NEW LEGISLATION AND REGULATIONS

Copyright Act is amended; "Digital Millennium," term extension, and music licensing bills are passed by Congress and signed by President

In the closing days of the 105th Congress, the House and Senate enacted, and President Clinton signed, two very important copyright bills that make several significant changes to the United States Copyright Act.

One was a 61-page bill that was grandly named the "Digital Millennium Copyright Act." It alone amends or adds to the Copyright Act in at least a half-dozen major ways. The most newsworthy of its many provisions are those that were necessary to implement the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Indeed, originally, that was all this bill did; in the beginning, it even had the blander, if more descriptive, title "WIPO Copyright Treaties Implementation Act."

Separate bills that focused on other copyright issues were introduced in the 105th Congress too. As adjournment approached, several of them were bundled together with the WIPO bill, given the "Millennium" name, and ultimately enacted as a package, even though their only common thread is that they concern copyright law.

Four parts of the Millennium Act are of particular importance to the entertainment industry:

WIPO implementation.

Internet service provider liability limitations.

Digital music transmission licensing provisions. And

Provisions concerning the assumption of talent guild collective bargaining agreement residuals obligations by transferees of movie copyrights.

(Three additional parts are significant, though not to the entertainment industry. They concern: computer maintenance and repairs; protection for vessel hull designs; and miscellaneous provisions concerning distant education and library/archive exemptions.)

The other bill was just eight pages, but it made two important changes of its own to the Copyright Act:

It extended the term of copyright by 20 years. And

It changed the law concerning public performance licensing of stores, restaurants and bars.

Additional details concerning both of these bills appear in the articles that follow.

Digital Millennium Copyright Act, H.R. 2281 (105th Cong., 2d Sess. 1998); An act to amend the provisions of title 17, United States Code, with respect to the duration of copyright, and for other purposes, S. 505 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright) [ELR 20:6:4]

WIPO Treaties Implementation Act prohibits circumvention of technological copyright protection systems and bars alteration of copyright management information

Literally minutes before the close of the 105th Congress on October 21, 1998, the United States Senate ratified U.S. adherence to two treaties of enormous importance to the entertainment industry: the WIPO Copyright Treaty, and the WIPO Performances and

Phonograms Treaty. Before it could do so, however, Congress had to amend the Copyright Act in order to conform U.S. law to the requirements of those Treaties. Congress did so by passing the multi-part Digital Millennium Copyright Act, Title I of which is the "WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998."

WIPO - the World Intellectual Property Organization - is the international body that administers the Berne Convention (and other intellectual property treaties). WIPO conducted a Diplomatic Conference in December 1996 for the purpose of considering new treaties. The Copyright Treaty and the Performances and Phonograms Treaty were adopted. (A third proposed treaty for the protection of data bases was not.)

These two treaties were actively supported by the U.S. entertainment industry, because they require adhering countries to do a variety of things that will provide greater protection for entertainment goods and services. Virtually all of what those Treaties require already appears in U.S. copyright law, so in essence, the Treaties require other countries to bring their own copyright laws into conformity with U.S. law.

New provisions

Though U.S. law already satisfied most of the Treaties' requirements, two things did have to be added to the Copyright Act in order for the United States to adhere. The U.S. had to amend its Copyright Act to provide adequate and effective legal remedies against:

the circumvention of technological measures used to protect copyright owners' rights; and

the removal or alteration of "electronic management information."

The WIPO Implementation Act does both of these things by adding a new chapter to the Copyright Act entitled "Copyright Protection and Management Systems." The new chapter adds sections 1201 through 1205 to the Copyright Act, and the essence of what they do is quite simple. They prohibit the circumvention of copyright protection systems. They prohibit tampering with copyright management information. And they provide civil remedies and impose criminal sanctions for their violation.

Copyright protection systems are technological measures taken by copyright owners to control access to their works or to prevent the unauthorized exercise of copyright owners' exclusive rights. Copyright management information is information that identifies the title of the work, its author, its copyright owner, its performer (if it's a sound recording), its performers, writers and director (if it's an audiovisual work), its identifying numbers or symbols, and information about the terms and conditions for the use of the work.

Limitations and exemptions

During WIPO's consideration of the Treaties, and again during Congressional consideration of implementing legislation, these simple prohibitions became surprising controversial. Computer manufacturers, educators, librarians, privacy and "public domain" advocates, and even law enforcement officials, began to conceive of ways in which copyright owners might use copyright protection systems and management information to control their works in allegedly undesirable ways.

Together, these opposing forces had significant clout in Congress. As a result, much of the WIPO

Implementation Act consists of limitations or outright exemptions from the Act's central prohibitions.

WIPO Copyright and Performances and Phonograms Treaties Implementation Act of 1998, Title I of the Digital Millennium Copyright Act, H.R. 2281 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright)[ELR 20:6:4]

Online Copyright Infringement Liability Limitation Act gives online service providers protection against copyright infringement claims, if they remove infringing material when notified by copyright owner

Copyright infringement always has been an absolute liability tort. Those who copy, distribute, perform or display a protected work without permission are infringers, even if they did not (and had no reason to) know the work was copyrighted. This principle has made online service providers nervous, because every day, they "distribute" - by digital transmission - enormous quantities of material, any of which could be copyrighted (and much of which is).

The concerns of online service providers were not entirely unfounded. Netcom On-Line once was sued for infringement by a copyright owner as a result of material posted to the Internet by a Netcom subscriber. Netcom settled the case in 1996, after a judge denied Netcom's motion to dismiss, ruling that it could be liable as a contributory infringer (ELR 18:7:22).

Congress responded to these concerns in Title II of the Digital Millennium Copyright Act. Title II is the "Online Copyright Infringement Liability Limitation Act." The heart of this new Act relieves online service providers from copyright infringement liability, under most circumstances. But Congress also responded to the concerns of copyright owners by giving them some valuable tools for stopping infringers from using online service providers to continue infringing activity.

Service provider exemptions

The Act says that in most cases, service providers "shall not be liable . . . for infringement of copyright" for doing any of four things: transmitting, caching, storing or providing links to infringing material.

While this exemption will be available in most cases, certain conditions must be satisfied. The exact nature of these conditions depends on what activity the service provider is performing (i.e., transmitting, caching, storing or linking). But in essence, service providers must be passive conduits for the infringing material and not active publishers of it.

When service providers cache material (that is, store material on their own computers that was made available originally on another computer), service providers must enforce password or fee payment conditions imposed by whoever made the material available originally. Service providers also must refresh or update cached material when it is provided by whoever made it available originally.

When service providers store material on their computers on behalf of their own subscribers, or provide links to other material, service providers must not know that the stored or linked-to material is infringing.

Rights of copyright owners

While service providers have been largely exempted from potential liability, the new Act requires them to cooperate with copyright owners in the fight against online infringement. The Act does so by giving copyright owners the right to notify service providers of claimed infringements, and requiring providers to take action in response to such notifications.

If the provider is caching material a copyright owner claims is infringing, the provider must remove the material if it was removed from its original site.

If the provider is storing material for its subscribers, the provider must designate an agent to receive infringement notifications from copyright owners, and must remove material a copyright owner claims is infringing.

If the provider is linking to material, the provider must disable access to the material a copyright owner claims is infringing.

If service providers fail to remove or disable access to material a copyright owner claims is infringing, they lose their exemption, and thus may be found liable if the copyright owner sues them for infringement.

Copyright owners also have been given the right to obtain a subpoena requiring service providers to identify alleged infringers, and service providers are required to "expeditiously disclose" the information requested by such a subpoena "notwithstanding any other provision of law."

Rights of those on whose behalf service providers store material that is claimed to be infringing

If providers do remove material a copyright owner claims is infringing, the Act protects them from liability to those who might object to their doing so. This of course gives service providers a big incentive to remove material, simply in response to a notification from a copyright owners, before any judicial determination has been made that the objected-to material actually infringes copyright.

Congress was persuaded that this may result in the removal of material that is not in fact infringing, and thus Congress gave certain rights to those whose material might be removed. These rights involve a three-step procedure that ultimately leads to a judicial decision about whether the objected-to material is infringing.

First, the new Act provides that when a provider who is storing material on behalf of a subscriber removes that material in response to an infringement notification, the provider must promptly notify the subscriber that its material has been removed.

Then, the subscriber has the right to deliver a "counter notification" to the service provider. A "counter notification" is a statement by the subscriber, under penalty of perjury, that the material was removed by "mistake," and a consent by the subscriber to the jurisdiction of the federal court for the district in which the subscriber is located for an infringement suit by the copyright owner that provided the original infringement notification.

Finally, upon receiving such a "counter notification," the service provider must send a copy to the copyright owner that provided the original notification. And the service provider must replace the removed material unless it receives notice that the copyright owner has filed an infringement suit seeking an order to restrain the subscriber from continuing its infringing activities.

Online Copyright Infringement Liability Limitation Act, Title II of the Digital Millennium Copyright Act, H.R. 2281 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright) [ELR 20:6:5]

Congress amends Copyright Act provisions concerning public performance licensing for digital transmissions of music recordings by webcasters

As recently as 1995, Congress amended the Copyright Act in significant ways to deal with then-new technology that permitted the transmission of recorded music over the Internet. Congress did so in the "Digital Performance Rights in Sound Recordings Act of 1995" - an Act that was historic in at least one important respect. For the first time ever in the United States, the owners of copyrights to sound recordings - usually record companies - were given a public performance right, under narrow and specific circumstances.

The 1995 Act was exceedingly complex. (See "A New Music Law for the Age of Digital Technology" by Lionel S. Sobel (ELR 17:6:3)) One reason it was so complex was that it attempted to deal with more than a half-dozen distinct business models under which music recordings might be digitally transmitted.

Rather than treat all digital transmissions alike, Congress decided that some types should be exempt (so that no license at all would be required from record companies), others should be subject to statutory licenses (so that fees would be set by a Copyright Arbitration Royalty Panel, rather than by negotiations with record companies), and only some would require voluntary licenses (in which fees would be set by negotiations with record companies).

Dispute about 1995 Act

Despite (or perhaps because of) the complexity of the 1995 Act, those in the music industry interpreted it in conflicting ways with respect to one type of digital transmission: webcasting.

"Webcasting" is the term that is used to describe what is done by websites that play audio music recordings pursuant to playlists created by website employees, like conventional broadcast radio stations do. In fact, "webcasters" are sometimes referred to as "Internet radio stations."

Last summer, the RIAA took the position that under the 1995 Act, webcasters are required to have licenses from record companies (in addition to licenses from ASCAP, BMI and SESAC). At least some webcasters thought otherwise; they asserted that webcasting was a "nonsubscription transmission" that was exempt from the need to have record company licenses (under section 114(d)(1)(A) of the Copyright Act). The details of this dispute, as well as the arguments for each side, were well-described by Bob Kohn in the September 1998 issue of the Entertainment Law Reporter in an article entitled "A Primer on the Law of

Webcasting and Digital Music Delivery" (ELR 20:4:4). The article also described and commented on then-pending legislation to resolve the dispute, in a way that favored record companies.

