RECENT CASES

Federal statute requiring National Endowment for the Arts to consider "decency" and "respect" for American "values" when selecting grant recipients is not unconstitutional "on its face," United States Supreme Court rules

Back in 1990, homoerotic photographs by Robert Mapplethorpe and blasphemous ones by Andres Serrano created a furor on Capitol Hill, because both artists had received grants from the National Endowment for the Arts. As a consequence, the NEA governing statute was amended to require the NEA to consider "decency" and "respect" for American "values" when selecting future grant recipients.

Shortly thereafter, performance artists Karen Finley, John Fleck, Holly Hughes and Tim Miller were denied fellowships, because of the "decency and respect" clause, they alleged. They made this allegation in a federal court lawsuit seeking to have the clause declared unconstitutional; and they were successful.

District Judge Wallace Tashima ruled in their favor (ELR 14:3:3) and then certified the case for immediate appeal. The artists' claims for money damages, and their claim that the statute was unconstitutional "as applied" to them, were thereafter settled (ELR 15:3:28). But the government's appeal from their attack on the facial constitutionality of the statute was not dismissed. The artists won again when the case was decided by the Court of Appeals (ELR 19:2:2). But the government has prevailed in the end.

In an opinion by Justice Sandra Day O'Connor, the United States Supreme Court has ruled that the statute is constitutional "on its face."

Justice O'Connor reasoned that the statute does not prohibit the NEA from making grants to projects that might be "indecent" or "disrespectful," nor does the statute even say that those factors must be given any particular weight in reviewing grant applications. Decency and respect are simply "considerations" to be taken into account during the grant-making process. And thus Justice O'Connor did "not perceive a realistic danger that it will be utilized to preclude or punish the expression of particular views," nor did she think that the statute would "significantly compromise First Amendment values."

Justice O'Connor's opinion upholds only the "facial" constitutionality of the statute. "If the NEA were to leverage its power to award subsidies on the basis of subjective criteria into a penalty on disfavored viewpoints, then we would have a different case," she noted. But "[u]nless and until [the statute] is applied in a manner that raises concern about the suppression of disfavored viewpoints . . . , we uphold the constitutionality of the provision."

Justice O'Connor also rejected the argument that the statute was unconstitutionally vague. She acknowledged that the "terms of the provision are undeniably opaque," and she acknowledged that if those terms "appeared in a criminal statute or regulatory scheme, they could raise substantial vagueness concerns." This case was different, she said, because "when the Government is acting as patron rather than as sovereign, the consequences of imprecision are not constitutionally severe."

Justices Antonin Scalia and Clarence Thomas concurred, but only in the result. As far as they are concerned, the statute is constitutional even though it discriminates on the basis of viewpoint.

Justice David Souter, on the other hand, dissented. To his way of thinking, the "decency" and "respect" provisions of the statute mandate "viewpoint-based decisions in the disbursement of government subsidies, and the Government has wholly failed to explain why the statute should be afforded an exemption from the fundamental rule of the First Amendment that viewpoint discrimination in the exercise of public authority over expressive activity is unconstitutional."

National Endowment for the Arts v. Finley, 118 S.Ct. 2168, 1998 U.S.LEXIS 4211 (1998) [ELR 20:3:4]

Director William Wyler's successors are entitled to a trial in suit to set aside clause in his contract with MGM that limited his percentage of gross receipts compensation from "Ben Hur" to $50,000 per year

Every once in a while, a movie is far more successful, financially, than anyone expected at the outset. This year, that movie is Titanic. Forty years ago, it was Ben Hur. In addition to almost a dozen Academy Awards - including Oscars for Best Picture, Best Director, and Best Actor - Ben Hur has generated more than $130 million in distributor's gross receipts, much of that earned in pre-inflationary years when a million dollars was a whole lot of money.

Ben Hur's financial success has given rise to a lawsuit over the effect of a "percentage compensation" clause in the 1958 contract between William Wyler, the movie's director, and MGM-Loew's, the company that originally financed and distributed the movie. The lawsuit has nothing to do with the manner in which Wyler's percentage should be calculated. His contract had what today would be referred to as a "gross profits" clause: in addition to his salary of $350,000, it entitled him to three percent of the movie's gross receipts in excess of $20 million.

Instead, the lawsuit concerns a provision that today would be quite unusual. It says that Wyler's percentage compensation is to be paid "in annual installments not to exceed the sum of $50,000 in any one year." MGM and its successors have paid Wyler (who died in 1981) and his successors $1.8 million pursuant to the percentage compensation clause, in annual $50,000 installments. Another $1.5 million has been retained as deferred percentage compensation, to be paid to Wyler's successors in the future, if annual installments otherwise drop below $50,000.

Here is the rub, from Wyler's successor's point of view: as old as Ben Hur is, it is still earning annual gross receipts that exceed what is necessary to generate more than $50,000 in percentage compensation. In 1994-95, for example, the movie grossed $2.3 million, three percent of which came to $69,000. Turner Entertainment, which is MGM's successor with respect to the Wyler/Ben Hur contract, sent Wyler's successors $50,000 and deferred the remaining $19,000, thereby increasing the deferred amount still further. Moreover, if Turner were to invest the deferred amount in risk-free U.S. Treasury Bonds, Turner would earn more in interest each year than the $50,000 it pays to Wyler's successors. This means that even if Ben Hur were to suddenly stop earning any gross receipts at all, Wyler's successors would never receive all $1.5 million in deferred percentage compensation Turner now holds (unless interest rates on Treasury Bonds were to drop to below 3.3 percent a year).

Why did Wyler ask for, or agreed to, the $50,000 annual installment cap on his percentage compensation? In the complaint Wyler's successors filed against Turner, in an effort to eliminate the cap from the contract, they allege that Wyler requested the clause simply in order to reduce his federal income taxes. (In 1958, the marginal tax rate was 89% on individual incomes over $100,000 and was 91% on incomes over $200,000.) They further alleged that neither Wyler nor MGM ever anticipated that the clause would work to deprive Wyler or his successors of the benefit of the percentage compensation clause.

Turner filed a motion to dismiss the suit on the grounds that the complaint failed to state a claim on which relief could be granted. Federal District Judge Saundra Armstrong agreed and granted the motion (in an unpublished ruling). Wyler's successors appealed. And in an opinion by Judge Tom Stagg (a federal District Court Judge from Shreveport, Louisiana, sitting by designation), the Court of Appeals has reversed and has remanded the case for further proceedings.

According to the appellate court, the complaint in this case alleges that the annual installment cap provision was inserted in the Wyler/MGM contract solely to benefit Wyler. Under California law, a party may waive the benefit of any contract provision made on his behalf. The complaint also alleged that Wyler's successors had notified Turner that they were willing to waive the installment cap provision, but Turner rejected their proposal and refused to pay them any more than $50,000 a year.

The appellate court held that these allegations "stated a cause of action for breach of contract on the basis of its alleged waiver of the installment payment provision and Turner's subsequent failure to perform. Accordingly, we reverse the district court's opinion . . . and remand for trial on the issue of whether the installment payment provision is waivable, i.e., whether it was `inserted in' the contract solely for Wyler's benefit."

Judge Wallace Tashima dissented. He agreed with District Judge Armstrong that "[t]here is nothing in the contract to suggest that the percentage compensation provision was included solely for the benefit of Wyler. In fact, the opposite is true: the provision also benefits defendants by allowing them to limit Wyler's annual payment." According to Judge Tashima, "It is evident from the face of the installment payment provision and as a matter of plain common sense that, from the contract's inception, the provision benefited MGM just as much, if not more, than it benefited Wyler." Moreover, Judge Tashima noted that if Wyler wanted the installment payment cap in order to reduce his taxes, "he surely had no subjective intent that the provision could be waived by him. Otherwise, he would have run afoul of the constructive receipt doctrine, making all of his percentage compensation immediately taxable to him upon its receipt by MGM."

