on in holding that Ross Brown had violated the Talent Agencies Act. Indeed, there is no requirement that a casting director employed by a production company and who works exclusively for that production company be licensed as a talent agent in order to hire actors to work for the production company. Rather, the Labor Commissioner determined that Brown initially violated the Act by engaging in fraudulent activities outside the scope of his employment as a casting director that violated his primary duty to the producers and that created a conflict of interest between himself and the producers. Specifically, Brown created a false resume for Church, containing several false credits regarding Church's prior work, as a means of ensuring that Church would get hired by the "Stolen Moments" production company. Thereafter, Brown told Church that he expected to be paid commissions equal to 15% of Church's gross earnings on "Stolen Moments". Following the completion of "Stolen Moments", Brown undertook continuous efforts to procure employment for Church with third party employers - and repeatedly promised Church that he would procure such employment. These activities included arranging employment interviews, sending out resumes and photographs, and calling casting directors. Thus, despite the fact that Brown's business relationship with Church began while Brown was the casting director for the production company that employed Church, the true nature of Brown's role - based on the specific evidence presented - was that he went far beyond his job as the production company's casting agent to become Church's talent agent.

In Humes v. MarGil Ventures, Inc., supra, 174 Cal.App.3d 486, the court reversed the lower court's confirmation of the Labor Commissioner's determination against a respondent, holding that the respondent's right to due process was violated when the Labor Commissioner proceeded with a hearing that respondent was unable to attend because of his incarceration. The appellate court decision did not address the substantive merits of the controversy between the artist and the putative agent, and did not review the Labor Commissioner's determination of the merits. In its recitation of facts, however, the court noted that in 1978 respondent Gilbert Cabot entered into an agreement whereby he was to act as Mary Humes "personal manager", that two years later Humes and Cabot formed a "theatrical production company" called MarGil Ventures "for the purpose of developing and advancing Humes' professional acting career", that Humes then entered into an "exclusive employment agreement" with MarGil, and that one year later Humes filed a petition to determine controversy with the Labor Commissioner under Labor Code section 1700.44, seeking a determination that Cabot and MarGil violated the Talent Agencies Act by procuring employment for her and negotiating contracts with third party employers without having been licensed under Labor Code section 1700.5. The essence of the Labor Commissioner's determination, and the reason that respondents' procurement activities were found by the Labor Commissioner to have violated the Act, was that MarGil was a "theatrical production company" in name only; that it was not engaged in the production of any entertainment or theatrical enterprises, but rather, merely functioned as a loan-out company for providing Humes' artistic services to third party producers. Humes' "employment agreement" with MarGil notwithstanding, these third party producers were the persons or entities with whom she was seeking employment. And it was Cabot's activities as a talent agent - his efforts in procuring and attempting to procure employment for Humes with these third party producers that violated the Talent Agencies Act.

The Labor Commissioner reached the determination that it did in MarGil by examining the substantive reality behind the contractual language. "The court, or as here, the Labor Commissioner is free to search out illegality lying behind the form in which the transaction has been cast for the purpose of concealing such illegality." Buchwald v. Superior Court (1967) 254 Cal.App.2d 347, 355. At the pre-hearing conference in this matter, the parties were ordered to submit declarations or some offer of proof as to whether respondent promised or attempted to procure or did procure employment for petitioners with any third parties in violation of the Talent Agencies Act. The undersigned hearing officer invited the submission of this sort of evidence precisely in order to look beyond the written agreements, to determine whether these agreements were merely a subterfuge intended to conceal the actual nature of the parties' business relationship. Petitioners' papers filed in response to this order failed to present any evidence, or offer of proof, that respondent ever procured or promised or offered or attempted to procure employment for petitioners with any third party.2 That lack of evidence as to promises or offers to obtain employment with third parties or actual procurement activities is what distinguishes this case from Buchwald and its progeny. Here, search as we might, we are unable to discern any "illegality lying behind the form in which the transaction has been cast."

