INTERNATIONAL DEVELOPMENTS

United States and Canada resolve dispute over Canadian restrictions on American magazines

The United States and Canada have resolved a significant dispute over a variety of restrictions Canada has long imposed on certain types of American magazines. Though magazine contents were what triggered Canada's offending restrictions, the restrictions weren't aimed at nudity or sex. They were aimed at Canadian advertising in special editions of American magazines that were published for sale in Canada. Special editions of this sort are called "split-run magazines," because the American and Canadian versions feature the same editorial content but different advertisements.

-Dispute origins

The now-settled dispute dates back to 1965 when Canada imposed a tariff on split-run magazines. By its own admission, the tariff was designed to "prevent" such magazines from being imported into Canada. The tariff was reinforced by an amendment to the Canadian Income Tax Act that permitted Canadian companies to deduct the cost of magazine (and newspaper) ads only if they appeared in Canadian publications.

Though these restrictions were never welcomed by American magazine publishers, they didn't immediately bring the two countries to loggerheads, perhaps because work-arounds were still available to American companies that cared. Readers Digest, for example, established a Canadian foundation to own 75% of its shares, thus permitting its Canadian advertisers to continue deducting the costs of their Readers Digest advertising.

The issue began to heat up in 1993 when Time-Warner announced its intention to publish a split-run edition of Sports Illustrated. Canada responded by creating a Task Force on the Magazine Industry. The Task Force recommended an excise tax which, again by Canada's own admission, was "designed to tax back split-run profits, which would effectively put an end to such editions." The excise tax was adopted in 1995 and had its intended effect: the Canadian split-run edition of Sports Illustrated was discontinued. Canada also amended its Income Tax Act to further "strengthen" its "Canadian owner provisions."

This is when the dispute between the two countries came to a head. The World Trade Organization was then brand-new, and the United States and Canada both were members. In the view of the U.S., Canada's excise tax on split-run magazines violated GATT, and the U.S. initiated a WTO proceeding so alleging. A WTO panel agreed with the United States and ruled that GATT was violated, not only by Canada's excise tax on split-run magazines, but also by Canada's tariff on imported magazines containing Canadian advertising and by Canada's discriminatory postal rates for non-Canadian magazines (ELR 18:11:16). Canada appealed but lost even more. The WTO appellate body affirmed the U.S. victory, and also ruled that Canada's postal subsidies for Canadian magazines violated GATT too (ELR 19:2:6).

Canada notified the WTO that it would comply with its ruling "while pursuing its cultural policy objectives." The vehicle that Canada chose in an effort to do both of these things was legislation called the "Foreign Publishers Advertising Services Act," commonly referred to as "Bill C-55." As introduced, Bill C-55 did a good job of pursuing Canada's "cultural policy objectives." But it did nothing to comply with the WTO's ruling, in the opinion of the United States.

In fact, as far as the United States was concerned, Bill C-55 "accomplished the same result as the import ban and excise tax, and would have kept U.S. and other foreign-produced split run magazines from competing in the Canadian market." The United States' response was blunt: it threatened to impose punitive tariffs, under section 301 of the U.S. Trade Act, on Canadian exports of steel, plastics, textiles, pulp, paper and wood products. This of course got the attention of Canadian manufacturers of those products, thus setting the stage for negotiations between the two countries.

-Agreement resolving dispute

The deal just struck between the U.S. and Canada calls for modifications to Bill C-55 before its enactment, as well as amendments to the Canadian

Income Tax Act, and the liberalization of Canadian law concerning foreign ownership of Canadian magazine publishing companies.

Both countries have claimed victory. United States Trade Representative Charlene Barshefsky announced that the "agreement opens Canada's magazine market and . . . will create new opportunities for U.S. publishers to sell and distribute magazines in Canada." Canada, on
the other, said that Bill C-55 simply needs to "be amended to allow two limited forms of access. . . ." And Canadian Heritage Minister Sheila exulted that "For the first time in its history, the American government has recognized the right a country, Canada, to require a majority of Canadian content in one of its cultural instruments."

The agreement does three things:

First, it permits American magazines to be exported to Canada even if they contain advertising by Canadian companies. The amount of permissible Canadian advertising is limited to no more than 12% of total ad space per issue immediately after enactment of Bill C-55, no more than 15% after 18 months, and no more than 18% after 36 months. Canada itself describes these exemptions as "de minimis," but they are generous by comparison with Bill C-55 as it was first introduced. Originally, Bill C-55 would have made it a crime for non-Canadian publishers to export magazines to Canada if they contained any Canadian ads (and apparently it still will be a crime if magazines exported to Canada contain more than the permitted percentage).

Second, the agreement requires Canada to amend its Income Tax Act to permit Canadian companies to take a standard business deduction for the cost of advertising in foreign-owned publications, though a deduction for 100% of those costs is permitted only if 80% or more of the magazine's editorial material is "original or Canadian content." If less than 80% of the editorial material is "original or Canadian content," only 50% of the advertising cost may be deducted. While this means that the 50% cap is certain to apply to all advertising in non-Canadian magazines, this aspect of the agreement is better than existing Canadian law for American publishers in two ways: existing Canadian law did not allow Canadian companies to deduct any part of their advertising costs in foreign magazines; and Canadian companies can deduct 50% of their advertising costs in foreign magazines, even if those magazines are exported to Canada, so long as Canadian ads make up no more than the permitted percentage (12%, then 15%, eventually 18%) of the magazine's total ad space.

Third, the agreement requires Canada to permit majority foreign ownership in Canadian magazine publishers, except those that are already Canadian owned. Existing law capped foreign ownership of Canadian magazines at 25%. The agreement increases that cap to 51% in 90 days and then to 100% in a year. Despite the elimination of the 25% cap, authorization for foreign ownership of Canadian magazines has not been made automatic. Foreign ownership of magazines will have to be approved, as before, under the Investment Canada Act; and authority to review and approve foreign investments in all "cultural industries," including magazines, is being transferred from the Minister of Industry to the Minister of Canadian Heritage.

Moreover, foreign ownership of magazines will be approved only if it creates a "net benefit to Canada" and is compatible with "Canada's cultural policies."

Canada already has issued a Policy Statement indicating that these conditions will be satisfied only if the magazine will contain "a majority [50% or more] of original editorial content for the Canadian market in each issue. . . ." The Policy Statement defines "original editorial content" as non-advertising material that is "authored by Canadians" or is "created for the Canadian market and does not appear in any other edition . . . published outside Canada." The Policy Statement also indicates that a "net benefit" to Canada may result from the employment of Canadian residents as editorial and support staff, establishing a place of business in Canada, and having magazines edited, typeset and printed in Canada.

The advantage to non-Canadians of establishing a Canadian magazine publishing company will be that all (not just 15% to 18%) of the ads in its magazine can be sold to Canadian companies - though if less than

80% is Canadian content, advertisers will be able to deduct only 50% of the cost.

-U.S. assurances

In return for Canada's agreeing to these provisions, the United States has assured Canada that it will not take action against it (in response to the enactment of Bill C-55) before the WTO, or under NAFTA or section 301 of the U.S. Trade Act.

Canada and United States Sign Agreement on Periodicals, www.pch.gc.ca/in/News.dll/View?/Lang=E&Code=9NR031E (June 4, 1999); *Ottawa and Washington Agree on Access to the Canadian Advertising Services Market, Office of the Minister of Canadian Heritage*, http://www.pch.gc.ca/bin/News.dll/View?Lang=E&Code=9NR029E (May 26, 1999); *United States and Canada Resolve "Periodical" Differences, Office of the*

United States Trade Representative 99-46, www.ustr.gov/releases/1999/05/99-46.html (May 26, 1999) [ELR 21:2:4]

WASHINGTON MONITOR

Copyright Office increases fees for registrations, renewals and other services

The United States Copyright Office has increased the fees it charges for copyright registrations, renewals and other services. The increase was authorized by Congress in 1997, in legislation designed to enable the Copyright Office to cover a greater portion of its actual costs of operation.

