## NEW LEGISLATION AND REGULATIONS

Congress amends Trademark Act to ban cybersquatting; bad faith registration of Internet domain names that are similar to trademarks or the names of living people is made illegal

Anyone who has attempted to register an Internet domain name lately knows how difficult it is to find a good name that's still available. More than eight million names have been registered already, though many perhaps even most - of those are not being used, even by their registered owners.

"Coming Soon" or "Under Construction" is the response that web surfers often get when trying to access some of these unused domain names. Other domain names point to nothing more than a notice that "The page cannot be displayed." Even more frustrating

for those who would like to use their own trademarks as domains is the online response that their desired domain names are "For sale." (The domain "www.elr.com" has been registered by someone who isn't using it, but who is trying to sell it for \$5,000!) Trademark owners are not the only ones who have been frustrated in this way. Opportunists have registered, as domain names, the personal names of celebrities, merely in order to sell them to the celebrities themselves.

Congress has enacted legislation designed put a stop to at least some of this. The "Anticybersquatting Consumer Protection Act" adds new sections to the federal Trademark Act that give new rights to both trademark owners and individuals, as well as new remedies to help protect those rights.

With respect to trademarks (including personal names that are used as trademarks), the new

Anticybersquatting Act makes it illegal for a person to register, sell or use a domain name that is confusingly similar to a protected trademark, if the person who does so has a "bad faith intent to profit from that mark." In deciding whether a person had "a bad faith intent," courts are authorized to consider several factors. including for example whether the person intended to divert the trademark owner's customers, whether the person offered the registered domain name for sale without having used it, and the person's registration of multiple domain names which are confusingly similar to the trademarks of others.

With respect to personal names (including those that have never been used as trademarks), the Anticybersquatting Act makes it illegal to register the name of any living person, without that person's consent, intending to profit from that person's name by

selling the registered domain at a profit to that person or anyone else.

The new Act's ban on registering the personal names of others has one interesting and important exception. The exception apparently is intended to protect record producers from potential liability, if they register the personal names of their recording artists as domain names in order to promote the sale of their records. The exception reads as follows: "A person who in good faith registers a domain name consisting of the name of another living person . . . shall not be liable . . . if such name is used in . . . a work of authorship protected [by copyright] . . . and if the person registering the domain name is the copyright owner or licensee of the work, the person intends to sell the domain name in conjunction with the lawful exploitation of the work, and such registration is not

prohibited by a contract between the registrant and the named person."

In cases where the Act has been violated, courts are empowered to order the cancellation of the domain name registration or the transfer of the domain name to the trademark owner or the person whose name was used. Actual damages and profits may be awarded too, or, if the successful plaintiff prefers, statutory damages of as much as \$100,000.

Editor's note: The Act is certain to be the basis for many lawsuits. According to news reports, the National Football League has filed the first one. It's against the operator of a website that offers football game gambling tips at "www.nfltoday.com" "NFL Today" is the name of an NFL-authorized television program on CBS. According to news reports, the NFL offered the www.nfltoday.com website operator \$270

for the domain name; but he countered with a \$120,000 demand. That's when the NFL filed suit.

Anticybersquatting Consumer Protection Act, Title III of S.1948 (106th Cong. 1st Sess. 1999) [ELR 21:7:4]

## RECENT CASES

RIAA fails in bid to enjoin sale of Diamond Rio MP3 players; appellate court rules that Rio is not a "digital audio recording device" and therefore does not need to contain a system preventing serial copying

Technology is once again a hot topic in the music industry. "MPEG 1 Layer 3" technology - popularly known as "MP3" - compresses sound

recordings by a factor of 12:1, allowing 60 minutes of music to be squeezed into a 32-megabyte file. This is enough compression to permit recordings to be distributed over the Internet; and that's exactly what some companies and countless "hobbyists" are doing.

While legitimate companies use MP3 files to distribute properly licensed recordings, hobbyists use MP3 files to distribute re-recordings they have made of music CDs, without being authorized to do so. Those in the record business understandably refer to this unauthorized activity as "piracy."

Until recently, MP3 files could only be played by computers. While laptops will do, even they are too bulky and expensive to use as portable music players. As a result, listening to MP3 files was a desk-bound activity, until the fall of 1998. That's when Diamond Multimedia Systems - a company that was well-known as a manufacturer of personal computer sound cards - introduced a device it calls the Rio PMP 300. The Rio is a small, lightweight, battery-powered and relatively cheap MP3 file player. It is, in other words, a gadget that now permits MP3 files to travel with as much ease as the Sony Walkman permits audiocassettes to travel.

Using the Rio is a two-step process. First, MP3 files must be downloaded to a computer hard drive from the Internet, or recorded to a hard drive from CDs (using readily-available software). Next, those MP3 files must be transferred from the computer's hard drive to a Rio. Only then can the Rio play back those files. The Rio cannot record MP3 files directly from the Internet or CDs. Nor can a Rio be used to transfer MP3 files to another Rio or computer, because the Rio does not have an audio output jack.

