

## INTERNATIONAL DEVELOPMENTS

**British court rules that Monty Python properly terminated Paragon Entertainment's right to distribute "The Life of Brian" because Paragon failed to include restricted-cutting clause in television licensing agreements, and that post-termination broadcast by Channel Four, a Paragon-licensee, infringed Monty Python's copyright**

Monty Python fans remember well the group's 1979 film "The Life of Brian." Though criticized by some as a blasphemous portrayal of the life of Christ, it's "generally accepted as one of the most successful British films of all time."

"The Life of Brian" continues to be shown on television around the world. In fact, deals made with a Russian broadcaster and Britain's Channel Four, as

recently as 1994 and since, have resulted in the termination of the rights of the film's former distributor, a now insolvent Canadian company known as Paragon Entertainment Corporation. What's more, the termination of those rights has resulted in a finding that Britain's Channel Four infringed Monty Python's copyright when it broadcast the film in reliance on a license from Paragon.

Paragon and Channel Four got themselves into this trouble in two ways.

First, the license that Paragon granted to Channel Four in 1995 contained provisions that permitted Channel Four to edit or adapt the film in ways that did not comply with cutting restrictions that Monty Python had imposed by contract on Paragon, and that Paragon was contractually obligated to impose on all of its licensees.

Second, the license fee allocated to "The Life of Brian" was just \$100,000, even though it was "one of the most attractive films" in the package of 18 films

covered by the five-year \$1.44 million license, and even though the same amount was allocated to "a very inferior film" called "Pow Wow Highway." Worse yet, when that five-year license was soon extended by 25 years in return for an additional fee of \$1 million, none of the additional fee was allocated to "The Life of Brian." This meant that Paragon had granted Channel Four a 30-year license to broadcast the film for a mere \$100,000, as compared to the more than \$400,000 that Channel Four had paid in 1991 for a five-year license to show the film.

Chancery Division Justice Rattee expressed "no doubt" that "the real cause of this present litigation" was the meager allocation that had been made from the Channel Four licensee fee for "The Life of Brian." That film had already recouped all of its costs, so Paragon would have to pay Monty Python a percentage of the part of the license fee allocated to it. "Pow Wow

Highway," by contrast, was unrecouped; so the portion of the fee allocated to that movie would not require Paragon to pay its producer anything more, at least not immediately. Under the circumstances, Monty Python was "understandingly incensed . . . when it learned of [the \$100,000 allocation]," Justice Rattee observed.

Paragon's failure to restrict Channel Four's cutting rights was no doubt offensive, but probably not the "real cause" for the lawsuit, because it was "clear from the evidence, and indeed not disputed, that it is, and was at all material times, Channel Four's policy not to make any cut in any film it broadcast."

Monty Python complained of the misallocation of the Channel Four license fee by suing Paragon for breach of contract. But since Paragon was insolvent by then, Monty Python needed to rely on other theories for remedies that had actual value. The two remedies that it sought were the rights to distribute its film and to

recover copyright infringement damages from Channel Four. It got both, as a result of Paragon's failure to restrict Channel Four's cutting rights.

To explain how he reached this conclusion, Justice Rattee described the business history of "The Life of Brian" in considerable detail.

Paragon was not the film's original distributor. George Harrison's HandMade Films was first. The contracts between Monty Python and HandMade required HandMade to include in all of its contracts with others a clause that said that "cutting can only be done by Python," and even then could only be "required for local censorship or for the purposes of making the television version." The contracts further provided that if the restricted-cutting clause was "not included, then the distribution rights of [HandMade] shall forthwith terminate. . . ."

Years later, in 1994, HandMade assigned its catalogue - including "The Life of Brian" - to Paragon, with Monty Python's consent. In return for Monty Python's consent, Paragon agreed in writing to fully perform "all" of HandMade's "obligations," including the obligation to insert a restricted-cutting clause in all licenses it would be granting.

A few weeks after it became the film's distributor, Paragon issued a license to a Russian broadcaster which failed to contain the required restricted-cutting clause. Several months later, in 1995, Paragon granted Channel Four a license that also failed to contain the required clause. Monty Python didn't know about these licenses, because Paragon didn't send it copies of the contracts, as it was required to do. But when Monty Python learned that Channel Four planned to broadcast the film again, more than five years after its 1991 license had expired, Monty Python demanded and eventually received copies

of the license agreements Paragon had entered into with the Russian broadcaster and with Channel Four. That is how Monty Python learned that licenses had been issued without the required restricted-cutting clause. Monty Python responded by notifying Paragon in writing that its distribution rights had terminated. A few months later, Monty Python sued.

Justice Rattee had little trouble in concluding that Paragon's rights had been properly terminated. Paragon claimed that it did not actually know about the restricted-cutting clause. The Justice attributed this to "a defective investigation of title" by the company's solicitor. "Paragon only has itself, or [its solicitor], to blame for the fact that it did not become aware of the [restriction]," the Justice said. Even actual ignorance was no defense.

Channel Four's situation presented a more difficult issue. Since Monty Python terminated Paragon's

distribution rights after Paragon had granted Channel Four what became a 30-year license, Channel Four hoped to avoid liability and retain its broadcasting rights by arguing that the termination didn't become effective until the date it was done. Monty Python, on the other hand, relied on the language of its contracts and argued that the termination was effective "forthwith," as soon as Paragon granted the Russian broadcaster a license without the necessary restriction - something that occurred well before Paragon granted Channel Four a license.

Justice Rattee adopted a third interpretation. He concluded that Paragon's failure to include a restricted-cutting clause in its contract with the Russian broadcaster did not terminate Paragon's rights automatically. Instead, it gave Monty Python an "option" to terminate Paragon's rights. Monty Python had to exercise that option for the termination to take place. But when it did, the Justice ruled, the termination became effective on



the date Paragon made its defective deal with the Russian broadcaster. "It necessarily follows that Channel Four, whose rights (if any) were derived from Paragon, can be in no better position, regardless of the state of its knowledge."

Since Channel Four's licenses "were ineffective, it seems to follow that Channel Four has dealt with the Film in breach of [Monty] Python's copyright, and Python is prima facie entitled to an inquiry as to damages or an account of profits in respect of that," Justice Rattée concluded.

Python (Monty) Pictures Limited v. Paragon Entertainment Corp., [1998] EMLR 697 (available on LEXIS in the England and Wales Reported and Unreported Cases library) [ELR 20:12:4]

**WASHINGTON MONITOR**

**U.S. Trade Representative announces results of 1999 review of world-wide protection of rights of U.S. intellectual property owners; report details treatment of American entertainment industry in other countries**

United States Trade Representative Charlene Barshefsky has announced the results of the 1999 "Special 301" annual review which examines in detail the adequacy and effectiveness of intellectual property protection in over 70 countries. This year's review emphasized implementation of the WTO TRIPS Agreement, and cracking down on pirated production of "optical media" such as CDs, VCDs, DVDs and CD-ROMs.

Statutory Authority

The "Special 301" provisions of the Trade Act of 1974 require the USTR to identify foreign countries that deny adequate and effective protection of intellectual property rights or fair and equitable market access for U.S. persons that rely on intellectual property protection.

Once this pool of countries has been determined, the USTR is required to decide which of these countries should be designated Priority Foreign Countries. Priority Foreign Countries are those countries that: (1) have the most onerous and egregious acts, policies and practices which have the greatest adverse impact on the relevant U.S. products; and (2) are not engaged in good faith negotiations or making significant progress in negotiations to address these problems. Countries so designated are put on a "Priority Watch List."

Countries not placed on the Priority Watch List may nevertheless be placed on a lower severity "Watch List" which is used to monitor the progress made by those countries in implementing commitments with regard to the protection of intellectual property rights and for providing comparable market access for U.S. intellectual property products.

### Priority Watch List

Countries that have been placed on the Priority Watch List because their acts, policies and practices have an impact on American companies in the entertainment industry include the following.

Dominican Republic: The piracy of video and audio tapes, and compact disc technologies, as well as TV piracy is widespread, although the Dominican

Copyright Office has been more active during the past year in enforcing existing laws.

Egypt: Copyright piracy and trademark infringement are rampant. Although police and Ministry of Culture officials have increased anti-piracy activities over the past year, enforcement of copyright and trademark laws remains inadequate.