Editor's note: The ultimate outcome of this case is still very much in doubt, not only because federal judges have split 2-2 on what the law is, but also because it is uncertain what evidence may be available - 40 years later - to prove for whose benefit the installment payment cap was inserted in the contract. Even the two judges who ruled in favor of Wyler's successors agree that they are entitled to prevail only if they can prove the cap was inserted in the contract "solely" to benefit Wyler. Since the case was originally dismissed for failure to state a claim, the appellate court's decision recites only those facts alleged in the complaint. It does not indicate what actual evidence either side may have to support or refute those allegations.

Wyler Summit Partnership v. Turner Broadcasting System, Inc., 135 F.3d 658, 1998 U.S.App.LEXIS 1280 (9th Cir. 1998) [ELR 20:3:4]

Movie production company should not have been ordered to arbitrate dispute with foreign sales agent, because they had never agreed to arbitrate, California appellate court rules

The law reflects a strong policy favoring resolution of disputes by arbitration. But in California, at least, a reluctant party can be ordered to arbitrate only if it actually has agreed to do so.

As a result, a California Court of Appeal has ruled that Banner Entertainment, Inc., the company that produced the movies "Traveler" and "Telling Lies in America," should not have been ordered to arbitrate a dispute with Alchemy Filmworks, Inc., a foreign sales agent that Banner had retained to represent it at the Cannes Film Festival in 1996. A trial court order requiring Banner to arbitrate has been vacated, because the evidence showed that Banner and Alchemy had never actually agreed to resolve potential disputes by arbitration.

The issue arose because after the Cannes Film Festival, Banner terminated Alchemy's authority to act as its sales agent; and thereafter, Alchemy served Banner with a demand for arbitration. Banner went to court, seeking a declaration that it could not be compelled to arbitrate, while Alchemy responded with a motion that Banner be ordered to do so. At the trial court level, Alchemy won. Banner was ordered to arbitrate, but it appealed that order.

After reciting the disputed facts in some detail, Justice Walter Croskey came to two conclusions. There was evidence Banner had orally agreed to send Alchemy to Cannes to sell foreign rights to Banner's movies in return for a 10% commission plus expenses (for which Banner had advanced $91,645), and Banner may even have agreed to make Alchemy its exclusive foreign sales agent (apart from Cannes). But "there is no evidence of any agreement, oral or otherwise, to arbitrate any disputes related to whatever oral agreement . . . the parties did make."

In an effort to show that Banner had agreed to arbitrate, Alchemy relied on unsigned drafts of the written agreement Alchemy had proposed, and on the fact that Banner had never objected to the arbitration clause those drafts contained, though Banner did insist on modifications of other material provisions. However, Justice Croskey ruled that Alchemy could not rely on these drafts, because the parties had never discussed, let alone agreed to, even orally, the arbitration clause. Moreover, the drafts themselves provided that the agreement would become binding "when signed by the parties hereto." Finally, Banner terminated negotiations (and Alchemy's authority) before agreement had been reached on other material terms, so the drafts never became an enforceable agreement.

Banner Entertainment, Inc. v. Superior Court, 72 Cal.Rptr.2d 598, 1998 Cal.App.LEXIS 220 (Cal.App. 1998) [ELR 20:3:6]

California Court of Appeal reverses judgment enforcing order of private judge in alternative dispute resolution proceeding between Weddington Productions and sound editor Stephen Flick, because order and judgment included licensing agreement terms never agreed to by Flick

Stephen Flick is a sound effects editor whose work on the movies "Speed" and "Robocop" have won him Academy Awards. In 1987, he and two colleagues formed Weddington Productions, Inc., to do their sound effects work. But in 1995, Flick left Weddington as a result of disputes that had arisen the year before. By the time Flick left the company, Weddington had created an extensive sound effects library which was Weddington's "most valuable asset." Without access to that library, Flick could not make a living, so he took a copy of it with him when he left the company.

The stage was thus set for the bitter dispute that soon erupted. Indeed, early in the case that Weddington filed, Flick was enjoined from using Weddington's sound effects library. And Flick was even held in contempt for using the library to create the sound effects for "Twister."

But cooler heads eventually prevailed, and Flick and Weddington agreed to mediate their dispute. The mediation seemed to work, because it resulted in a one-page "Settlement Memorandum" covering "significant `deal points.'" Among other things, the Memorandum provided for a Licensing Agreement that would have given Flick access to the Weddington library, on terms the parties were to "formalize" later. The Memorandum also contained an alternative dispute resolution clause that "reserve[d] jurisdiction in [the private judge who had acted as mediator] to resolve any dispute that may occur in the documentation of . . . the Licensing Agreement. . . ."

Though things looked good to this point, the story was not to have a happy ending. Disputes did occur during the documentation of the Licensing Agreement. By the time those disputes reached the California Court of Appeal, Judge John Zebrowski described the case as one that "involves an entertainment industry ADR (alternative dispute resolution) procedure gone seriously awry."

What happened was this. Flick and Weddington could not agree on several material terms of the Licensing Agreement, so the private judge decided what those terms should be. By the time the private judge was done, the one-page Settlement Memorandum had become a 33-page "order," none of whose provisions Flick had agreed to. Nonetheless, Weddington made a motion in California Superior Court to enforce the private judge's "order," and Weddington's motion was granted. Flick then appealed.

In a lengthy opinion by Judge Zebrowski, the California Court of Appeal has reversed and has remanded the case to the lower court for yet further proceedings.

California does have a statutory procedure for enforcing settlement agreements. And the appellate court specifically noted that if "a private judge were given the authority, as theoretically might be done in an arbitration agreement, to select and impose the terms of a licensing agreement, a private judge who proceeded as the private judge did here can be considered to have proceeded in a reasonable and skillful manner."

The reason that this particular ADR procedure went "seriously awry" was that Flick and Weddington had not entered into an arbitration agreement, and the Licensing Agreement "ordered" by the private judge was not one whose terms Flick had agreed to. The California statute for enforcement of settlement agreements does permit Superior Court judges to decide "what terms the parties themselves have previously agreed upon," Judge Zebrowski explained; but it does not authorize "a judge to create the material terms of a settlement."

Since Flick had never agreed to the terms of the Licensing Agreement, the Superior Court should not have granted Weddington's motion to enforce it. And that is why the judgment was reversed.

Weddington Productions, Inc. v. Flick, 71 Cal.Rptr.2d 265, 1998 Cal.App.LEXIS 9 (Cal.App. 1998) [ELR 20:3:6]

Copyright to song "You've Got to Stand for Something" was not infringed by advertising slogan used by class ring seller, because copied lyric was not original, federal District Court rules

Some phrases are powerful, but just cliche. "You've got to stand for something, or you'll fall for anything" is one of these. That phrase was the central lyric in "You've Got to Stand for Something," a song co-written and recorded by Aaron Tippen.

Tippin's recording was a big hit in 1991. The following year, Jostens, Inc., used the identical phrase as an advertising slogan for the class rings it makes and sells to students. Jostens never sought, much less obtained, a license from the song's copyright owner, Acuff-Rose Music, Inc. So when Jostens rebuffed Acuff-Rose's cease-and-desist letter, the music publisher sued.

The case has been decided by Federal District Judge Denny Chin, in response to cross-motions for summary judgment. Judge Chinn agreed with Acuff-Rose on one important issue, but not on another; the necessary result was that Jostens has won.

Acuff-Rose persuaded the judge that Jostens' advertising slogan had actually been copied from the lyrics of Tippin's song, despite Jostens' assertions to the contrary. The song was at the height of its popularity when Jostens' slogan was adopted, so the ring-maker had access to it. The slogan and lyric were virtually identical. And some of Jostens' materials even said "The song says it best."

However, as Judge Chin himself noted, "My finding of actual copying is not dispositive . . . , because plaintiff must still prove improper appropriation." And this it failed to do.