The Rio makes MP3 files more attractive to more people than desk-bound listening ever would have. In fact, it is probably safe to say that the Rio is a greater threat to the record business as we know it than the VCR ever was to the movie and television industry. That at least is the way the Recording Industry Association of America saw it, as did the Alliance of Artists and Recording Companies. Between them, these two trade organizations represent the creators, manufacturers and distributors of more than 90% of all legitimate music recordings; so they have reason to know.

The record industry responded to the Rio just the way the movie and television industry did to the VCR: the RIAA and the Alliance sued Diamond Multimedia for copyright infringement, seeking an injunction that would have barred Diamond from selling the Rio. Federal District Judge Audrey Collins agreed with most of the arguments made by the RIAA and the Alliance, but she denied their request for a preliminary

injunction. And that ruling has been affirmed by the Court of Appeals.

The RIAA argued that the Rio is an "audio home recording device," the sale of which is illegal because it does not contain a system to prevent "serial copying" (from one digital audio recording to another) as required by the Audio Home Recording Act of 1992 (ELR 14:7:13). The Audio Home Recording Act defines "audio home recording device" in a very specific way, so the question of whether the Rio is such a device required a surprisingly intricate analysis of the Act and its legislative history. Persuasive arguments were made on both sides of that question. But ultimately, the Court of Appeals held that the Rio is not such a device.

In an opinion by Judge Diarmuid O'Scannlain, the appellate court reasoned that under the Audio Home Recording Act's definition of a "digital audio recording device," the Rio would be such a device only if it could reproduce a "digital music recording" "directly" or "from a transmission."

A careful analysis - of the kind usually associated with the interpretation of ancient religious texts - led Judge O'Scannlain to conclude that although Rios can reproduce recordings "directly" from computer hard drives, recordings that reside on computer hard drives are not "digital music recordings" because computer hard drives simply do not fit the Act's definition of "digital music recordings."

The judge also concluded that since Rios reproduce recordings only from computer hard drives, they do not reproduce them "from a transmission." The RIAA argued that Rios do indirectly reproduce recordings from transmissions, because MP3 files are transmitted (over the Internet) to computer hard drives and are then transferred to Rios. But Judge O'Scannlain

rejected the RIAA's argument that the Act covers "indirect" reproductions from transmissions. He held that the Act covers only direct reproductions from transmissions - something that cannot be done with a Rio.

Since Rios are not "audio home recording devices," the law does not require them to contain systems that prevent "serial copying." And for that reason, the appellate court affirmed the denial of the RIAA's request for a preliminary injunction that would have barred further sale of Rios.

Editor's note: Diamond Multimedia did even better on appeal than it had done in the District Court. Though District Judge Collins had denied the RIAA's request for a preliminary injunction, she had agreed with the RIAA that the Rio is an "audio home recording device." (She denied the injunction for other reasons.) If the Rio were an "audio home recording device,"

Diamond would have had to pay a royalty of 2% of the wholesale price of each Rio sold. Those royalties would have been deposited with the Copyright Office which then would have distributed them - in accordance with a formula set forth in the Audio Home Recording Act itself (ELR 14:7:13) - to featured recording artists, record companies, nonfeatured musicians, nonfeatured vocalists, music publishers and songwriters. However, because the Court of Appeals concluded that the Rio is not an "audio home recording device," Diamond Multimedia will not have to pay those royalties after all.

Recording Industry Association of America v. Diamond Multimedia Systems, 180 F.3d 1072, 1999 U.S.App.LEXIS 13131 (9th Cir. 1999) [ELR 21:7:5] Artist formerly known as Prince wins dismissal of copyright infringement suit filed by designer of guitar shaped like Prince's Symbol; suit complained that Prince infringed designer's copyright in guitar by performing with similar guitar after seeing designer's guitar; federal District Court rules that designer's copyright claim is invalid, because his guitar is derivative work based on Prince's copyrighted Symbol but was made without authorization from Prince

The artist formerly known as Prince now identifies himself with a symbol that his fans know well and that Prince himself has registered for copyright. Prince's Symbol appears on his albums, and on clothing, jewelry and stage props. The Symbol also has been incorporated into a guitar, with which Prince has been performing since 1993.

Since the Symbol was created by Prince and he owns its copyright, Prince was no doubt surprised to be sued for copyright infringement by Ferdinand Pickett, a "well-known guitar maker and self-proclaimed [Prince] fan. . . . " Pickett's complaint was that he had created a Symbol-shaped guitar which he showed and sought to sell to Prince before Prince began performing with another Symbol-shaped guitar. Prince didn't buy Pickett's guitar and Pickett's "disappointment must have turned to indignant rage when he later learned that [Prince] was actually performing on tour . . . with a Symbol-shaped guitar."

Pickett's rage sparked a lawsuit which, after five years of intense litigation, has finally been dismissed, in response to Prince's motion for summary judgment. Judge Rebecca Pallmeyer has ruled that since Pickett's guitar was admittedly a derivative work based on Prince's copyrighted Symbol, Pickett's claim of a copyright for his guitar design was invalid. This was so, the judge explained, because Pickett created his guitar without having obtained Prince's permission to do so. While section 103 of the Copyright Act does grant protection to derivative works, it also provides that such protection does not extend to "any part of the work in which such material has been used unlawfully."