Registrations now will cost $30 for each work, and renewals will be $45. Transfer documents, such as assignments and exclusive licenses, will be $50 for documents transferring rights in just a single title; documents transferring rights in several titles will cost an additional $15 for each 10 additional titles. The Office's hourly charge for preparing reports and making copies will go up to $65.

Not all Copyright Office fees have been increased. The fees for special handling and full-term retention of deposited works remain the same, as do some others.

Even after the fee increase, copyright registrations remain far less expensive than trademark registrations or patent applications, on a per registration basis. On the other hand, most if not all companies in the entertainment industry register many more copyrights each year than they do trademarks or patents. So these increases may have to be taken into account by those who budget registration expenses in advance.

The fee increases take effect on July 1, 1999.

Copyright Office Fee Increases, www.loc.gov/copyright (May 1999)[ELR 21:2:6]

IN THE NEWS

Publisher of "Hit Man" manual settles wrongful death suit filed by murder victims' families

A case that tested the outer limits of First Amendment protection for book publishers has been settled - on terms that appear to limit free speech protections more narrowly than ever before. Just before trial was scheduled to begin in a wrongful death suit filed against Paladin Press by the families of three murder victims, the company agreed to discontinue publishing Hit Man and to pay the families an undisclosed sum of money.

The victims were murdered by a contract killer who had read Hit Man, which is a manual containing step-by-step instructions for committing and getting away with contract killings.

The victims' families filed a wrongful death suit against Paladin, without success at first. A federal District Court in Maryland dismissed the suit on the grounds that the book was protected by the First Amendment (ELR 19:1:9). But the Court of Appeals reversed and the Supreme Court denied Paladin's petition for certiorari (ELR 20:1:11).

Shortly before the suit against Paladin Press was scheduled for trial, shootings at Columbine High School in Colorado resulted in the deaths of 12 students. Because of intensive news coverage given to the Columbine shootings and their emotional aftermath, Paladin asked the trial judge to postpone the trial, but its motion was denied. Paladin settled shortly thereafter.

According to a statement released to the press by Paladin, the publisher's insurance company made the decision to settle the case. "Paladin had no say in the insurance company's decision," the statement read, "and, as we were dependent upon the insurance carrier's financial support, we of necessity had to go along."

Editor's note: The impact of this case on other publishers, and even on producers and record companies, may be significant. On the one hand, the victims' families alleged that Paladin had "intended" Hit Man to be read and used by professional killers; and for the purpose of making its (initially successful) summary judgment motion, Paladin admitted that it did.

Other publishers, producers and record companies are unlikely to make the same admission in the future. On the other hand, at least one other plaintiff already has alleged that Warner Bros. and Oliver Stone "intended" the killings depicted in "Natural Born Killers" to be mimicked by viewers; and on the basis of that allegation, an appellate court reversed the dismissal of that suit and remanded it for discovery and possible trial. (See page 8 below; ELR 21:2:8)
[ELR 21:2:7]

Sondra Locke and Warner Bros. settle her breach of contract and fraud suit

Sondra Locke and Warner Bros. have settled the breach of contract and fraud lawsuit Locke filed against the studio because it rejected all of the movie ideas she submitted pursuant to a "first look" development deal they had made in 1990.

According to Locke, Warner Bros. gave her a development deal simply in order to get her to drop a lawsuit she had filed against Clint Eastwood after the breakup of their 14-year relationship. A California trial court initially granted Warner Bros.' motion for summary judgment, because the studio had actually paid Locke the entire $1.5 million she was entitled to receive under the "pay or play" clause of her development agreement. The California Court of Appeal, reversed, however. It ruled that Locke had raised triable issues of fact concerning whether Warner Bros. had rejected her movie ideas in good faith, and whether the studio actually intended to consider her ideas when it first entered into the development deal with her (ELR 19:11:6).

Locke and Warner Bros. settled the case on the eve of its scheduled trial. The terms of the settlement have not been revealed. But it appears from news reports that she and the studio have entered into a new "business arrangement" that gives her writing and directing opportunities.
[ELR 21:2:7]

RECENT CASES

Warner Bros. and Oliver Stone must defend against claim by shooting victim that they intended viewers of "Natural Born Killers" to imitate criminal conduct of movie's main characters

On its face, the allegation is preposterous - though perhaps more so to those in the entertainment industry than to judges and juries in Louisiana. That is the risk now faced by Warner Bros. and Oliver Stone on account of a lawsuit filed against them by Patsy Ann Byers and her family.

Byers was shot during a convenience store robbery. The trigger was pulled by a woman named Sarah Edmondson at the urging of her crime spree partner, a fellow named Benjamin Darrus. Byers' wounds rendered her a paraplegic, and she died just a few years later. Before she died however she and her family sued Edmondson and Darrus. They also sued Warner Bros. and Stone.

Warner Bros. and Stone produced, directed and distributed "Natural Born Killers," a movie whose main characters engage in a violent crime spree. According to the allegations of Byers' complaint, Edmondson and Darrus watched "Natural Born Killers" shortly before the began their own violent crime spree. The preposterous allegation of the complaint asserts that Warner Bros. and Stone "knew, should have known or intended" that their movie "would incite people such as Edmondson and Darrus to commit violent acts such as the one committed against Byers." Warner Bros. and Stone had a duty not to produce the movie "in the form in which it was released," Byers alleged, or they had a duty "to protect her from viewers who would imitate the violent acts or crimes committed by the film's two main characters."

Early in the case, Warner Bros. and Stone filed a motion seeking its dismissal, on the grounds that they did not owe Byers the duty she alleged, and that even if such a duty existed as a matter of tort law, it would violate the First Amendment. A similar though unrelated case filed in Georgia - by someone who also had been victimized by a viewer of "Natural Born Killers" - had just been dismissed on those grounds.

And a Louisiana trial court granted their motion in Byers' case too.

Byers and her family appealed, and after she died, the Louisiana Court of Appeal reversed. Writing for the appellate court, Judge Burrell Carter acknowledged that "in Louisiana, a defendant does not owe a duty to protect a person from the criminal acts of third parties absent a special relationship which obligates the defendant to protect the plaintiff from such harm." The judge also acknowledged that "Byers has not, nor can she allege the existence of such a special relationship." That seemed to be the end of the case, but it was not.

Judge Carter went on to say that "if" Byers' family could prove its allegation that Warner Bros. and Stone "intended to urge viewers to imitate the criminal conduct of . . . the main characters in the film, then the risk of harm to a person such as Byers would be imminently foreseeable, justifying the imposition of a duty . . . to refrain from creating such a film." Under those circumstances, Warner Bros. and Stone would have breached their duty to Byers by producing and distributing "Natural Born Killers," thus making them liable to her family for the damages inflicted on her "by viewers of the film imitating the violent imagery depicted in the film."

In response to the First Amendment issue presented by their claim, the Byers argued that an exception applied; and Judge Carter agreed that it might. The exception he relied on was one where the speaker "intended to assist and facilitate the criminal conduct described or depicted." This exception was recognized in the "Hit Man" case, Rice v. Paladin Enterprises (ELR 20:1:11, and 21:2:7 above) - an opinion from which Judge Carter quoted at length.

The judge emphasized that "mere forseseeability or knowledge" that information obtained from a book, movie or recording would not be enough to impose liability. Proof of "intent" is necessary, and such proof may "be remote and even rare." Where however such intent is alleged, as it was in this case, the "cause of action is not barred by the First Amendment," Judge Carter concluded.

Warner Bros. and Stone asked the Supreme Court to review Judge Carter's decision, but the Supreme Court denied their petition.