The judge explained that "Isolated from Tippin's vocal rendition of the words and melody, the lyric at issue lacks the requisite originality." This was so, because several quotation dictionaries show that the phrase "You've got to stand for something, or you'll fall for anything" has been attributed to such diverse people as Martin Luther King, Jr., Ginger Rogers, a U.S. Senate Chaplain, and a British journalist, all of whom were said to have used the phrase before Tippin's recording was released. Indeed, the phrase even appears in a 1985 recording by John Cougar Mellencamp entitled "You've Got to Stand for Somethin'."

Although the phrase was long in use before Tippin's recording was released, Acuff-Rose argued that its lyric could not be used in commercials without its permission. "But if I were to accept plaintiff's position," Judge Chin responded, "every unoriginal phrase, once used in a musical composition, would allow the copyright holder a monopoly over the cliche's use regardless of the context in which it is used in the song or in the allegedly infringing material. Acuff-Rose's copyright does not grant it such an expansive monopoly over material in the public domain."

Acuff-Rose Music, Inc. v. Jostens, Inc., 988 F.Supp. 289, 1997 U.S.Dist.LEXIS 19664 (S.D.N.Y. 1997) [ELR 20:3:7]

Viacom breached non-competition provision of USA Networks joint venture agreement between Paramount and MCA by continuing to own and operate MTV Networks after Viacom acquired Paramount

When Viacom acquired Paramount in 1994, it assumed Paramount's obligations under thousands of existing contracts. One of these was a contract Paramount then had with MCA for their ownership and operation of USA Networks as a joint venture. One provision of that contract prohibited the joint venturers from competing with one another in the advertiser-supported basic cable network business. Paramount and MCA had been able to agree to the non-competition clause, because their joint venture dated back to 1981 when the cable networks had "as-yet unknown potential," and (with the exception of Paramount's Madison Square Garden cable sports network), neither was then in the cable network business.

However, by the time Paramount was acquired in 1994, Viacom was deeply entrenched in that business. Viacom owned MTV, VH-1, Nickelodeon, Nick-at-Nite and half of Comedy Central. Thus, the question that soon arose was whether Paramount's earlier promise to MCA not to compete in the cable network business was violated by Viacom's ownership and operation of its already-owned cable networks. Viacom thought not, but MCA thought so; and MCA asserted its position in a lawsuit in Delaware's Court of Chancery.

Following a trial in the fall of 1996, and a post-trial recess for ultimately unsuccessful settlement negotiations, Vice Chancellor Steele issued a lengthy, exceptionally well written, and just recently published ruling that favored MCA.

The Chancellor found that as successor to Paramount, Viacom was in breach of the joint venture agreement by virtue of its continued ownership and operation of the MTV Networks, and that Viacom breached its fiduciary duty of loyalty implied in the terms of the covenant not to compete.

He rejected Viacom's contention that Edgar Bronfman (president of Seagram, MCA's parent company) had orally waived MCA's claims against Viacom at the end of a meeting with Viacom's chairman Sumner Redstone and general counsel Philippe Dauman. Though Viacom and MCA "raised a slew of legal citations" concerning the significance of Bronfman's asserted statement, the Chancellor rejected Viacom's argument by saying that "it is simply unreasonable to conclude that either Bronfman or Redstone (or Dauman for that matter) intended then and there to bind their respective conglomerates to a multi-million dollar agreement," without a written and signed document.

The Chancellor also rejected Viacom's argument that the non-competition clause violated federal and state antitrust laws and was against public policy.

Universal Studios Inc. v. Viacom Inc., 705 A.2d 579, 1997 Del.Ch.LEXIS 74 (Del.Ch. 1997) [ELR 20:3:8]

Metropolitan Transit Authority is enjoined from refusing to display New York Magazine ad on city buses, even though Mayor Rudy Giuliani objected that ad's use of his name violated his right of publicity

Federal District Judge Shira Scheindlin seemed astonished by the mere existence of the dispute. "Who would have dreamed," she wrote, "that the Mayor would object to more publicity?" The Mayor to which the judge referred is New York City Mayor Rudy Giuliani. Judge Scheindlin explained that "Our twice-elected Mayor, whose name is in every local newspaper on a daily basis, who is featured regularly on the cover of weekly magazines, who chooses to appear in drag on a well-known national TV show, and who many believe is considering a run for higher office, objects to his name appearing on the side of City buses."

The reason the Mayor's name appeared on the side of City buses was that in the fall of 1997, New York Magazine ran ads there that featured the magazine's logo and read, "Possibly the only good thing in New York Rudy hasn't taken credit for." The Mayor was not amused, and he asked the Metropolitan Transit Authority to remove the ads, saying that they violated his rights under New York Civil Rights Law sections 50 and 51 which is that state's right of publicity statute.

Though New York Magazine had agreed to indemnify the MTA against any liability it might incur as a result of carrying the ad, the MTA did as Mayor Giuliani asked. The magazine responded with a lawsuit, alleging that the MTA's actions violated the magazine's First Amendment free speech rights.

Judge Scheindlin agreed with the magazine, and granted its request for a preliminary injunction. The

MTA immediately appealed. But the Court of Appeals has affirmed.

In an opinion by Judge James Oakes, the appellate court ruled that the advertising space on MTA buses is a designated public forum, because the MTA allows that space to be used for both commercial and political speech. Because the space was a designated public forum, content-based regulations concerning its use would be constitutional only if they were narrowly-drawn to achieve a compelling governmental interest. In this case, Judge Oakes ruled that removing the offending ads in response to the Mayor's complaint was more extensive than necessary, for two reasons.

First, if Civil Rights Law section 50 does protect Mayor Giuliani from the use of his name in the ad, he may seek "redress" under section 51, though he "will not be awarded injunction relief absent a showing that he will be irreparably harmed without it." (District Judge

Scheindlin had found that the ad did not violate section 50, because it fell within the law's "incidental" and "public" uses exceptions. On appeal, Judge Oakes did not address this issue.)

Second, the MTA's interest in avoiding litigation with the Mayor was "adequately furthered" by the indemnity the MTA had obtained from New York Magazine.

Judge Richard Cardamone dissented. He did so on the grounds that the MTA's decision to remove the ads should have been tested by a rule of "reasonableness," and that it was reasonable for the MTA to remove the ad because in his opinion it did violate the Mayor's rights under the Civil Rights Law.

New York Magazine v. Metropolitan Transit Authority, 987 F.Supp. 254, 1997 U.S.Dist.LEXIS 19060

(S.D.N.Y. 1997), aff'd, 136 F.3d 123, 1998 U.S.App.LEXIS 1452 (2d Cir. 1998) [ELR 20:3:8]

Random House did not violate rights of author Mark Lane when it used his name and photo, and said he had misled the public, in advertisements for Gerald Posner's book "Case Closed" about the assassination of President Kennedy

Back in 1993, Random House published Case Closed, a book by Gerald Posner about the assassination of President Kennedy. Posner's thesis was that the Warren Commission was right when it concluded that President Kennedy was killed by Lee Harvey Oswald, acting alone, and that the conspiracy theories of several earlier authors were wrong. At the time Posner's book was published, Random House advertised it in the New York

Times. The ad contained the names and photographs of six "conspiracy theory" authors, along with brief quotations from each of their books. Above the six photos was a headline that read "Guilty of Misleading the American Public."

Mark Lane was one of the six authors whose names and photos were used in that ad, and he was not pleased. Lane in fact sued Random House for misappropriation, false light invasion of privacy, and defamation. But his suit was dismissed. Federal District Judge Royce Lamberth granted Random House's motion for summary judgment.

Judge Lamberth ruled that Random House's use of Lane's name and photo was "newsworthy" and "related to protected speech," and thus could not "form the basis for a successful misappropriation claim," because Random House was protected by "either the newsworthiness privilege or the incidental use privilege."

The judge dismissed Lane's false light allegations, because the assertion that Lane was "Guilty of Misleading the American Public" was not "highly offensive," and because it was protected by the fair comment privilege and the First Amendment.