Since Pickett used Prince's Symbol "unlawfully," Pickett's could not claim a copyright in "any part" of his guitar that used that Symbol. Apparently, however, Pickett claimed that other parts of his guitar had been copied into Prince's guitar as well. And that required Judge Pallmeyer to decide whether Pickett's use of the Symbol also prevented him from claiming a copyright in those other parts. This turned out to be a more difficult question than it seems at first it would be,

because there are two (and maybe three) schools of thought about it.

After a lengthy and scholarly analysis, Judge Pallmeyer decided that Pickett's unauthorized use of the Symbol meant that Pickett couldn't claim copyright in his guitar design at all. Though she thought that the Symbol so "pervaded" Pickett's guitar design there was nothing left for him to claim a copyright to, she did not make that the basis for her decision. Instead, she used a "bright line" test that says that if a derivative work is created without the consent of the owner of the copyright to the work on which it is based, no copyright at all may be claimed in that derivative work.

The case involved a second issue as well. Since Prince owns a copyright in his Symbol, the Copyright Act gives him the exclusive right to create derivative works - including guitars - based on it. Prince in fact asserted an infringement counterclaim against Pickett; but in earlier phases of the case, another judge had ruled that Prince's counterclaim against Pickett was barred by the statute of limitations.

That earlier ruling raised the question of whether Prince's affirmative defense was barred as well, since that defense involved the identical assertion that Pickett's guitar was an unauthorized derivative work. Surprisingly, there were no copyright cases squarely in point on this issue. But Judge Pallmeyer decided that the statute of limitations bars the availability of affirmative remedies; it does not destroy legal rights. Thus, the judge held that Prince could assert Pickett's unauthorized use of the Symbol as an affirmative defense, even though Prince could no longer pursue an infringement claim against Pickett for that unauthorized use.

*Pickett v. Prince*, 52 F.Supp.2d 893, 1999 U.S.Dist.LEXIS 9526 (N.D.Ill. 1999) [ELR 21:7:6]

Creators of "Psycho Chihuahua" cartoon character lose lawsuit against Taco Bell complaining about Taco Bell television commercials featuring live talking Chihuahua; fact issues prevented summary judgment on Taco Bell's independent creation defense, but federal District Court rules that implied contract claim is preempted by copyright law, and Psycho Chihuahua's characteristics are not novel

Television viewers are by now familiar with Taco Bell commercials featuring a live talking Chihuahua who says "Yo quiero [I want] Taco Bell." According to Taco Bell, these commercials were

created by Chuck Bennett and Clay Williams, creative directors at Taco Bell's advertising agency Chiat/Day. Bennett and Williams say that the idea for a Taco Bell talking Chihuahua came to them when they saw a Chihuahua trotting down the street, as though on a mission, while they were having lunch at an outdoor Mexican restaurant.

Joseph Shields and Thomas Rinks think otherwise. They are the creators of a cartoon character named "Psycho Chihuahua" which they actively market through their company, Wrench LLC. Shields and Rinks think their "Psycho Chihuahua" is the actual source of Taco Bell's Chihuahua, because they had been dealing with Taco Bell executives for almost a year before Chiat/Day proposed a commercial featuring a talking Chihuahua. Moreover, Shields' and Rinks' dealings with Taco Bell had been serious and ongoing and had included the submission - at Taco Bell's

request - of graphic designs and a written licensing proposal.

While television viewers have responded to Taco Bell's Chihuahua commercials with smiles, Shields and Rinks responded with a lawsuit alleging breach of implied contract and related claims for misappropriation, conversion and unfair competition. Taco Bell replied with a motion for summary judgment; and federal District Judge Gordon Quist has granted that motion.

Taco Bell's year-long dealings with Shields and Rinks would not have given rise to liability on any theory, if its commercials were independently created by Chiat/Day's Bennett and Williams. Judge Quist agreed with Taco Bell that the deposition testimony of Bennett and Williams was direct evidence they had independently conceived the idea for talking-Chihuahua commercials; and the judge agreed that

Shields and Rinks failed to offer any direct evidence to rebut Bennett's and Williams' testimony.

Nevertheless, Judge Quist refused to grant Taco Bell's summary judgment motion based on its independent creation defense. The testimony and declarations of Bennett and Williams might have been sufficient if they had independently created their Chihuahua commercial idea before Taco Bell had received "Psycho Chihuahua" materials from Shields and Rinks. In this case, however, the judge ruled that the testimony of Bennett and Williams was not by itself sufficient, because their ideas were conceived after Taco Bell received "Psycho Chihuahua" materials, and thus there was a possibility that Bennett and Williams had access to that material.

Judge Quist also ruled that under the circumstances that existed in this case, there was sufficient evidence from which an implied-in-fact

contract could be found between Taco Bell and Shields' and Rinks' company. On the other hand, the judge ruled that the rights asserted by Shields and Rinks under this implied-in-fact contract "are preempted because they assert rights that are equivalent to the exclusive rights granted by the Copyright Act and no more." Implied contracts are not always preempted, Judge Quist acknowledged. It was preempted in this case, he explained, because the rights claimed under the implied contract "are based upon Taco Bell's reproduction or use of [Shields' and Rinks'] ideas for creation of derivative works," namely, Taco Bell's talking-Chihuahua commercials.