Petitioners argue that the agreements that are the subject of this dispute are illegal on their face in that they contain the promise to procure employment that triggers the need for a talent agency license. This argument is unavailing. As discussed above, there are no provisions in the Artist Agreement which, on their face, are violative of the Talent Agencies Act. The Personal Management Agreement is worded in a manner that carefully avoids violating the Act. The paragraph of the Personal Management Agreement that purports to give Tobin the authority to negotiate and consummate employment agreements on behalf of Big Soul grants this authority to Respondent "in accordance with" another paragraph of the Agreement that states that Tobin "is not permitted, obligated, authorized, or expected" to obtain employment or engagements for Big Soul, and that Tobin shall consult with Big Soul in the selection or engagement of any talent agent. It would be an understatement to say that these seemingly contradictory provisions, taken together, are less than a model of clarity. But absent any evidence to the contrary, we are forced to conclude that it was the parties' intent that these contract provisions be construed in a manner that complies with the Talent Agencies Act.

It is a basic principle of contract law that a contract must be given such an interpretation as will make it lawful, if it can be done without violating the intentions of the parties. (Civil Code section 1643.) Pursuant to Labor Code section 1700.44(d), a person not licensed as a talent agent may "act in conjunction with, and at the request of, a licensed talent agency in the negotiation of a contract." See, Barr v. Rothenberg (1992) TAC 14-90 [dismissing petition on ground that unlicensed "manager" who engaged in negotiations for artist's employment did so in conjunction with and at the request of petitioner's licensed talent agency]. We therefore construe paragraphs 3(c) and 7 of the Personal Management Agreement as allowing Tobin to engage in only those procurement activities, and only under those circumstances that are permitted by Labor Code section 1700.44(d). Here, had Petitioners presented any evidence that Tobin, without acting in conjunction with and at the request of a licensed talent agency selected by Big Soul, made any promises or undertook any attempts to obtain or negotiate the terms of employment for Big Soul with third party employers, there would be a basis to conclude that the prohibitory language contained in paragraph 7 of Personal Management Agreement, and its adoption by reference into paragraph 3(c) of that Agreement, was nothing more than a pretext designed to misrepresent or conceal the true nature of Tobin's activities. But without such evidence in this regard, we must conclude that the prohibitory language of the Personal Management Agreement means what it says, and was not a subterfuge. See, Raden v. Laurie (1953) 120 Cal.App.2d 778.

ORDER

For the reasons set forth above, the petition to determine controversy is hereby DISMISSED on the ground that Petitioners failed to present evidence that Respondent engaged in the occupation of a talent agency, within the meaning of Labor Code section 1700.4(a), so as to require licensure under Labor Code section 1700.5. The Talent Agencies Act does not therefore operate to make either the Artist Agreement or the Personal Management Agreement unlawful or void ab initio.

We express no opinion on the question of whether an agreement requiring artists to provide their artistic services exclusively to the same person who is representing those artists under the terms of a personal management agreement results in an inherent conflict of interest and the inevitable violation of the personal manager's fiduciary duties towards those artists, or whether such a conflict of interest or violation of fiduciary duties existed here. We leave that issue for the court to decide in the context of the ongoing litigation between these parties, as the Labor Commissioner is without jurisdiction to proceed further, having found that based on the evidence here, no talent agency license was required.

Date: 3/24/97
Miles E. Locker
Attorney for the Labor Commissioner

ADOPTED AS THE DETERMINATION OF THE LABOR COMMISSIONER:

Dated: 3/26/97
John C. Duncan
Chief Deputy Director
Department of Industrial Relations

[NOTES]

1. Although Labor Code section 1700.4(a) exempts "procuring, offering, or promising to procure recording contracts for an artist" from the scope of activities or which a talent agency license is required, this exemption does not expressly extend to the procurement of music publishing contracts. The Talent Agencies Act has long been construed by the courts as a remedial statute intended for the protection of artists. "[T]he clear object of the Act is to prevent improper persons from being [talent agents] and to regulate such activity for the protection of the public. . . ." Buchwald

v. Superior Court (1967) 254 Cal.App.2d 347, 351. See also Waisbren v. Peppercorn Productions (1995) 41 Cal.App.4th 246. As with all remedial legislation, exemptions must be strictly construed and cannot be extended beyond their express provisions. To do otherwise would defeat the remedial purpose of the legislation.