Lane's defamation claim also was dismissed, because it too was barred by the fair comment privilege and the First Amendment.

Editor's note: Lane was not the only one of the six "conspiracy theory" authors to sue as a result of Random House's advertisement for Case Closed. Robert Grodin did too, and his suit also was dismissed, in 1995 (ELR 17:11:6). Although Judge Lamberth's decision in Mark Lane's lawsuit was published just recently, it too was rendered in 1995; no explanation for the unusual delay in its publication appears with the opinion.

Lane v. Random House, Inc., 985 F.Supp. 141, 1995 U.S.Dist.LEXIS 1332 (D.D.C. 1995) [ELR 20:3:9]

Appellate court vacates preliminary injunction barring sale of unlicensed posters of photo of Rock and Roll Hall of Fame building

The Rock and Roll Hall of Fame has suffered a setback - and photographers and movie producers have been granted a reprieve - in a case now pending in Ohio that presents an important and difficult issue. The issue is whether, or under what circumstances, the design of a building can become a legally protected trademark, so that photographs of the building may not be used in commerce without the consent of its owner.

This issue arose because photographer Charles Gentile sells posters of a photo of the Rock and Roll

Hall of Fame and Museum, surrounded by a border containing the words "Rock n' Roll Hall of Fame" - without a license from the Museum's owner.

The Rock and Roll Hall of Fame and Museum is housed in a "distinctive" building designed by world-renowned architect I.M. Pei. The building's design has been registered as a trademark with the state of Ohio and an application has been filed with United States Patent and Trademark Office for federal trademark registration as well. Moreover, the words "Rock and Roll Hall of Fame" already have been federally registered as a trademark.

The Museum's owner responded to Gentile's posters by suing him for trademark infringement. Early in the case it was granted a preliminary injunction (ELR 18:11:8), from which Gentile appealed. In an opinion by Judge James Ryan, the Court of Appeals has vacated the injunction, on the grounds that the record "does not establish a strong likelihood that Gentile has made an infringing trademark use of the Museum's name or building design."

Judge Ryan acknowledged that the Museum building's design is "fanciful," but he said it is "less clear that a picture or drawing of the Museum is fanciful in a trademark sense." Instead, he said, "the Museum's existence as a landmark in downtown Cleveland undermines its `fancifulness' as a trademark." This is so, the judge explained, because "a picture of the museum on a product might be more readily perceived as ornamentation than as an identifier of source."

Moreover, "although the Museum has used drawings or pictures of its building on various goods, it has not done so with any consistency." Instead, it has used many different versions of building drawings and pictures, and thus the judge said that it could not be concluded that the building's design had become "an indicator of a single source of origin or sponsorship."

As a result, the appellate court concluded that "it is quite unlikely . . . that the Museum will prevail on its claims that Gentile's photograph of the Museum is an infringing trademark use of the Museum's building design."

The Museum also objected to Gentile's use of the words "Rock n' Roll Hall of Fame" his posters. But Judge Ryan said that "Gentile's use of these words may very well constitute a fair use of the Museum's registered service mark . . . " because his use of those words "would be nothing more than a description of his own `good,' in the event that the Museum fails to prove that Gentile's photograph makes an infringing use of the Museum's building design."

Demonstrating how difficult a case this is, Judge Boyce Martin dissented. "I believe the Museum has a valid trademark in its building," he said, "and that a photographic image of the museum building could qualify as a trademark on merchandise. I do not read the Lanham Act to mean that simply because a trademark is also the subject of a poster it should enjoy any less protection."

Rock and Roll Hall of Fame and Museum, Inc. v. Gentile Productions, 134 F.3d 749, 1998 U.S.App.LEXIS 722 (6th Cir. 1998) [ELR 20:3:9]

Federal Court of Appeals upholds constitutionality of Military Honor and Decency Act, which prohibits military exchanges from selling or renting sexually explicit material even if it is not obscene

Sexually explicit but non-obscene magazines and videos have been sold on military exchanges for years.

Indeed, Penthouse magazine was the third most popular magazine sold at Army and Air Force Exchanges until 1996. That was the year Congress enacted the Military Honor and Decency Act which prohibits the military from selling or renting sexually explicit material.

The constitutionality of the Act was challenged in a lawsuit filed by Penthouse, the Recording Industry Association of America and other trade associations, and by several magazine, video and record distributors. At first, the challengers were successful. Federal District Judge Shira Scheindlin agreed with them that the Act is unconstitutional and she enjoined its enforcement (ELR 19:4:22).

On appeal, however, the government has prevailed. By a vote of 2-to-1, the Court of Appeals has ruled that the Act is constitutional after all. The majority, in an opinion by Judge Jose Cabranes, has held that military exchanges are "nonpublic forums in which the government may restrict the content of speech, so long as the restriction is reasonable and it does not discriminate among particular viewpoints." The Act does not discriminate among viewpoints, the judge said. It merely "avoids the appearance that the military, by selling sexually explicit materials in military exchanges, endorses these materials." According to Judge Cabranes, this "is a reasonable way for Congress to uphold the military's image and core values of honor, professionalism, and discipline," and thus the Act "does not violate the Free Speech Clause of the First Amendment."

Judge Fred Parker dissented. But the United States Supreme Court denied the plaintiffs' petition for certiorari, thereby cementing the government's victory and the Act's constitutionality.

General Media Communications, Inc. v. Cohen, 131 F.3d 273, 1997 U.S.App.LEXIS 33869 (2d Cir. 1997), cert. denied, 118 S.Ct. 2367, 1998 U.S.LEXIS 4283 (1998) [ELR 20:3:10]

NFL Players Association wins some issues, but not all, on cross-appeals in unlawful retaliation lawsuit filed by three former Player Association employees

Even unions are employers to some extent. And in that capacity, they have many of the same problems with employees as other types of employers do. Case in point: the National Football League Players Association is the union that aggressively represents professional football players as employees of NFL team owners. The Players Association also is the employer of its own office workers, some of whom it had to lay off in 1988 as a result of a cash-flow crunch brought on by the 1987 player strike.

Two of those laid off by the Players Association were African-American women, and a third African-American woman quit at about the same time. Shortly thereafter, all three women initiated legal proceedings against the Players Association, accusing it of terminating them for complaining about sex and race discrimination in the Association's own employment practices. Complaints of that sort are protected by Title VII, so if the women were right, their termination would have been unlawful.

Eventually, a federal District Court ruled in favor of one of the women, Valerie Thomas, but against the other two (ELR 19:1:11). The court awarded Thomas back pay including fringe benefits, pre-judgment interest and court costs. Both sides then appealed.

In an opinion by Judge Harry Edwards - an opinion that deals primarily with the burdens of proof in a

Title VII case - the Court of Appeals has affirmed Thomas' victory.

On the other hand, the appellate court also ruled that the District Court miscalculated Thomas' fringe benefits and may have awarded her more pre-judgment interest than she is entitled to receive (because excessive delays may have been caused by repeated amendments to her complaint). Also, the appellate court ruled that Thomas should not have been awarded all of her court costs, because the Players Association had actually been the prevailing party with respect to eight of the ten counts Thomas had alleged in her complaint.

The Court of Appeals also affirmed the District Court's refusal to order the Players Association to reinstate Thomas. The District Court had noted that, even though the Players Association had failed to carry its burden of proving a non-retaliatory reason for firing her, some of her actions "might well have warranted discharge." And thus the District Court "reasonably concluded that reinstatement would not serve the interests of justice. . .," Judge Edwards said.

Finally, the appellate court affirmed the District Court's decision that the other women had not proved their cases.

Thomas v. National Football League Players Association, 131 F.3d 198, 1997 U.S.App.LEXIS 35679 (D.C.Cir. 1997) [ELR 20:3:11]

Court denies attorneys' fees to defendants who won summary judgment in case alleging TV program "The Elvis Conspiracy" infringed copyrights to books advocating theory that Elvis is alive

The defendants in a copyright infringement case involving a television program entitled "The Elvis Conspiracy" will have to pay their own attorneys' fees - totaling $90,000 or more - even though they won the case on a motion for summary judgment.