Moreover, Judge Quist ruled that in order for Shields and Rinks to recover for the use of their ideas, those ideas would have to be novel. In this case, their ideas were not novel, the judge found. Psycho Chihuahua's characteristics appeared in Chihuahuas previously used in other commercials and in the Disney films "Oliver & Company" and "Lady and the Tramp." Taco Bell was even able to show that Psycho Chihuahua's characteristics, as described by Shields and Rinks themselves, were characteristics of the Taco Bell brand itself, as they had been described by Taco Bell's licensing agent several months before Taco Bell's first contact with Shields and Rinks.

Wrench LLC v. Taco Bell Corp., 51 F.Supp.2d 840, 1999 U.S.Dist.LEXIS 8890 (W.D.Mich. 1999)[ELR 21:7:7]

Creators and publisher of "Dhampire" painted graphic novel win dismissal of copyright infringement and idea misappropriation suit filed by authors of "Matchsticks" comic book; District Court finds that "Dhampire" was not substantially similar to "Matchsticks" and that idea for "Dhampire" was independently created

"Nicholas Gaunt" was the main character in an unpublished comic book entitled "Matchsticks" and in a painted graphic novel, published by DC Comics, entitled "Dhampire." Moreover, both Nicholas Gaunt characters were half-human and half-vampire. According to DC Comics and Dhampire's creator Nancy Collins, these similarities were coincidental. But Francis Hogan and Daniel Masucci, the creators of "Matchsticks," thought otherwise.

In a federal court lawsuit alleging copyright infringement and idea misappropriation, Hogan and Masucci claimed the similarities were the result of copying. They supported their claim by declaring that they had submitted "Matchsticks" to DC Comics some two years before "Dhampire" was published. Moreover, the DC Comics editor to whom "Matchsticks" had been submitted was the same editor with whom Collins worked in the final stages of preparing "Dhampire" for publication.

Early in the case, DC Comics and Collins made a motion for summary judgment, without success. Judge Thomas McAvoy determined that he could not conclude, at that time, that the two works were not substantially similar (ELR 20:2:15). Later, however, the case was transferred from the Northern District of New York, where Judge McAvoy sits, to the Southern District of New York where it was assigned to Judge

Shira Scheindlin. The transfer worked to the advantage of DC Comics and Collins, because Judge Scheindlin has been able to do what Judge McAvoy could not. She has found that "Dhampire" is not substantially similar to "Matchsticks," and has dismissed the case in response to a motion for summary judgment.

Judge Scheindlin ruled that Hogan and Masucci had submitted evidence that was "sufficient to show a reasonable possibility" that Collins had access to their work, because (according to their declaration) Collins' editor had earlier considered and rejected "Matchsticks." Access alone, however, is not sufficient to establish infringement. Infringement requires proof of substantial similarity. And after a lengthy and detailed description of the two works, Judge Scheindlin concluded they were not substantially similar.

The two works did "share a similar basic underlying idea: they both involve a half-vampire

character who is on a quest that leads him to discover his origins." But, the judge added, "Almost all of the remaining similarities between the works are unprotectable themes and concepts that flow predictably from this idea."

Judge Scheindlin concluded that "Matchsticks" and "Dhampire" "are extremely different . . . in their setting and 'total concept and feel." Though the main characters in the two works shared the same name, "This shared trait, by itself, is insufficient to establish substantial similarity between the characters." The sequence of events in the two works was "very different."

The two works' use of imagery and symbolism was similar, but these were "unprotectable scenes a faire without which any vampire work would be incomplete." And other similarities were mere "random

similarities" that were of little importance in the two works.

For these reasons, the judge found that no reasonable trier of fact could find that the two works were substantially similar, and so she dismissed the copyright infringement claim.

Judge Scheindlin also dismissed Hogan and Masucci's idea misappropriation claim. She did not decide whether their idea was novel, as required for such a claim to succeed under New York law. Instead, the judge noted that even if an idea is novel, a misappropriation claim will fail if a defendant shows the idea was independently created.

In this case, Collins showed she independently created the idea for "Dhampire" by proving that she had authored a novel featuring a dhampire character, and by submitting a written proposal to DC Comics for the painted novel that became "Dhampire," before Hogan

and Masucci claim to have submitted "Matchsticks" to DC Comics.

Hogan v. DC Comics, 48 F.Supp.2d 298, 1999 U.S.Dist.LEXIS 601 (S.D.N.Y. 1999)[ELR 21:7:8]

"Mission: Impossible" and "Bad Company" are not substantially similar to book entitled "Brains, Sex, & Racism in the C.I.A.," so federal District Court dismisses author's copyright infringement and related claims against Paramount Pictures, Disney and others

David L. Whitehead used to work for the C.I.A., and what a time he must have had doing so. After leaving the Agency, he wrote an autobiography entitled Brains, Sex, & Racism in the C.I.A. and the Escape.