Byers v. Edmondson, 712 So.2d 681, 1998 La.App.LEXIS 1776 (La.App. 1998), cert.denied sub nom. *Time Warner Entertainment v. Byers*, 119 S.Ct. 1143, 1999 U.S.LEXIS 1742 (1999) [ELR 21:2:8]

Federal court dismisses lawsuit filed by Jacques Agnant alleging he was defamed by lyrics of Tupac Shakur recording "Against All Odds," because lyrics were not defamatory and Agnant failed to show he suffered special damages

Even after his murder in 1996, Tupac Shakur has become the subject of a courtroom controversy. Jacques Agnant alleges that he has been defamed by the lyrics of Shakur's posthumously-released recording "Against All Odds." Federal District Judge Michael Mukasey disagreed, however, and has dismissed Agnant's suit against Shakur's estate and his record and music publishing companies.

Agnant is a Director of A & R for record company Undeas Entertainment. He also was one of those with whom Shakur was arrested and indicted in 1993 on charges they sexually assaulted a woman in a

New York City hotel. If Agnant and Shakur were friends before then, their arrest marked the beginning of the end of that relationship, because Shakur was tried and convicted while Agnant pleaded guilty to lesser charges and was fined just $1000.

According to Agnant, the lyrics of "Against All Odds" accuses him of "working as an undercover federal informant" in connection with Shakur's trial, and they accuse Agnant of shooting Shakur, falsely informing on him, and trying to ruin Shakur's music career. These were the statements which destroyed Agnant's reputation and caused him damage, Agnant alleged in his defamation lawsuit.

Judge Mukasey ruled that Agnant could not recover for the statement that he was an "undercover informant," even if that were not true and even if it caused him damage. "So far as I can tell, every other court to have considered the question, save one, has held, as a matter of law, that such a statement cannot be defamatory," the judge explained. The one exception was a Scottish court, in the nineteenth century. While the judge acknowledged that informers "are not always held in too high esteem," allowing those who are accused of being informers to recover for defamation "would be contrary to the public interest, in that it would penalize the law-abiding citizen . . . give comfort to the law violator [and] would impede law enforcement for the benefit of the anti-social."

Judge Mukasey ruled that Agnant could not recover for the other statements either, because in order to interpret those objected-to lyrics the way Agnant did, listeners would have to know facts that were not in the lyrics themselves. This meant that to recover for such lyrics, Agnant would have to plead and prove special damages. He did not, however. He merely pled that he had been unable to find "employment commensurate with his training and experience." Moreover, during his deposition, he testified that his salary and standing at Undeas Entertainment had not been affected by the release of "Against All Odds," that his employment with Undeas was exclusive, and that he was happy with his job there and had not sought other work.

Agnant v. Shakur, 30 F.Supp.2d 420, 1998 U.S.Dist.LEXIS 19714 (S.D.N.Y. 1998) [ELR 21:2:9]

Appellate court dismisses defamation suit filed by court-appointed psychologist, complaining about statements made in HBO documentary "Women on Trial," because psychologist was public figure and filmmakers believed information in film was true

HBO has won the dismissal of a defamation lawsuit filed against it as a result of statements made in a 1992 documentary entitled "Women on Trial." Directed and narrated by Lee Grant, the documentary told four stories about cases in the Houston family courts. In one of those cases, Dr. Kit Harrison served as a court-appointed psychologist. After the documentary aired, Harrison sued HBO, Grant and others for defamation, alleging that "Women on Trial" unfairly and falsely criticized his handling of that case.

HBO (and its co-defendants) made a motion for summary judgment, but it was denied by a Texas trial court. Texas law permits media defendants to take an immediate appeal from orders denying summary judgment motions, in cases involving free speech or free press issues under the First Amendment or Texas Constitution. Thus, HBO took the case to the Texas Court of Appeals, where it got the result it wanted.

In an opinion by Justice Maurice Amidei, the appellate court ruled that because Harrison was appointed by a court and was given the power to make child-custody decisions, he was a public figure, even though he didn't hold government office and was not paid by the government.

Since Harrison was a public figure, he had to show that the documentary's offending statements were not only false, but also made with actual malice, that is, with knowledge they were false or with reckless disregard for their falsity. However, in support of their summary judgment motion, Grant, the documentary's producer, and its fact-checker all submitted sworn affidavits asserting that they believed (and still believe) that the information in "Women on Trial" was true.

For that reason, the appellate court rendered judgment for HBO and its co-defendants.

HBO v. Harrison, 983 S.W.2d 31, 1998 Tex.App.LEXIS 6410 (Tex.App. 1998)[ELR 21:2:9]

Claim by Maritime Hall recording studio that it co-authored album by rap artist Lawrence Parker could not be decided in response to summary judgment motion made by Parker and his record company Jive Records, because of triable issues of fact concerning parties' intent and whether studio's contribution to album was copyrightable

Rap artist Lawrence Parker - known to his fans as "KRS-ONE" - likes to record his performances for "self-evaluation." So when his own sound engineer failed to show up for a 1997 San Francisco concert in Maritime Hall, Parker's road manager asked Boots Hughston, Maritime's president, to record the show instead. Hughston was pleased and able to do so, because Maritime Hall is not only a concert venue, it's also a recording studio, and Hughston is a record producer.

Later that year, Jive Records released Parker's album "I Got Next," two tracks of which were from the recording made by Hughston during Parker's concert at Maritime Hall. All of the other tracks on the album list producer credits, but the two recorded by Hughston did not. When Jive failed to respond to Hughston's request for producer credits and compensation, he sued.

The lawsuit sought a judicial declaration that under federal copyright law, Maritime Hall was the co-author of the album, and thus entitled to share in its profits, or alternatively, that Jive's use of the two tracks recorded at Maritime was unauthorized and entitled Maritime to damages under the state law doctrine of quantum meruit.

Parker and Jive responded, as most defendants in their position would, by moving for summary judgment. They argued that Maritime was not a co-author of the album for two reasons: because when the Maritime concert was recorded, they did not intend to create a jointly-authored work; and because Maritime's contribution was not copyrightable subject matter. They also argued that Maritime's state law claim for quantum meruit was preempted by the Copyright Act.

The arguments made by Parker and Jive with respect to Maritime's co-authorship claim were plausible, but ultimately unsuccessful. Federal District Judge Susan Illston found that "Maritime has demonstrated the existence of triable issues of fact with respect to the intention of the parties." This was so, the judge explained, because a jury could reasonably conclude that Parker, Jive and Maritime shared an implied agreement to jointly create a concert recording.

Jurors could reach this conclusion from Maritime's evidence that Parker's road manager had asked it to record the concert, that Parker knew Maritime was using professional recording equipment to do so, that the road manager had asked for Maritime's "master tape" of the concert, and it was used in creating the album.

To be a jointly-authored work, the contributions of all authors must be copyrightable subject matter. Parker and Jive do not seem to have challenged the creativity of the work done by Maritime in making the master tape. Instead, they argued that since Maritime didn't have a license to record the songs performed by Parker, Maritime's recording was not eligible for copyright protection and thus it had not made a "copyrightable contribution" to the ultimate album. Judge Illston ruled that Maritime may have had an "implied license" to record the songs, because although their copyrights were owned by Jive, a jury could conclude that Parker had acted as Jive's agent when he asked Maritime to record the concert.

The judge did grant Parker and Jive's summary judgment motion on the second issue. She ruled that Maritime's quantum meruit claim was preempted by copyright law. That ruling, however, did not by itself dispose of the case.