The plaintiffs had alleged that the program infringed their copyrights in three unpublished books that advocate the theory that Elvis is still alive. But (in an unpublished ruling) federal District Judge Owen Forrester found that the similarities between the books and television program "involved only non-copyrightable ideas and facts."

Nevertheless, Judge Forrester has denied the defendants' motion for attorneys' fees, because he found that the plaintiffs' position was neither frivolous nor objectively unreasonable. One of the plaintiffs had actually participated in creating the script for a first program called "The Elvis Files," and she also worked on a draft of a script for the allegedly infringing program. A dispute occurred before the second program was finished, so the defendants finished that program on their own and broadcast it. As a result, the defendants had access to the plaintiffs' books in developing the allegedly infringing program. Therefore the judge concluded that at the time the lawsuit was filed, "it was clearly reasonable" for the plaintiffs to think that the defendants may have violated the Copyright Act by copying from their books.

"In addition," Judge Forrester said, the defendants "did not have entirely clean hands in preparing and broadcasting `The Elvis Conspiracy.' Where a party clearly profits from an artist's ideas in a manner suggesting bad faith, the . . . artist should not be deterred from pursuing good faith, reasonable, non-frivolous claims to protect their ownership interest in an original work."

Brewer-Giorgio v. Bergman, 985 F.Supp. 1478, 1997 U.S.Dist.LEXIS 21219 (N.D.Ga. 1997) [ELR 20:3:11]

Trial judge reduces $5.5 million punitive damage award to just $315,000, in Food Lion's suit against ABC triggered by "PrimeTime Live" undercover hidden-camera report

In a substantial though not complete victory for ABC, federal District Judge N. Carlton Tilley has reduced a $5.5 million punitive damage jury verdict in favor of Food Lion to just $315,000. The huge verdict was rendered by the jury in a fraud and trespass suit the supermarket chain filed against the network, its parent company and employees as a result of an undercover, hidden-camera investigation that was broadcast on PrimeTime Live (ELR 18:9:9).

Technically, Judge Tilley has denied ABC's motion for a new trial - but on condition that Food Giant files a "remittitur of all punitive damage amounts above $50,000 from Capital Cities [the network's parent company], $250,000 from American Broadcasting Companies, $7,500 from Richard Kaplan [PrimeTime Live's executive producer] and $7,500 from Ira Rosen [a PrimeTime Live senior producer]."

The judge denied ABC's motions for judgment as a matter of law with respect to all of Food Giant's claims, thus in effect affirming the jury's actual damage awards of $1,400 on account of wages Food Lion paid to PrimeTime Live's undercover reporters, and $2 in damages for trespass. The judge also denied ABC's motion for judgment as matter of constitutional law as to all punitive damages.

According to news accounts, ABC has appealed even though it appears that the judgment actually entered against it came to only $316,402 - just a fraction of the millions of dollars in damages Food Lion originally sought.

Food Lion, Inc. v. Capital Cities/ABC, Inc., 984 F.Supp. 923, 1997 U.S.Dist.LEXIS 13214 (M.D.N.C. 1997) [ELR 20:3:12]

Lower Merion Township did not violate constitutional rights of the Barnes Foundation in applying zoning, parking, police and fire code regulations to Barnes art gallery

The Barnes Foundation was created in 1922 to promote the appreciation of fine art. It has an extensive art collection which is housed in a gallery in a building it owns in the Township of Lower Merion, Pennsylvania. Though the Foundation is famous and prestigious, and though its gallery has been in Lower Merion for decades, the relationship between the Foundation and the Township is not cordial.

In 1993, the Barnes gallery was closed for renovations for a year and half. When it reopened in 1995, the Township applied its zoning, parking, police and fire code regulations to the gallery in a way the Foundation found most offensive. In fact, the Foundation contended that the Township had applied those regulations in a way that discriminated against the Foundation because three of its four Trustees are African American.

Moreover, in a complaint filed in federal court, the Foundation asserted that the Township's discriminatory application of its regulations violated the Foundation's rights under the Equal Protection and Due Process Clauses of the Constitution. The Township of course denied these allegations, and following extensive discovery, it made a motion for summary judgment.

District Judge Anita Brody has granted the Township's motion and has dismissed the Foundation's case. In a lengthy opinion that reviews the evidence in detail, Judge Brody has held that the Foundation had not produced admissible evidence from which a jury could conclude that anything the Township did was done "with a racially discriminatory purpose, which is a necessary element under both the Equal Protection and Due Process Clauses of the Fourteenth Amendment."

Barnes Foundation v. Township of Lower Merion, 982 F.Supp. 970, 1997 U.S.Dist.LEXIS 16688 (E.D.Pa. 1997) [ELR 20:3:12]

Federal statute and FCC regulations prohibiting broadcast advertising for casino gambling are held unconstitutional, again

A federal statute and FCC regulations that prohibit broadcast advertising for casino gambling have been held unconstitutional, in a ruling by federal District Court Judge Joseph Rodriguez.

This case is one of at least three separate lawsuits that have challenged the constitutionality of these laws, and it is the second case in which the court found that the laws violate the First Amendment rights of broadcasters. The Ninth Circuit Court of Appeals so ruled as well (ELR 19:9:14), in a decision that the Supreme Court declined to review (ELR 19:11:16).

The Fifth Circuit reached the opposite conclusion and upheld the constitutionality of the statute and regulations (ELR 18:1:10). But it seems the government can take little comfort in that ruling, because when broadcasters appealed, the Supreme Court summarily remanded that case to the Fifth Circuit (ELR 18:7:32) for reconsideration in light of the Supreme Court's then-recent decision in the 44 Liquormart case (ELR 18:2:6) which invalidated a statute that prohibited liquor price advertising. The Fifth Circuit has not yet issued a decision in response to the Supreme Court's remand.

Since Judge Rodriguez sits in New Jersey, his opinion is the law in the Third Circuit.

Players International, Inc. v. United States, 988 F.Supp. 497, 1997 U.S.Dist.LEXIS 20217 (D.N.J. 1997) [ELR 20:3:12]

County law prohibiting sale to minors of "heinous crime" trading cards is unconstitutional, federal appellate court affirms

A Nassau County law that prohibits the sale to minors of trading cards that depict "heinous" crimes or criminals is unconstitutional, a federal Court of Appeals has held. In an opinion by Judge Roger Minor, the appellate court upheld an earlier ruling by federal District Judge Arthur Spatt which reached the same conclusion (ELR 19:1:8).

The law was challenged in a suit filed by Eclipse Enterprises, the publisher of a "True Crime" series of trading cards. Judge Minor found that the law "specifically targets the description of heinous crimes or heinous criminals in trading cards and, therefore, is content-based." As a result, it had to "survive strict constitutional scrutiny," but it didn't.

Judge Minor, and even Eclipse Enterprises, acknowledged that the County has a compelling interest in protecting the psychological well-being of minors and in combating juvenile crime. But the judge concluded that the County had not offered any evidence that prohibiting the sale of crime trading cards is a necessary or effective way to serve that interest.

Judge Thomas Griesa concurred with the majority's conclusion, but did so for another reason. He concluded that the law was "not drawn in a sufficiently narrow and clear manner," because it banned the sale of cards about the assassination of President Kennedy, famous criminal trials, and other First Amendment protected subjects, as well as other cards that were, in his view, worthy of being banned.

Eclipse Enterprises, Inc. v. Gulotta, 134 F.3d 63, 1997 U.S.App.LEXIS 34372 (2d Cir. 1997) [ELR 20:3:13]

Time Warner Cable is awarded statutory damages and attorneys fees in suit against restaurant that used unauthorized decoder to display pay-per-view boxing match between Mike Tyson and Peter McNeeley

Time Warner Cable of New York City has been awarded $10,550 in statutory damages and attorneys fees against a restaurant that used an unauthorized decoder to display the 1995 boxing match between Mike

Tyson and Peter McNeeley. Time Warner had offered the fight to subscribers on a pay-per-view basis.