Equality America Press published the book in 1992. And in Whitehead's opinion, it has since served as source material for at least a half-dozen movies including "Mission: Impossible" and "Bad Company."

Whitehead alleges that he is portrayed by the character played by Tom Cruise in "Mission: Impossible" and the character played by Laurence Fishburne in "Bad Company." And those are not the only similarities Whitehead sees between his autobiography and those two movies. Indeed, in a copyright infringement suit he filed in federal court in Washington, D.C., Whitehead itemized "several hundred points" of similarity between his book and "Bad Company." For example, he says, characters in both works use the phrases "kind of cute" and "what the fuck is this "

Not surprisingly, Paramount, Disney and Time Warner made a motion for summary judgment seeking dismissal of Whitehead's suit. Paramount produced "Mission: Impossible" and Disney produced "Bad Company." (Time Warner's role in the case is unclear from the public record, though HBO, a Time Warner subsidiary, may have shown one or both of the movies, thus becoming an alleged infringer in the process.)

Also not surprisingly, their motion has been granted. Judge Paul Friedman outlined the step-by-step procedures involved in evaluating infringement claims; but then he cut directly to the "substantial similarity" step, because that was enough to defeat Whitehead's case.

After making a very detailed comparison of the three works, Judge Friedman came to the conclusion that neither "Mission: Impossible" nor "Bad Company" is substantially similar to Whitehead's autobiography, and no reasonable trier of fact could find otherwise. This was so, the judge explained, because the

similarities identified by Whitehead either were not similar at all, or were similarities of elements that were not copyrightable because they were facts, ideas or scenes a faire.

Judge Friedman also dismissed Whitehead's state law claims for misappropriation, improper distribution, infliction of emotional distress and mental pain and suffering. The claim for improper distribution was preempted by the Copyright Act. And the misappropriation claim - based on Whitehead's assertion that the characters played by Cruise and Fishburne were he - failed to state a claim. "Even if Mr. Whitehead could establish that either of the movies was based on his life story, which he cannot, there is no tort for invasion of privacy for appropriating the story of another's life," the judge ruled.

Time Warner sought an award of attorneys' fees in connection with its successful defense of

Whitehead's suit. It certainly had reason to suppose that fees would be awarded, because Judge Friedman acknowledged that "This case is patently frivolous, and Mr. Whitehead's claims are objectively unreasonable." The judge even noted that in other cases pending before him, Whitehead claims that his autobiography's copyright also has been infringed by "Titanic," "How Stella Got Her Groove Back," "Eraser" and "The Net." Nevertheless, the judge declined to award Time Warner attorneys' fees, "primarily because Mr. Whitehead filed this complaint pro se, and this is one of the earlier copyright actions that he filed."

Judge Friedman did however have a word of warning for Whitehead. "[I]f the other cases currently pending before this Court are as completely lacking in merit as are the claims in this action," the judge said, "the Court very well may award attorneys' fees and costs to the defendants in those actions." Small comfort

to Time Warner, but unless Whitehead heeds the warning, others may be awarded fees in the future.

Whitehead v. Paramount Pictures Corp., 53 F.Supp.2d 38, 1999 U.S.Dist.LEXIS 10083 (D.D.C. 1999)[ELR 21:7:8]

Valid claims for misappropriation and unjust enrichment were alleged against cable-TV company that created African-American movie channel several days after receiving a detailed proposal for such a channel from the plaintiff; novelty not required if more than a simple idea is submitted, Colorado appellate court rules

Mile-Hi Cable Partners is the cable-TV company in Denver; and its franchise agreement with the city

requires Mile-Hi to provide financial support for the creation of a "black entrepreneurial channel." Hoping to fill that role, C. Lamont Smith submitted a proposal to Mile-Hi for the operation of "The Black Movie Channel" - a 24-hour premium cable channel that would carry movies and other programs made by, featuring, or of interest to African-Americans.

Smith's idea was apparently a good one, because several days after he submitted it, Mile-Hi announced that it would be launching just such a channel. Mile-Hi did not, however, acknowledge that its channel was the one proposed by Smith. Indeed, Smith alleges that when he expressed "concern" to Mile-Hi about its announcement, the cable company returned his proposal and refused to discuss the matter with him.

Smith's allegations were made in a lawsuit filed in Colorado state court. Among other things, Smith's suit made claims for misappropriation of his idea and for unjust enrichment. Smith, however, did not explicitly allege that his idea was "novel," and for that reason, the trial court dismissed his case in response to Mile-Hi's motion for judgment on the pleadings, ruling that an idea must be novel to be misappropriated. Not satisfied this ruling was right, Smith appealed, with success.

In an opinion by Judge John Criswell, the Colorado Court of Appeals has held that "a claim for misappropriation need not allege novelty if the material appropriated is not simply an idea. A claim for misappropriation of business value may be established if a person appropriates a product of another's expenditure of labor, skill, and money." In this case, Smith alleged that he had spent substantial time, money, energy, and other resources in developing "detailed business plans" for the creation of a black

entrepreneurial channel and for the "implementation" of his idea for a black movie channel.