Greece: High rates of copyright piracy and trademark counterfeiting continue to be of serious concern. In 1998 Ambassador Barshefsky announced the initiation of WTO dispute settlement consultations with Greece and the European Union regarding the high rates of television piracy in Greece. Those consultations are ongoing. The Government of Greece has taken steps toward addressing this problem, including the passage of additional legislation and the recent closure of two television stations. However, Greek TV stations continue to broadcast U.S.-owned motion pictures and television

programming without authorization. U.S. right holders continue to be unable to find effective relief in the courts, where television piracy cases are generally accorded the lowest priority by prosecutors and judges.

Guatemala is making some efforts to modernize its intellectual property regime, but there has been virtually no enforcement by the government of the new Copyright Law, and piracy remains widespread, including piracy of signals by cable system operators.

India: India has a modern copyright law; however, the Indian Government has failed to take sufficient enforcement actions to control high levels of piracy of videos, video CDs, cable systems and sound recordings.

Indonesia: Indonesian copyright law does not provide minimum levels of protection consistent with TRIPS obligations, and the Indonesian government has failed to take sufficient actions against the piracy of video compact discs and books.

Israel: Israel's copyright law is inadequate, enforcement and penalties are ineffective, and optical media piracy is rampant. Pirate sound recordings and video games now overwhelm Israel's legitimate domestic markets. Israel has become a distribution hub in a multi-country network for pirated optical media product, much of which is manufactured in Israel. In June 1998, the United States Government requested that the Government of Israel adopt an Action Plan which includes passage of the new copyright bill and stepped up efforts to combat piracy. The plan includes introduction of effective CD plant controls, including the use of source identification codes; raids and seizures; organization of a special police unit; improved customs activity; and the implementation of tough criminal penalties. Although Israel has agreed to most elements of the Action Plan, it has made little progress towards implementing the plan.

Italy has failed to enact anti-piracy legislation that includes TRIPS-consistent penalties sufficient to provide an effective deterrent to piracy and counterfeiting. Italy has some of the lowest criminal penalties in Europe and one of the highest rates of piracy. Piracy and counterfeiting of American video and sound recordings in Italy continue to be relatively widespread practices.

Kuwait has not yet complied fully with the requirements of the TRIPS Agreement in a number of areas. Kuwait's failure to enact the pending draft copyright law leaves it as the worst pirate market in the Gulf region, and the only WTO country without a copyright law. Copyright enforcement remains a serious problem as authorities have not vigorously enforced the 1995 ministerial decree against copyright violations.

Macau: Macau has taken positive steps to address the problem of optical disk piracy. It has strengthened the legal regime and has increased raids and



enforcement efforts. However, there is strong evidence that Macau remains a major source of pirated material and there is little evidence that Macau's legal and enforcement actions have been effective in reducing piracy significantly. Lack of transparency in enforcement efforts and a slow moving judiciary are particular problems.

Peru: The Government of Peru provides both administrative and criminal avenues for enforcement. While each of these has been useful to rights holders up to a point, each has its inadequacies. Insufficient customs, police and judicial action have been a problem in such areas as sound recordings.

Russia: Russia has a relatively comprehensive legal regime, with some significant exceptions, notably its failure to provide copyright protection for pre-existing works, and the absence of Customs authority to examine and seize suspected infringing goods or works. Russia

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has proposed comprehensive legislation to amend the Customs Code, as well as amendments to the Criminal and Administrative Procedure Codes to further strengthen the IP regime. Nevertheless, the U.S. government remains seriously concerned by renewed discussion of a new detailed and lengthy Civil Code in the area of intellectual property. This could undermine progress made to date towards TRIPS compliance and WTO Accession and reduce already weak IP enforcement. While police investigations of IP cases have increased substantially, this has not carried forward into expanded prosecutions and imposition of deterrent penalties.

Turkey has failed to amend its Copyright Law and Cinema, Video and Music Works Law to provide retroactive copyright protection and to include deterrent penalties against pirates. Despite stepped up law enforcement activity over the past year, in those cases where court verdicts have resulted in convictions,

sentences involved only minimal penalties and no prison terms. As a result, enforcement of existing laws is ineffective and copyright piracy remains widespread.

Ukraine: Copyright piracy is extensive, enforcement is minimal and pirate optical media producers have taken advantage of weaknesses in Ukraine's legislative and enforcement regime to produce and export large quantities of unauthorized CDs and CD-ROMs throughout the region and to other parts of the world. Significant levels of piracy of audiovisual works and sound recordings are causing substantial losses to U.S. industry. Moreover, Ukraine does not grant protection to U.S. works created prior to 1973, does not protect U.S. sound recordings, and has not implemented adequate and effective penalties for commercial piracy despite its international treaty obligations and its obligations under the 1992 U.S.-Ukraine bilateral trade agreement. Ukraine still lacks both deterrent civil and criminal

penalties for infringement of intellectual property, and the customs service lacks border authority over suspected infringing goods or pirated works.

### Watch List

Countries that have been placed on the lower severity Watch List because their acts, policies and practices have an impact on American companies in the entertainment industry include the following.

Australia: In general, Australia has provided sound intellectual property protection. However, the United States is seriously concerned with the minimalist approach Australia has taken toward intellectual property protection in recent years, especially with respect to certain decisions taken over the last year that clearly erode the level of copyright protection available in Australia. In 1998, Australia passed legislation to abolish

the importation right for sound recordings over the strong objection of right holders, Australian recording artists, and the United States Government.

Belarus: Copyright piracy in Belarus remains extensive and enforcement efforts are insufficient. Although Belarus has made progress in developing its intellectual property rights regime through a strengthened copyright law, it fails to provide protection for U.S. sound recordings and has not yet become a signatory to the Geneva Phonograms Convention. In addition, there are no criminal penalties for commercial-scale copyright and trademark infringement.

Brazil: While Brazil continues to make progress toward enacting TRIPS-consistent laws, deficiencies remain and the lack of effective enforcement is a serious and growing concern. Some efforts have been made to improve copyright enforcement, but these efforts have fallen short given the scale of the piracy problem in

Brazil and the absence of a coordinated strategy on the part of the government. Piracy rates have continued to climb over the past year, and the sound recording industry saw its losses double in 1998.

Canada: In 1997, the Government of Canada adopted amendments to its copyright law that discriminate against the interests of some U.S. copyright holders. Canada has established a public performance right for record producers and performers. It also has established a levy on blank audio recording media, the revenues from which are intended to compensate performers and producers for the performance and unauthorized home-taping of their works in Canada. However, U.S. performers and producers are denied national treatment with respect to these provisions.

Colombia has ratified but not yet fully implemented TRIPS, and does not yet provide adequate and effective intellectual property protection. Although

Colombia has made efforts to improve copyright enforcement, piracy is widespread with music piracy having worsened and counterfeit CDs flooding the market. Colombia has not resolved its failure to license legitimate pay television operators and pursue pirate operators. However, Colombia's Attorney General has reportedly begun legal action against 108 community television operators, and the failed November 1998 cable-TV licensing process is scheduled for completion in July 1999.

Costa Rica: The Costa Rican Government has failed to take sufficient enforcement actions against motion picture and sound recording piracy.

Czech Republic: Czech law does not provide an effective ex parte search procedure necessary to guarantee that evidence is not destroyed before commencement of civil litigation over alleged copyright infringement. This procedure is mandated by TRIPS Article 50.

Retroactive protection for works and sound recordings, also required under TRIPS, is absent from Czech law. Moreover, there has been insufficient improvement in the enforcement of rights that do currently exist under Czech law. The U.S. is concerned that the situation has the potential to worsen, especially with respect to piracy of optical media (CD, CD-ROM, and DVDs) if courts, prosecutors and police continue to fail in providing effective deterrent enforcement.

Hungary: Hungary has been placed on the Watch List because intellectual property protection has been inadequate and substantive gaps remain in the current copyright law which is not TRIPS consistent. Hungary needs to provide retroactive protection for pre-existing sound recordings. Also, prosecution against copyright piracy has been slow and has not posed an effective deterrent.