Systems XIX, Inc. v. Parker, 30 F.Supp.2d 1225, 1998 U.S.Dist.LEXIS 21442 (N.D.Cal. 1998) [ELR 21:2:10]

California Supreme Court to review denial of NFL petition to arbitrate Oakland Raiders' complaint that its design mark and trade dress are diluted by logos and uniforms of Tampa Bay Buccaneers and Carolina Panthers

At the request of the National Football League, the California Supreme Court has intervened in the NFL's latest dispute with the Oakland Raiders. The specific issue to be decided by the Court is whether certain issues in that dispute should be arbitrated, as the NFL contends, or whether the Raiders are entitled to have those claims decided by a California trial court.

This issue is just one of many that has been raised by a Raider complaint alleging that leadership of the League "has been marked by abuse of power, neglect of duties, mismanagement, discriminatory rule enforcement, inappropriate favoritism, and back room deal-making which has resulted in damage to the Raiders." Two causes of action of the Raiders' massive complaint deal specifically with Raider trademarks; and those are the causes of action the NFL would like to arbitrate.

The Raiders have a California-registered "design mark" for its shield enclosing a man's head in a helmet with crossed swords and an eyepatch on the man's face. One cause of action alleges that the uniqueness of its design mark has been diluted by the Tampa Bay Buccaneers' skull and crossed swords trademark and by the Carolina Panthers' black and silver shield mark. Another cause of action alleges that the Raiders' silver and black uniforms constitute a distinctive trade dress that also is being diluted by the silver and black uniforms of the Buccaneers and Panthers.

The NFL Constitution and Bylaws give the Commissioner the general authority to arbitrate disputes between clubs as well as the specific authority to resolve conflicts between clubs concerning the designs of their helmets and uniforms. The NFL therefore responded to the Raiders' complaint by filing a petition to compel arbitration of the two dilution claims. The California trial court denied its petition, however; and the California Court of Appeal affirmed.

In an opinion by Justice Eugene Premo, the appellate court noted that the Raiders have not sued the Buccaneers or the Panthers. Instead, the Raiders asserted its dilution claims only against the NFL, Commissioner Tagliabue and NFL Properties. This enabled the Raiders to argue two things: first, that its dilution disputes were not with other clubs, so the arbitration provisions of the NFL Constitution and Bylaws simply did not apply; and second, that its dispute was in part with the Commissioner himself, so the arbitration provision is unenforceable because it doesn't assure a neutral arbitrator.

California and federal arbitration law both encourage arbitration, but only if the parties have actually agreed to arbitrate their disputes. Both laws also require procedural fairness which would include a neutral arbitrator. Justice Premo didn't rely on either of these two arguments however. Instead, he ruled that a third Raiders argument was "dispositive." The Raiders sought injunctive relief as a remedy for its design mark and trade dress dilution claims, and under California law, "an arbitrator has no power to grant injunctive relief."

California law is unsettled about whether an arbitrator may grant an injunction if the parties have agreed the arbitrator has the power to do so. But Justice Premo said he didn't have to decide that issue in this case, because the NFL Constitution and Bylaws do not give the Commissioner the power to grant an injunction. Since the Commissioner could not grant the relief the Raiders seek, Justice Premo concluded that the trial court properly denied the NFL's petition to compel arbitration of the Raiders' dilution claims.

The California Supreme Court has now agreed to review Justice Premo's decision. It may be a while before that happens, however, because at the same time the Supreme Court granted review, it "deferred" further action on the case "pending [its] consideration and disposition of a related issue" in an entirely separate case.

Oakland Raiders v. National Football League, 81 Cal.Rptr.2d 773, 1999 Cal.App.LEXIS 65 (Cal.App. 1999), review granted, 84 Cal.Rptr.2d 239, 1999 Cal.LEXIS 2191 (Cal. 1999) [ELR 21:2:10]

NFL defeats suit by player Bryan Cox who complained that he had been fined excessively for his abusive behavior towards a game official in retaliation for Cox's earlier race discrimination suit against league

In 1996, Bryan Cox earned $87,500 per game playing professional football for the Chicago Bears. His pay became a matter of public record, because during a game between the Bears and the Green Bay Packers, Cox did something that resulted in the NFL fining him one game's pay. Cox became so angry with game official Billy Smith that Cox called Smith a "motherfucker," told Smith to "suck my dick," and gave Cox "the finger" several times, while standing just two or three feet away. All this was broadcast by television and was visible to fans in Soldier Field.

Cox had been disciplined before, for using profanity and making obscene gestures towards officials. That's one of the reasons this fine was so big, according to the League.

Cox, however, had another theory to explain the size of the fine. Two years before, he had filed a race discrimination case against the NFL. Though that case was eventually settled (ELR 17:9:21), Cox believed that the NFL fined him $87,500 in retaliation for his having filed that earlier lawsuit. As a result, Cox filed a second lawsuit against the League, alleging that it had retaliated against him in violation of Title VII. Federal law does indeed prohibit employers from discriminating against employees for making Title VII charges.

The NFL did not deny that Title VII prohibits retaliation. But in a motion for summary judgment, it did deny it had retaliated against Cox. Federal District

Judge Paul Plunkett agreed with the League and has granted its motion.

Judge Plunkett acknowledged that the $87,500 fine "resulted in a significant decrease in Cox's salary," so that it constituted an "adverse employment action" that would have been illegal, if it were imposed in retaliation for Cox's earlier lawsuit.

In order to win, however, Cox had to "demonstrate a 'causal link'" between the earlier suit and the fine. Such a link can be shown, the judge explained, by evidence that the adverse employment action took place "on the heels" of filing a Title VII charge.

In this case, however, more than two years had passed between Cox's earlier suit and the $87,500 fine. The two-year time lapse was substantial and thus was "counter-evidence of a casual connection." Moreover, Cox failed to show that he wouldn't have been fined that amount, even had he not filed the earlier suit. Finally, the judge found that the NFL had given "legitimate, nondiscriminatory reasons for fining Cox the equivalent of one game check." And Cox failed to show that the League's reasons were mere pretext.

Cox v. National Football League, 29 F.Supp.2d 463, 1998 U.S.Dist.LEXIS 15798 (N.D.Ill. 1998) [ELR 21:2:11]

Following arbitration between National Hockey League and NHL Players' Association, arbitrator's first award in League's favor was vacated by federal court because arbitrator considered evidence the parties had agreed to exclude; but court refused to vacate second award in League's favor, after arbitrator said he would have reached same result without relying on excluded evidence

In 1997, John Sands served as an Impartial Arbitrator of a grievance against the National Hockey League brought by the NHL Players Association pursuant to the parties' collective bargaining agreement. The grievance involved hockey player Kevyn Adams and apparently had something to do with whether the International Hockey League was an "affiliated league" within the meaning of the NHL collective bargaining agreement, so that a player who signed with an

International Hockey League club would be a "defected player" under that agreement.

The exact nature of the grievance remains ambiguous to those who weren't involved, because by the time the case got to court, the dispute involved a collateral issue: what evidence Arbitrator Sands could properly consider in reaching his decision.

The reason this issue arose is that early in the arbitration hearing, the parties agreed that Sands would not consider at least part of the bargaining history that resulted in the "affiliated league" and "defected player" provisions of the collective bargaining agreement. However, when Sands rendered his award, his decision indicated that he had in fact considered at least some bargaining history. The League and the Players' Association then disagreed about whether they had previously agreed that all or only some bargaining history was to be excluded.

Since Sands' award was in favor of the League, the Players' Association asked a federal District Court to vacate it on the grounds that Sands had considered evidence the parties' had agreed to exclude. Judge Milton Shadur granted the Players' Association's request. The League had argued that Sands' decision would not have been different, even had he not considered the evidence to which the Players' Association objected. But Judge Shadur said that only Sands himself "really knows whether the same result would have been reached. . . ." The judge therefore vacated the award and returned the case to Sands so he could resolve it without resort to any bargaining history.

Sands thereafter reviewed his opinion and award, but didn't hear any further evidence or argument. He then issued a second award - again ruling in favor of the League - saying "with absolute certainty that [he] would have reached the same result" the first time, even without considering the excluded evidence.