That legislation has now been enacted as part of the Digital Millennium Copyright Act. Title IV of that grandly-titled Act was given the deceptively bland name "Miscellaneous Provisions," and that is where Congress tucked the provisions that deal with webcaster licensing. They amend sections 112 (concerning ephemeral recordings) and 114 (concerning the scope of exclusive rights in sound recordings). These amendments span 14 printed pages and are themselves as complex as the 1995 Act they are intended to "clarify" (according to the RIAA) or "change" (according to some webcasters).

New legislation

The essence of what the new legislation does is this:

It eliminates what some webcasters claim was the exemption that permitted them to digitally transmit recordings without licenses from record companies. The RIAA would say that the new legislation simply clarifies that webcasters never had such an exemption. Regardless of which characterization is more accurate, it is now clear that the exemption for "nonsubscription transmissions" is available only to FCC-licensed broadcasters and is no longer available (if it ever was) to webcasters.

It grants webcasters a statutory license to transmit recordings, at fees to be set by a Copyright Arbitration Royalty Panel (unless voluntarily agreed upon), if the transmission meets 12 specific conditions. Those webcasters whose transmissions do not meet these 12 conditions will not benefit from the statutory license, and thus they will have to obtain negotiated licenses from record companies in order to operate. These 12 conditions take up four pages of small print and are impossible to summarize in any useful way. Most, however, appear to be conditions that would prevent or at least deter listeners from making their own recordings of transmissions (as a substitute, say, for buying recordings). For example, the very first of the 12 conditions denies statutory licenses to webcasters that transmit recordings in interactive response to listeners' online requests for particular records.

It grants webcasters (who satisfy the conditions for a statutory license to transmit recordings) to make "ephemeral recordings" of the recordings they transmit. This amendment (to section 112 of the Copyright Act) was necessary, because webcasters cannot transmit directly from CD's. In order to webcast recordings, webcasters must first re-record CDs to the hard drives of their computers, because a webcast is actually a transmission from one computer to another.

Miscellaneous Provisions, Title IV of the Digital Millennium Copyright Act, H.R. 2281 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright) [ELR 20:6:6]

New statute imposes residual payment obligations on transferees of copyrights to motion pictures produced under collective bargaining agreements

When Congress passed the Digital Millennium Copyright Act, it gave the Screen Actors Guild, Directors Guild of America and Writers Guild of America a powerful tool for protecting their members' residuals. Congress created a new federal law that requires residuals to be paid by most transferees of copyrights to motion pictures produced under collective bargaining agreements, even if the transferees never signed those collective bargaining agreements themselves. ("Motion pictures " is defined the same for this new law as it is for copyright purposes, and thus includes television programs as well.)

Assumption of obligations

This new law was tucked into the "Miscellaneous Provisions" part of the Millennium Act (Title IV), and it adds an entirely new chapter to the federal Judicial Code, rather than to the Copyright Act itself. The chapter is entitled "Assumption of certain contractual obligations related to transfers of rights in motion pictures," and is codified at section 4001 of Title 28 of the United States Code.

The Guilds sought this new law, because many movies are produced by companies that sell their copyrights and go out of business while residuals are still being earned. The Guilds' collective bargaining agreements provide that signatories must obtain "assumption agreements" from companies to whom they sell their copyrights; but if signatories fail to do so and then go out of business, there has been little or nothing the Guilds could do to enforce their collective bargaining agreements against non-assuming transferees.

The heart of the new law provides that when the copyright to a motion picture that was produced under a collective bargaining agreement is transferred, the transfer agreement "shall be deemed to incorporate" the obligation to pay residuals called for in the collective bargaining agreement. This obligation exists in two types of circumstances.

First, the obligation to pay residuals exists when the "transferee knows or has reason to know at the time of the transfer that such collective bargaining agreement was or will be applicable to the motion picture." Such knowledge exists if the transferee has actual knowledge of the collective bargaining agreement or is aware of facts which make it apparent the movie was made under a collective bargaining agreement. Such knowledge also exists if a document revealing the existence of a collective bargaining agreement is recorded in the Copyright Office, or if the Guild publishes information identifying the movie on an online site available to the public.

Second, the obligation to pay residuals exists when "a court order confirming an arbitration award against the transferor [the previous copyright holder] under the collective bargaining agreement" has been entered, and "the transferor does not have the financial ability to satisfy the award within ninety days of the issuance of such order."

Exemption transfers

The obligation to pay residuals is not imposed on absolutely all copyright transferees. The obligation to pay residuals is not imposed on those who only obtain public performance rights, such as movie theaters, television stations, cable systems, or networks.

Also, the obligation to pay residuals is not imposed on copyright transfers that are merely grants of security interests or copyright mortgages. (These are the types of transfers obtained by banks and others who lend money to production companies.) Nor does it apply if the transferee exercises its rights as a secured party (and thus becomes the outright owner of the copyright) or to subsequent transferees to which the copyright may sold by a secured party.

Finally, the new law provides that any disputes concerning its application are to be litigated in federal District Courts. This, apparently, is how the new law came to be codified in the Judicial Code, rather than in the Copyright Act or in the title of the United States Code that deals with collective bargaining.

Miscellaneous Provisions, Title IV of the Digital Millennium Copyright Act, H.R. 2281 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright) [ELR 20:6:7]

Sonny Bono Copyright Term Extension Act adds 20 years to duration of U.S. copyrights

The duration of copyrights in the United States has been lengthened 20 years by the "Sonny Bono Copyright Term Extension Act." The Act, which was signed by President Clinton on October 27, 1998, is named in memory of the late Congressman Sonny Bono who once was the male half of the performing duo "Sonny and Cher." Congressman Bono's political career was brought to an untimely and tragic end by a fatal skiing accident last winter.

The Act that now bears Congressman Bono's name was actively sought by those in the music and movie businesses in order to prevent the untimely deaths of their copyrights, not only in the United States, but in Europe as well. In 1995, the countries that are members of the European Union extended the term of their copyrights from the life of the author plus 50 years to life plus 70 years; but the E.U. extension applies to non-European works only so long as they are protected by copyright in their own countries of origin. Thus, if the United States had not passed a term extension act, American works would go into the public domain in Europe as soon as they expired here. Now they will be protected in Europe for an additional 20 years simply because their copyright terms have been extended here.

The Act does four distinct things:

It extends the term of copyright.

It gives libraries and archives the right to make copies of works during their last 20 years of protection under certain circumstances.

It creates a new termination of transfer right, and enlarges the number of people who have such rights. And

It states the "sense of the Congress" that studios and talent should agree on how to divide money earned by movies and TV programs during the term extension.

Term extension

The Act accomplishes its principal purpose by adding 20 years to each provision of the Copyright Act that deals with copyright duration.

Thus the duration of works created since 1978 by natural identified authors is now the life of the author plus 70 years (rather than the life plus 50 it used to be). The duration of published works-made-for-hire, anonymous and pseudonymous works is now 95 years from first publication or 120 years from creation, whichever is longer (rather than the old 75 years from publication or 100 years from creation); and for unpublished works of that type, the duration is now 120 years from creation (rather than the old 100 years from creation).

The Act adds 20 years to the duration of works created prior to 1978 by extending the renewal term of those works to 67 years (from the old 47 years), thus making the total duration of copyright for such works 95 years (rather than the old 75 years). Likewise, copyrights to works created before 1978, but not published or registered until 1978 or later, will last through the year 2047 (rather than 2027) (though such works must be published by the end of 2002 or their copyrights will still expire at the end of that year).

The Act applies only to works still protected by copyright on its October 27, 1998 effective date. It does not restore copyright to works that fell into the public domain at the end of 1997. Thus, the Act does not extend the copyrights to works first published between 1904 and 1922, even though they were published fewer than 95 years ago, because even if their copyrights were properly renewed for a second term, those second terms expired before the Act became effective.

Library and archive copying rights

The Sonny Bono Copyright Term Extension Act makes a concession to libraries and archives that are concerned about virtually all legislation that strengthens copyright protection. In addition to extending the terms of copyrights, the Act amends section 108 of the Copyright Act to give libraries and archives certain additional rights to reproduce copyrighted materials under specified circumstances.

Now, during the last 20 years of any published work's copyright, libraries and archives are authorized to reproduce and distribute the work, in facsimile or digital form, for preservation, scholarship or research, if the work is not being commercially exploited, if a copy of it cannot be obtained at a reasonable price, and if the copyright owner has not given notice that the work is commercially available at such a price.

Termination of transfer rights

Although the duration of copyright and the duration of copyright transfers are two distinct concepts, the Act also makes two changes to prior law concerning copyright transfers. One change deals with termination of transfers; the other increases the kinds of successors who may exercise termination rights.

Section 304(c) of the Copyright Act, as it used to read, permitted authors or their survivors to terminate pre-1978 transfers in order to recapture rights that had been transferred for the last 19 years of what used to be a 47-year renewal term. However, this termination right had to be exercised, within a very specific window of time, so that it became effective within the first five years of that 19-year tail. If the termination right was not exercised, or not exercised in time, it was lost and could not be exercised late, even if some of the last 19 years of the renewal term still remained. As a result, some - perhaps many - transferees continue to own the full 47-year renewal term; and Congress had to decide whether those transferees would thus automatically become the owners of the new 20-year extension period too, or whether authors or their successor would have the right to recapture the extension period.

Congress decided that authors and their successors should have the right to recapture the new 20-year extension period. Thus the Act provides a new termination right for works that are in their renewal terms when the Act became effective (on October 27, 1998), if the original termination right expired without being exercised. This new termination right must be exercised so that it becomes effective within five years after the end of 75 years from when copyright was secured.

Prior law gave the right to terminate to living authors, or to the widows or widowers and children or grandchildren of deceased authors. Prior law said nothing about who, if anyone, could exercise termination rights if none of these were alive when the right to terminate arose. Now, by virtue of the Sonny Bono Term Extension Act, the author's executor, administrator, personal representative or trustee has been given a termination right, if none of the others is alive.

Division between studios and talent

Finally, the Sonny Bono Term Extension Act does something that is unique in American copyright law. It states that it is the "sense of the Congress" that those who own copyrights in audiovisual works whose copyrights have been extended - primarily movie studios and television production companies - "should negotiate in good faith" with screenwriters, directors and performers to reach a " voluntary agreement" for dividing "remuneration" earned by such audiovisual works, presumably (though this isn't perfectly clear) during the last 20 years of their newly extended terms.

Sonny Bono Copyright Term Extension Act, S.505 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright) [ELR 20:6:8]

Fairness In Music Licensing Act exempts many stores, restaurants and bars from need to have public performance licenses

Stores, restaurants and bars have scored a tremendous victory in their long-running fight to eliminate their need to have public performance licenses in order to play radio or television receivers for their customers' enjoyment. They persuaded Congress to enact the "Fairness In Music Licensing Act of 1998," and as a result, many of them will no longer need such licenses.

Prior to the new Act, section 110(5) of the Copyright Act provided that licenses were not necessary for public performances using "a single receiving apparatus of a kind commonly used in private homes." This came to be known as the "home style receiver exemption." While the language of section 110(5) seemed ordinary enough, its application to specific circumstances gave rise to some hotly contested lawsuits, especially between restaurants and bars on the one hand, and ASCAP and BMI on the other (e.g., ELR 17:6:23).