In other words, Judge Criswell decided, Smith had not simply alleged the misappropriation of "a simple idea." Rather, he alleged that Mile-Hi had misappropriated and profited from "specific and unique plans for implementing this idea, which required the expenditure of considerable time and money to develop." The appellate court therefore reversed the dismissal of Smith's misappropriation and unjust enrichment claims.

Smith had also alleged that Mile-Hi failed to fulfill its franchise-agreement obligation to provide financial support for a black entrepreneurial channel, and a claim for breach of fiduciary duty. The trial court had dismissed these claims too, and the appellate court affirmed those rulings.

Judge Criswell held that Smith was not a thirdparty beneficiary of Mile-Hi's agreement with Denver, and thus could not sue for its alleged breach. The judge also held that Smith's fiduciary duty claim was properly dismissed, because such a duty would have arisen only if Smith and Mile-Hi had a confidential relationship with one another before the transaction on which Smith's claim was based. In this case, though, no relationship at all existed between them before that transaction.

Smith v. TCI Communications, Inc., 981 P.2d 690, 1999 Colo.App.LEXIS 165 (Colo.App. 1999)[ELR 21:7:9]

Major League Baseball Players Association has immunity from claims for interference with contract and defamation arising out of Player Association's cease-and-desist letter to printer of Cardtoons' parody cards, appellate court affirms, because Players Association had probable cause to believe that cards infringed players' rights of publicity, even though courts later ruled they did not

Cease-and-desist letters are often sent before lawsuits are filed. Sometimes they have their intended effect, and litigation becomes unnecessary. Thus, it was not surprising that the Major League Baseball Players Association sent out cease-and-desist letters when it learned that a company named Cardtoons intended to make and sell parody trading cards featuring recognizable caricatures of major league baseball

players on the front and humorous comments that ridiculed them on the back.

The Players Association is the licensing agent for its members, and the Association's letters asserted that Cardtoons' cards would violate its members' rights under the Lanham Act and state right of publicity law. One of the Players Association's letters was sent to Cardtoons itself, and another was sent to Cardtoons' printer.

The letter had its intended effect with respect to the printer. Even though the Players Association had not sued it, the printer decided not to print the cards. On the other hand, the letter to Cardtoons did not have its intended effect. In fact, the letter - and the printer's decision not to print the cards - provoked Cardtoons into suing the Players Association for declaratory relief.

The Players Association, rather than Cardtoons, was ahead after the first two innings of this lawsuit. A

federal magistrate concluded that the cards would have violated the players' rights, and a District Court judge initially adopted that conclusion. Thereafter, however, the United States Supreme Court decided the "2 Live Crew" parody case (ELR 15:12:18); and that changed the course of Cardtoons' lawsuit. Though the "2 Live Crew" case involved copyright rather than right of publicity parody, the District Judge in the Cardtoons case thought the "2 Live Crew" decision was instructive. The District Judge therefore set aside his earlier ruling in favor of the Players Association and instead entered judgment for Cardtoons. Moreover, that ruling was affirmed on appeal. (ELR 19:1:7)

Emboldened by its success in these later innings, Cardtoons returned to the District Court where it sought to recover damages against the Players Association for two things: for interfering with Cardtoons' contract with its printer; and for defamation on account of the cease-and-desist letters' assertion that Cardtoons would be violating the law by making and selling its cards.

However, the momentum of the case turned again, because Cardtoons lost its claim for damages. In an unpublished ruling, the District Court held that the Players Association is immune from liability, because its cease-and-desist letters were sent in connection with contemplated litigation. And that decision has been affirmed on appeal.

Writing for the Court of Appeals, Judge Carlos Lucero ruled that even though the Players Association did not "consummate" the lawsuit threats it made in its cease-and-desist letters, the Players Association is immune from liability for making those threats, under the circumstances that existed in this case. The immunity arises under the Noerr-Pennington case and the Supreme Court's decision in Professional Real Estate Investors v. Columbia Pictures (ELR 15:4:3).

Both of those cases involved immunity from antitrust liability rather than from liability for interference with contract and defamation. But Judge Lucero held that the principle applied, just the same.

The principle is that liability may not be imposed for prelitigation threats of lawsuits, so long as the party making the threat had reasonable cause to believe that its rights had been violated. Though the Players Association eventually lost is right of publicity counterclaim against Cardtoons, at the time it sent its cease-and-desist letters, it did have reasonable cause to believe that Cardtoons' cards would violate the publicity rights of Player Association members, Judge Lucero held. For that reason, the Court of Appeals affirmed the summary judgment that had been granted the Players Association in connection with Cardtoons' claims for damages.