The Players' Association then asked Judge Shadur to vacate the second award too, arguing that it was "patently unfair and inappropriate" for Sands to have refreshed his recollection of the facts using nothing more than his earlier award, without hearing further evidence or arguments. This time, however, Judge Shadur did not agree. The Players' Association had not shown that Sands' award would have been different if he had conducted further proceedings. Nor did the Players' Association refute Sands' statement that the bargaining history evidence had not affected his first decision, the judge explained. Thus, Judge Shadur refused to vacate Sands' second award.

National Hockey League Players' Association v. National Hockey League, 30 F.Supp.2d 1025, 1998

U.S.Dist.LEXIS 10643 (N.D.Ill. 1998); 30 F.Supp.2d 1029, 1999 U.S.Dist.LEXIS 288, 737 (N.D.Ill. 1999) [ELR 21:2:12]

Insurance company was entitled to rescind disability policy issued to New York Islanders for player Brett Lindros, because team failed to disclose that Lindros had history of hockey-related head injuries

It's not nice to fool mother nature . . . or Massachusetts insurance companies. Indeed, Boston Mutual Insurance Company has managed to avoid paying $4.3 million to the New York Islanders, because the team's disability insurance application for player Brett Lindros failed to disclose that he had a history of head injuries.

The Islanders obtained a Boston Mutual disability policy for Lindros in 1994, as part of the National Hockey League's group insurance plan. Before Lindros joined the Islanders and the team submitted its application, Lindros had suffered three hockey-related concussions. Though the application asked questions about medical treatments, dizziness and headaches, the application revealed nothing about these concussions.

After Lindros joined the team, he suffered three more concussions in short succession and retired from hockey before his Islanders' contract came to an end. The team then filed a claim with Boston Mutual, seeking to recover some $4.3 million which was the bulk of Lindros' salary for the balance of his contract term. When the insurance company learned of Lindros' pre-application concussions, it denied the team's claim and filed suit to rescind the policy.

A federal District Court granted summary judgment to Boston Mutual, and the Court of Appeals has affirmed.

Massachusetts law permits an insurance company to rescind a policy based on misrepresentations by the insured if the misrepresentation was made "with actual intent to deceive" or the misrepresentation "increased the risk of loss." The District Court ruled in favor of Boston Mutual on both of those grounds. The Court of Appeals relied only on the second.

In an opinion by Judge Michael Boudin, the appellate court explained that it was difficult to tell whether the Islanders had actually intended to deceive the insurance company, because that would have required an inquiry into the state of mind of the three people who signed the application: Lindros, the team's doctor and its trainer. Determining their state of mind was unnecessary, however, because a careless or even innocent false statement is sufficient to void a policy if "an accurate answer could reasonably have affected an insurer's choices . . . to insure the applicant, . . . impose exclusions, [or] . . . charge a higher premium. . . ."

In this case, the Islanders argued that accurate answers would not have caused Boston Mutual to reject the application, because evidence showed that it had granted coverage "without further investigation to 20 or more previously concussed players," and no evidence showed that it had denied or limited coverage based on the disclosure of a prior concussion.

On the other hand, the Islanders' own expert witness conceded that "prior concussions have been shown significantly to increase the risk" of further concussions. And the evidence did not clearly show that Boston Mutual had ever insured a player with three prior concussions and the symptoms suffered by

Lindros. "Under Massachusetts law," Judge Boudin concluded, "it is enough that the application was false in substantial respects and that the information omitted did materially increase the risk to the insurer."

Boston Mutual Insurance Co. v. New York Islanders Hockey Club, 165 F.3d 93, 1999 U.S.App.LEXIS 644 (1st Cir. 1999) [ELR 21:2:12]

Pittsburgh Steelers were entitled to full credit against workers' compensation benefits payable to injured player Ray Wallace for all money team paid him while his workers' compensation claim was pending; but Wallace is entitled to additional compensation because Steelers unreasonably contested work-relatedness of his injury

Pittsburgh Steeler running back Ray Wallace injured his knee in 1989 during games against the Cincinnati Bengals and the Cleveland Browns. As a result, he didn't pass the pre-season physical in 1990, and the Steelers released him.

Pursuant to the "injury protection" clause of the NFL collective bargaining agreement, the Steelers paid Wallace $65,000 while his workers' compensation claim was still pending. When the Pennsylvania Workers' Compensation Appeal Board decided Wallace's case, it awarded him $200,000. However, the Board also gave the Steelers a full "dollar-for-dollar" credit against that $200,000 for the $65,000 the team had already paid Wallace, thus reducing his workers' compensation recovery to $135,000.

Though Wallace's injury occurred almost 10 years ago, he has been involved in litigation concerning his workers' compensation benefits ever since, in state and federal courts as well as the Workers' Compensation Appeal Board; and his case is not over yet. Last year, a federal Court of Appeals affirmed a decision that held that the $65,000 Wallace received from the Steelers was taxable income to him, rather than tax-free workers' compensation (ELR 20:5:13).

Having to pay tax on that $65,000 was insult added to injury, because in separate proceedings Wallace claimed that the Steelers should not have been given a "dollar-for-dollar" credit for that amount against his $200,000 workers' compensation award. Instead, Wallace argued, the Steelers should have been given a credit only for the amount he would have been paid through the end of his Steelers' contract - an amount that was smaller than $65,000. That would have left him with more of the $200,000 workers' compensation award than the $135,000 he actually received. Wallace made this argument to the Board and then to the Commonwealth Court of Pennsylvania, on appeal from the Board's decision to allow the Steelers a "dollar-for-dollar" credit.

The Commonwealth Court has rejected Wallace's argument. In a short opinion, it has ruled that the "dollar-for-dollar" credit was proper. On the other hand, the Court agreed with Wallace with respect to a separate issue.

In the original Workers' Compensation Appeal Board proceeding, the Steelers contested Wallace's claim that his injury was work-related. The team did so even though its own doctor was aware "from the beginning" that the injury was work-related. As a result, the court remanded the case to the Board "for a determination of the amount of compensation due to [Wallace] for [the Steelers'] unreasonable contest of the work-relatedness of [Wallace's] injury."

Wallace v. W.C.A.B. (Pittsburgh Steelers), 722 A.2d 1168, 1999 Pa.Cmwlth.LEXIS 28 (Pa.Comwlth. 1999) [ELR 21:2:13]

Telecommunications Act provision requiring scrambling or time channeling of cable-TV channels dedicated to sexually oriented programming is declared unconstitutional, in fourth round of lawsuit filed by Playboy

In an unusual come-from-behind victory, Playboy Entertainment has been awarded a permanent injunction barring the federal government from enforcing section 505 of the Telecommunications Act of 1996. That section required cable-TV systems to scramble the video and audio signals of channels devoted to sexually oriented and indecent programming, or to stop showing such programming "during the hours of the day . . . when a significant number of children are likely to view it." FCC regulations implementing the section required cable systems to completely scramble adult channels or to show them only between 10 p.m. and 6 a.m.

Judge Jane Roth has ruled that section 505 violates the First Amendment rights of Playboy and its subscribers, because it is not the least restrictive means of addressing the problem of "signal bleed" - a term used to describe the ability of some cable subscribers to see and hear fragments of signals from channels to which they have not subscribed.

Section 505 was added to the Telecommunications Act without hearings or debate, as a result of an amendment offered on the Senate floor by California's Senator Dianne Feinstein in partnership with Mississippi's Senator Trent Lott. The outcome of the first round of Playboy's legal attack on section 505 was consistent with the provision's impetuous conception: federal District Judge Joseph Farnan ruled that Playboy was likely to be able to prove that section 505 was more restrictive than necessary, because other less-restrictive means - like lockboxes - were available to achieve the objectives sought by Congress, and thus Judge Farnan issued a temporary restraining order barring its enforcement (ELR 18:5:14).