The new Act does five things:

It substantially revises section 110(5) so that the size of the establishment, rather than the type of receiver it uses, is what matters for deciding whether the exemption applies.

It allows copyright owners to recover enhanced damages from establishments that assert unsuccessful section 110(5) exemption defenses without a reasonable basis for doing so.

It expands a separate exemption for retail record stores (found in section 110(7) of the Copyright Act) so that it now covers stores that sell homevideo and CD players (in addition to stores that sell recordings).

It provides an entirely new procedure for determining ASCAP license fees that must be paid for non-exempt music performances. And

It makes plain that the new Act does not replace or supersede state or local laws concerning the operations of ASCAP, BMI and SESAC.

In all, the new Act inflicts serious damage on the rights of copyright owners, especially music publishers and songwriters. Here are some of the details:

Exemption for stores, restaurants and bars

The new Act permits stores that are smaller than 2000 square feet to play radio and television broadcasts and cable and satellite transmissions, without a public performance license, regardless of the type of receiver or number of loudspeakers the store may use.

Restaurants and bars that are smaller than 3750 square feet have been given the same exemption.

Stores that are larger than 2000 square feet, and restaurants and bars that are larger than 3750 square feet, are exempt too, so long as they use fewer than a specified number of loudspeakers and television sets.

Enhanced damages

Now that section 110(5) is so specific, there should be few if any good faith disputes over the circumstances under which its exemption is available. Thus, the new Act does give copyright owners one benefit they didn't enjoy before.

Now, if an establishment asserts a section 110(5) exemption defense in an infringement suit, without having reasonable grounds for believing that its activities were exempt, the copyright owner is entitled to recover two times the amount of the license fee the establishment should have paid, in addition to any other damages that may be awarded.

Exemption for stores that sell homevideo and CD players

Section 110(7) of the Copyright Act has always provided that retail stores do not need public performance license in order to play music recordings for the purpose of promoting the sale of records. However, no similar exemption was granted to stores that play recordings for the purpose of promoting the sale of what used to be called record players and now are called cassette or CD players. Nor was there such an exemption for stores that played music videos, even for promotional purposes.

The new Act now expands the section 110(7) exemption so that stores that play music recordings or music videos for the purpose of promoting the sale of homevideo, cassette or CD players are covered as well. In other words, appliance and electronics stores that play music to promote the sale of players do not need public performance licenses to do so, even if those stores do not sell recordings or music videos.

ASCAP license fee setting procedures for non-exempt performances

Although the new Act substantially broadens the kinds of music performances that do not need to be licensed, not all music performances are exempt. Some large stores, restaurants and bars will still need to have public performance licenses, because, for example, they use more than the exempt number of speakers or television sets. Some stores, restaurants and bars of all sizes - including those that are smaller than 2000 or 3750 square feet - will still need public performance licenses, because they host live music performances or use tape or CD players to perform music (rather than exempt radio and television receivers).

ASCAP, BMI and SESAC all issue public performance licenses for non-exempt music performances. But ASCAP is unique in one respect: it is subject to a consent decree that permits music users to apply to the federal District Court in New York City for an order determining "reasonable" license fees, if users are unable to reach agreement with ASCAP directly. (BMI is subject to a consent decree also; but the BMI consent decree does not contain a provision for court-determined reasonable fees. SESAC is not subject to a consent decree at all.)

Apparently some music users find the rate-setting provision of the ASCAP consent decree to be unsatisfactory, because they don't want to go to New York City to litigate. The new Act deals with their concerns by adding a new section 512 to the Copyright Act that provides an alternate procedure that some music users may take advantage of to get judicially determined ASCAP license feess. Those who are eligible to use this new procedure may commence rate-setting proceedings in the federal districts in which their businesses are located.

The new procedure is remarkably detailed in many respects; it runs on for nine paragraphs and even purports to tell federal district judges how quickly such proceedings must commence. In one respect, however, the new Act is surprisingly ambiguous (or at least surprising): it is not perfectly clear about what sorts of music users may take advantage of this new procedure.

The Act provides that the new procedure is available to "an individual proprietor who owns or operates fewer than 7 non-publicly traded establishments. . . ." But the word "establishment" is given a particular meaning by the new Act: it means "a store" that sells "goods or services." Restaurants and bars fall within a separate definition for "food service or drinking establishment." As written, the new rate-setting procedure is not available to the proprietor of a "food service or drinking establishment" - only to the proprietor of an "establishment." Thus, on its face, the new procedure appears to be available only to store owners, not to the owners of restaurants or bars.

State and local laws not superseded

Finally, the new Act provides that it should not be construed to "relieve any performing rights society of any obligation under any State or local . . . law . . . governing its operation. . . ." This provision appears to refer to statutes enacted in several states that regulate the manner in which ASCAP, BMI and SESAC conduct their copyright licensing operations (ELR 17:6:28, 17:8:22).

In one case, however, the enforcement of New York's version of such a state statute was enjoined by a federal District Court, on the grounds that it is pre-empted by the Copyright Act (ELR 18:10:8).

The new Act could be understood to be a statement by Congress that it does not intend the Copyright Act to pre-empt state and local regulation of ASCAP, BMI and SESAC. If it is understood in that fashion, this provision may be the most damaging one of all for the future of these three organizations and the music publishers and songwriters they represent.

Fairness In Music Licensing Act of 1998, S.505 (105th Cong., 2d Sess. 1998) (available on the Internet at http://lcweb.loc.gov/copyright) [ELR 20:6:9]

INTERNATIONAL CASES

Supreme Court of Canada upholds $2,000 judgment in favor of young woman whose photo was published in Vice-Versa magazine without her permission; photo was taken in public place and did not offend her honor or reputation, but court held that it violated her right to privacy

Important legal principles are sometimes established in simple cases involving little damage. One such case has recently been decided by the Supreme Court of Canada. And the principle it establishes is that, in

Quebec at least, the publication of a person's photograph in a literary and artistic magazine - even in a way that does not offend the person's honor or reputation - may constitute an invasion of that person's right to privacy.

This principle has been established, in a precedent-setting decision, in a case brought by a young woman named Pascale Claude Aubry against photographer Gilbert Duclos and Les Editions Vice-Versa Inc., the publisher of the small-circulation literary and artistic magazine Vice-Versa.

Duclos had taken a photograph of Aubry, without her knowledge, while she was sitting on the outside stairway of a building on a street in Montreal. Aubry was 17 years old at the time, and though the photo was flattering, she testified that as a result of its publication, she was "laughed at" by some of her "friends . . . at school."

For this, Aubry sought $10,000 in compensatory and exemplary damages in a complaint that alleged the unlawful interference with her rights under the Quebec Charter of Human Rights and Freedoms. The Quebec Charter provides that "Every person has a right to respect for his private life."

Following trial in the Court of Quebec, Aubry was awarded $2,000. The Court of Appeal "dismissed the appeal" and thus affirmed the $2,000 judgment (ELR 19:3:15). Though little was at stake financially ($2,000 in Canadian dollars is only $1,500 in U.S. dollars), Duclos and Les Editions Vice-Versa appealed to the Canadian Supreme Court, where they have done no better.

In a 5-2 decision, the Supreme Court of Canada has affirmed the judgment. Even the two dissenting justices agreed that Aubry's privacy had been invaded; they would have reversed because they did not think she had proved any damages.

The majority opinion by Justices L'Heureux-Dube and Bastarache holds that "the right to one's image . . . is an element of the right to privacy under . . . the Quebec Charter." Thus there is "an infringement of the person's right to his or her image . . . as soon as the image is published without consent. . . ." Moreover, the majority added, "it is possible for the rights inherent in the protection of privacy to be infringed even though the published image . . . in no way injured the person's reputation."

The majority did acknowledge that the Quebec Charter also includes the right to freedom of expression - a right with which the "right to respect for one's private life comes into conflict here. . . ." But they held that in this case, Aubry's right to privacy prevailed over Duclos' and Vice-Versa's right to freedom of expression.

The only justification for giving precedence to their right of free expression would be that "it would be very difficult in practice for a photographer to obtain the consent of all those he or she photographs in public places before publishing their photographs." But the majority was not persuaded that this would be a sufficient justification. Doing so, they said, would "amount to accepting that the photographer's right is unlimited . . . thereby extending the photographer's freedom at the expense of all others. We reject this point of view."

The majority was not troubled by the award of damages either. "In our view," they said, "the damages are the logical, direct and immediate consequences of the fault. A teenager's sensitivity and the possibility of being teased by her friends are eminently foreseeable."

Aubry v. Duclos, 78 C.P.R.3d 289, 1998 CPR LEXIS 49 (S.Ct. Canada 1998) (available on LEXIS in the Intlaw Library, Cancas File) [ELR 20:6:12]

Member of Parliament and author Alan Clark wins suit against London Evening Standard; British Chancery Court rules that parody columns by journalist Peter Bradshaw entitled "Alan Clark's Secret Diary" violated Clark's rights against passing off and false attribution of authorship

Alan Clark is a Conservative Party member of the British Parliament and the author of a best-selling diary (movie rights to which have been sold to Union Pictures). Clark's writings reveal his "decidedly right wing political views, his highly unconventional behaviour . . . and private life, his extensive sexual exploits and his . . . cruel and outrageous judgments on his contemporaries."

Given the subject matter of Clark's writings, it is not surprising that a British judge found that they "invite parodying." Nor was it surprising that in anticipation of Britain's 1997 election, the Evening Standard did just that. The London newspaper published a series of columns by journalist Peter Bradshaw under the title "Alan Clark's Secret Election Diary." After the election, the series was continued as "Alan Clark's Secret Political Diary."

All of the columns included a "mugshot" photo of Clark next to the title. But all of them also began by indicating that they were what "PETER BRADSHAW imagines" Clark's diary "might" say.

Clark responded to this unauthorized use of his name and photo by suing the Evening Standard, asserting claims for common law passing off and for false attribution of authorship in violation of section 84 of the British Copyright, Designs and Patents Act of 1988. Chancery Division Justice Lightman has ruled in Clark's favor on both claims.

To win on either theory, Clark had to prove that a substantial number of Evening Standard readers, though not necessarily all, were deceived by the columns' title and photo into believing he was their author. The newspaper argued that this had not happened. It asserted that the word "Secret" in the columns' title alerted readers that they were not really by Clark, and that their true author, Peter Bradshaw, was identified in all capital letters. Moreover, the newspaper called witnesses who testified that they understood the columns were spoofs written by someone else.

On the other hand, Clark called witnesses who testified they had been deceived. And Justice Lightman found that deception was likely, not only because some witnesses so testified, but also because the Evening Standard is a newspaper that many readers buy "after the day's work, often on the journey home," and they "skim read" it rather than read it attentively.

To win his common law passing off claim, Clark had to prove that his goodwill was damaged by the false suggestion he had written the columns. Justice Lightman found that it was. "His reputation and goodwill as an author is placed at risk," the justice said, "and so accordingly are the prospective sales of his published works and the market value of the publishing rights and other rights to exploit his works."