Editor's note: Cardtoons also appealed the District Court's refusal to permit it to conduct discovery concerning the Players Association's actual, subjective beliefs at the time it sent its cease-and-desist letters. Cardtoons wanted to question the Players Association about whether it had done legal research, for example, apparently in the hope that it could show that the Players Association did not in fact believe it would win a right of publicity lawsuit against Cardtoons or its printer. Judge Lucero also affirmed the District Court's decision not to permit such discovery. He held that the subjective beliefs of the Players Association would be relevant only if its threats were objectively baseless which they weren't. Note however that Judge David Ebel dissented from this portion of the appellate court's ruling - thus suggesting that in some courts, it may be important for those who send cease-and-desist letters to

have a provable subjective basis for believing the validity of the claims asserted in those letters.

Cardtoons, L.C. v. Major League Baseball Players Association, 182 F.3d 1132, 1999 U.S.App.LEXIS 14618 (10th Cir. 1999)[ELR 21:7:10]

Pennsylvania sports lawyer Bernard Resnick states defamation and interference with contract claim against Illinois law firm D'Ancona & Pflaum as a result of statements made by law firm associate in connection with boxer Angel Manfredy's termination of representation by Resnick

Boxer Angel Manfredy once was represented by Pennsylvania sports lawyer Bernard Resnick. Now he's not, and Resnick thinks he knows why. Lawyer Jeffrey Brown, an associate in the Illinois law firm of D'Ancona & Pflaum, allegedly persuaded Manfredy to terminate Resnick's representation on the grounds that Resnick had "ineffective negotiating skills." Worse yet, Brown allegedly made disparaging and untrue statements about Resnick to at least one boxing promoter and an official of HBO.

Resnick made these allegations in a defamation and interference with contract lawsuit against Manfredy, Brown and D'Ancona & Pflaum. The defendants, of course, wanted the case dismissed, not only on its merits, but also because it was filed in Pennsylvania rather than in Illinois where Brown and D'Ancona & Pflaum are located or even in Indiana where Manfredy lives.

Federal District Judge Curtis Joyner has dismissed Resnick's claims against Manfredy and

Brown, on jurisdictional grounds. D'Ancona & Pflaum, however, remain in the case for now.

Judge Joyner ruled that web sites maintained by Manfredy and D'Ancona & Pflaum were not sufficient to give Resnick personal jurisdiction over them in Pennsylvania. Nor did Manfredy's contract with Resnick give Pennsylvania personal jurisdiction over the boxer, because the contract was not signed there, because Resnick alleges that he has a "national practice," and because Manfredy had been in Pennsylvania only once to make plane connections on his way to Atlantic City.

On the other hand, though D'Ancona & Pflaum is based in Illinois and has no offices in Pennsylvania, the firm has had some 54 clients in Pennsylvania. That was enough, Judge Joyner ruled, to give him personal jurisdiction over the firm.

D'Ancona & Pflaum's efforts to have the case dismissed on its merits, for failure to state a claim, were not successful. Judge Joyner has ruled that Resnick's complaint against the law firm adequately alleges a claim for defamation, based on the alleged statements made by the firm's associate Brown to others concerning Resnick's negotiating skills and his supposed failure to get endorsement deals for Manfredy.

The judge also ruled that Resnick's complaint adequately alleges a claim for interference with contract, based on Brown's allegedly inducing Manfredy to terminate his agreement with Resnick, "maneuvering himself" into the place Resnick had been as Manfredy's lawyer, and "facilitating" the installation of Manfredy's brother John as Manfredy's manager.

Resnick v. Manfredy, 52 F.Supp.2d 462, 1999 U.S.Dist.LEXIS 5877 (E.D.Pa. 1999)[ELR 21:7:11]

School district did not violate First Amendment rights of high school band members when it prohibited them from performing Jefferson Airplane's "White Rabbit," because song's lyrics refer to drug use, federal District Court rules

Jefferson Airplane was one of the most successful bands of the late 1960s early '70s; and "White Rabbit" was one of its biggest hits. So in 1998, when the marching band of Fort Zumwalt North High School planned performances featuring popular rock music from that era, it made perfect sense to include "White Rabbit," along with other songs like "The

Afternoon: Tuesday Afternoon" by the Moody Blues and "Roundabout" by Yes.

"White Rabbit" was written by Jefferson Airplane's lead singer Grace Slick. Its lyrics begin: "One pill makes you larger, And one pill makes you small." That is why some listeners think the song refers to drug use - though others think it's nothing more sinister than a parody of "Alice in Wonderland."

One of those who thinks that "White Rabbit" glorifies drug use was the mother of a North High School student, and she so informed the Superintendent of the Fort Zumwalt School District. The Superintendent investigated and agreed. Indeed, he also concluded that Jefferson Airplane and Grace Slick are associated with the "drug culture," and for these reasons, he ordered the North High School marching band not to perform "White Rabbit."

The band members responded by suing, alleging that the Superintendent's order violated their First Amendment rights. On its face, the band members' argument seems right. Perhaps it would have been, if they hadn't been public high school students engaged in a school-sponsored activity. These last factors made all the difference, however. As a result, federal District Judge Rodney Sippel has dismissed the student's lawsuit, in response to the School District's motion for summary judgment.

Judge Sippel noted that in Hazelwood School District v. Kuhlmeier (ELR 9:9:15), the United States Supreme Court held that school authorities may restrict the content of student speech in school-sponsored activities, if doing so is "reasonably related to legitimate pedagogical concerns."