Ireland: In 1997, the United States initiated dispute settlement proceedings against Ireland because Ireland has not yet amended its copyright law to comply with its TRIPS obligations. After numerous consultations with the United States, Ireland committed to accelerate its implementation of comprehensive copyright reform legislation, and agreed to pass a separate bill, on an expedited basis, to address two particularly pressing enforcement issues. Consistent with this agreement, Ireland enacted legislation in July 1998 raising criminal penalties for copyright infringement and addressing other enforcement issues. The process of completing comprehensive copyright legislation is progressing, but is behind schedule.

Japan: While Japan has taken actions in recent years to improve its intellectual property regime shortcomings remain. With regard to copyrights, the United States remains concerned about protection of broadcast

digital works in Japan. Japan could usefully improve its protection of copyrighted material by imposing statutory damages for copyright infringement. Japan has committed to taking a number of actions, including the ratification of the two WIPO copyright treaties which should result in greater protection of intellectual property in Japan.

Jordan has taken steps to meet the deficiencies in its intellectual property regime, but progress to date has been limited. In April 1999, Jordan acceded to the Berne Convention for the Protection of Literary and Artistic Works. With this step, U.S. copyrighted works have obtained a measure of protection in Jordan for the first time. Nonetheless, remaining deficiencies in the copyright area must be remedied to fully comply with TRIPS, and accession to the Geneva Phonograms Convention should be expedited in order to ensure full protection for U.S. recorded works.

Korea: Korea does not provide for TRIPS-consistent protection for pre-existing works and sound recordings. In addition, the United States has raised concerns with Korea's market access restrictions on motion pictures and cable TV programming.

Lebanon passed a modern copyright law earlier this year. However, Lebanon has failed to take sufficient enforcement actions against book and optical media piracy.

Mexico: Mexico has committed to implement and enforce high levels of intellectual property protection consistent with its international obligations. Nevertheless, piracy and counterfeiting remain problems. As has been the case in recent years, despite a significant number of raids in 1998, only a small percentage resulted in court decisions and the levels of penalties assessed when court decisions are made are inadequate to deter future piracy.

New Zealand: New Zealand generally provides sound intellectual property protection. However, recent decisions to erode the level of copyright protection available to rights holders in New Zealand are of serious concern. In 1998, the New Zealand government passed an amendment to the Copyright Act abolishing the importation right for all copyrighted works, including sound recordings, books, movies, and software. This unfortunate decision is further aggravated by the fact that New Zealand's enforcement regime does not effectively deter piracy.

Oman has taken notable steps during the past year towards TRIPS compliance and stepped up enforcement against copyright piracy. However, Oman's copyright law has a number of shortcomings. Protection of foreign works not registered in Oman remains in question; and additional changes to the copyright law, including extending the terms of protection and providing a point of

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attachment for foreign works, need be made to bring it into full TRIPS compliance.

Pakistan: Copyright piracy in Pakistan remains widespread. The Government has taken steps to strengthen enforcement efforts regarding copyrighted works, but the fines applied to infringers have been too low to provide a credible deterrent. However, some improvement in Pakistan's anti-piracy program has been noted in 1998. For example, piracy rates for videos have declined as a result of strengthened law enforcement and some video outlets are taking steps to offer legitimate products. There are reports that three optical media production plants have recently been established in Pakistan.

The Philippines: Since enactment of a comprehensive IPR code in 1997, the Philippines has taken insufficient steps to clarify ambiguities in the law and to ensure consistency with TRIPS obligations. Although

implementing regulations related to the code have been promulgated in some areas, no substantive regulations pertaining to copyright protection have been issued. Other deficiencies not addressed by regulations include the absence of ex parte search and seizure authority.

Poland: The Government of Poland has not made sufficient progress to address the lack of adequate and effective protection for intellectual property. Pirated CDs, DVDs, CD-ROMs are widespread in the Polish market, and production and distribution of pirated optical disc media appear to be a growing problem. Industry estimates that losses to copyright piracy increased by \$26 million between 1997 and 1998. Polish copyright law does not appear to provide a clear point of attachment for foreign sound recordings, the absence of which would violate its existing international obligations. Furthermore, there is no protection for pre-1974 sound recordings, as required by the TRIPS Agreement.

Romania: The Government of Romania has made little progress over several years to improve the enforcement of intellectual property rights. Rates of piracy of sound recordings, audiovisual works, and television programming have all increased.

Saudi Arabia: Saudi Arabia's laws, regulations, and procedures fall short of international standards in a number of key areas. While the Saudi Government has embarked on a revision of its intellectual property laws as part of its WTO accession, the most significant need is for better enforcement of its laws. There was, however, some improvement in enforcement in 1998, particularly with regard to audio materials and videos.

Singapore: Singapore took a number of steps during 1998 to enhance intellectual property protection, including accession to the Berne Convention. Nevertheless, overall piracy rates increased since last year. One shortcoming of Singapore's intellectual

property regime is the maintenance of a voluntary code of conduct for optical disc producers which lacks an effective enforcement mechanism available to rights holders. Although it appears that most or all of the infringing discs sold in Singapore are smuggled into the country, effective border measures have not been taken to address the importation and transshipment of infringing goods through Singapore. A fundamental deficiency in Singapore's regime is the "self-policing" approach to IPR enforcement which shifts to rights owners the primary burden and expense of investigating and prosecuting infringement. This system is inadequate to cope with the growing problem of optical disc piracy, as illustrated by the increased levels of retail piracy. Although Singapore has initiated a consumer awareness initiative in order to reduce demand for pirated goods, the government's failure to address the open marketing and sale of substantial volumes of pirated materials in well-



known malls sends conflicting signals about the government's genuine intentions.

South Africa: Copyright piracy and trademark counterfeiting is widespread and the U.S. copyright industry estimates that trade losses due to piracy of copyrighted works increased more than 35 percent between 1997 and 1998. However, the South African Government recently took the welcome step of adopting a implementing strategy to its 1997 Counterfeit Goods Act which could strengthen enforcement.

Taiwan: There are indications that Taiwan has begun to address the problems it has experienced regarding the protection of intellectual property rights, but serious deficiencies remain. Taiwan mandates the use of source identification codes (SID) to identify the producer of optical discs, but enforcement of this requirement has been lax. Pirated material from Taiwan

continues to surface in the United States, Central and South America.

Thailand's IPR record over the past year has been inconsistent. While the government agreed to implement an IPR Action Plan embodying a number of priority reforms, copyright piracy rates continue to increase. Criminal convictions by the specialized IPR court have been handed down; however, these decisions have been overturned on appeal and no individual has ever served a criminal sentence for IPR infringement. The Thai government has also resisted prosecuting infringers for violations of customs and revenue laws, in addition to the copyright law. Thai proposals to institute a voluntary regulatory system to dissuade optical disk piracy lacks an effective enforcement mechanism and will not address the growing problem of copyright piracy. The inability of enforcement authorities to conduct retail or plant raids during off-hours and weekends further

undermines the government's ability to combat the problem.

The UAE has made major progress in substantially reducing copyright piracy rates across the board and particularly with regard to reducing software piracy. While decisions in several recent court cases have created uncertainty regarding the applicability of copyright protection for foreign works, UAE authorities are addressing these concerns and moving forward with copyright amendments to correct the situation and bring the UAE into compliance with TRIPS.

Vietnam: The Government is still in the formative stages of drafting, enacting and enforcing intellectual property laws. Copyright piracy is the most pressing problem, though there is also some unchecked trademark counterfeiting. On December 27, 1998, the bilateral copyright agreement between the United States and Vietnam entered into force, following the issuance of

implementing regulations by Vietnam. The agreement grants U.S. works copyright protection in Vietnam for the first time.

[ELR 20:12:6]

## RECENT CASES

**Princess Diana Estate and Memorial Fund fail to obtain preliminary injunction against Franklin Mint's sale of Princess Diana merchandise; court dismisses claim based on California right of publicity statute, and finds that Estate and Fund failed to show they were likely to prevail on federal Lanham Act claims**

Princess Diana's tragic and untimely death in 1997 "precipitated an explosion of unauthorized commercial products," including some sold by the Franklin

Mint. Merchandise sold by the Mint included jewelry, commemorative plates, sculptures and dolls depicting Princess Diana, which the Mint advertised using her name and likeness as well as phrases referring to her and alluding to her charitable activities.