In order for Clark to win his Copyright claim, he had to prove "what is a false attribution of authorship, and not merely what is or may be understood by some or more people to be, a false attribution." Justice Lightman had little trouble making that determination. "In my judgment," he said, "the headings of the articles contain a clear and unequivocal false statement attributing their authorship to [Clark]. . . ."

The Evening Standard argued that it was protected from liability by the European Convention for the Protection of Human Rights and Fundamental Freedoms, Article 10(1) of which provides that everyone shall have the right to freedom of expression. The newspaper's lawyer "waxed eloquently," Justice Lightman observed, on what the lawyer described as Clark's attempt to interfere with the newspaper's right to publish parodies. However eloquent the lawyer may have been, however, Justice Lightman was not persuaded.

"This argument is totally misconceived," the justice said. "First there is no interference with the [Evening Standard's] freedom of expression. The right of the [newspaper] to parody the works of [Clark] has never been in question and could never be in question. Secondly [Article] 10(2) spells out that the citizens' right to freedom of expression is subject to the rights of others, and these must include the rights which [Clark] seeks to enforce in this action. The only limitation on the [Evening Standard's] freedom is in respect of the presentation or packaging of the parody. The [newspaper] is required to respect the right of [Clark] to object to false attribution of authorship."

Clark v. Associated Newspapers Ltd., [1998] 1 All ER 959, [1998] RPC 261 (U.K. Chancery Div. 1998) (available on LEXIS in the Enggen Library, Cases File) [ELR 20:6:12]

RECENT CASES

Dispute over whether Disney's release of homevideo of "Fantasia" outside the United States infringed foreign copyrights to Stravinsky's "The Rite of Spring" should be heard in U.S. federal court rather than foreign courts, but Disney is entitled to trial on issue of whether original synchronization license limited Disney's distribution to movie theaters with ASCAP-like performance licenses, appellate court rules

A long-pending lawsuit between Boosey & Hawkes Music Publishers and the Walt Disney Company, which was triggered by Disney's homevideo release of "Fantasia," presents two apparently difficult issues. Neither court that has ruled on the case so far has been willing to give either side the victory as to both.

The dispute centers Disney's use of Igor Stravinsky's "The Rite of Spring" which is featured in "Fantasia's" soundtrack. Disney licensed the composition from Stravinsky for that very purpose back in 1939.

One issue in the case is whether the language of that 1939 license would have authorized Disney to release homevideos of "Fantasia" at all, and if so, whether another provision of that same agreement nevertheless limited Disney's distribution rights to movie theaters that had ASCAP-like public performance licenses, and thus deprived Disney of whatever right it may otherwise have had to release homevideos. Boosey & Hawkes now owns the copyright to "The Rite of Spring" and takes the position that Disney does not have homevideo rights to the composition, for one or both of those reasons.

If Disney does not have the homevideo rights to "The Rite of Spring," the second issue is whether Boosey & Hawkes' lawsuit may be heard in a United

States District Court - which is where the publisher has filed it - or whether instead it must be heard in the courts of each country of the world where the composition's copyright was infringed by homevideo release. According to the music publisher, there are at least eighteen such countries. The United States is not one of them, however, because "The Rite of Spring" was in the public domain in the U.S. when Disney released the "Fantasia" homevideo here, just as it was when the Stravinsky-Disney license was entered into in 1939.

Initially, federal District Judge Kevin Thomas Duffy gave half a loaf to Boosey & Hawkes by ruling that although one provision of the 1939 license gave Disney the right to manufacture homevideos of "Fantasia," another provision did limit Disney's distribution rights to movie theaters that had ASCAP-like licenses; and thus Disney could not distribute homevideos without infringing "The Rite of Spring" copyright. However, Judge Duffy gave Disney the other half loaf by ruling, under the doctrine of forum non conveniens, that his court was not the proper forum for hearing the case, because it involved infringements under the laws of other countries rather than U.S. law. Thus, Judge Duffy held, Boosey & Hawkes' claims should have been made in suits filed in those other countries where the judges would be familiar with their own laws. (ELR 18:11:7)

Neither company was happy with that result, and both appealed. Now, the Court of Appeals has rendered yet another Solomon-like decision, splitting the baby between the two adversaries - but doing so in the opposite fashion.

In an opinion by Judge Pierre Leval, the appellate court has held - as Disney urged - that the 1939 license gave it the right to produce homevideos, and that the right to distribute them may not have been limited to movie theaters having ASCAP-like licenses. As Judge

Leval read the "ASCAP provision," it did not plainly limit Disney's distribution rights to movie theaters having public performance licenses. And since Judge Duffy had decided the issue on motion for summary judgment, the evidence concerning the provision's meaning was "sparse and contradictory." For this reason, Judge Leval held that summary judgment concerning the meaning of the "ASCAP provision" had been improper, and that issue has been remanded "for a trial to determine whether Disney's video format release violated the ASCAP Condition."

On the other hand, Judge Leval held - as Boosey & Hawkes urged - that the publisher's foreign copyright claims should not have been dismissed under the forum non conveniens doctrine. This was so, Judge Leval explained, because it had not been shown that "Disney was subject to jurisdiction in the various countries where the court anticipated that trial would occur. . . ."

Also, Disney had not alleged that New York would be inconvenient for it. "Indeed," Judge Leval observed, "it seems rather more likely" that Disney sought "to split the suit into 18 parts in 18 nations" in order to "complicate the suit, delay it, and render it more expensive." The need to apply foreign law is only one factor that should be taken into account in deciding whether to dismiss a case, and is not alone enough to do so. Since Disney is a U.S. company, the 1939 agreement was negotiated and signed here, Boosey & Hawkes (an English corporation) chose to sue in New York, and the trial is ready to proceed here, Judge Leval vacated the dismissal of the foreign copyright claims and has remanded the case for trial.

Boosey & Hawkes Music Publishers v. Walt Disney Co., 145 F.3d 481, 1998 U.S.App.LEXIS 8329 (2d Cir. 1998) [ELR 20:6:14]

New York Son of Sam Law does not apply to payments that may have been made to Salvatore Gravano in connection with book "Underboss," because Gravano was convicted under federal rather than state law and New York law applies only to profits from New York state crimes

HarperCollins' publication of the book Underboss in April 1997 was greeted with acclaim by reviewers . . . and with a lawsuit by the New York State Crime Victims Board. The lawsuit names several defendants: HarperCollins and its president Anthea Disney, the book's author Peter Maas, his agent International Creative Management, a corporation created by Mass named TJM Productions, and Twentieth Century Fox which owns the book's movie rights.

Underboss is the story of Salvatore Gravano, a former member of La Cosa Nostra, whose testimony helped convict John Gotti, Vincent Gigante and other organized crime figures. Gravano himself pled guilty to federal RICO charges. The reason the Crime Victims Board filed its wide-ranging suit is that the Board suspects Gravano was paid for his cooperation in the writing of the book.

If Gravano was paid, this might have been legally significant, because New York has a "Son of Sam Law" that "is designed to assist crime victims . . . recover . . . from criminals who caused them harm." The law does that by requiring those who enter into contracts requiring payment to certain criminals to notify the Board in advance so the Board will have an opportunity to sue and seize those payments for the benefit of the criminals' victims.

No one involved in writing or publishing Underboss notified the Board in advance. Indeed, when contacted by the Board, all responded by saying they had not entered into any contracts that came within the scope of the Son of Sam Law. But the Board was not persuaded. In its suit, it alleged that all of those involved with the book had participated in a "scheme" to funnel money to Gravano in violation of the law, and thus the Board sought an injunction against those it had sued preventing them from paying Gravano any more money, and a judgment against all of them for an amount equal to the payments they already had made to him.

This case is not the first in which the Crime Victims Board has sought to enforce New York's Son of Sam Law. (See ELR 13:3:7, 11:12:11) But in 1991, the United States Supreme Court declared the original version of the law to be an unconstitutional infringement of First Amendment free speech rights (ELR 13:8:3). New York enacted a new version in 1992 (ELR 14:11:18). And the Underboss case was brought under that 1992 version.

HarperCollins and its co-defendants responded to the suit by arguing that the 1992 version of the Son of Sam Law is unconstitutional too, and that in any event it doesn't apply to any agreement they may have made with Gravano. New York Supreme Court Justice Leland Degrasse has agreed that the statute doesn't apply, and thus he said there was "no need" for him "to determine whether the Son of Sam Law passes constitutional muster."

The reason Justice Degrasse agreed that the Son of Sam Law didn't apply in this case is that the law "reaches only `profits from the crime' committed by a person `charged or convicted' of `any felony defined in the Penal Law or any other chapter of the consolidated laws of the state.'" Gravano was convicted on federal charges, and thus his "conviction was for crimes which are not `defined in the Penal Law of this state."

The Crime Victims Board argued that such an interpretation would "render the statute `futile' or `absurd.'" But Justice Degrasse thought not. It would not, he explained, because there also is a federal statute that provides compensation for crime victims when criminals attempt to profit from books or movies about their crimes. "Persons convicted of federal crimes remain subject to the federal Son of Sam Law," the justice explained.

New York State Crime Victims Board v. T.J.M. Productions, Inc., 673 N.Y.S.2d 871, 1998 N.Y.Sup.LEXIS 178 (Sup. 1998) [ELR 20:6:15]

Writers Guild decision that Wendell Wellman was not entitled to screen credit on movie "Fair Game" is affirmed

Federal Court of Appeals Judge Harry Pregerson acknowledged that "In Hollywood, a screenwriter's name is his most coveted asset" and that screen credit "can propel him to other work - perhaps to the next blockbuster." These are the very reasons Wendell Wellman was upset to learn that Warner Bros. proposed to give Charlie Fletcher sole screenplay credit for "Fair Game," and Wellman no credit at all, even though Wellman worked on that movie's screenplay too, along with "many" others.

Screen credit disputes are so common in Hollywood that the Writers Guild of America administers an arbitration procedure for resolving them, using procedures and standards that are part of the WGA collective bargaining agreement, to which Warner Bros. is a signatory.

Wellman therefore took advantage of the WGA credit arbitration procedure. But when it was over, "the arbiters agreed with Warner that Wellman's work on the project merited no screenplay credit." As was his right, Wellman then petitioned the WGA Reviewing Board which conducted a review of the arbitration and "informed Wellman that it would affirm the arbiters' decision."

Still not satisfied, Wellman sued the WGA in federal District Court, where he fared no better. District Judge Edward Rafeedie granted summary judgment to the WGA. Wellman appealed that decision too, and now has lost again. Writing for the Court of Appeals, Judge Pregerson has rejected each of the contentions made by Wellman, and thus has affirmed the summary judgment won by the WGA.

Wellman's principle claim was that the WGA breached its duty of fair representation, because the arbiters had not been sufficiently thorough in reviewing the scripts and other materials that had been submitted to them. However, since WGA procedures provided for review by a Board, Judge Pregerson ruled that the issue before the court was whether the Board's decision to affirm the arbiters had been adequate.