The government, however, won the next two rounds of the case. A three-judge panel denied Playboy's request to extend the temporary restraining order into a preliminary injunction, and the Supreme Court affirmed without writing an opinion of its own (ELR 19:3:23). The reason for these surprising results appears to be that during the preliminary injunction stage, the number of cable subscribers who actually suffer from "signal bleed" was not proved. In a footnote to its decision, the three-judge panel left open the possibility that if Playboy showed at trial that the number is small, the court might issue a permanent injunction.

Playboy took the court's cue, and proved at trial that during the more than a year that enforcement of section 505 was enjoined by the temporary restraining order, fewer than one half of one percent of cable-TV subscribers asked their cable companies to provide free lockboxes (which prevent signal bleed), though they then had a right to do so under section 504 of the Act. The government argued that this merely showed that the lockbox section of the Act was ineffective, rather than that signal bleed is not a problem. Judge Roth disagreed, however, saying "the government has not convinced us that it is a pervasive problem." The judge explained that while the government presented evidence that 39 million homes have the "potential to be exposed" to signal bleed, it presented "no evidence on the number of households actually exposed to signal bleed. . . ."

The government also argued that cable subscribers may not have asked for free lockboxes because they didn't know they had the right to do so. Judge Roth agreed that lockboxes are a less restrictive means for protecting children from sexually oriented programming only if parents know they have a right to lockboxes. Thus, she "required Playboy in its contractual arrangements with [cable operators] to ensure that [they] provide 'adequate notice' of the availability of [section] 504 blocking devices." "If 'adequate notice' is not provided," the judge warned, "[section] 504 will no longer be a viable alternative to [section] 505."

Playboy Entertainment Group, Inc. v. United States, 30 F.Supp.2d 702, 1998 U.S.Dist.LEXIS 20292 (D.Del. 1998) [ELR 21:2:14]

Appellate court reverses $2.13 million judgment against host of Miami's Calle Ocho Festival won by Brazilian singer Denise de Kalafe who was not permitted to perform because she was a "security risk" or sympathetic to Castro

Brazilian singer Denise de Kalafe was twice offended by the Kiwanis Club of Little Havana, and so retaliated by filing a lawsuit. A jury was sympathetic and awarded her a multi-million dollar verdict which was reduced by the trial court to a judgment of $2.13 million.

The dispute and the trial came about because the Kiwanis host the annual Calle Ocho Festival in Miami, at which de Kalafe wanted to perform. She was rejected in 1985, because she had appeared at a music festival in Cuba a few years before. And she was rejected again in 1989, because the Kiwanis thought she would be "a security risk," apparently because she was believed to be sympathetic to the Castro regime.

The 1989 rejection is what triggered her lawsuit, because that year, she had been hired to perform by Telemundo of Florida, a co-sponsor of one of the Festival sites. The sponsorship agreement between the Kiwanis and Telemundo did not originally give the Kiwanis the right to veto performers. Shortly after the agreement was signed, however, the Kiwanis sent both a letter and a handwritten note indicating that they did reserve the right to veto entertainers. Neither the letter nor the note were objected to, but Telemundo didn't sign them either.

Because de Kalafe had been hired by Telemundo before she was vetoed by the Kiwanis, she sued the organization for tortious interference with contract and defamation; and those were the claims that resulted in her $2.13 million judgment.

The Kiwanis appealed, on the grounds that the trial judge had improperly instructed the jury by telling it that nothing could change the terms of the original agreement between the Kiwanis and Telemundo except another written agreement. A Florida Court of Appeal has agreed with the Kiwanis that this was a prejudicially erroneous instruction, and has reversed the judgment and remanded the case for a new trial.

In an opinion by Judge Robert Shevin, the appellate court explained that "A written contract can be modified by subsequent oral agreement between the parties or by the parties' course of dealing." Moreover, the judge added, since de Kalafe was not a party to the Kiwanis agreement with Telemundo, "she has no standing to challenge the rights of the parties in the agreement."

Judge Shevin said that this error also affected the Kiwanis' defense of de Kalafe's defamation claim, "because of the implication that [the] Kiwanis had undertaken action adverse to de Kalafe without proper contractual authorization."

Since the case was remanded for retrial, Judge Shevin also noted that the trial court had improperly prevented the Kiwanis from using newspaper articles to show that de Kalafe had made favorable remarks about the Cuban government. The trial judge had excluded the articles from evidence on the grounds they were hearsay. But Judge Shevin noted that the Kiwanis had not offered the articles to prove the truth of their contents. Instead, they wanted to use the articles merely to impeach de Kalafe's testimony that she had never made the pro-Castro comments attributed to her. For that purpose, Judge Shevin ruled, the articles were properly admissible.

Kiwanis Club of Little Havana v. de Kalafe, 723 So.2d 838, 1998 Fla.App.LEXIS 12827 (Fla.App. 1998) [ELR 21:2:14]

First Amendment rights of artist were not violated when General Services Administration denied his application to display sculpture of judge in lobby of federal courthouse, appellate court affirms

John Sefick is a satirical artist who works in two media: sculpture and litigation. Twenty years ago, he successfully sued Chicago for covering one of his publicly-displayed sculptures with a blanket, because it satirized the city's mayor for failing remove snow quickly enough during the prior winter (ELR 2:4:5).

More recently, Sefick sued the federal General Services Administration for refusing to permit him to exhibit another sculpture in the lobby of the Dirksen Federal Courthouse in Chicago. The courthouse is home to the Seventh Circuit Court of Appeals and the Northern District of Illinois. And the sculpture at issue in this case is a critical depiction of District Judge Brian Barnett, whose chambers were then in that building. Sefick argued that the GSA violated his First Amendment rights; but a federal judge from Indiana (sitting by designation) ruled otherwise (ELR 20:4:32).

On appeal, the Seventh Circuit has affirmed. Writing for the appellate court, Judge Frank Easterbrook said that Sefick could prevail only if he showed that the lower court was "clearly erroneous" in finding that the GSA had not discriminated against his sculpture because it was critical of the judiciary. The GSA contended that it had refused to give Sefick a permit because of construction-safety and security concerns at the Dirksen Courthouse. And Judge Easterbrook said, "Given the extensive construction in the lobby at the time of [Sefick's] applications, and the security concerns that in the wake of the Oklahoma city bombing have led many federal buildings to restrict pedestrian traffic (and exhibits that might attract it), that demonstration is hard to make."

Judge Easterbrook (whose chambers are in the Dirksen Courthouse) was not content to affirm on that ground alone. In what some would consider (unnecessary and even incorrect) dicta, the judge added that even if Sefick had proved that the GSA objected to his sculpture's satirical perspective, "that would just raise the question: what's wrong with insisting that exhibits in a federal courthouse be dignified?" The courthouse lobby is a nonpublic forum, thus permitting the government to reserve it for its intended purposes, provided the government does not discriminate. "Nothing in the first amendment prevents the government from allowing sedate and decorous exhibits . . . while excluding the comic, the caustic, and the acerbic," Judge Easterbrook opined. "The judiciary does not show reruns of the Three Stooges in courthouse lobbies, and from the perspective of promoting the judicial mission a sculpture satirizing judges would be worse than old physical comedies. . . . A preference for the somber over the sardonic within a courthouse is not viewpoint or even subject-matter discrimination. It is a standard time, place and manner limitation."

Sefick v. Gardner, 164 F.3d 370, 1998 U.S.App.LEXIS 32502 (7th Cir. 1998) [ELR 21:2:15]

ABC wins dismissal of virtually all remaining claims in lawsuit triggered by "Prime Time Live" "undercover hidden camera" report about faulty medical tests

ABC's "Prime Time Live" makes regular use of undercover hidden-cameras. The practice has resulted in several lawsuits against the network, one of which it lost (ELR 20:3:12). Hidden-cameras are not universally condemned however, especially when ABC uses them - as it did several years ago - to tape material for a report about faulty pap smear tests done by an Arizona medical lab.