According to Time Warner investigators, there were about 75 customers in the restaurant at the time the fight was shown. Federal Magistrate Judge Robert Levy recommended that damages be awarded at the rate of $50 per customer, which came to $3,750; and that an additional $5,000 in damages be awarded, because in order for the restaurant to receive Time Warner's closed-circuit transmission, the restaurant "had to have engaged in some deliberate act. . . ." Magistrate Judge Levy also recommended that Time Warner be awarded its attorneys fees which came to $1,800.

Federal District Judge Jack Weinstein has approved Judge Levy's report and has entered the judgment he recommended.

Time Warner Cable v. Taco Rapido Restaurant, 988 F.Supp. 107, 1997 U.S.Dist.LEXIS 22504 (E.D.N.Y. 1997) [ELR 20:3:13]

Cable-TV operator is awarded $40,000 in statutory damages and attorneys fees in suit against seller of unauthorized descramblers

International Cablevision has been awarded $20,000 in statutory damages and $20,000 in attorneys fees in its lawsuit against the seller of unauthorized cable-TV descramblers. Marvin Noel sold two such descramblers to undercover investigators working for the cable operator.

When sued, Noel conceded that he had violated section 553 of the Communications Act which makes it unlawful to intercept signals transmitted by cable. The damages available under that section are relatively modest, however, so the cable company also alleged that Noel violated section 605 of the Act. That section provides for greater remedies, including statutory damages and attorneys fees; but section 605 appears on its face to apply only to the unauthorized interception of over-the-air signals.

As a result, in an early round in the case, District Judge John Curtin dismissed the cable company's section 605 claims (ELR 16:9:16). That ruling was reversed on appeal however, because the appellate court ruled that section 605 does apply to the interception of cable transmissions too (ELR 18:7:32).

After the Supreme Court declined to hear the case, it came back to Judge Curtin for assessment of damages. He has awarded International Cablevision $10,000 in statutory damages for each of the two unauthorized descramblers Noel had sold. This was less than the cable company had requested, but more than Noel had urged the court to award. The judge also awarded the cable company $20,000 in attorneys fees, which also was less than it had requested.

International Cablevision, Inc. v. Noel, 982 F.Supp. 904, 1997 U.S.Dist.LEXIS 17317 (W.D.N.Y. 1997) [ELR 20:3:13]

Appellate court affirms ruling that NCAA rule restricting salaries of certain basketball coaches violates antitrust law; at subsequent trial, jury awards coaches $67 million in treble damages

The NCAA has suffered a backbreaking setback in its long-standing efforts to contain the ever-escalating costs of intercollegiate athletes. At issue in the case that led to this setback is a 1991 rule that prohibited a Division I school from paying more than $16,000 a year to its basketball coaches except one head coach and two assistants.

Of course, the schools' expenses were the coaches' income; and some of the coaches who could be paid no more than $16,000 after the rule was adopted had been paid $60,000 or $70,000 before. Five of those coaches filed a class-action lawsuit on behalf of themselves and all others similarly situated (a group that according to news reports numbered some 3,000). In 1995, federal District Judge Kathryn Vratil granted the coaches' motion for summary judgment as to liability, finding that the rule was an unreasonable restraint of trade (ELR 18:2:10).

Judge Vratil subsequently enjoined the NCAA from enforcing the rule, and the NCAA appealed. Judge Vratil also awarded the coaches interim attorneys fees, and then sanctioned the NCAA for failing to pay those fees and for failing to comply with certain discovery orders. The NCAA appealed those orders as well.

In an opinion by Judge David Ebel, the Court of Appeals has agreed that the NCAA rule violates antitrust law. The appellate court agreed with the NCAA that the rule's legality should be evaluated under the more lenient "rule of reason," rather than under the strict "per se" rule urged by the coaches. But Judge Ebel concluded - as had Judge Vratil before him - that the NCAA rule flunked even the rule of reason. "[T]he undisputed evidence supports a finding of anticompetitive effect," Judge Ebel said, because it "artificially" lowered the price of coaching services. This alone did not make the rule illegal, because under the rule of reason, defendants are permitted to show that objected-to practices have offsetting procompetitive effects. In this case, however, the NCAA failed to make that showing. It argued that the rule had the procompetitive effects of retaining entry-level positions for coaches at Division I schools, reduced schools' costs, and maintained competitive equity among schools. But Judge Ebel rejected each of these rationales.

The appellate court also affirmed Judge Vratil's award of interim attorneys fees. However, in opinions by Judge James Logan, it reversed some of the sanctions assessed against the NCAA for its failure to pay those fees and all of the sanctions assessed against it for failing to comply with discovery orders.

The question of what damages the coaches had suffered as a result of the rule was then tried to a jury. According to news reports, the jury returned a verdict in favor of the coaches for $22.28 million which under federal antitrust law will be trebled to $67 million.

Law v. National Collegiate Athletic Association, 134 F.3d 1010, 1998 U.S.App.LEXIS 940 (10th Cir. 1998); 134 F.3d 1025, 1998 U.S.App.LEXIS 941 (10th Cir. 1998); 134 F.3d 1438, 1998 U.S.App.LEXIS 942 (10th Cir. 1998) [ELR 20:3:14]

NCAA defeats request for preliminary injunction sought by Bradley University freshman who had been declared "not qualified" to play intercollegiate basketball because he had not satisfied high school "core course" requirements

Bradley University student Reginale Hall has failed in his bid to obtain a preliminary injunction against the NCAA that would have allowed him to play intercollegiate basketball, and receive an athletic scholarship, during his freshman year. Hall was recruited by

Bradley, and by several other colleges as well, out of Providence St. Mel High School, a private Catholic school whose student body is entirely African-American.

The NCAA declared Hall "not eligible" for his freshman year, because he failed to satisfy the NCAA's high school "core course" requirements.

Among the courses Hall attempted to use to satisfy those requirements were courses in Scripture and Ethics/Morality and Microsoft Office and Works. However, the Scripture and Ethics/Morality courses did not satisfy the NCAA's definition of core courses, because religion courses must be non-doctrinal to be core courses, and St. Mel's courses were "based on Christian ideology." Likewise, computer courses are core courses only if no more than 25% of instruction involves keyboarding and word processing and all the rest involves programming and networking. St. Mel's Microsoft

Office and Works courses did not satisfy this standard, because 50% of both courses consisted of keyboarding and word processing and neither involved programming or networking.

In a lengthy and detailed opinion, federal Magistrate Judge Arlander Keys has denied Hall's motion for a preliminary injunction, because he found that none of Hall's nine legal theories was likely to succeed on the merits, because Hall had failed to show irreparable harm, and because the judge ruled that the balance of equities favored the NCAA.

Judge Keys concluded that "If the concept of a `student athlete' is not to be an oxymoron, the NCAA's initial eligibility requirements must be more than an afterthought or an administrative inconvenience for students, teachers, coaches, and counselors." In this case, the judge said, "it is clear that Reggie [Hall] is an above average athlete," but "it is equally clear that he was a below average high school student. Thus, if anyone dropped the ball here, it was Reggie himself (by not doing better academically) and the staff at St. Mel."

Hall v. National Collegiate Athletic Association, 985 F.Supp. 782, 1997 U.S.Dist.LEXIS 18609 (N.D.Ill. 1997) [ELR 20:3:14]

High school girls are granted preliminary injunction against school board, because girls' softball field is inferior to boys' baseball field in ways that violate Title IX and Florida Educational Equity Act

Jessica and Jennifer Daniels were seniors at Merritt Island High School in Brevard County, Florida, and were members of their school's girls' varsity softball team. Indeed, as a result of a lawsuit they (and their father) filed against the Brevard County School Board, they were no doubt among the most valuable players on that team.