The Mint's activities were "unauthorized" in the sense that they were done without a license from Princess Diana's Estate or from the charitable Memorial Fund that bears her name. The Estate has granted the Fund an exclusive license to use Princess Diana's name and likeness, and the Fund in turn has authorized their use on certain products and services in the United States. Because the Mint was not among the companies the Fund has authorized, the Estate and the Fund have sued the Mint in federal District Court in Los Angeles, asserting claims under state and federal law.

Before the case was ready for trial, both sides filed motions that expressed confidence in their

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positions. The Mint sought dismissal of the case, and the Estate and Fund sought a preliminary injunction. While neither side was completely successful, on balance, it appears as though the Mint has done better so far. In a lengthy opinion, Judge Richard Paez has granted the Mint's motion to dismiss one, but not all, of the claims asserted by the Estate and Fund; and he has denied the Estate and Fund's motion for a preliminary injunction.

Perhaps the most interesting issue in the case for the entertainment industry generally is whether the Estate and Fund are able to assert Princess Diana's post-death right of publicity under California Civil Code section 990. The Estate properly complied with that statute's registration requirement, so if Princess Diana had been a California resident at the time of her death, the answer clearly would have been "yes." What makes this question interesting is that Princess Diana was, of course, a resident of Great Britain at her death; and

British law does not recognize a right of publicity at all, let alone a post-death right of publicity. Thus, if for some reason British rather than California law applied to the Mint's sale of Princess Diana merchandise in the United States, the Estate and Fund would not be able to assert her right of publicity.

At first blush, many would suppose that California rather than British law would apply to merchandise sales in the United States. In fact, in 1985, a federal appellate court in Massachusetts so held. In a right of publicity lawsuit filed by British recording artists - including Judas Priest, Duran Duran, and Iron Maiden - on account of unauthorized sales in the United States of posters bearing their photographs, the court ruled that Massachusetts law rather than British law was applicable, even though British law would not have given American or British performers similar rights in Great Britain. (ELR 7:11:10)

Often in the law, first-blush opinions are not the same as fully-analyzed ultimate conclusions; and that has been so in the Princess Diana case. After a lengthy analysis of California choice-of-law rules, Judge Paez has concluded that British law applies to the Estate and Fund's right of publicity claim.

As a general rule, the judge explained, California law resolves conflict of law questions through a "governmental interest" analysis that inquires into which jurisdiction has the greatest interest in having its own law applied. This approach might have resulted in applying California law; and the Estate and Fund argued that it did. However, there is an exception to this general rule when personal property is involved. In personal property cases, California usually resolves conflict of laws questions by applying the law of the place where its owner lives. The right of publicity is personal property, so this rule would require the application of British law; and

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that is what the Mint argued. Judge Paez agreed. Thus, since British law does not protect the right of publicity, the judge dismissed the Estate and Fund's right of publicity claim.

On the other hand, the Estate and Fund did better with their claims for false endorsement, trademark dilution, and false advertising. These claims were asserted under the federal Lanham Act and did not depend on California right of publicity law. Though the Mint argued to the contrary, Judge Paez disagreed. "The absence of a right of publicity . . . does not necessarily confer upon the public a general right to use the celebrity's persona," he said. "Thus, while California law might not provide a right of publicity, the absence of that right does not, in and of itself, establish that [the Estate and Fund] cannot state a claim under federal law. . . . Consequently, neither the absence of a state law right of publicity nor the fact that Princess Diana's name and

likeness may well be 'in the public domain' in Britain constitutes a defense to a cognizable claim under . . . the Lanham Act."

Judge Paez denied the Mint's motion to dismiss the Lanham Act claims, because they were properly-asserted and involved disputed issues of fact requiring a trial.

Though the Estate and Fund thus earned the right to go to trial, they did not win the preliminary injunction they sought. Again after lengthy analysis, Judge Paez concluded that the Estate and Fund had "failed to demonstrate a fair chance of success on the merits" with respect to their claims: that the Mint's products and advertising create an appreciable risk of consumer confusion regarding their source or the endorsement of the Estate or Fund; that the Estate and Fund's asserted service marks have acquired secondary meaning; or that the Mint's advertising is false and misleading.

An appeal to the Ninth Circuit is pending.

Cairns v. Franklin Mint Co., 24 F.Supp.2d 1013, 1998 U.S. Dist. LEXIS 17359 (C.D. Cal. 1998) [ELR 20:12:11]

**Judgment in favor of owner of Three Stooges' publicity rights against seller of T-shirts and prints bearing their likenesses is affirmed by California appellate court**

Ever since 1984, California has had a right of publicity statute that prohibits the use of the names and likenesses of deceased personalities on "products," "merchandise" or "goods," without the consent of the registered owner of those rights. T-shirts are usually thought of as a prime example of the type of products, merchandise and goods that must be licensed, if they

bear the likeness of a personality. But a recent case involving the unauthorized sale of Three Stooges T-shirts challenged that thinking - without success. That is, a California Court of Appeal has confirmed that the common understanding of the statute is correct. It did so by affirming a \$225,000 judgment in favor of the owner of the Three Stooges rights of publicity against a company that sold T-shirts and prints bearing their likenesses in the form of a charcoal sketch.

California statutory law requires the registration of the publicity rights of deceased personalities, and it permits those rights to be transferred by contract, trust or will. The publicity rights of the Three Stooges were properly registered, and they were transferred to Comedy III Productions, Inc., which filed suit to enforce them.

The target of Comedy III's suit was a company that makes and markets artworks by sketch artist Gary

Saderup. Saderup creates charcoal sketches which are used to create lithographic and silk screen masters which in turn are used to produce reproductions of his sketches as images on prints and T-shirts. Among the artworks created and reproduced by Saderup in this fashion was a sketch of the Three Stooges, done by Saderup without Comedy III's consent.

In his defense, Saderup argued that his prints and T-shirts were not products, merchandise or goods, but instead were simply the Three Stooges' likenesses. In an opinion by Justice Morio Fukuto, the California Court of Appeal said "We cannot agree." The justice had no trouble in concluding that T-shirts are certainly products, merchandise and goods. And the same was true of Saderup's prints. "They are tangible, marketable products, consisting of paper, ink, and the imprint of Saderup's charcoal sketch," the justice explained.

The appellate court also rejected Saderup's argument that he was exempt from liability under a provision of the California statute that states that it does not apply to "Material that is of political or newsworthy value." According to Saderup, the Three Stooges are still newsworthy, thus giving him the benefit of this provision. Justice Fukuto explained, however, that "the subject of the exemption is newsworthy material, not newsworthy individuals." Thus, even if the Three Stooges themselves were still newsworthy, Saderup was not entitled to this exemption, because his T-shirts and prints were not newsworthy.

Saderup also attacked the constitutionality of the statute, saying that it violated his First Amendment rights. Saderup, however, did not contend or demonstrate that his T-shirts or prints sought to convey a message of any type. Moreover, the justice added, even though art is protected by the First Amendment, and

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even though the First Amendment protects speech that is sold, "reproductions of an image, made to be sold for profit, do not per se constitute speech."

Saderup did score one victory on appeal. The trial court had permanently enjoined him from continuing to use the Three Stooges' images in a wide variety of ways. The appellate court vacated that injunction on two grounds. First, Justice Fukuto said that it had not been shown Saderup would continue to infringe Comedy III's rights - a showing that "is generally a prerequisite for permanent injunctive relief." Second, the wording of the injunction was so broad it would have barred Saderup from using the Three Stooges images in ways that may have been permitted by the statute or protected by the First Amendment.

Apart from vacating the injunction, however, the balance of the judgment won by Comedy III was affirmed. That judgment awarded Comedy III the \$75,000

in profits that had been earned by Saderup from his unauthorized sales, plus the \$150,000 in attorneys fees Comedy III had incurred in winning the case.

Comedy III Productions, Inc. v. Gary Saderup, Inc., 80 Cal.Rptr.2d 464, 1998 Cal.App.LEXIS 1036 (Cal.App. 1998) [ELR 20:12:12]

**Photo transparencies and digital images of public domain works of art are not sufficiently original to be protected by copyright under British or American law, federal district court rules in infringement suit between British and Canadian companies that do business in New York**

The use of modern computer technology to reproduce very old museum-quality art works is at the heart



of a copyright infringement lawsuit in federal court in New York City that was filed by a British company against a Canadian competitor. (Who could ask for anything more?)