That report triggered a lawsuit by the medical lab and by its owners who were interviewed, on hidden camera, by an ABC employee who falsely claimed to be a medical technologist who was gathering information to open her own lab in Georgia. The lawsuit alleged many distinct claims, several of which were dismissed early in the case (ELR 18:11:11).

Federal District Judge Roslyn Silver has now dismissed virtually all of the rest of the claims too. Indeed, it appears that the one surviving claim against ABC may involve as little as $3,000 in alleged damages. The judge has granted summary judgment in favor of ABC on the lab owners' claims for: invasion of privacy by intrusion; interference with contractual relations and prospective economic relations; a portion of their fraud claim; trespass; and eavesdropping.

The privacy claim has been dismissed, because although the lab owner who was portrayed on camera did not realize his conversation with ABC's employees was being taped, he spoke with them voluntarily in an office that was not private. Thus, he had "no reasonable expectation of privacy in the location or contents of the conversation," Judge Silver concluded. Moreover, information about lab errors in the testing of pap smears "was clearly in the public interest because the results of the tests involve vital health issues." Thus, the judge held, "the intrusion was not highly offensive as a matter of law."

The interference claim was dismissed, because the lab owners failed to show that ABC's report was false.

The portion of the lab owners' fraud claim that sought damages for lost business was dismissed, because those damages were not the result of the misrepresentations that enabled ABC's employees to gain access to the lab and interview its owner.

The trespass claim was dismissed, because although ABC's employees gained access to the lab by misrepresenting their true identifies and purpose, the lab owners did not suffer any damages as a result of the trespass itself.

The eavesdropping claim was dismissed, because the federal statute allegedly violated by ABC's employees does not apply where one of the parties to the intercepted conversation consents to its interception, unless the interception is committed for the purpose of violating the law. In this case, the judge explained, interception of the conversation was consented to by one of those participating in it - the ABC employee - and there was no evidence it was intercepted to violate the law. Indeed, all of the evidence was that it was intercepted "to gain information and video footage for their broadcast."

The only claim that appears to remain in the case is one for fraud, based on the misrepresentations made by ABC's employees concerning their identities and purpose, and seeking damages for medical treatments and psychological counseling. Those damages came to just $3,000, however. Moreover, although the lab owners sought punitive damages in connection with this claim, Judge Silver also dismissed their punitive damages claim, because "a jury could not reasonably conclude that [ABC's] hidden camera interview was sufficiently egregious to meet the severe standard required for the imposition of punitive damages in this case."

Medical Laboratory Management Consultants v. American Broadcasting Companies, 30 F.Supp.2d 1182, 1998 U.S.Dist.LEXIS 20084 (D.Ariz. 1998) [ELR 21:2:16]

Bankrupt videogame company could not assume non-exclusive patent licenses over patent owner's objection, federal appellate court rules

The arcane world of patent law doesn't often concern those in the entertainment business. But in one recent case, patent law became central to the reorganization of a company known as Catapult Entertainment, Inc., because the reorganization was the result of Catapult's bankruptcy.

Catapult is a videogame company. A couple of years before Catapult went bankrupt, it entered into patent licenses with Stephen Perlman which granted Catapult the non-exclusive right to use technology owned by Perlman. Catapult wanted to continue to use that technology, even after its bankruptcy reorganization; but Perlman objected.

Despite his objections, the bankruptcy court approved Catapult's assumption of the patent licenses it had obtained from Perlman, and a federal District Court affirmed. Perlman appealed still further, to the Ninth Circuit Court of Appeals; and it has ruled in his favor.

Writing for the appellate court, Judge Betty Fletcher explained that section 365(c)(1) of the Bankruptcy Act prohibits a bankruptcy trustee (or debtor in possession) from assuming an "executory contract" without the consent of the other party "where applicable law precludes assignment of the contract to a third party."

In this case, the patent licenses from Perlman were "executory contracts," the Patent Act was the "applicable law," and - as a matter of patent law - "nonexclusive patent licenses are '. . . assignable only with the consent of the licensor.'" Since Perlman - the licensor - did not give his consent, section 365(c)(1) of the Bankruptcy Act barred Catapult (a debtor in possession) from assuming those licenses, Judge Fletcher concluded.

Editor's note: This ruling may be more significant to the entertainment industry than it appears at first. While patent licenses are rare in the entertainment industry, copyright licenses are commonplace. And copyright licenses are "executory contracts" too (just like Perlman's patent licenses). Moreover, unless the copyright owner consents, nonexclusive copyright licenses are not assignable either. Thus, for example, if a non-exclusive copyright license (like a music synch or master recording license) were granted to a motion picture producer, and the producer later went bankrupt, the producer's trustee would not be able to continue distributing the movie, and would be unable to sell distribution rights to it, unless the licensor consented. This would give the licensor tremendous leverage in negotiating a new license with the trustee - more leverage than would be enjoyed by other unsecured creditors. Though this consequence is inconsistent with intuition, it was foretold 15 years ago in Harris v. Emus Records Corporation, 734 F.2d 1329 (9th Cir. 1984) [ELR 6:5:7], which held that an assignee from Emmylou Harris' bankrupt record company had infringed the copyrights to the songs recorded by Harris when the assignee re-released her recordings without obtaining new mechanical licenses from the owners of the copyrights in those songs.

In re Catapult Entertainment, Inc., 165 F.3d 747, 1999 U.S.App.LEXIS 1072 (9th Cir. 1999) [ELR 21:2:16]

Washington state athletic association violated equal protection rights of Japanese foreign exchange student by not granting her a waiver of its transfer rule so she could participate in high school sports

The Washington Interscholastic Activities Association has a rule that makes transfer students ineligible for varsity sports unless they transfer with their "entire family unit." Rules of this sort are common and are designed to prevent schools from recruiting students purely for athletic reasons (see, e.g., ELR 3:4:7, 3:18:7).

When applied to American students - especially those who transfer from one school to another nearby - such rules may make sense. But when applied to foreign exchange students, they don't, because foreign exchange students are virtually never accompanied by their parents. That at least was the argument made by

Tomoe Fusato, a Japanese national who moved from Okinawa to Kettle Falls, Washington, to experience American culture.

Fusato's family did not come with her from Japan to Washington, and for that reason, she wasn't eligible for varsity sports at Kettle Falls High School, under WIAA rules. She applied for a hardship waiver, but it was denied, apparently because American students had previously complained that the WIAA had given foreign students "special privileges" that "our own people within the country" were not.

Washington trial courts granted Fusato a temporary restraining order and found that the transfer rule violated the Equal Protection rights of foreign exchange students. And the Washington Court of Appeals has affirmed.

In an opinion by Judge Stephen Brown, the appellate court ruled that although participation in sports is not a fundamental right, Fusato was a member of a suspect class based on her national origin; and the transfer rule had a disparate impact on her, because she - like other foreign exchange students - had not moved to Washington with her parents.

This meant that the WIAA was required to prove that the transfer rule served a compelling state interest. But the WIAA failed to meet that burden. It also made no effort to show the rule was the least restrictive means for accomplishing its purpose. For these reasons, the appellate court agreed that the transfer rule denied Fusato the equal protection rights she is guaranteed under the Fourteenth Amendment.

Fusato v. Washington Interscholastic Activities Association, 970 P.2d 774, 1999 Wash.App.LEXIS 147 (Wash.App. 1999) [ELR 21:2:17]

Federal court denies Devils Films' application for seizure order in copyright infringement action against alleged video pirate, because videotapes were obscene

Federal District Judge John Martin acknowledged that the application for a seizure order sought by Devils Films, Inc., was "routine." The application alleged that Nectar Video was dealing in unlicensed copies of movies whose copyrights are owned by Devils Films. And Judge Martin also acknowledged that in other earlier cases, he had issued orders authorizing the seizure of pirated copies of "major commercial films."