In order to prevail on that issue, Wellman would have had to show that the Board had conducted a discriminatory or bad faith investigation of the depth and attention the arbiters had paid to their task. Wellman argued that the Board's investigation was discriminatory or done in bad faith, because the Board's decision was rendered just two hours after its hearing. But Judge Pregerson said "We disagree with Wellman's assumption that the Board could not have conducted a diligent review of the arbiters' judgment in that span of time."

Wellman did enjoy one slight victory - one that had financial significance. The WGA sought to recover the attorneys' fees it incurred in the District Court and in the Court of Appeals, arguing that Wellman had pursued his claims in bad faith and that his appeal was frivolous. Judge Pregerson disagreed. He therefore affirmed the District Court's decision not to make Wellman pay the WGA's attorneys fees, and refused to award the WGA its fees on appeal.

Wellman v. Writers Guild of America, West, Inc., 146 F.3d 666, 1998 U.S.App.LEXIS 11598 (9th Cir. 1998) [ELR 20:6:15]

In lawyer Don Engel's malicious prosecution suit against CBS Records, federal appellate court asks New York Court of Appeals to decide whether "special injury" requirement is satisfied where lawyer was sued to prevent zealous representation of client in earlier case

Lawyer Don Engel used to represent recording artist Tom Scholz and "Boston" in litigation with CBS Records. Before that case ended in a $6.5 million judgment in favor of Scholz, CBS Records sued Engel. CBS did so, its then-president Walter Yetnikoff admitted, in order to dissuade Engel from using certain tactics in representing Scholz. Engel won that case too, but he hasn't let the matter rest there.

Not content to savor his two substantial victories on behalf of his client and himself, Engel has sued CBS Records and its lawyers for malicious prosecution. It appears from opinions already published in his malicious prosecution case that Engel has the sympathy of the judges who have heard his claims. But one narrow legal point still stands between Engel and yet a third victory against CBS Records: in order to win a malicious civil prosecution lawsuit, New York law requires plaintiffs to prove they suffered some "special injury beyond the ordinary burden of defending a lawsuit."

In many cases, such "special injury" is proved by showing that some provisional remedy (like a preliminary injunction) was granted in the earlier case. But no such provisional remedy was granted against Engel when he was sued by CBS Records. As a result, federal District Judge Miriam Cedarbaum dismissed Engel's malicious prosecution suit against the record company and its lawyers, saying that Engel had achieved such a favorable result for Scholz in the original case that Engel had suffered no "special injury" from CBS's suit against him (ELR 19:9:12).

Engel appealed Judge Cedarbaum's ruling to the Second Circuit Court of Appeals, where he got what appears to be an encouraging reception. A panel consisting of Judges Frank Altimari, John Walker and Jose Cabranes has said, "Because the ability to zealously represent one's client with undivided loyalty is the cornerstone of the legal profession, a powerful argument can be made that interference with that ability in the manner alleged by Engel constitutes sufficient interference . . . to meet the special injury requirement for a malicious prosecution claim in New York."

However, the federal appellate panel added, "The question whether purposeful interference with an attorney's representation of a client by an adversary can satisfy the special injury requirement is unsettled in New York." Rather than simply answer that question itself, the panel concluded that it ought to certify the question to the New York Court of Appeals, and it has.

The federal appellate panel has retained jurisdiction over Engel's case, so it can "dispose of the appeal" after it receives a response from the New York Court of Appeals.

Engel v. CBS, Inc., 145 F.3d 499, 1998 U.S.App.LEXIS 10408 (2d Cir. 1998) [ELR 20:6:16]

New York appellate court reverses dismissal of emotional distress suit filed against Howard Stern by brother and sister of former Stern show guest Debbie Tay, because of on-air statements made by Stern about Tay after her untimely death

Fans of the Howard Stern show may remember Debbie Tay, a topless dancer and cable-access TV host who used to be one of Stern's regular guests. He called her "Space Lesbian" because of stories she told of encounters with female aliens, but she wasn't offended. She enjoyed Stern's brand of irreverent humor throughout her life. Indeed, Tay's close friend Chaunce Hayden once said that "the only happiness Debbie had was the Howard Stern show."

Tay died in 1995, from a drug overdose, at the age of 27. Her brother and sister had her body cremated, and the sister gave a portion of the remains to Hayden "with the understanding that Hayden would `preserve and honor said remains in an appropriate and private manner.'"

Instead, Hayden took his share of Tay's remains to the radio station from which Stern broadcasts his show. And while the show was on the air, Hayden, Stern, and Robin Quivers handled and discussed Tay's remains, commenting irreverently about such things as the size and type of some of the bone fragments. The program was videotaped and later shown on national cable television.

Tay's brother and sister responded by suing Stern and Infinity Broadcasting, alleging causes of action for interference with a corpse and for intentional infliction of emotional distress. A trial court judge agreed that Stern's conduct had been "vulgar and disrespectful," but ruled that it was not outrageous enough to be the basis for an emotional distress claim. The trial court judge also held that Stern had not interfered with a corpse. And so the judge granted Stern and Infinity's motion to dismiss.

Now, however, the Appellate Division of the New York Supreme Court has reversed, in part. The appellate court has agreed that Stern could not be found liable for mishandling a corpse, because such a cause of action requires interference with the right of the next-of-kin to dispose of the body, and Stern had not done that.

On the other hand, Justices Cornelius O'Brien, Fred Santucci and Anita Florio have held that Tay's brother and sister are entitled to a trial on their infliction of emotional distress claim, because the trial court erred in deciding that Stern's conduct was not outrageous enough as a matter of law. "Although [Stern and Infinity] contend that the conduct at issue was not particularly shocking, in light of Stern's reputation for vulgar humor and Tay's actions during her guest appearances on his program, a jury might reasonably conclude that the manner in which Tay's remains were handled, for entertainment purposes and against the express wishes of her family, went beyond the bounds of decent behavior," they said.

Justice Gabriel Krausman dissented. He agreed that "Howard Stern and his cohorts behaved in a manner that some would find inappropriate when Chaunce Hayden came on the show with [Tay's] remains." But, he added, the question of whether Tay's brother and sister could recover damages "cannot be considered in a vacuum." Justice Krausman explained that "Debbie Tay rose to fame by spinning outrageous tales of sexual encounters with female aliens on the Howard Stern show, and used the notoriety she had achieved to launch her own cable access show." Under these circumstances, the justice said, he "would find, as a matter of law, that the conduct of Stern and Infinity was not so extreme and outrageous in nature as to be `utterly intolerable in a civilized community.'"

Roach v. Stern, 675 N.Y.S.2d 133, 1998 N.Y.App.Div.LEXIS 7998 (1998) [ELR 20:6:17]

Portland Trail Blazers' arena is ordered to modify many design features, and to change ticket sale policies for wheelchair spaces, to comply with Americans with Disabilities Act

The design of the Portland Trail Blazers' home arena will have to be changed in several ways, as will its ticket sale policies for wheelchair spaces, as a result of a lawsuit brought by a disabled Americans advocacy organization known as Independent Living Resources.

Federal Magistrate Judge Donald Ashmanskas has issued two lengthy rulings, totaling 50 printed pages, requiring modifications of specific arena features such as toilets, doors, signs and seats that do not satisfy the requirements of the Americans with Disabilities Act. The judge also has concluded that the Blazers' ticket sale practices violate the ADA.

These two rulings follow an earlier 90-page decision by Judge Ashmanskas in which he ruled on some issues in response to a motion for summary judgment filed by Independent Living Resources and a cross-motion to dismiss filed by Oregon Arena Corporation. Oregon Arena is the owner of the Rose Garden which is the Blazers' home arena and a venue for other events like hockey, indoor football and soccer, concerts and circuses (ELR 20:2:15). Though the judge's earlier decision dealt with several distinct points, he reserved ruling on many other issues on which he conducted a two-day trial, a portion of which was held at the Rose Garden itself.

The two new rulings are findings and conclusions made by Judge Ashmanskas after that trial. Parts of those rulings deal with quite specific design features - things like the amount of force required to operate the water faucets in the women's toilet rooms on a certain floor of the arena. Those parts of the judge's ruling read like a building inspector's code compliance report. In this case though the "code" consists of regulations adopted by the Department of Justice implementing the ADA. While these parts of the judge's ruling may be of interest to architects and general contractors, as well as to those who attend Trail Blazer games and other events at the arena, they are unlikely to be of general interest to those in the sports or entertainment businesses.

On the other hand, one of Judge Ashmanskas' rulings deals in part with the Blazers' ticket selling practices, and that part of the ruling will be of broad interest to those in the sports and entertainment businesses. In an attempt to comply with the ADA, the "Rose Garden" contains 191 wheelchair spaces. Wheelchair spaces are much larger than spaces required for conventional seats. They are so much larger, in fact, that 133 wheelchair spaces can accommodate 1,028 conventional seats.

Before the Rose Garden first opened, the Trail Blazers offered to sell season tickets to the disabled. But even though the team used "an extensive publicity campaign directed solely at the disabled community," no season tickets were purchased by the disabled. Season tickets were then offered to others already on the Trail Blazers' season ticket waiting list, and when their response exceeded the supply of conventional seats, the arena installed conventional (though removable) seats in 27 of the arena's 40 wheelchair sections. Doing so generates $2 to $3 million a year in additional ticket sale revenue for the Trail Blazers. But it also means that far fewer wheelchair spaces are available; and on "at least several occasions, wheelchair users who attempted to purchase tickets for an event were told that no wheelchair tickets were available, even though ambulatory patrons were able to purchase tickets for the same event."

Judge Ashmanskas concluded that the Trail Blazers' ticket sale policies, and its installation of conventional seats in wheelchair spaces, violate ADA regulations, because the arena's "ADA obligations were not forever satisfied merely by a one-time-offer, before the arena opened, to sell the wheelchair spaces on a season ticket . . . basis to persons with disabilities. The duty to ensure that the Rose Garden is accessible to persons with disabilities is a continuing obligation."

To satisfy this duty, the judge has prohibited the arena from installing conventional seats in wheelchair spaces "unless all conventional seats in that ticket category have already been sold." Also, "if an individual needing a wheelchair space arrives at a game or other event with a ticket for a conventional seat, that individual must be seated in an equivalent or better wheelchair space." Finally, wheelchair users must be given the same rights as others to buy season tickets, and "[i]f the only available season tickets in a particular location are conventional seats, then the purchaser must be offered equivalent or better season tickets in a wheelchair location at the same price."

Independent Living Resources v. Oregon Arena Corp., 1 F.Supp.2d 1124, 1159, 1998 U.S.Dist.LEXIS 5004, 4916 (D.Or. 1998) [ELR 20:6:17]

Right of publicity suit brought by pre-1947 Major League Baseball player was properly denied class action status, California appellate court rules

A right of publicity suit brought by a former Major League Baseball player whose career ended in 1946 was properly denied class action status, a California Court of Appeal has held. The action was filed by Seymour Block who played for the Chicago Cubs, though only in 17 games, between 1942 and 1946. He alleges that his name and likeness, and those of other pre-1947 Major League players, have been used on several types of products without their consent in violation of their rights under California right of publicity law.

There are some 800 former players whose major league careers ended before 1947, and Block asked the trial court to certify his case as a class action on all of their behalves.