The plaintiff in the case is the The Bridgeman Art Library, a British company that claims to own exclusive rights to photographs of public domain works of art located in British, French, Italian and other museums. Bridgeman provides its clients with a CD-ROM catalog containing low resolution images of these art works, and it provides high resolution transparencies to clients who choose to license them.

The defendant is Corel Corporation. It is a Canadian company known to lawyers as the publisher of WordPerfect, but known to others as the publisher of "Corel Professional Photos CD-ROM Masters," a seven-disk set of hundreds of well known paintings by European masters.

Bridgeman alleges that 120 of the photos in the Corel CD-ROM set are art works for which Bridgeman has exclusive rights, and that Corel must have copied Bridgeman's transparencies in creating Corel's CD-ROMs. Bridgeman made this allegation in a copyright infringement suit filed in federal District Court in New York City where both companies maintain offices.

Corel responded to the suit with a motion to dismiss. Bridgeman rejoined with a cross-motion for partial summary judgment.

Given the truly multi-national character of this case, these motions required Judge Lewis Kaplan to decide first which country's law would apply. As a result of the Second Circuit's recent *Itar-Tass Russian News Agency* case (ELR 20:8:10), it was apparent that this question would have to be answered separately with respect to two issues. The first was whether Bridgeman's transparencies and digital images are entitled to

copyright protection at all. If so, the second issue was whether those copyrights had been infringed by Corel.

Judge Kaplan decided that the question of whether Bridgeman's transparencies and digital images are protected by copyright at all should be decided under British law, because many of the original art works are in Britain, Bridgeman is based in Britain, and its photographs were first published there. British copyright law protects only "original" works, and the judge found that Bridgeman's transparencies and digital images are not original enough to be protected under British law. He also added, in a footnote, that he would have reached the same conclusion under U.S. copyright law.

If Bridgeman's transparencies and digital images had been protected by copyright, the question of whether they were infringed by Corel's sales in the United States would be determined under U.S. copyright law, Judge Kaplan continued. The judge doubted that

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Bridgeman had proved that Corel had access to Bridgeman's transparencies, because Bridgeman admitted that it was not the only possible source for 119 of the 120 art works in question. Rather than resolve this dispute, however, the judge moved on to the question of whether Corel's images were substantially similar to Bridgeman's transparencies.

On this question, Judge Kaplan noted that "similarity would be judged only with respect to those elements materially altering or embellishing the underlying . . . public domain paintings." This principle was fatal to Bridgeman's case, because it had conceded that "the only similarity between the two sets of reproductions is that `both are exact reproductions of public domain works of art.'" The judge explained that "When, as here, the only similarity between two works is with respect to non-copyrightable elements, summary judgment is appropriate."

Bridgeman also had alleged that Corel had committed infringements in Canada and the United Kingdom. Judge Kaplan ruled that he did not have jurisdiction to rule on these claims however. The judge explained that federal court jurisdiction to hear copyright cases is limited to those arising under U.S. law, and infringements in Canada and Britain do not. Likewise, although "federal question" jurisdiction includes claims arising under treaties, the Berne Convention is not self-executing in the U.S., so Bridgeman could not assert a claim under it. Finally, although it appeared that Judge Kaplan might have had diversity jurisdiction - because Bridgeman is British and Corel is Canadian - diversity jurisdiction does not cover cases in which all parties are aliens.

For these reasons, Judge Kaplan denied Bridgeman's motion for summary judgment and has granted Corel's motion to dismiss.

Editor's note: Earlier international copyright cases have raised choice-of-law issues in three contexts: (1) which country's law determines who owns the copyright initially; (2) which country's law determines the validity of a transfer of copyright ownership; and (3) which country's law determines whether an infringement has occurred. This case is the first in which a choice-of-law issue was said to arise in the context of whether the work was protected by copyright at all.

Judge Kaplan's conclusion that British law controls this issue appears to be wrong. The Berne Convention requires the United States to treat foreign works the same as it treats American works - not better or worse. Thus, if British law would have protected Bridgeman's transparencies but U.S. law would not, the Berne Convention would not have required the U.S. to grant protection to those transparencies. The reverse is true too of course. That is, if U.S. protects certain types of works

that would not be protected under the law of their own countries, then Berne requires the United States to protect those types of works; and it has. For example, in *Hasbro Bradley v. Sparkle Toys*, 780 F.2d 189 (2d Cir. 1985) (ELR 8:6:16), the Second Circuit ruled that Japanese toy designs were protected by copyright in the United States under U.S. law, even though toy designs are not protected by copyright in Japan. Other countries have issued similar rulings. In Germany, for example, in *Lounge Chair*, 13 IIC 777 (1981), a German Court of Appeals held that the design of a lounge chair created by an American in the U.S. was protected in Germany by German copyright law (as a work of applied art), even though the design probably was not protected by copyright in the United States.

Judge Kaplan's error did not affect the outcome of the *Bridgeman* case, because, as the judge himself said, both British and U.S. law require the same type of

"originality" and thus the result was the same under either law. In other cases, however, where the result might be different, this decision should not, in my opinion, be considered sound precedent. The question of whether a work is protected by copyright at all should be decided under the law of the country where protection is sought, just as it was in *Hasbro Bradley and Lounge Chair*.

*Bridgeman Art Library, Ltd. v. Corel Corp.*, 25 F.Supp.2d 421, 1998 U.S.Dist.LEXIS 17920 (S.D.N.Y. 1998) [ELR 20:12:13]



**Injunction barring further sales of unauthorized "Star Trek" guide does not extend to distributors and book stores that purchased copies from Carol Publishing before injunction was entered**

Paramount Pictures won a preliminary injunction prohibiting further sales of an unauthorized "Star Trek" guide by the book's publisher, Carol Publishing Group, and by "all persons, firms and corporations acting in concert" with it (ELR 20:8:7).

Before that injunction was issued, Carol had sold and delivered almost 6000 copies of the book to distributors and retail stores, on terms that permitted them to return unsold copies to Carol by early 1999. When the injunction was issued, about 3500 of those books remained in the distributors' and retail stores' inventories.

Not surprisingly, Paramount expected Carol to notify the distributors and stores of the injunction so that

remaining copies of the book would be returned and not sold to customers. According to Paramount, distributors and book stores would be "acting in concert" with Carol if they sold books after the injunction were issued, and thus would be in contempt themselves if they knew of the injunction. Carol however disagreed, and refused to notify its distributors and book stores.

Rather than bring a contempt proceeding, Paramount sought a "supplemental order" requiring Carol to notify distributors and book stores of the injunction. But federal District Judge Shira Scheindlin has denied Paramount's request.

Under the Uniform Commercial Code, when goods are sold for resale, a completed sale takes place and title passes to the buyer upon delivery, even if those goods may be returned to the seller. This meant that Carol Publishing's pre-injunction sale of copies of the book to distributors and book stores was complete, and

distributors and book stores would not be "acting in concert" with Carol by selling copies of the book after the injunction was issued.

On the other hand, Judge Scheindlin did order Carol to provide Paramount with a list of the names and addresses of the distributors and book stores to which it had sold copies of the book, so that Paramount could notify them directly that "it will consider any further sales of The Joy of Trek to be an act of copyright infringement that it intends to pursue in court."

Paramount Pictures Corp. v. Carol Publishing Group, Inc., 25 F.Supp.2d 372, 1998 U.S.Dist.LEXIS 20864 (S.D.N.Y. 1998) [ELR 20:12:14]

**Reasonable license fee is proper measure of copyright damages for HBO exhibition of series pilot after license expired; but damages from producer's inability to license series to others because HBO asserted long-term exclusive license in defending against producer's infringement claim are not recoverable**

"Encyclopedia Brown" is a character in a television series that debuted on HBO. The series was produced Encyclopedia Brown Productions, Ltd., pursuant to an agreement that gave HBO the right to exhibit the series pilot until March 1991. HBO exhibited the pilot several times during May 1991, after its license expired. In an unpublished ruling in the ensuing copyright infringement lawsuit, Judge Peter Leisure ruled that HBO had infringed the pilot's copyright by doing so.

As the case proceeded towards trial, Encyclopedia Brown Productions offered several different grounds in support of its damage claims. In an effort to trim those claims before trial, HBO made a motion for partial summary judgment. Judge Leisure has granted HBO's motion in part - but only in part.