This case, however, involves "different considerations," the judge said, because this case involves movies that are "hard core pornography bereft of any plot and with very little dialogue." The judge viewed three of Devils Films' movies and concluded that "These videotapes are obscene." The question thus presented was "whether the Court should exercise its equitable powers and commit the resources of the United States Marshal's Service to support the operation of [Devils Films'] pornography business." Judge Martin concluded that he shouldn't.

The judge thought that his conclusion was "self-evident." But he noted that the logic that led him to that conclusion was "called into doubt by cases from two circuits that have held that obscenity is not a defense to a claim of copyright infringement." The cases in question were decided by the Fifth and Ninth Circuits (ELR 1:15:1, 4:1:5).

That gave Judge Martin an out, because he sits in the Southern District of New York, which is in the Second Circuit. "It is far from clear that the Second

Circuit will follow the Fifth and Ninth Circuits in rejecting the argument that obscene material is entitled to copyright protection," he said. "While this is a serious question," Judge Martin concluded that Devils Films' "hardship in the form of lost sales is less important than the potential ramifications of ordering the U.S. Marshal to aid in the violation of federal and state law."

Devils Films, Inc. v. Nectar Video, 29 F.Supp.2d 174, 1998 U.S.Dist.LEXIS 17868 (S.D.N.Y. 1998) [ELR 21:2:18]

Dismissal of disc jockey's age discrimination case against Infinity Broadcasting is affirmed on appeal

Adrien DeLoach used to be a disc jockey on Infinity Broadcasting's WJMK-FM. He hosted a program that featured recordings by artists like Tony Martin, Peggy Lee and Frank Sinatra, until Infinity changed the station's format in the spring of 1993. The new format featured syndicated talk shows "with programs ranging from the rantings of former Watergate bad guy G. Gordon Liddy to the railings of self-proclaimed 'Shock Jock' Howard Stern."

When the format was changed, DeLoach was "reclassified," and his salary cut from $990 to $537 a week. DeLoach resigned, received $13,866 in severance pay, and filed suit against Infinity under the federal Age Discrimination in Employment Act. That Act prohibits employers from demoting employees based on their age.

DeLoach was 50 when he was demoted, and it looked to him as though his age was the reason. Among other things, he showed that within two months of his demotion, the station switched back to a music format, playing the same type of music it had before. After the switch, however, the on-air staff was made up of younger people. "The implication of his theory is that the whole switch was orchestrated to allow the station to get rid of older employers and place younger workers in their seats."

Infinity of course denied that this was so. Federal District Judge Charles Kocoras agreed with Infinity and granted its motion for summary judgment. That ruling has been affirmed by the Court of Appeals.

In an opinion by Judge Terence Evans, the appellate court has held that DeLoach failed to present evidence that after the station's format was switched back to music, the younger employees were paid more than DeLoach would have been paid, had he stayed in the job. Judge Evans noted that "it would seem to be a simple matter to find out what the job classifications and salaries became" after the station went back to music. But "DeLoach did not ask Infinity about these matters either in depositions or interrogatories."

Judge Evans also rejected DeLoach's argument that the reclassification of his disc jockey's job had been a pretext for discrimination. The evidence he offered in an effort to prove the reclassification was a mere pretext simply failed to support that argument, the judge concluded.

DeLoach v. Infinity Broadcasting, 164 F.3d 398, 1999 U.S.App.LEXIS 318 (7th Cir. 1999) [ELR 21:2:18]

Doctrine of "forum non conveniens" does not require dismissal of lawsuit filed in Illinois by deceased author's daughter against author's former New York literary agent, Illinois appellate court affirms

Literary agent Bill Berger will have to defend himself in a state court in Illinois, in a lawsuit filed by the daughter of one of Berger's former clients - the late Dr. Rudolf Dreikurs, co-author of a book entitled Children: The Challenge. Dreikurs' daughter, Eva Dreikurs Ferguson, contends that as a result of her father's death, Berger is no longer authorized to act on his or her behalf by doing such things as collecting royalties, deducting commissions, or granting paperback rights to foreign publishers.

Ferguson filed her lawsuit in Illinois, because that's where she lives. Berger, on the other hand, sought to have the case dismissed under the doctrine of forum non conveniens, so it could be refiled (if Ferguson chose) in New York. Berger preferred New York, because he lives and works there, is 74 years old, legally blind and unable to travel without assistance, and because the documents and expert witnesses necessary for his defense are in New York too.

An Illinois trial court denied Berger's motion, and that ruling has been affirmed by the Appellate Court of Illinois. Justice Joseph Gordon minimized the inconvenience Berger would suffer by defending himself in Illinois, saying for example, that if Berger couldn't travel to Illinois, he could testify by deposition.

Ferguson v. Bill Berger Associates, Inc., 704 N.E.2d 830, 1998 Ill.App.LEXIS 836 (Ill.App. 1998) [ELR 21:2:18]

Constitutionality of City of Kent ordinance banning nude dancing within ten feet of patrons is upheld

An adult entertainment ordinance adopted by the City of Kent in Washington state has withstood a challenge to its constitutionality. The ordinance bans nude dancing within ten feet of patrons. It was challenged by three men who had intended to open a nightclub in Kent that would have featured nude personalized "table dancing."

The challengers argued that table dancing "is a unique form of expression entitled to separate First Amendment analysis." In support of their position, they submitted declarations from "a cultural anthropologist and a communications expert who attested to the uniqueness of table dancing and the potentially detrimental effects of the ten-foot rule on the dancers' erotic messages."

A federal District Court ruled that the ordinance is constitutional as a matter of law; and a Court of Appeals has affirmed that ruling. Writing for a majority of the three-judge panel, Chief Judge Procter Hug reasoned that the ten-foot rule is content neutral, narrowly tailored, and leaves open ample alternative avenues for communication of protected expression.

Judge Stephen Reinhardt dissented.

Colacurcio v. City of Kent, 163 F.3d 545, 1998 U.S.App.LEXIS 30862 (9th Cir. 1998) [ELR 21:2:19]

DEPARTMENTS

In the Law Reviews:

Loyola of Los Angeles Entertainment Law Journal has published Volume 19, Number 2 as a symposium entitled "The Right of Privacy Versus the Right to Know: The War Continues" with the following articles:

The Right of Privacy Versus the Right to Know: The War Continues: Foreword by Gary Williams, 19 Loyola of Los Angeles Entertainment Law Journal 215 (1999)

The Newsworthiness Element: Shulman v. Group W Prods., Inc. Muddies the Waters by Gary L. Bostwick, 19 Loyola of Los Angeles Entertainment Law Journal 225 (1999)

Peeping Press vs. Private Persecution: A Resolution of the Conflict Between Freedom of the Press and Freedom From the Press by Kunoor Chopra, 19 Loyola of Los Angeles Entertainment Law Journal 253 (1999)

Punishing Truthful, Newsworthy Disclosures: The Unconstitutional Application of the Federal Wiretap Statute by Rex S. Heinke & Seth M.M. Stodder, 19 Loyola of Los Angeles Entertainment Law Journal 279 (1999)

An Invasion of Privacy: The Media's Involvement in Law Enforcement Activities by Henry H. Rossbacher, Tracy W. Young, & Nanci E. Nishimura, 19 Loyola of Los Angeles Entertainment Law Journal 313 (1999)

"On the QT and Very Hush Hush": A Proposal to Extend California's Constitutional Right to Privacy to Protect Public Figures from Publication of Confidential Personal Information" by Gary Williams, 19 Loyola of Los Angeles Entertainment Law Journal 337 (1999)

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