Their lawsuit was triggered by the fact that the boys' baseball field has lights for nighttime play, but the girls' softball field did not. The girls' field was inferior in other ways as well - ways which the Daniels alleged violated federal Title IX and the Florida Educational Equity Act. These two laws prohibit gender discrimination by virtually all educational institutions, including those operated by the Brevard County School Board.

In response to the Daniels' motion for a preliminary injunction, federal District Judge Anne Conway found that the School Board "has chosen to favor the boys' baseball team with a lighted playing field, a scoreboard, a batting cage, superior bleachers, signs publicizing the team, bathroom facilities, and a concession stand/press box/announcer's booth, but has not seen fit to provide the girls' softball team with any of these things."

This disparity, Judge Conway ruled, "implicates" several of the considerations listed in regulations implementing Title IX and the Florida Act.

The school board contended that the girls' softball team and the boys' baseball team have separate booster clubs which engage in separate fund-raising activities. And it argued that it "cannot be held liable if the fund-raising activities of one booster club are more successful than another."

But Judge Conway was not persuaded. "It is the [school board's] responsibility to ensure equal athletic opportunities, in accordance with Title IX," she ruled. Since it had not, the judge granted the Daniels' motion and issued a preliminary injunction.

Daniels v. School Board of Brevard County, Fla., 985 F.Supp. 1458, 1997 U.S.Dist.LEXIS 22285 (M.D.Fla. 1997) [ELR 20:3:15]

Appeals court affirms injunction barring Indiana High School Athletic Association from enforcing ineligibility decision against student who moved to new school district

Courts are ordinarily reluctant to intervene in the affairs of private organizations, including athletic associations. But one decision by the Indiana High School Athletic Association seemed to Indiana judges to be so "arbitrary and capricious" that an injunction was issued and affirmed on appeal, barring the Association from enforcing that decision.

The decision in question was to declare Samantha Wideman ineligible to play varsity sports for a year after she and her parents moved from Mentone to Warsaw, Indiana. As a result of the move, Samantha transferred from Tippecanoe Valley High School to Warsaw Community High School during the summer between her sophomore and junior years. Samantha is a basketball player of considerable ability, and was expected to be "the cornerstone" of Tippecanoe's basketball program during her junior and senior years.

The Association has a rule that makes students ineligible for sports if they transfer schools "primarily for athletic reasons." That rule does not apply, however, if the student's entire family moves and its original residence is "abandoned."

Samantha and her parents moved from Mentone to Warsaw, because her parents work in Warsaw and her sick grandfather lives there. They sold their Mentone house, and her whole family moved together, so she should have been eligible to play for her new school. But the Association had received handwritten affidavits suggesting that before the move, Samantha and her family had been "dissatisfied" with the Tippecanoe basketball program; and thus the Association declared her ineligible anyway.

An Indiana trial court enjoined the Association from enforcing its ruling, and the Indiana Court of Appeals has affirmed. In a decision by Judge George Hoffman, the appeals court has ruled "There is substantial evidence that the Widemans moved from Mentone to Warsaw primarily for legitimate family, health and employment concerns rather than athletic reasons." The evidence relied on by the Association was "conflicting, unsubstantiated, and hearsay," the judge found. And thus he concluded that "The trial court did not err in concluding the [Association's] decision was arbitrary and capricious."

The Association argued that the trial court's injunction affected its "right to self-government." But Judge Hoffman was not persuaded. Decisions made by the Association, he said, "have long been held judicially reviewable even absent an expressed constitutional right." Moreover, he added, since the Association is a quasi-public institution, "there is an overriding public interest that it does not act arbitrarily in dealing with member schools or their student athletes."

Indiana High School Athletic Association v. Wideman, 688 N.E.2d 413, 1997 Ind.App.LEXIS 1763 (Ind.App. 1997) [ELR 20:3:15]

Playboy is awarded temporary restraining order and preliminary injunction against unauthorized use of "Playboy" and "Playmate" trademarks on Internet Web site

The operators of the Internet Web sites "www.playmatelive.com" and "www.playboyxxx.com" have been restrained and enjoined from using Playboy's "Playboy" or "Playmate" trademarks in an infringement and dilution suit filed against them by the magazine publisher.

The orders were issued by federal District Judge Charles Legge. They bar Calvin Designer Label, Calvin Fuller and Calvin Merit from using Playboy's marks as their domain name, as the name of their Web service, or on their Web pages, either visibly or buried in code as metatags.

Playboy Enterprises, Inc. v. Calvin Designer Label, 985 F.Supp. 1218, 1997 U.S.Dist.LEXIS 14346, 985 F.Supp. 1220, 1997 U.S.Dist.LEXIS 14345 (N.D.Cal. 1997) [ELR 20:3:16]

Court rejects trademark infringement claim by computer hardware and software company Epix, Inc., complaining of use of Internet domain name "epix.com" to publicize activities of "Clinton Street Cabaret" theater group

Epix, Inc., a Delaware company that makes computer hardware and software used for video imaging, has lost its trademark infringement claim against Interstellar Starship, an Oregon company that uses the Internet domain name "epix.com" to publicize the activities of the "Clinton Street Cabaret" theater group and its "Rocky Horror Picture Show."

Epix, Inc., is the owner of trademark "Epix" which it registered with the United States Patent and Trademark Office for use in connection with ". . . circuit boards and computer programs for image acquisition. . . ." Although Interstellar Starship provides circuit board consulting services, it does not use its "epix.com" website to promote those services.

Federal District Judge Helen Frye has found that "the use of the Internet website `epix.com' by Interstellar Starship to publicize the `Rocky Horror Picture Show' is not likely to confuse any actual or potential customer seeking to purchase printed circuit boards and computer programs from Epix, Inc." Thus, even though Epix, Inc., is the owner of the federally registered mark "Epix," the judge ruled that there has been "no infringement by Interstellar Starship."

Interstellar Starship v. Epix, Inc., 983 F.Supp. 1331, 1997 U.S.Dist.LEXIS 18873 (D.Or. 1997) [ELR 20:3:16]

New York court refuses to dismiss indictment charging owner of ticket brokerage company with scalping and failure to pay sales taxes

In the state of New York, the resale of tickets to entertainment and sporting events is a regulated industry. There, as in some other states, statutes prohibit "ticket scalping" (ELR 17:3:17). In New York, illegal scalping is the resale of tickets at prices that are 10% or $5.00 more than face value (whichever is greater).

Tickets on Request is a ticket brokerage company whose owners have been indicted for reselling tickets at prices much greater than allowed by New York law. In some cases, it allegedly charged 500% above face value. Moreover, Tickets on Request did not pay New York sales tax on those resales; and its owners have been indicted for that as well.

One of the indicted owners, Janet Rosenblatt, made a motion to dismiss the indictment, on two grounds. First, Rosenblatt attacked the constitutionality of New York's scalping statute, citing a 1927 United States Supreme Court decision which had held unconstitutional an earlier New York statute that set the maximum price for which tickets could be resold. Second, Rosenblatt argued that New York's sale tax law exempts ticket resales from sales tax.

But New York County Supreme Court Justice Carol Berkman has rejected both of these arguments, and has denied Rosenblatt's motion to dismiss the indictment against her.

In a brief opinion, Justice Berkman has held that although the 1927 U.S. Supreme Court decision on which Rosenblatt relied has "never" been "explicitly overruled," it "is no longer applied and is not binding precedent."

The justice also held that "legitimate" ticket resales are exempt from sales tax, because the "legitimate ticket resale industry makes its profit from a legal service fee." In this case, however, Rosenblatt has been indicted for charging "much more than the law allowed and cannot be heard to argue that [her] profit was a mere service charge, not subject to sales tax."