Encyclopedia Brown Productions seeks to recover a "reasonable licensee fee," which it argued it is entitled to do, either because HBO's profits from the infringing exhibitions included the fee it should have paid but didn't, or because Encyclopedia Brown Productions was damaged by the amount of the fee it should have received but didn't.

Judge Leisure agreed with HBO that a defendant's copyright "profits" do not include unpaid license fees; and thus the judge has granted HBO's summary judgment motion concerning that theory. On the other hand, the judge agreed with Encyclopedia Brown Productions

that its damages could be measured by the license fee HBO would have paid, if it can be proved that HBO would have obtained a license for what turned out to be its infringing exhibitions. Therefore, Judge Leisure denied HBO's motion concerning that theory.

For reasons not explained in Judge Leisure's opinion, HBO claims that it has an exclusive 75-year license for the series pilot. HBO made that argument in the lawsuit itself, after it had been filed. Encyclopedia Brown Productions contends that it has been unable to license the series to any other company, because of HBO's claimed exclusive license. As a result, Encyclopedia Brown Productions sought damages resulting from its inability to license others. HBO argued that damages of this sort are not recoverable in a copyright infringement suit; and the judge has agreed. These alleged damages did not result from the infringement itself; they resulted from an argument HBO made after the infringement

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occurred and after it had been sued. Thus the judge has granted HBO's summary judgment motion with respect to this claim.

Encyclopedia Brown Productions also alleged that the cable systems that carried the infringing HBO transmission are themselves willful infringers, on the grounds that HBO was both willful and the agent for the cable systems. The relationship between HBO and cable systems that carry its programming is documented in a network affiliation agreement that specifically disclaims any principal-agent relationship. Moreover, cable systems have no control over the content of HBO's programming. While HBO does agree to indemnify its affiliated cable systems, that is not sufficient to make HBO their agent, Judge Leisure concluded. He therefore ruled that the cable systems were not willful infringers.

In a separate motion, Encyclopedia Brown Productions sought to unseal certain parts of the record, and

HBO sought to restrict public access to parts of the record containing confidential business information. Judge Leisure has granted and denied a portion of each parties' motion.

Encyclopedia Brown Productions, Ltd. v. Home Box Office, Inc., 25 F.Supp.2d 395, 1998 U.S.Dist.LEXIS 16564 (S.D.N.Y. 1998), 26 F.Supp.2d 606, 1998 U.S.Dist.LEXIS 16106 (S.D.N.Y. 1998) [ELR 20:12:15]



## **Public library policy of blocking patrons' access to certain Internet web sites using X-Stop filtering software violates First Amendment, federal District Court rules**

The public libraries of Loudoun County, Virginia, are up-to-date in at least one important respect: they've installed computers that can be used by library patrons to access the Internet. Concerned, however, that some Internet web sites contain child pornography and obscene material, the libraries installed site-blocking software called X-Stop on their computers. Using a method its developers have kept secret, X-Stop blocks access to selected web sites, including some that do not contain child pornography or obscene material.

The libraries' policy has been successfully challenged in a lawsuit filed by Loudoun County residents whose access to desired sites was blocked by the policy,

and by intervenors whose web sites were or might be blocked by the policy.

Federal District Judge Leonie Brinkema has held that the libraries' policy violates the First Amendment, because it does not further a compelling governmental interest, is not narrowly tailored, restricts access by adult patrons simply because some material is unfit for minors, provides inadequate standards for restricting access, and contains inadequate procedures to ensure prompt judicial review of blocking decisions.

In so ruling, the judge gave a detailed explanation for each of these conclusions. For example, in deciding whether the policy furthers a "compelling governmental interest," Judge Brinkema assumed that the libraries' stated objectives - minimizing access to illegal pornography, and avoiding the creation of a sexually hostile environment - were compelling governmental interests. However, the judge concluded that the libraries had

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failed to present evidence that without the site-blocking policy, a problem with patrons accessing child pornography or obscenity, or a sexually hostile environment, might exist.

Rather, the libraries' evidence showed that only one library in Virginia had received a complaint arising from Internet use. There, a patron had said that she had seen a boy viewing what she believed were pornographic pictures. In response, that library installed privacy screens on its Internet computers which "work great," according to the librarian. The testimony of the libraries' own expert found that only three other libraries in the entire country - none of which was in Virginia - had experienced problems from unfiltered Internet access, even though the expert had emailed "several thousand" libraries requesting information about Internet complaints.

As a result of these findings, Judge Brinkema granted the plaintiffs' motion for summary judgment and has permanently enjoined the Loudoun County libraries from enforcing their Internet site-blocking policy.

Mainstream Loudoun v. Board of Trustees of the Loudoun County Library, 24 F.Supp.2d 552, 1998 U.S.Dist.LEXIS 18479 (E.D.Va. 1998) [ELR 20:12:15]

**CBS does not owe royalties to AFofM trust fund on account of cable-TV transmissions or homevideo sales of programs it produced under agreements entered into during 1950s which required royalties for "television broadcasts" of network-produced programs**

The question of whether old contracts cover new technologies has generated countless lawsuits. One such case has arisen between the Trustee of an American Federation of Musicians trust fund created by agreements entered into between the AFofM and the networks during the 1950s.

Three such agreements - signed in 1951, 1954 and 1959 - all required the networks to pay the Trustee 5% of their revenues from "television broadcasts" of network-produced programs. CBS has made payments pursuant to those agreements. But in a breach of

contract suit filed in federal District Court in New York City, the Trustee alleged that CBS has not paid all that it should have.

The dispute arose because CBS has not paid royalties in connection with cable-TV transmissions or homevideo cassette sales of programs it produced. According to CBS, cable transmissions and homevideo sales are not "television broadcasts." The Trustee contended that they are.

Judge Allen Schwartz conducted a five-day trial during which he heard evidence concerning what the parties intended the words "television broadcasts" to mean when they negotiated the agreements. CBS offered evidence supporting its position. The Trustee "failed to rebut this evidence" with admissible evidence of his own, Judge Schwartz concluded. Though the Trustee argued that CBS's witnesses were not credible,

the judge rejected the Trustee's argument and specifically found they were credible.

Accordingly, Judge Schwartz ruled that CBS is not obligated to pay the Trustee royalties in connection with cable-TV transmissions or homevideo sales.

Raine v. CBS Inc., 25 F.Supp.2d 434, 1998  
U.S.Dist.LEXIS 18332 (S.D.N.Y. 1998) [ELR  
20:12:16]

**Court awards \$131,725 in attorneys fees and costs to Apple Corps' lawyers for work done in connection with successful contempt proceeding against sellers of Beatles stamps; though award was substantial, it was less than 43% of amount sought**

The American rule concerning attorneys fees is that each party bears its own, unless a statute, court order or contract clause provides otherwise. In many cases, statutes, orders or contract clauses do provide otherwise; but the promises they make of "attorneys fees and costs to the successful party" are not always fully kept.

Take for example the recent case in which Apple Corps sued the International Collectors Society for selling unlicensed Beatles stamps. The suit was settled by a Consent Order which provided that the Society would reimburse the plaintiffs "for all their costs, including



reasonable attorney's fees incurred in connection with any successful . . . proceeding brought . . . to enforce their rights under this Order."

Not long after the case was settled, Apple Corps brought a contempt proceeding against the Society on account of its alleged violations of the Order. The proceeding was vigorously contested. Not only did Apple Corps have to fight to prove its assertions of contempt, its lawyers had to fend off counter-allegations that they had acted unethically while investigating whether the Society had violated the Order.

Readers of these pages will recall that Apple Corps and their lawyers prevailed. Federal District Judge Joseph Greenaway held the Society in contempt, found that Apple Corps' lawyers had not acted unethically while conducting their investigation, and ordered the Society to pay Apple Corps' attorneys fees and costs (ELR 20:10:10). The victory (now on appeal to the

Third Circuit) was no doubt sweet. But it hasn't been fully realized, insofar as fees and costs are concerned.

Apple Corps' lawyers (as well as those for co-plaintiff Yoko Ono Lennon) sought \$308,424 in fees and costs. Judge Greenaway has awarded them \$131,725, less than 43% of what they had sought.