The requested class was limited to pre-1947 players, because in that year, the Major League Baseball's standard player contract was amended to give teams the right to use their players' pictures for publicity purposes in "any manner" they chose. Also, in an apparent concession to the statute of limitations and the limited geographic sweep of California publicity law, Block further limited his case by seeking damages for the proposed class members only for uses of the players' names and likenesses in California since 1992.

Despite these limitations, the trial court judge denied Block's motion for class action certification. And in an opinion by Justice Clinton Peterson, the appellate court has affirmed. Under California law, class actions require an "ascertainable class" and a "well-defined community of interest among the class members."

In Block's case, there was an ascertainable class consisting of the 800 or so pre-1947 players, and in some respects, there was a community of interest. But in three important respects, there was no such interest, Justice Peterson concluded.

First, damages were sought for thousands of individual allegedly unauthorized uses. Second, the value of each player's right of publicity differed, because some - like Stan Musial, Ted Williams and Joe DiMaggio - were baseball celebrities while others - like Block himself - had only "the proverbial `cup of coffee' in the major leagues." And third, some pre-1947 players may have consented to the use of their names and likeness, or may have waived whatever claims they otherwise would have had, because they had maintained professional relationships with Major League Baseball even after their playing days had ended.

Justice Peterson distinguished a somewhat similar case in which the Ohio Supreme Court had upheld class action status for a right of publicity suit filed on behalf of former Olympic athletes (ELR 6:2:18). In that 1984 decision, the athletes' names and likenesses were on the identical kind of product, and there was "no hint" that any of those athletes may have consented to, or waived the right to recover for, the use of their names and likeness on that product.

For these reasons, Justice Peterson concluded that the trial court had not abused its discretion when it denied Block's motion for class action status.

Block v. Major League Baseball, 76 Cal.Rptr.2d 567, 1998 Cal.App.LEXIS 620 (Cal.App. 1998) [ELR 20:6:18]

City of Indianapolis must pay artist statutory damages of $20,000 plus attorneys' fees for destroying, rather than removing, sculpture located on city-owned land in violation of Visual Artists Rights Act

The City of Indianapolis made an expensive mistake when it destroyed, rather than removed, a large stainless steel sculpture located on city-owned land. The sculpture, entitled Symphony #1, had been created by artist Jan Randolph Martin before the city bought the land for a redevelopment project. Before the sculpture was destroyed, Martin told the city the sculpture could be moved for $8,000. But the city decided to destroy it instead, at a cost of just $330.

In an earlier proceeding, federal District Judge Sara Barker ruled that the city's destruction of the sculpture violated Martin's rights under the Visual Artists Rights Act, a 1990 Copyright Act amendment known as

"VARA" that gives moral rights to certain artists (ELR 20:2:12).

Since the sculpture had already been destroyed by the time Martin's suit was filed, money damages were the only available remedy, and Judge Barker directed the parties to submit additional briefs on that issue. They did: Martin sought $100,000 in enhanced statutory damages plus attorneys fees; the city argued that he should receive no more than $20,000 in statutory damages and no attorneys fees.

Judge Barker satisfied neither side completely, though in the end, it is likely that Martin will receive an amount closer to what he sought than what the city thought he should get.

Judge Barker has awarded Martin $20,000 in statutory damages, because, she ruled, he failed to prove that the city had "willfully" violated his rights under VARA, as would have been necessary for the enhanced damages he sought. Although the city's destruction of the statue was willful, that is not enough. Rather, it was necessary for Martin to show that the city knew or had reason to know that its actions actually constituted a violation of VARA - something he had not contended.

Judge Barker also has ruled that Martin is entitled to attorneys fees, in an amount to be determined from affidavits supported by his attorneys' "detailed billing records." The judge said she would award such fees "to encourage artists like Martin to assert their VARA rights in court" and also "to deter municipalities and others from wantonly destroying works of art like Symphony #1 in future development projects."

Martin v. City of Indianapolis, 4 F.Supp.2d 808, 1998 U.S.Dist.LEXIS 6101 (S.D.Ind. 1998) [ELR 20:6:19]

Star Magazine did not infringe author's copyright to book of Elvis Presley photos by publishing similar photos in "Salute to Elvis" supplement, though Star may have breached contract with author by publishing one photo allegedly copied from book, federal District Court rules

On the twentieth anniversary of the death of Elvis Presley, Star Magazine published a "Salute to Elvis" supplement featuring "Pages and pages of fabulous photos - never seen before." In preparing its supplement, the Star did its homework. Among other things, it met with Presley memorabilia collector James Curtin, the author of a photo book entitled Elvis and the Stars which contains 200 pictures of Elvis with other famous personalities including Jim Brown.

In dealing with the Star, Curtin was cautious. Though Curtin gave the Star a photocopy of his book, he also had the Star sign an agreement acknowledging that the photocopy was for "viewing purposes only." In that agreement, the Star promised that it would not publish photos from the book, and it agreeed that if it did, it would pay Curtin $100,000 "in damages."

When the Star supplement was published, Curtin's fears were confirmed. He found, he alleged, that a two-page, ten-photo pictorial spread within the supplement contained six photos that were very similar to those in his book plus a seventh photo - the one with Jim Brown - that was copied and cropped from a photo in his book. Curtin made these allegations in a copyright infringement and breach of contract suit against the Star - a suit to which the Star responded with a motion to dismiss.

Federal District Judge Harvey Bartle has granted most of the Star's motion, though not all of it. The judge has dismissed Curtin's copyright infringement claims, and the contract claims except the one based on the Jim Brown photo.

Curtin doesn't own the copyrights to the individual photos in his book, so his copyright claim was limited to the Star's alleged infringement of his compilation copyright, that is, the copyright in his selection and arrangement of the photos in his book. But Judge Bartle concluded that even assuming Curtin's selection and arrangement were original and protected, his compilation copyright was not infringed, because six of the photos published by the Star were not the same as comparable photos in Curtin's book. Those six photos were obtained by the Star from another Elvis collector, and while they included the same celebrities as Curtin's photos, the poses were different, they were arranged differently, and the captions were dissimilar.

The judge rejected Curtin's argument that his copyright protected not only his compilation but also "his `idea' to display photographs of Elvis with celebrities." Ideas are not protected, the judge explained, even if - as Curtin asserted - no other compilation of photos shows Elvis exclusively with stars.

Judge Bartle also dismissed Curtin's breach of contract claim with respect to the six photos that were obtained from another collector. The judge interpreted the contract to mean that the Star would not publish photos actually obtained from Curtin, but he concluded that it did not apply to the same or similar photos obtained from other sources.

On the other hand, Curtin alleged that the Star had copied and cropped his book's photo of Elvis with Jim Brown, and thus had published a photo actually obtained from him. The judge refused to dismiss this claim, because it involved disputed facts about whether the Star had obtained that photo from Curtin or from the other collector.

Curtin v. Star Editorial Inc., 2 F.Supp.2d 670, 1998 U.S.Dist.LEXIS 4346 (E.D.Pa. 1998) [ELR 20:6:19]

Libel lawsuit by ex-husband of TV personality Joan Lunden against The Globe should not have been dismissed before trial, New York appellate court rules, because he was not a public figure and subject of article was not of legitimate public concern

Celebrities are "public figures," not only in the everyday sense of those words but also for purposes of libel law. As a consequence, it is difficult for celebrities to win libel lawsuits, because they must prove that those they have sued published offending material with "malice," that is, with knowledge of its falsity or in reckless disregard of the truth.

What, however, is the legal status of celebrities' spouses? Are they public figures too, merely because of who they married? The Appellate Division of the New York Supreme Court has answered that question "no," celebrities' spouses are not public figures too. The court has done so in a libel suit brought against the supermarket tabloid The Globe by Michael Krauss, the former husband of television personality Joan Lunden.

Krauss was deeply offended by a Globe article that asserted that he had had a liaison with a prostitute while he and Lunden were separated but before they were divorced. Krauss "vigorously denies the truth of the story."

As is common in cases of this type, The Globe made a motion for summary judgment, on two grounds. It argued that Krauss was a public figure and the article had not been published with malice. Alternatively, it argued that the article was about a subject of legitimate public concern and had not been published with gross irresponsibility. The trial court judge agreed with The Globe that Krauss was a public figure, and it dismissed his case on that ground.

Krauss however appealed, and has done better in the Appellate Division. In an unsigned Memorandum Decision, Justices Betty Ellerin, Israel Rubin, Milton Williams and Richard Andrias have held that The Globe's motion for summary judgment should not have been granted, for two reasons.

First, they ruled that neither Krauss's occupation as a television producer nor his marriage to Lunden made him a "general public figure"; nor did his divorce from Lunden turn him into a "limited public figure." The Globe argued Krauss had used his ex-wife's fame "as a platform from which to argue in favor of family values and his views on child rearing." But the justices were not persuaded. They concluded that Krauss's "divorce, and the related question of whether he was faithful to his wife during their marriage, was of interest to readers of [The Globe] because [his] wife was a television celebrity, and not because of [his] attitudes on family values or child rearing."

Second, the justices also rejected The Globe's contention that its article was about a matter of legitimate public concern. "[A] divorce that is no more than `a private matter of public concern merely to gossips' . . . is not a public controversy. . ." they explained. Thus they concluded "that the story cannot be considered to be within the sphere of legitimate public concern."

For these reasons, Krauss merely must show that The Globe had been negligent in publishing the article. And since questions of fact exist as to whether it was negligent, Krauss's case should not have been dismissed, the justices concluded.

Krauss v. Globe International, Inc., 674 N.Y.S.2d 662, 1998 N.Y.App.Div.LEXIS 7372 (App.Div. 1998) [ELR 20:6:20]

Public Broadcasting Service's use of song in soundtrack of educational program sold as video was a fair use, federal court rules

Songwriter Thomas Higgins has lost his copyright infringement suit against a public television station and the Public Broadcasting Service, even though they used his song "Under the Gun" as background music in the opening and closing sequences of a program that was later sold as a video. The program was an episode entitled "Stop the Fighting" of a half-hour series for teenagers called "Club Connect," funding for which was provided by the Corporation for Public Broadcasting, the Michigan Department of Education, as well as the producing station WTVS/Channel 56 in Detroit.

WTVS's use of "Under the Gun" in producing and broadcasting the "Stop the Fighting" episode was licensed, even if Higgins didn't know it. This was so, because under section 118 of the Copyright Act, public broadcasters enjoy a compulsory license authorizing them to use nondramatic music in return for legally prescribed fees. When "Stop the Fighting" was first produced, WTVS couldn't find Higgins and thus couldn't send him his compulsory license fee. When Higgins later contacted PBS to complain about the unauthorized use of his song, he was told about the fee available to him; but he refused to claim it, and instead filed suit for copyright infringement.

The public broadcasting compulsory license was not a complete defense to Higgins' suit, because it does not cover video sales, and 40 tapes of the offending show were in fact sold to educational institutions. As to those sales, WTVS and PBS successfully asserted the defense of fair use.

Federal District Judge Gerald Rosen did the four-factor analysis required by section 107 of the Copyright Act, and he concluded that only one of those factors favored Higgins. The creative nature of his work, a song, weighed in his favor, though only slightly, the judge said, because it was a published rather than unpublished song.