Respondent argues, however, that the rights granted to him under the music publishing provision of the Artist Agreement are expressly defined to include only those musical compositions that are "recorded by [Petitioners] under this [Artist] Agreement", that these music publishing rights were therefore dependent upon and "merely incidental to" the recording contract, and thus, that these music publishing rights fall within the statutory exemption for recording contracts. This argument ignores the fact that music publishing and recording are two separate endeavors, that musicians who compose and record their own songs may have separate music publishing and recording contracts, that there are recording artists who are not songwriters, and that there are songwriters who are not recording artists. We therefore conclude that music publishing and songwriting does not fall within the recording contract exemption, regardless of whether the right to publish an artist's music is limited only to compositions that are contained on that artist's record.

2. Petitioners did present evidence that Tobin "made several attempts to obtain major [record] label distribution for Big Soul" and had contacts with at least one European "subpublisher". These activities were consistent with Tobin's rights under the Artist Agreement, with respect to his ownership of Big Soul's recordings and compositions. Tobin was not negotiating with these record companies and subpublishers to employ Big Soul, but rather, to distribute Big Soul's records and compositions (both of which were owned by Tobin, the

employer of Big Soul's artistic services). In this respect, Tobin's role was analogous to an independent television production company that hires actors and other necessary employees for the production, that bears the expenses incurred in completing the production, that owns the movie or television series that it produced, and that has the right to enter into distribution agreements with networks for this movie or series. The Talent Agencies Act does not require that an independent television producer be licensed to engage in such activities. There is no reason to treat an independent music producer any differently. And the evidence presented here leaves no doubt that Tobin is a bona fide music producer, in contrast to the fictitious "theatrical production" company that was created in MarGil for the purpose "loaning out" the artist's services to third party producers as a means of evading the Act's licensing requirement.
[ELR 19:8:11]

## Playboy owns copyrights to artworks created by Patrick Nagel during 1977 because they were works made for hire, but Playboy does not own copyrights to works Nagel created between 1979 and 1984 because they were not works made for hire, federal District Court rules following remand from Court of Appeals

Patrick Nagel will long be remembered by art lovers and Playboy magazine readers for the hundreds of beautiful and commercially valuable works he created before he died in 1984. He also will be remembered by copyright lawyers, because 285 of his artworks became the subject of vigorously contested lawsuit between Playboy Enterprises and Nagel's widow, Jennifer Dumas. At issue in the case was whether the copyrights to those 285 artworks are owned by Playboy or by Dumas

- an issue that turned on whether the artworks were "works made for hire" or not.

If they were works made for hire, Playboy owns their copyrights; if not, Dumas owns their copyrights. As the case has turned out, some artworks have been judicially classified as works made for hire, while others have not. It has taken three published decisions, so far, to get to this conclusion. And the reason Nagel will long be remembered by copyright lawyers is that these three decisions show just how complex the work made for hire doctrine can be, and what subtle facts may influence the classification.

When last the case of Playboy v. Dumas appeared in these pages (ELR 17:5:12), the Court of Appeals had reversed a District Court decision (ELR 15:12:21) that had determined that none of the 285 artworks was a work made for hire, and thus Dumas owned the copyrights to all of them. The Court of Appeals held instead that the 285 works fell into four separate categories: some were not works for hire; others were works for hire; further legal proceedings would be necessary to determine the status of works created by Nagel during 1977; and further proceedings also would be necessary to determine the status of other works created by Nagel between 1979 and 1984.

Those proceedings have now taken place, and federal District Judge Lewis Kaplan has held that the 1977 works are works made for hire so their copyrights are owned by Playboy, but the 1979 to 1984 works are not works made for hire so their copyrights are owned by Dumas.

The reason the status of the 1977 works had to be analyzed separately from the status of the 1979 to 1984 works is that the Copyright Act changed in 1978, and thus the legal definition of "work made for hire" changed as well.