People v. Rosenblatt, 667 N.Y.S.2d 886, 1997 N.Y.Misc.LEXIS 582 (1997) [ELR 20:3:17]

Previously Reported:

The United States Supreme Court has declined to review Deteresa v. American Broadcasting Companies (ELR 19:12:12), the case which held that ABC did not violate the law by surreptitiously videotaping a producer's conversation with a flight attendant who had refused to appear on the program "Day One" to be interviewed about O.J. Simpson. Deteresa v. American Broadcasting Companies, Inc., 118 S.Ct. 1840, 1998 U.S.LEXIS 3448 (1998)

The court's opinion denying Barbara Chase-Riboud's motion for a preliminary injunction in her case alleging that the Steven Spielberg-directed movie Amistad infringed the copyright to her historical novel Echo of Lions (ELR 19:8:10) has been published. The case has since been settled (ELR 19:10:10). Chase-Riboud v.

Dreamworks, Inc., 987 F.Supp. 1222, 1997 U.S.Dist.LEXIS 22095 (C.D.Cal. 1997)
[ELR 20:3:17]

WASHINGTON MONITOR

U.S. Trade Representative announces results of 1998 review of world-wide protection of rights of U.S. intellectual property owners; treatment of American entertainment industry in other countries is detailed

United States Trade Representative Charlene Barshefsky has announced the results of the 1998 "Special 301" annual review which examined in detail the adequacy and effectiveness of intellectual property protection in over 70 countries. The Trade Representative's annual review covers all types of intellectual property protection, including patent and other specialized types of protection that do not directly affect the entertainment industry. However, American entertainment companies depend on copyright, trademark and related types of protection, so much of the Trade Representative's review was devoted to matters of significant importance to those in the entertainment industry.

As a result of this year's Special 301 review, the Trade Representative's office will initiate WTO dispute settlement consultations with Greece and the European Union.

In addition, Ambassador Barshefsky announced that 15 other countries - Israel, Macao, Argentina, Ecuador, Egypt, the European Union, Greece, India, Indonesia, Russia, Turkey, Bulgaria, Italy, Dominican Republic, and Kuwait - would be placed on the "Priority Watch List," and 32 others would be placed on the "Watch List."

Earlier this year, "out-of-cycle" reviews were initiated with respect to Paraguay and Bulgaria. Also this year, the Clinton Administration suspended a portion of Honduras' benefits under the Generalized system of Preferences (GSP) and Caribbean Basin Initiative (CBI) because of its failure to control piracy of TV satellite signals; in response, Honduras took action against two pirate stations.

Accomplishments Over The Past Year

Substantial progress was made during this past year in improving intellectual property protection, including progress in countries whose practices have been major intellectual property concerns in the past, much of it the direct result of U.S. Government pressure. While more needs to be done in many of these countries, progress has occurred in such countries as China, Brazil, Russia, Turkey, Bolivia, Korea, Ireland, Sweden, Panama, Cyprus, San Marino, and Luxembourg, and most recently in Bulgaria and Singapore. The Trade Representative noted these details.

China: There has been continued progress in China. Through 1995, China was the world's leading exporter of pirated compact discs (CDs), video discs (VCDs), and software CD-ROMs (containing software and video games). These illegal exports cost U.S. industry over a billion dollars. In contrast, losses from such exports in 1997 were down very significantly according to industry estimates. Since the 1996 agreement, China has shut down 64 CD production lines and largely reduced exports of pirated intellectual property products. According to Chinese Government statistics, more than 800 individuals have been imprisoned in China as a result of illegal intellectual property piracy activities. Ambassador Barshefsky said, "We have seen continued progress in reducing illicit intellectual property production, and are beginning to see the legitimate licensing of film and music production in China. But, China must demonstrate a greater resolve to address illegal importation of CD and VCD products, as well as other intellectual property violations including the illegal reproduction of software products, retail piracy, and trademark counterfeiting."

Bulgaria: Progress has also occurred in Bulgaria since the announcement earlier this year that Bulgaria would be identified as a priority foreign country. Bulgaria has announced a CD manufacturing plant licensing decree which aims to address the increase in pirated CD production. Under this decree plants are not allowed to operate without a manufacturing license or without a specific license for titles that are being produced. As a result, Bulgarian officials reported that all CD production facilities were closed pending the issuance of manufacturing licenses. Some plants have since been issued licenses and resumed production under this decree. Bulgaria has also committed to place CD plants under 24 hour surveillance and immediately address any evidence of illegal production, establish a specialized enforcement unit to deal with CD piracy, and introduce regulations on the importation of CD manufacturing equipment and raw materials. Bulgarian officials report that the Ministry of Interior has carried out 174 operations resulting in the seizure of 120,000 pirated CDs thus far in 1998.

Brazil: Over the past year, the Government of Brazil has enacted modern laws to protect computer software and copyrights. In recognition of these significant developments, Brazil has been removed from the Watch List.

Taiwan: Taiwan authorities have worked diligently over the last five years to improve intellectual property laws and regulations; however, more work needs to be done in the implementation and enforcement of these laws and regulations. Taiwan-origin pirated and counterfeit products - CDS, CD-ROMs, and video games - are being seized in the United States and Latin America. The United States is concerned that judicial procedures dealing with powers of attorney are preventing effective prosecution of copyright violations. Nevertheless, the United States believes that the Taiwan authorities, at the highest levels, are dedicated to implementing specific new measures that will prove successful in rapidly increasing the level of intellectual property protection.

WTO Dispute Settlement

The TRIPS Agreement obligates WTO members to provide minimum standards in their domestic law for protecting intellectual property and to enforce those standards.

Greece and the European Union: Ambassador Barshefsky announced the initiation of WTO dispute settlement proceedings against Greece and the European Union regarding the high rate of television piracy in Greece. The United States is concerned that the failure to take action against TV stations that routinely broadcast U.S. movies and other programming without authorization represents a violation of the enforcement obligations of the TRIPS Agreement. (This brings to 10 the number of intellectual property-related WTO complaints - out of a total of 36 - initiated by the United States.) Approximately 150 Greek TV stations continue to broadcast U.S.-owned motion pictures and television programming without authorization and without any payment of compensation to U.S. copyright holders. In 1996 the Government of Greece made a commitment to the United States to implement an "action plan" to address the problem of television piracy. As part of this "action plan," the Government of Greece committed to license Greek television stations, to deny licenses to stations that engaged in piracy, and to force unlicensed stations to stop broadcasting. Although the licensing process has been plagued by repeated delays, the Government of Greece has finally completed the first stage of the process. The Government of Greece has recently stated that it has begun the process of closing down stations that have failed to submit applications for a license.

On-going WTO TRIPS Cases: Over the past year, significant results have been achieved in several previously announced dispute settlement cases. In 1997, Ambassador Barshefsky announced cases against Sweden, Ireland and Denmark. Sweden has now committed to amend its law to provide provisional relief in civil enforcement proceedings, and Ireland has committed to accelerate its work on a new copyright law and to pass expedited legislation addressing two pressing enforcement issues. By contrast, the United States' case against Denmark has not moved quickly toward settlement.

Other Developments in the Past Year: The United States' WTO case against Turkey was successfully resolved during the past year. In December 1997, the Government of Turkey issued regulations equalizing its tax on box office revenues for foreign and domestic films. This action could save the U.S. film industry millions of dollars in the coming year. [ELR 20:3:18]

DEPARTMENTS

In the Law Reviews:

Freedom of Speech and Independent Judgment Review in Copyright Cases by Eugene Volokh and Brett McDonnell, 107 The Yale Law Journal 2431 (1998)

The Limitations of Trademark Law in Addressing Domain Name Disputes by Danielle Weinberg Swartz, 45 UCLA Law Review 1487 (1998)

The Fordham Intellectual Property, Media & Entertainment Law Journal has published its Volume 8, Number 1 with the following articles:

Copyright in Central and Eastern Europe: An Intellectual Property Metamorphosis by Dr. Silke von Lewinski, 8 Fordham Intellectual Property, Media & Entertainment Law Journal 39 (1997)

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