The judge's decision spans 27 printed pages, including an appendix that reproduces the lawyers' time records, word-for-word; and it addresses, in revealing detail, many separate issues. Among other things, Judge Greenaway disallowed fees for time spent defending against the Society's counter-allegations of ethical misconduct. The judge reduced the hourly rates charged by the lawyers, because they charged New York City rates while the contempt proceeding was conducted in New Jersey where rates are "substantially lower." He reduced the fees requested because "senior attorneys had performed tasks which should have been delegated to

junior associates." And he disallowed certain expenses, because they weren't sufficiently itemized.

Apple Corps Limited v. International Collectors Society, 25 F.Supp.2d 480, 1998 U.S.Dist.LEXIS 18292 (D.N.J. 1998) [ELR 20:12:17]

### **Seattle Seahawks' team doctor is immune from liability to former player David Daniels under co-worker provision of Washington Industrial Insurance Act**

In 1992, David Daniels and Merrit Auld both worked for the Seattle Seahawks, doing very different things. Daniels was a football player. Auld was the team doctor.

In September of that year, Daniels was injured while playing, and was treated by Dr. Auld. Unfortunately, Daniels never fully recovered, and after being traded to another team, he was released and no longer plays football.

Daniels attributes his failure to recover to negligence on Dr. Auld's part. Daniels made this allegation in a medical malpractice suit he filed against Dr. Auld in Washington state court.

Because Daniels' injury was work-related, his rights - and certain limitations on those rights - are covered by the Washington Industrial Insurance Act. One provision of that Act makes employers and co-workers immune from suits by injured workers. Relying on this provision of the Act, Dr. Auld made a motion for summary judgment; and it was granted. The Court of Appeals of Washington has now affirmed.

In an opinion by Judge Walter Webster, the appellate court rejected Daniels' argument that Dr. Auld was really an independent contractor rather than a Seahawks employee. If that were so, Dr. Auld would not have been covered by the co-worker immunity provision. At one time, Dr. Auld did provide medical services to the Seahawks as an independent contractor. But at the insistence of his own insurance company, Dr. Auld's relationship with the team was changed to that of employee, before the season in which Daniels was injured. Dr. Auld had a written employment contract with the Seahawks and was otherwise treated by the team as an actual, even if part-time, employee.

Judge Webster also rejected Daniels' alternative argument that Dr. Auld was not entitled to immunity because of the "dual capacity" or "dual persona" doctrines. These doctrines may allow liability to be imposed on employers or co-workers if they have a second

relationship with the injured employee, outside the employer-employee relationship. The judge ruled, however, that the facts of Daniels' case did not fit within either of those doctrines.

Daniels v. Seattle Seahawks, 968 P.2d 883, 1998 Wash.App.LEXIS 1221 (Wash.App. 1998) [ELR 20:12:17]

**Oregon athletic association is enjoined from enforcing Eight Semester Rule against high school football player who has Attention Deficit Disorder, and from penalizing player's high school if association eventually wins case; Americans with Disabilities Act requires waiver of Rule in this case, court declares**

Adam Bingham is a high school senior who has been diagnosed with Attention Deficit Disorder. As a result of his learning disability, he repeated the tenth grade, and thus was in his ninth semester of high school by the time he reached his senior year. This was brought to the attention of a federal court in Oregon for three reasons: because Bingham plays football; because his high school is a member of the Oregon School Activities Association; and because the Association has an Eight Semester Rule which prohibits high school students

from participating in athletics for more than eight semesters after beginning the ninth grade.

Bingham was declared ineligible to play football during his senior year. In response, he did what many ineligible athletes have done before: he sued the Association. Bingham's suit was brought under the Americans with Disabilities Act which prohibits discrimination on the basis of disabilities and requires that reasonable accommodations be made for those who are disabled.

In replying to Bingham's motion for a preliminary injunction, the Association explained that its Eight Semester Rule serves three purposes: it helps to ensure safety by preventing older, more experienced students from competing against those with less skill and stature; it promotes competitive fairness by ensuring that athletes have comparable skill and experience; and it encourages students to graduate in four years by preventing the practice of "red-shirting."



On occasion, the Association has granted requests to waive the rule; but in virtually all of those cases, it has done so only when hardships have prevented students from attending school at all. It has not waived the Rule when students were able to attend school, but were prevented from participating in sports by minor injuries. In Bingham's case, he was able to attend school and did; and thus his waiver request was denied.

Federal Magistrate Judge Thomas Coffin found no fault with the Eight Semester Rule itself. But he nonetheless has granted Bingham's motion. The judge found that Bingham had offered substantial evidence that his participation in athletics "significantly assists him in coping with his disability." Moreover, the judge found no evidence that Bingham's participation in football during his senior year would frustrate the policy of the Eight Semester Rule in any way. Bingham was not older or more experienced than other football players.

There was no evidence he had been "red-shirted." And the Rule had no impact on his graduation within four years, because his failure to do so was caused by a serious disability beyond his control.

Allowing Bingham to play football during his senior year was the type of "reasonable accommodation" required by the Americans with Disabilities Act, the judge ruled. And therefore he enjoined the Association from making Bingham ineligible to do so.

Judge Coffin also enjoined the Association from penalizing Bingham's school, in the event the Association ultimately wins the case after trial or on appeal. Earlier similar but unrelated cases have disagreed over whether an athletic association can forfeit a school's victories if an ineligible player participated pursuant to a court order that was later vacated or reversed. A 1997 Indiana Supreme Court ruling held that an athletic association could declare such a forfeiture (ELR 20:5:21).

But a 1990 decision by a federal District Court in Tennessee held that an athletic association could not (ELR 13:1:18). Judge Coffin rejected the reasoning of the Indiana case and said he found the reasoning of the Tennessee decision "to be the better analysis. . . ."

Bingham v. Oregon School Activities Ass'n, 24 F.Supp.2d 1110, 1998 U.S.Dist.LEXIS 21266 (D.Or. 1998) [ELR 20:12:18]

### **Conde Nast Sports for Women magazine does not infringe trade dress of Sports Traveler magazine, federal District Court rules**

Conde Nast Publications has defeated an infringement claim brought against it by the publisher of a once competing magazine. The case had nothing to do with

the content of their articles, nor even with their titles. Instead, Sports Traveler, Inc., alleged that the trade dress of its short-lived Sports Traveler Magazine was infringed by the trade dress of Conde Nast Sports for Women.

Federal District Judge John Keenan was unpersuaded, however. The judge has granted Conde Nast's motion for summary judgment and has dismissed Sports Traveler's complaint.

Judge Keenan concluded that the appearance of Sports Traveler Magazine did not qualify for trade dress protection, because its appearance was never inherently distinctive and because it had not acquired secondary meaning by the time Conde Nast adopted a prototype cover for its own magazine.

The judge also rejected Sports Traveler's claims for unfair competition and dilution. He dismissed the unfair competition claim, because Sports Traveler had not

shown that Conde Nast had plagiarized or copied the trade dress of Sports Traveler Magazine or that Conde Nast had acted in bad faith in any other way. The judge dismissed the dilution claim, because that claim - like the trade dress claim - required inherent distinctiveness or secondary meaning, neither of which Sports Traveler had been able to show.

Sports Traveler, Inc. v. Advance Magazine Publishers, Inc., 25 F.Supp.2d 154, 1998 U.S. Dist. LEXIS 15531 (S.D.N.Y. 1998) [ELR 20:12:18]

## **Songwriter's breach of contract suit against Aretha Franklin is transferred from Illinois to Michigan**

Singer Aretha Franklin has been sued for a half-million dollars by songwriter William Sanders in a federal court in Illinois.

In his complaint, Sanders alleges that in 1973, he composed the song "Angel" and orally agreed with Franklin to split the revenues the song might earn, if she recorded it. Franklin did record it. It became a hit for her and was included on her album "The Very Best of Aretha Franklin, the 70's."

Sanders thinks that "Angel" has earned a million dollars, but he has received only \$45,000 in royalties. Hence, the lawsuit - a suit which Sanders filed in Illinois, because that's where he now lives. Franklin, however, lives in Michigan. Sanders once did too; that in

fact is where the oral agreement was made, according to his own allegations.