The factual dispute with respect to the 1977 works was whether they were created at Playboy's "instance." To be a work made for hire under the then applicable Copyright Act of 1909, a work created by an independent contractor had to be created at the "instance" of the hiring party. So Playboy naturally argued that the 1977 artworks were created at its "instance," while Dumas argued they were not. Judge Kaplan concluded that they were, relying on testimony, the financial dealings between Playboy and Nagel, and the subject matter and size of the works themselves.

The dispute with respect to the 1979 to 1984 works was whether they too were created at Playboy's instance, and if so, whether there was a sufficient agreement in writing between Playboy and Nagel. To be a work made for hire under the then applicable Copyright Act of 1978, a work created by an independent contractor must have been specially ordered or commissioned and the parties must have agreed in writing that it is a work for hire. "Specially ordered or commissioned" means the same thing as "instance"; and Judge Kaplan found that the 1979 to 1984 works were created at Playboy's "instance" for the same reasons the 1977 works had been. Thus the bigger issue with respect to the 1979 to 1984 works was whether Nagel had agreed in writing that they would be works for hire.

The reason there was a dispute about whether such an agreement existed is that Playboy never asked Nagel to sign an actual contract document. Rather, the only writings between Playboy and Nagel were endorsement legends on the backs of the checks that Playboy used to pay Nagel for his work. The language of the legends on 177 of those checks was sufficient to constitute a work made for hire agreement. But Nagel himself did not sign all of those checks. Half or more were endorsed by his accountants or business manager. So the question became whether his accountants or business manager had authority to sign work made for hire contracts on Nagel's behalf. Judge Kaplan determined that they did not. Therefore, the artworks paid for with checks endorsed by Nagel's accountants or business manager were not works for hire; and Dumas owns the copyrights to those, Judge Kaplan concluded.

*Playboy Enterprises, Inc. v. Dumas*, 960 F.Supp. 710, 1997 U.S.Dist.LEXIS 3548 (S.D.N.Y. 1997) [ELR 19:8:16]

## Radio station denied enforcement of noncompetition clause in disc jockey's employment contract, because station did not have a legitimate protectable interest in preventing former employee from working for competing station, Missouri appellate court rules

Danielle Bell - once a disc jockey known as "Hurricane Hannah" on country music station KXDG - has won a lawsuit the station filed against her when she quit her job to go to work for a competing station in Joplin, Missouri. Despite her surprisingly modest salary ($6 an hour, in 1995), Bell had a written contract with KXDG that included a noncompetition clause - one that prohibited her from working for any other radio station within 65 miles of KXDG for 180 days after she quit or was terminated.

Noncompetition clauses are common in the radio industry and have been enforced by courts before. In fact, a Missouri trial court granted KXDG a preliminary injunction against Bell. But that judgment has been set aside by the Missouri Court of Appeals.

In a ruling by Judge Shrum, the appellate court noted that under Missouri law, "An employer cannot extract an enforceable restrictive covenant merely to protect himself from the competition of an employee. . . . Accordingly, even when restrictive covenants on future employment are reasonable spatially and temporally, they are enforceable only if a legitimate protectable interest of the employer is served."

In this case, Judge Shrum concluded that KXDG had not shown it had a legitimate protectable interest that would be served by the injunction against Bell. This was so, the judge said, because Bell did not use her own name on the air - only "Hurricane Hannah" - and used an altogether different name - "Robin Kane" - at the new station. Moreover, the new station played contemporary music rather than country. And Bell was on the air in the early morning at the new station, rather than at night as she was at KXDG.

Judge Shrum distinguished two earlier decisions from Florida and Georgia where noncompete clauses were enforced against a television personality and disc jockeys. In those cases, unlike this one, the employees continued to use names that had become popular and well recognized while they were working for their old employers.

Presiding Judge Crow dissented.