The other three factors favored WTVS and PBS. The song was used in a video that was sold only for educational purposes. The portion of the song used in the video was slight and not substantial, the judge said, because only 35 seconds without lyrics were used, and even that portion was "barely audible." Finally, the use of the song in the video had no potential effect on the potential market for the song.

Since the use of Higgins' song by WTVS and PBS was a fair use, Judge Rosen granted their motion for summary judgment and has dismissed Higgins' suit.

Higgins v. Detroit Educational Television Foundation, 4 F.Supp.2d 701, 1998 U.S.Dist.LEXIS 6105 (E.D.Mich. 1998) [ELR 20:6:21]

Radio station breached contract with radio talk show host by replacing her program with Rush Limbaugh Show, even though station continued to pay host until her contract expired, Colorado Supreme Court rules

Dr. Andrea Van Steenhouse is a real-life "Frasier," though based in Denver rather than Seattle. Like her television counterpart, Van Steenhouse is a psychologist who once hosted a radio talk show. Hers was on station KOA, with which she once had a remarkably specific employment contract.

Van Steenhouse's three-year agreement provided, among other things, that she was to render her services "on air from 2:00 p.m. to 4:00 p.m. Monday through Friday (any change in such hours to be mutually agreed upon)." In return, she was to be paid $100,000 for the first year, $105,000 for the second, and $112,000 for the third, plus performance bonuses based on KOA's audience share during her show. Van Steenhouse in fact received a $6,000 performance bonus for her first year, and all apparently went well for her and the station for more than an additional year as well.

Then, two years four months into the three-year contract, KOA acquired the right to broadcast the Rush Limbaugh Show during the same two-hour slot that until then had been occupied by Van Steenhouse. She declined KOA's offer of alternate arrangements, so the station simply took her show off the air. It did not stop paying her however. Instead, even though she didn't work as a talk show host for the last eight months of her contract, KOA continued to pay her that entire time, until her contract finally expired.

Van Steenhouse was upset, nonetheless. Once her show went off the air, she was prevented from earning performance bonuses; and she also felt her professional reputation had been injured by KOA's refusal to air her show. As a result, she sued the station for breach of contract, and won.

She didn't win much - just $3,518 in lost performance bonuses. (The trial court refused to award her damages for injury to her reputation, because it ruled they would be too speculative.) Despite the small amount at stake, KOA appealed, arguing that "an employee's claim for breach of contract cannot be predicated solely on an employer's failure to provide an opportunity for work." The Colorado Supreme Court has disagreed, however.

In an opinion by Chief Justice Anthony Vollack, Colorado's highest court has said that while "ordinarily" KOA's position is correct, "such an obligation may be inferred" if "the anticipated benefit . . . from doing the work is a material part of the advantage to be received . . . from the employment." Not surprisingly, the entertainment industry is one in which this circumstance exists, because the "reputation" of performers may "be enhanced by their appearance or diminished by their failure to appear. . . ."

That is what happened in this case, Justice Vollack said. "As a result [of KOA's refusal to broadcast her show during its agreed-upon time slot] Van Steenhouse lost the opportunity to build and maintain her professional marketability" and also "lost the opportunity to earn a . . . performance bonus." The Colorado Supreme

Court therefore affirmed the breach of contract judgment in Van Steenhouse's favor.

Editor's note: The result in this case is not unique to Colorado law. The Colorado Supreme Court relied on the Restatement of Contracts for the general principle that an obligation to provide work may be inferred if benefits from doing the work are a material part of what the employee is to receive. Moreover, the court specifically relied on a similar ruling in a California case, Colvig v. RKO General, 232 Cal.App.2d 56, 42 Cal.Rptr. 473 (1965), where the court also ruled that a radio station had breached its contract with an announcer, because "due to the nature of the announcer's profession, the opportunity to perform on the air was a material part of his employment contract." This legal principle is the reason that entertainment industry employment agreements (and rights acquisition agreements) frequently provide that the employer (or rights purchaser) has the right, but not the obligation, to use the services of the employee (or the acquired material).

Van Steenhouse v. Jacor Broadcasting, 958 P.2d 464, 1998 Colo.LEXIS 342 (Colo. 1998) [ELR 20:6:21]

Music publisher's failure to send royalty check to songwriter's new address was insufficient to support damages necessary for federal diversity jurisdiction

Songwriter Charlie Jones was really mad at Malaco Music, the co-publisher of his song "Crazy Over You" - so mad that he filed suit in federal court in Mississippi seeking $5.8 million in damages for breach of contract, state law civil rights violations, infliction of emotional distress and negligence.

The thing that triggered Jones's anger was this: in April 1993, Malaco mailed Jones' royalty check to the address in Dazell, South Carolina, where the publishing company had sent all of his previous royalty checks. But, unknown to Malaco, Jones had moved from Dazell to Sumter, South Carolina; and the check was returned to Malaco as "undeliverable." For unexplained reasons, Jones didn't contact Malaco about his missing royalties for three years, when he filed his multi-million dollar lawsuit. Armed with Jones' then-current address, Malaco sent Jones his royalties. But Jones was not placated.

Since Jones lives in South Carolina and Malaco does business in Mississippi, Jones asserted that the federal court in which he filed his suit had diversity jurisdiction. While diversity jurisdiction also requires more than $50,000 in damages, $5.8 million is more than a hundred times that threshold, so on paper at least, it looked as though the court did have jurisdiction to hear Jones' claims.

But federal District Judge Henry Wingate thought not, and on his "own volition" (that is, without any prompting by Malaco) the judge has so ruled.

Jones' misdirected royalty check was for just $896.39. "To a legal certainty," Judge Wingate said, Malaco's "act of not sending [Jones] his royalty check of $896.39 to his unknown correct address does not justify a damage claim of the jurisdictional minimum of $50,000, let alone a damage claim of $5.8 million." Therefore, the judge did not have jurisdiction to hear Jones' suit, so Judge Wingate dismissed it, without prejudice.

Jones v. Malaco Music, 2 F.Supp.2d 880, 1997 U.S.Dist.LEXIS 22438 (S.D. Miss. 1997) [ELR 20:6:22]

Dismissal of defamation suit filed against ABC by California judge profiled in "Prime Time Live" segment about scandalous judges is affirmed by appellate court

For most people, a network television profile would be a thing of pride, though it wasn't for California Superior Court Judge Bruce Dodds. He was featured in a 1994 segment of ABC's "Prime Time Live" concerning - in the words of program anchor Diane Sawyer - "judges whose conduct seems downright scandalous."

At the time of the ABC broadcast, Dodds may have been especially sensitive, because he was then being investigated for alleged misconduct by the California Commission on Judicial Performance (which eventually recommended that he be publicly censured). Dodds was offended by several of the program's assertions, including one which suggested that he uses a crystal ball to support and perhaps even make his decisions. As a result, Dodds sued ABC for defamation.

Federal District Judge Stephen Wilson dismissed "as not actionable" several of Dodds' claims, and granted ABC's motion for summary judgment with respect to the rest, including the crystal ball assertion. Dodds appealed these rulings, but in an opinion by Judge Stephen Reinhardt, the Court of Appeals has affirmed.

The appellate court has agreed that the dismissed claims were not actionable, either because the offending statements could not be understood to convey the defamatory meaning attributed to them by Dodds, or because they were not assertions of fact and thus could not be proved to be false.

The appellate court also agreed that summary judgment had been properly granted because "Dodds failed to establish that a jury could reasonably find by clear and convincing evidence that ABC acted with actual malice with respect to the statement that he often uses a crystal ball."

Judge Reinhardt seemed to express some sympathy for Dodds' plight, saying "Judges provide an easy and attractive target for unwarranted verbal assaults by all kinds of people . . . ." Nonetheless, Judge Reinhardt added, "Wise judges, even when wounded by unfair assaults, have learned that the best policy is ordinarily to dismiss the attacks as part of the baggage of their jobs. Abusive criticism simply goes with the territory."

Dodds v. American Broadcasting Co., 145 F.3d 1053, 1998 U.S.App.LEXIS 10459 (9th Cir. 1998) [ELR 20:6:23]

Appellate court again requires trial court to consider whether Tommy Hilfiger's failure to do full trademark search before using "Star Class" as clothing insignia was evidence of bad faith

Are companies required to do a full search, for unregistered as well as registered trademarks, before they begin using names and logos on their own products? This issue is of significant practical importance. The case in which it arose has become a ping-pong match between federal District Judge Robert Patterson, who twice has said no, and Court of Appeals Judge James Oakes, who twice has said maybe. The ball - or more accurately, the case - is now back in Judge Patterson's court for yet further reconsideration.

The case was triggered when clothing manufacturer Tommy Hilfiger began using "Star Class" on a line of nautical clothing after its lawyer did a search of federally registered trademarks and found that those words had not been registered. In his letter so advising Hilfiger, the lawyer included language that appears to be advice that a full search, of unregistered as well as registered marks, should be done before the company actually used "Star Class." But Hilfiger never did a full search and thus didn't learn that "Star Class" was a mark used by the International Star Class Yacht Racing Association, until the Association sent Hilfiger a cease-and-desist letter.

District Judge Patterson ruled that while Hilfiger had infringed the Association's trademark, it had not done so in bad faith, and thus the judge refused to award the Association profits or attorneys' fees. On appeal, however, Court of Appeals Judge Oakes reversed, saying that Judge Patterson should have taken into account that Hilfiger apparently disregarded its own lawyer's advice to do a full search (ELR 18:6:17). On remand, Judge Patterson again ruled that Hilfiger had not acted in bad faith, based on evidence from an unrelated anti-trust case that full searches have become less common since the Trademark Office made its database of registered marks available online (ELR 19:7:13).

Now, Judge Oakes has reversed again, saying that Judge Patterson should not have considered evidence from the other unrelated case, and saying that trademark searching practices may have changed once again, so that full searches are once again being done and should be.

International Star Class Yacht Racing Association v. Tommy Hilfiger, 146 F.3d 66, 1998 U.S.App.LEXIS 10642 (2d Cir. 1998) [ELR 20:6:23]

Atlantic City casinos win dismissal of lengthy complaint filed by card-counting blackjack players

"Blackjack is the one casino game in which a player's skill may increase his chance of winning. . . ," a federal judge recently observed. Players do so by card-counting; and it works well enough that casinos have long used a variety of countermeasures to keep the game profitable for them.

In the beginning, some casinos simply excluded card-counters. But in 1982, blackjack player Ken Uston won a case in which the New Jersey Supreme Court held that card-counters could not be excluded from public casinos - though the court suggested that the state's Casino Control Commission might be able to adopt regulations that assured the "vitality of casino operations" in other ways (ELR 4:14:4).

The Commission responded to this suggestion by adopting regulations that permit casinos to take countermeasures that neutralize the effects of card-counting. As authorized by these regulations, Atlantic City casinos now do such things as use multiple decks and shuffle before the cards are fully played.