Not surprisingly, Franklin would prefer to defend herself in her own state rather than in Sanders'. So she made a motion to dismiss for improper venue or to transfer venue. Federal District Judge Blanche Manning has found that the interests of justice and the convenience of the parties would be served by transferring the case to Michigan. And the judge has entered an order doing so.

Sanders v. Franklin, 25 F.Supp.2d 855, 1998 U.S. Dist. LEXIS 17475 (N.D. Ill. 1998) [ELR 20:12:19]

**Kingvision Pay Per View loses Communications Act suit against bar that showed videotape of Tyson-Holyfield fight without a license, because tape was made by residential customer who had paid to receive transmission**

The owner of a Kansas bar named Mr. D's wanted his customers to be able to watch the 1996 fight between Mike Tyson and Evander Holyfield. He just didn't want to enough to pay licensing fee being charged by Kingvision Pay Per View. Kingvision's licensing fee for theaters, arenas, clubs, restaurants, bars and other commercial establishments in Kansas was \$17.50 times the establishment's maximum capacity (as authorized by its local fire department).

Residential customers in Kansas could get the fight from their local cable system for \$44.95. One of those who did so lived in an apartment which "adjoined"



Mr. D's. He watched and taped the fight on his VCR, and when the fight was over, he took the tape to the bar, where it was played for the enjoyment of the bar's customers and employees. A Kingvision investigator was in the bar for the tape replay, and a lawsuit eventually resulted.

Kingvision's complaint alleged claims under the Cable Communications Policy Act which prohibits the unauthorized reception or interception of television signals. Federal District Judge Kathryn Vratil acknowledged that television signals had been "received" by the man who made the tape. But she ruled that his reception had been "authorized," because he paid his cable company to get it; and thus his reception of the fight did not violate the Cable Act.

The judge also rejected Kingvision's argument that its signals had been "intercepted" by the man who made the tape, because those signals passed through his

VCR before reaching his television set. The judge rejected this argument without explanation, and with nothing more than citations to two unpublished decisions. Those decisions seem to suggest that signals are not "intercepted" unless they are captured before they arrive at their destination, and that the destination of cable signals is the home of the subscriber, not the subscriber's television receiver. Thus, since a customer's VCR is located in his or her home, no interception occurs even if those signals pass through a VCR before they are displayed on an attached television receiver.

Editor's note: This decision appears to reveal a loophole in pay-per-view television rights; but it may just suggest that the Cable Communications Policy Act is not the only legal tool pay-per-view companies must use. This case did not involve allegations of copyright infringement. If it had, the bar owner and his neighbor would have argued, no doubt, that the Supreme Court's

1984 decision in *Sony v. Universal* authorized taping of the fight for later time-shifted viewing (ELR 5:9:10). What the Supreme Court did not say in that case, however, was whether tapes made under the authority of *Sony v. Universal* could then be publicly performed. If Kingvision's suit against the owner of Mr. D's had included a copyright infringement allegation, Judge Vratil herself would have had to answer that question. And it seems certain the answer would have been "no."

*Kingvision Pay Per View, Ltd. v. Duermeier*, 24 F.Supp.2d 1179, 1998 U.S. Dist. LEXIS 17240, 17248 (D.Kan. 1998) [ELR 20:12:19]

## **Constitutionality of California city ordinance prohibiting nude dancing is upheld**

A California appellate court has upheld the constitutionality of a Newport Beach ordinance that prohibits "adult-oriented" businesses from presenting live nude shows.

The ordinance was attacked by the owners of a Newport Beach adult entertainment establishment called the Mermaid. The Mermaid's owners were successful at first, because a California Superior Court declared the ordinance unconstitutional. It did so on the basis of a 1982 California Supreme Court decision that had struck down a nude dancing ordinance as unconstitutional under the First Amendment (ELR 4:15:6).

However, in a 1991 case called *Barnes v. Glen Theatre*, the United States Supreme Court upheld the constitutionality of a nude dancing ordinance (ELR

13:4:8). Newport Beach relied on that decision to support its own ordinance, arguing that Barnes in effect overruled the 1982 California Supreme Court decision.

Newport Beach's argument prevailed on appeal. In an opinion by Justice William Bedsworth, the California Court of Appeal has held that the Superior Court judge "was not at liberty to apply a contrary state decision inconsistent with Barnes," and that Newport Beach's ordinance is constitutional.

Editor's note: This decision is remarkable for two reasons. First, it is a California Court of Appeal decision that holds that a trial court erred when it followed a California Supreme Court decision, thus arguably disregarding the hierarchy of courts in California and their relative powers and responsibilities. As a general rule, of course, California Courts of Appeal are bound to follow - not declare wrong - decisions of the California Supreme Court. Second, though there are countless cases

in which the import of a United States Supreme Court decision is clear, *Barnes v. Glen Theatre* is not one. Recently, for example, the Pennsylvania Supreme Court ruled on the constitutionality of a nude dancing ordinance enacted by a city in its state; and it noted that *Barnes* was a "splintered" decision that produced "no clear precedent." When the Pennsylvania Supreme Court did its own evaluation of the ordinance in question in that case, it found the ordinance to be unconstitutional, even though it was virtually identical to the one upheld in *Barnes* (ELR 20:10:17).

*Tily B., Inc. v. City of Newport Beach*, 81 Cal.Rptr.2d 6, 1998 Cal.App.LEXIS 1091, 1092 (Cal.App. 1998) [ELR 20:12:20]

## **Previously Reported:**

The United States Supreme Court has denied a petition for certiorari in the case in which the Hawaii Supreme Court affirmed the dismissal of a defamation suit against ex-Beatle George Harrison (ELR 20:9:12). *Gold v. Harrison*, 119 S.Ct. 1254, 1999 U.S.LEXIS 1918 (1999). [ELR 20:12:20]

## **DEPARTMENTS**

### **In the Law Reviews:**

Entertainment and Sports Lawyer, published by the American Bar Association Forum on the Entertainment and Sports Industries, 750 North Lake Shore Drive,

Chicago, IL 60611-4497, 800-285-2221, has issued Volume 16, Number 4 with the following articles:

The Rites and Rights of Publicity by Marshall H. Tanick, 16 Entertainment and Sports Lawyer 1 (1999) (for address, see above)

Forum Annual Meeting - Chicago October 16-17, 1999, 16 Entertainment and Sports Lawyer 2 (1999) (for address, see above)

Smooth Negotiating: Making the Star Deal by Harris E. Tulchin, 16 Entertainment and Sports Lawyer 4 (1999) (for address, see above)

Tactics and Strategy in Negotiating the Independent Distribution Agreement: Part 1 by Mark Litwak, 16



Entertainment and Sports Lawyer 11 (1999) (for address, see above)

Book Review: This Business of Television by Howard J. Blumenthal and Oliver R. Goodenough, reviewed by Paul Karl Lukacs, 16 Entertainment and Sports Lawyer 19 (1999) (for address, see above)

Book Review: They Fought the Law: Rock Music Goes to Court by Stan Soocher, reviewed by Martin E. Silfen, 16 Entertainment and Sports Lawyer 20 (1999) (for address, see above)

Los Angeles Lawyer, Los Angeles County Bar Association, 617 S. Olive Street, Los Angeles, CA 90014, 213-896-6503, has published its Fifteenth Annual Entertainment Law Issue, April 1999, and its Los Angeles Legal Tech Issue, May 1999, with the following articles:

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Practice Tips by Harrison J. Dossick, 22/2 Los Angeles Lawyer 18 (1999) (for address, see above)

Practice Tips by James S. Cochran, 22/2 Los Angeles Lawyer 21 (1999) (for address, see above)

Practice Tips by Ben McLane and Venice Wong, 22/2 Los Angeles Lawyer 27 (1999) (for address, see above)

Level Playing Field by Leigh Steinberg and William David Cornwell, Sr., 22/2 Los Angeles Lawyer 30 (1999) (for address, see above)

Conspiracy Theories by David J. Myers, 22/2 Los Angeles Lawyer 35 (1999) (for address, see above)

Life after Death by Bela G. Lugosi and Caroline H. Mankey, 22/2 Los Angeles Lawyer 40 (1999) (for address, see above)

In Harms Way by Kristine L. Braun, 22/3 Los Angeles Lawyer 32 (1999) (for address, see above)  
[ELR 20:12:21]