*West Group Broadcasting, Ltd. v. Bell*, 942 S.W.2d 934, 1997 Mo.App.LEXIS 204 (Mo.App. 1997) [ELR 19:8:17]

## Summary judgment should not have been granted in trademark infringement action filed by video producer Kat Productions against Kat Country radio station, because of disputed facts relevant to likelihood of confusion, North Dakota Supreme Court rules

A video company that uses the name "Kat Productions" and a lion logo has persuaded the North Dakota Supreme Court that a lower court had incorrectly dismissed its trademark infringement action against a radio station that uses the name "Kat Country" and a tiger logo.

The radio station had argued that there was no likelihood of confusion between the two companies' names and logos, despite their similarities. The trial court agreed and granted the station's motion for summary judgment.

On appeal, however, the state Supreme Court held that there were disputed issues of fact relevant to whether there was a likelihood of confusion, and thus the video producer's case should not have been dismissed. As a result, the Supreme Court has remanded the case for trial.

*Kat Video v. KKCT-FM Radio*, 560 N.W.2d 203, 1997 N.D.LEXIS 18 (N.D. 1997) [ELR 19:8:17]

**Founding member of "The Fireflies" wins injunction barring use of that name by three others who had performed with founder only once**

"The Fireflies" were a musical group, co-founded in 1959 by Paul Giacalone. They performed together for a few years and "achieved a measure of money and fame for their `doo-wop' sound." The Fireflies had two hit records, "You Were Mine" and "I Can't Say Goodbye." But when their moment in the spotlight passed, they disbanded, though Giacalone continued to receive royalties from record sales and radio play.

Thirty years later, in 1992, Giacalone tried to reconstitute "The Fireflies" with three new musicians. The new musicians performed with Giacalone once, but after that one performance, Giacalone terminated his association with them. Nonetheless, the new musicians continued to perform as "The Fireflies," and even advertised their appearances with announcements and posters that said they would perform "their smash hits . . . `You Were Mine' and `I Can't Say Goodbye.'"

This was too much for Giacalone to bear, and he responded by telling journalists, concert promoters and radio stations that only he represented the true Fireflies and that he would sue anyone who permitted the other three to perform under "The Fireflies" name. In response, the other three musicians filed suit against Giacalone for defamation. And Giacalone counter-sued them for trademark infringement. Both sides sought injunctive relief. Giacalone has been granted it.

New York Supreme Court Justice Frank Vaccaro noted that "For nearly 100 years, beginning with Messer v. `The Fadettes,' 168 Mass. 140, 46 N.E. 407 [1897], courts in this country have protected the right of a musical group to its name from predatory encroachment by rival entertainers." In this case, Justice Vaccaro found that "the plaintiffs have unfairly capitalized upon the work of defendant Giacalone and have essentially attempted to pirate the name of the Fireflies." They did this, the justice explained, when they "embarked upon a course of conduct to expropriate the group's name and to mislead the public into believing that they are the original `Fireflies.'"

As a result, the justice has granted Giacalone's motion to enjoin the plaintiffs "from making any representations as to their alleged relationship to `The Fireflies' or its recordings." He also denied the plaintiffs' motion to enjoin Giacalone's threats of litigation against promoters who allow them to perform as "The Fireflies," because those threats were made "in good faith" and were "consistent with the law that requires activity by the owner of [a] mark to prevent an inference of abandonment."

*Gallina v. Giacalone*, 655 N.Y.S.2d 317, 1997 N.Y.Misc.LEXIS 36 (Sup. 1997) [ELR 19:8:17]

## Federal Cable TV Acts do not preempt claims under anti-tying provisions of California antitrust law, complaining about Viacom's requirement that San Francisco and Marin County customers subscribe to basic tier in order to get cable network and premium channel tiers, California appellate court rules

Viacom offers San Francisco and Marin County cable-TV subscribers three tiers of service. The basic tier provides local broadcast stations. The cable network tier provides superstations and non-broadcast channels (like CNN). And the premium tier provides movie channels (like HBO). However, subscribers are not able to pick and choose among these tiers to get just what they want. To get the cable network tier, subscribers have to take and pay for the basic tier too. And to get the premium tier, subscribers also have to take and pay for both the basic and the cable network tiers.