Though authorized by regulation, several card-counters filed suit against 38 Atlantic City casinos, alleging that the casino's countermeasures violate the federal RICO Act, New Jersey statutory and common law, and the 14th Amendment to the United States Constitution.

The plaintiffs' amended complaint took 157 pages to allege these claims. But despite its length, federal District Judge Joseph Irenas has ruled that the complaint failed to state a claim upon which relief could be granted, and he therefore has dismissed the case.

The judge concluded that "the clearly expressed intention of the New Jersey Legislature to ensure the financial viability of the casino industry provides ample justification for the [Casino Control Commission] regulations and practices permitting casinos" to use the countermeasures objected to the plaintiffs.

Doug Grant, Inc. v. Greate Bay Casino Corp., 3 F.Supp.2d 518, 1998 U.S.Dist.LEXIS 6479 (D.N.J. 1998) [ELR 20:6:24]

Creditor may obtain perfected security interest in proceeds from sale of FCC license

A company that lent money to the owner of several radio stations successfully obtained a perfected security interest in the proceeds from the borrower's eventual sale of those stations, including their FCC licenses. The Ninth Circuit Court of Appeals has so ruled in a case that arose because the borrower wanted the proceeds to go to the IRS to pay off tax liens, rather than to the lender.

The borrower argued that "a debtor cannot create a voluntary security interest in an FCC broadcasting license because doing so would be inconsistent with federal laws that limit the transfer of such licenses." Before 1994, that was the FCC's position too. As a result, in a 1993 decision, the Seventh Circuit Court of Appeals ruled that a creditor may not hold a security interest in an FCC license (ELR 15:7:21).

In 1994, however, the FCC changed its position. It held that a licensee could grant a security interest in the proceeds of the sale of a license, though not in the license itself.

For this reason, the Ninth Circuit, in an opinion by Judge Joseph Sneed, declined to follow the Seventh Circuit's decision. Instead, the Ninth Circuit affirmed a District Court order awarding the proceeds from the sale of the station licenses to the lender.

Judge Sneed also ruled that the lender's security interest was superior to that of the IRS, because the lender's security interest was perfected before the IRS filed notices of its tax liens.

MLQ Investors, L.P. v. Pacific Quadracasting, Inc., 146 F.3d 746, 1998 U.S.App.LEXIS 15766 (9th Cir. 1998) [ELR 20:6:24]

Court of Appeals upholds constitutionality of Telecommunications Act provision that prohibits Bell operating companies from engaging in electronic publishing, including dissemination of sports, entertainment and news programming

Broadcasting is one business, phone service another - but in the Internet era, the differences are evaporating. They are evaporating, that is, as a matter of technology. Legal distinctions remain, at least for one group of phone companies: the Bell operating companies. Their right to engage in "electronic publishing" is constrained by one provision of the Telecommunications Act of 1996, and they are not happy about it.

The Bell operating companies are those that were spun off from AT&T as a result of a 1982 consent decree settling the government's antitrust suit against

AT&T. Today, there are five regional Bell operating companies, one of which is BellSouth Corporation.

BellSouth has challenged the constitutionality of the offending Telecommunications Act provision - section 274. That is the section that bars Bell operating companies from engaging in "electronic publishing" until February 2000, unless they do so through an affiliate or joint venture. The reason this is of interest to those in the entertainment industry is that "electronic publishing" includes not only the publication of text, but also the dissemination of sports, entertainment and news programming. (For some reason, the dissemination of "interactive games" is not prohibited.)

According to BellSouth, section 274 is unconstitutional because it violates both the Bill of Attainder clause and First Amendment. But the Court of Appeals has disagreed. In an opinion by Judge Stephen Williams, a majority of that court has ruled that the "electronic publishing" ban passes constitutional muster under both provisions. Judge David Sentelle dissented, because he would have found section 274 to be an unconstitutional Bill of Attainder.

BellSouth Corp. v. Federal Communications Commission, 144 F.3d 58, 1998 U.S.App.LEXIS 9769 (D.D.C. 1998) [ELR 20:6:24]

Pay-per-view companies win cases against bars that showed professional boxing matches without licenses

Pay-per-view companies have scored two knockouts against bars that have shown professional boxing matches without having licenses to do so. One case was brought by Joe Hand Promotions in Philadelphia. The other was filed by KingVision Pay Per View in Augusta.

Joe Hand Promotions has been awarded $3,000 in damages in its suit against a Philadelphia bar known as Burg's Lounge that showed a closed circuit, pay-per-view transmission of a boxing match, without having a license to do so. The fight was on the undercard of the 1995 World Championship bout between Mike Tyson and Peter McNeeley. Joe Hand Promotions had been granted exclusive pay-per-view rights by Don King Productions and KingVision to license that evening's entire card to commercial establishments in Pennsylvania.

Federal District Judge Curtis Joyner held that the unlicensed showing of the fight by Burg's Lounge amounted to two violations of section 605 of the Cable Act. One violation was the unauthorized interception of the satellite signal of the fight, and the other was the unlicensed exhibition of the fight to Burg's customers.

The judge awarded Joe Hand the statutory minimum of $1,000 for each of the two violations plus an additional $500 for each violation because they were "willful." The willful nature of the violations was shown because Burg's had previously intercepted and exhibited another pay-per-view event in violation of Joe Hand's rights.

The judge also authorized Joe Hand to file a petition for its costs and attorneys fees.

However, Judge Joyner denied Joe Hand's request for enhanced damages under section 605, which could have been as much as $100,000 per violation. In order to recover enhanced damages, "egregious circumstances" must be shown. In this case, Joe Hand had not shown that Burg's had advertised the exhibition, had collected a cover charge from customers to watch it, or had done extra business because of it. For these reasons, the judge found "a greater award of damages unwarranted."

Joe Hand Promotions has aggressively protected its rights against the unlicensed exhibition of its pay-per-view events. While the company suffers an occasional loss (ELR 20:5:32, 19:1:16), it has generally been successful (ELR 19:10:3).

In an unrelated but similar case, KingVision Pay Per View sued the owner of a bar named Beettle's Place in Augusta, Georgia, because it showed about 25 of its customers the 1996 fight between Mike Tyson and Frank Bruno. In this case, the bar owner claimed that she paid her local satellite service provider for the transmission. If so, however, she paid only the residential, noncommercial rate. Instead, the bar should have obtained the transmission from KingVision which would have charged a more expensive commercial establishment rate.

Unlike the Joe Hand Promotions case where the bar owner committed two violations of the law, the owner of Beettle's Place may have committed only one. Since she had a license to receive the transmission, "she may not have illegally intercepted the signal," Federal District Judge Dudley Bowen has said. But since it was only a residential, noncommerical license, "she was not authorized to display [the fight] to her establishment's patrons."

As a result, the judge has granted KingVision's motion for summary judgment, ruling that the bar owner is liable under section 605 of Cable Act. The bar owner claimed she did not know she was doing anything illegal. But the judge said that "The Cable Act . . . does not require a knowing violation." Her lack of knowledge may be grounds for reducing the amount of damages she has to pay, but it is not a defense to her liability.

Joe Hand Promotions v. Burg's Lounge, 2 F.Supp.2d 710, 1998 U.S.Dist.LEXIS 5925 (E.D.Pa. 1998); KingVision Pay Per View, Ltd. v. Williams, 1

F.Supp.2d 1481, 1998 U.S.Dist.LEXIS 5774 (S.D.Ga. 1998) [ELR 20:6:25]

Most provisions of Vermillion, Ohio, adult entertainment ordinance are Constitutional, federal District Court rules

Vermilion, Ohio, is a small town on the shore of Lake Erie, midway between Cleveland and Sandusky. Until recently, it's never been home to a business that offered adult entertainment, at least not like the entertainment provided by FantasyLand Lakeside, a cabaret that features nearly-nude dancing women.

Vermilion responded to FantasyLand's February 1998 opening by quickly adopting a comprehensive adult entertainment ordinance that put a crimp in FantasyLand's methods of operation. The result was predictable: FantasyLand's owner filed a federal court lawsuit, seeking to enjoin Vermilion's enforcement of its new ordinance on First Amendment grounds.

Though the ordinance was passed in haste, Vermilion apparently did a good job in drafting it. Federal District Judge Kathleen O'Malley has upheld the constitutionality of most of its provisions.

The judge has approved provisions of the ordinance that: require dancers to wear G-strings and pasties, prohibit dancers from fondling genitals (their own or customers'), require dancers to stay six feet away from customers, prohibit convicted felons from working in the cabaret, and require customers to display two forms of identification before entering the cabaret.

However, Judge O'Malley has enjoined enforcement of two provisions of the ordinance. One required dancers to perform on a stage raised 45 inches from floor level. This was unconstitutional, the judge concluded, because most business buildings in Vermilion, including the one occupied by FantasyLand, have eight-foot ceilings, so a 45-inch stage would leave only four and a quarter feet of vertical space in which the dancers could perform.

Another provision made it illegal for anyone to "operate or participate in the operation of an adult cabaret that violates any [other] provision" of the ordinance. This was a "strict liability" provision that would give rise to a violation, even if the violator did not know some other provision had been violated. Judge O'Malley found this to be unconstitutional too.

Threesome Entertainment v. Strittmather, 4 F.Supp.2d 710, 1998 U.S.Dist.LEXIS 5300 (N.D.Ohio 1998) [ELR 20:6:25]

DEPARTMENTS

In the Law Reviews:

Entertainment, Publishing and the Arts Handbook: 1998-99 Edition, edited by John David Viera and Robert Thorne with Stephen F. Breimer as contributing editor, has been published by West Group, 620 Opperman Drive, St. Paul, MN 55164 or (800) 328-4880, with the following articles;

Co-Ownership of Copyright and Fiduciary Duty: The Poverty of Preemption by Rafael Chodos, 1998-99 Entertainment, Publishing and the Arts Handbook 3 (1998)

Litigating Cross-Border Infringement in International Intellectual Property: Some Practice Tips and Caveats by

Paul Edward Geller, 1998-99 Entertainment, Publishing and the Arts Handbook 23 (1998)

Applying United States Intellectual Property Laws Abroad Trademarks, Copyrights and Extraterritoriality by D. Peter Harvey, 1998-99 Entertainment, Publishing and the Arts Handbook 37 (1998)

Forum on Attorney's Fees in Copyright Cases: Are We Running Through the Jungle Now or Is the Old Man Still Stuck Down the Road? by Paul Marcus and David Nimmer, 1998-99 Entertainment, Publishing and the Arts Handbook 51 (1998)

The Gray Market in Copyrighted Materials: The Supreme Court Speaks by David A. Gerber and David Bender, 1998-99 Entertainment, Publishing and the Arts Handbook 81 (1998)

Lights! Camera! Legal Action! - Use of Copyrighted Works as Set Dressing by Adrienne D. Herman, 1998-99 Entertainment, Publishing and the Arts Handbook 91 (1998)

Enpowering Celebrities in Cyberspace: Stripping the Web of Nude Images by Mitchell D. Kamarck, 1998-99 Entertainment, Publishing and the Arts Handbook 117 (1998)

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Freedom of Cyberspace by Stephen F. Rohde, 1998-99 Entertainment, Publishing and the Arts Handbook 143 (1998)

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