Apparently, some Viacom customers want only the cable network or premium tier, and resent having to pay for any other tier to get the one they want. As a consequence, they have sued Viacom in California state court, relying on that state's antitrust law - the Cartwright Act - to support their case. The California Cartwright Act has an anti-tying provision which prohibits companies from requiring customers to buy one thing in order to get another.

Viacom was successful early in the case, when it persuaded Superior Court Judge Beverly Savitt that the Cartwright Act claims were preempted by the federal Cable Television Consumer Protection and Competition Act of 1992 and the Cable Communications Policy Act of 1984. Judge Savitt sustained Viacom's demurrer (a motion to dismiss for failure to state a claim), and dismissed the suit.

However, the California Court of Appeal has breathed new life into the lawsuit. It has ruled that the Cartwright Act claims are not preempted by either of the federal Cable TV Acts after all. And thus it has reversed the dismissal of the case and sent it back to the Superior Court for further proceedings.

Among the Cable TV Act provisions on which Viacom relied was one which requires subscribers to take the basic tier in order to get others. But in an opinion by Associate Justice Haerle, the Court of Appeal pointed out that Viacom's customers had to subscribe to the cable network tier (as well as the basic tier) in order to get the premium tier; and that was not required - and even appears to be prohibited - by the 1992 Cable Act.

Also, while the 1992 Act does prohibit state regulation of cable TV rates, the Cartwright Act does not regulate rates, Justice Haerle wrote. It simply prohibits sellers from requiring the purchase of one thing in order to get another. If Viacom's subscribers win their lawsuit, the total amount they pay for service may be less than what they have had to pay, because they may choose to subscribe to fewer tiers. But this indirect effect on rates is not what Congress intended to preempt, the appellate court concluded.

*Morrison v. Viacom, Inc.*, 61 Cal.Rptr.2d 544, 1997 Cal.App.LEXIS 147 (Cal.App. 1997) [ELR 19:8:18]

## New York appellate court dismisses emotional distress claims brought by Ithaca College cinema professor against two others who had accused him of plagiarizing portions of his book "Evolution of Film Styles"

Peter Klinge is the author of Evolution of Film Styles - a book whose publication helped him get promoted to full professor at Ithaca College back in 1985. The book also has been a source of aggravation for Professor Klinge, however, because years later, two faculty colleagues asserted that Klinge had plagiarized portions of his book from previously published works. In the wake of those assertions, Ithaca demoted Klinge; and he responded with a lawsuit alleging breach of contract against the College and intentional infliction of emotional distress against his two colleagues.

The trial court permitted Klinge to pursue his emotional distress claims, because, it noted, "Among a community of scholars . . . [an allegation of plagiarism] is calculated to destroy a career. Accordingly . . . an un-privileged publication of a charge of plagiarism in an academic community, if false or made with reckless in-difference to its truth, meets the threshold test . . . and, a jury could find, amounts to `extreme and outrageous' conduct [which defeats the privilege]." (ELR 18:2:16)

On appeal however, the Appellate Division of the New York Supreme Court has dismissed those claims. The appellate court noted that Klinge's only complaint about his colleagues was that they had reported his al-leged plagiarism to their superiors. The rest of Klinge's complaints were based on actions taken by those superi-ors in response. The appellate court ruled that Klinge's colleagues could not be held liable for what they had done, because they "were ethically obligated to report any and all incidents of academic dishonesty." Also, Klinge had failed to offer any proof that he had actually suffered emotional distress.

*Klinge v. Ithaca College*, 652 N.Y.S.2d 377, 1997 N.Y.App.Div.LEXIS 344 (A.D. 1997) [ELR 19:8:19]

## DEPARTMENTS

### In the Law Reviews:

Entertainment, Publishing and the Arts Handbook: 1997-98 Edition, edited by Robert Thorne and John David Viera with Stephen F. Breimer as Consulting Editor, has been released by West Group, 620 Opperman Drive, St. Paul, MN 55164, with the following articles:

Is Copyright Preemption Dead: Contracts and Copyright After ProCD v. Zeidenberg by Robert J. Bernstein and Robert W. Clarida, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 3 (1997)

The Lone Arranger: Have the Courts Unfairly Singled Out Musical Arrangements by Denying Them Protection as Derivative Works? by Jeffrey Brandstetter, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 11 (1997)

Adapting the Copyright Laws for New Digital Audio Media by Kelly Kubasta, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 23 (1997)

Media Law: Explosion of Lanham Act Cases by Thomas S. Leatherbury, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 53 (1997)

Publication and Distribution of Multimedia Programs by Mark Litwak, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 63 (1997)
Sex and Violence: European Censorship of American Films by Margaret Moore, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 83 (1997)

Star Wars: Film Permitting, Prior Restraint & Government's Role in the Entertainment Industry by Jon Garon, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 107 (1997)

The Neutral Reportage Privilege: Will it be Adopted by the California Supreme Court? by Marla J. Kaplan, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 191 (1997)

What Do Robots, James Dean and Doritos Corn Chips Have in Common? by Jerome E. Weinstein, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 225 (1997)

Celebrities and Their Reputations: A Pillage of Priceless Commodities in Constitutionalized Defamation Law by Matthew E. Voss, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 239 (1997)

The Controlled Composition Clause: Is It Out of Control? by David Moser, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 267 (1997)

Anatomy of a Little Murder by Don Engel, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 277 (1997)

Distinguishing Protected from Unprotected Material in Music Infringement Analysis by John Schroeder, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 317 (1997)

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To Audit or Not to Audit: Questioning the Paymaster by Paul Rosenzweig, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 393 (1997)

Production Insurance: Problems and Pitfalls by Robert Jellen & Shel Bachrach, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 397 (1997)

Accounting Principles for Film Companies by Schuyler M. Moore, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 409 (1997)

Creative Bookkeeping, Publisher-Style by Paul Rosenzweig, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 415 (1997)

How to Read-and Deal-With Royalty Statements by Paul Rosenzweig, Entertainment, Publishing and the Arts Handbook: 1997-98 Edition 419 (1997)

The UCLA Entertainment Law Review has published Volume 5, Number 1 with the following articles:

Mickey and the Mouse: The Motion Picture and Television Industry's Copyright Concerns on the Internet by Mark S. Torpoco, 5 UCLA Entertainment Law Review 1 (1997)

Non-Deductibility Is a Wonderful Thing: Federal Income Taxes Should Not Be Deductible When Calculating Net Profits in a Copyright Infringement Suit by Matthew McNicholas and John P. McNicholas, 5 UCLA Entertainment Law Review 71 (1997)

The Future of Cable Regulation Under the First Amendment: The Supreme Court's Treatment of Section 10(a) of the Cable Television Consumer Protection and Competition Act of 1992 by Jeffrey D. Kaiser, 5 UCLA Entertainment Law Review 103 (1997)

Total Concept and Feel: A Proper Test for Children's Books by Andrew C.S. Efaw, 5 UCLA Entertainment Law Review 141 (1997)

The Double Life of Wallace Stevens: Is Law Ever the "Necessary Angel" of Creative Art? by Daniel J. Kornstein, 41 New York Law School Law Review 1187 (1997)

The Intellectual Property Section of the State Bar of California, 555 Franklin Street, San Francisco, CA 94102-4498, has published Volume 22, Number 3 of New Matter with the following articles:

Litigating Cross-Border Infringement in International Intellectual Property: Some Practice Tips and Caveats by Paul Edward Geller, 22 New Matter 1 (1997) (for address, see above)

The Background Comes to the Fore by David Goldberg and Robert J. Bernstein, 22 New Matter 12 (1997) (for address, see above)

Localizing Global Copyright Infringement: Do International Internet Sound Recording Infringements Implicate U.S. Copyright Law? by Marc E. Mayer, 22 New Matter 21 (1997) (for address, see above)

Copyright Protection, Privacy Rights, and the Fair Use Doctrine: The Post-Salinger Decade Reconsidered by Benjamin Ely Marks, 72 New York University Law Review 1376 (1997)

Trademark Law on the Internet-Will It Scale? The Challenge to Develop International Trademark Law by

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