In this case, the Superintendent had ordered the marching band not to perform "White Rabbit" because

the band's performance of the song might be perceived to advocate drug use or to suggest that the School District tolerated drug use. Judge Sippel was unwilling to say that the Superintendent had been wrong. Indeed, the judge concluded that the Superintendent's decision was "reasonably related to the District's legitimate pedagogical concerns and therefore did not violate [the band members'] First Amendment rights of freedom of expression."

*McCann v. Fort Zumwalt School District*, 50 F.Supp.2d 918, 1999 U.S.Dist.LEXIS 14960 (E.D.Mo. 1999)[ELR 21:7:12]

Barney look-alike in act performed by The Famous Chicken at sporting events was a non-infringing parody of Barney dinosaur, appellate court affirms "Hardly anything is sacred" to Ted Giannoulas, the creator of "The Famous Chicken." In live performances at sporting events, including professional baseball games, Giannoulas' character has poked fun at celebrities, ball players, umpires, and even "Barney," the purple "tyrannosaurus rex" who is loved by countless children.

Celebrities, ball players and umpires may have been amused when targeted by The Famous Chicken. But the owner of Barney's trademark and copyright rights was not, when a character that had a "remarkable likeness" to Barney appeared with The Famous Chicken in extended performances in which the Chicken would "flip, slap, tackle, trample, and generally assault the Barney look-alike." So little amused was Barney's owner that it sued Giannoulas for trademark and copyright infringement.

Federal District Judge John McBryde ruled that the Barney look-alike was a non-infringing parody, and thus the judge granted Giannoulas' motion for summary judgment (ELR 20:10:12). A federal Court of Appeals has affirmed that ruling. In a short and unusually conclusionary decision, Judge Grady Jolly determined that Giannoulas was "not merely profiting from the spectacle of a Barney look-alike . . . in his show." Instead, Judge Jolly concluded, Giannoulas "was engaged in a sophisticated critique of society's acceptance of this ubiquitous and insipid creature."

As a result, the judge rejected the argument of the Lyons Partnership, Barney's trademark and copyright owner, that the Barney look-alike was not really intended as a parody, and Lyons' argument that even if it were, the District Judge gave too much weight to his finding that it was a parody. Judge Jolly explained that "in context," the humor of the look-alike's appearance in "The Famous Chicken" performance came "not from an attempt to benefit from Barney's goodwill," but instead from "the incongruous nature of such a performance." From this Judge Jolly concluded that the look-alike's appearance "was clearly meant as a parody," and Lyons' "insistence that the Chicken's act is not a parody is . . . a completely meritless argument."

Judge Jolly also rejected Lyons' argument that even if the look-alike were a parody, that was only one factor - among more than a half-dozen others - that should have been considered in deciding whether there was a likelihood of consumer confusion. The District Court had considered the parody nature of the lookalike when evaluating the other factors. And Judge Jolly ruled that doing so was proper.

"[A]lthough the fact that conduct is a parody is not an affirmative defense to trademark infringement," Judge Jolly said, "a parody should be treated differently from other uses that infringe on a trademark." The use of a trademark for satirical purposes affects the analysis of the other factors; the parody use of a trademark is not to be considered separately from the other "digits of confusion," Judge Jolly held.

The appellate court also affirmed the District Court's fair use copyright ruling, without any discussion at all, thus making Giannoulas' victory complete.

Lyons Partnership v. Giannoulas, 179 F.3d 384, 1999 U.S.App.LEXIS 15001 (5th Cir. 1999)[ELR 21:7:12]

Daughter of late blues musician Freddie King recovers \$38,375 from record company for breach of contract and unauthorized use of King's name and likeness, but nothing for liner notes stating that record company owner was "producer" of King's live performance recordings

Record company owner Roy C. Ames was apparently a fan of the late blues musician Freddie King. In 1993, Ames entered into a licensing agreement with King's widow authorizing him to release three of King's old recordings, two of which were made during live performances. Indeed, the live performance CDs released by Ames' company even listed Ames as the recordings' "producer," though according to some, live performances do not have a producer.

Little more than a year after the licensing agreement was entered into, a dispute arose between

Ames and King's daughter. The daughter claimed that her mother's agreement with Ames covered just one recording, not three, and she complained about the amount of the royalties Ames had paid. So serious was the daughter about her complaints that she formally terminated the licensing agreement and filed suit against Ames, on a variety of theories.

At trial, a jury awarded the daughter \$11,375 for breach of contract. Though this is a relatively modest amount by record industry standards, Ames appealed, contending that less or even nothing should have been awarded. Court of Appeals Judge Carl Stewart has affirmed, however. In a brief opinion that does not explain how the \$11,375 figure was determined, or even what it's for, Judge Stewart ruled that because a great deal of evidence was presented at trial, and because there is a "high standard for overturning a jury's verdict," the jury's award "must stand."

The jury also awarded King's daughter \$27,000 for Ames' unauthorized use of King's name and likeness. The trial judge set aside that award, because it was based simply on the daughter's opinion testimony concerning the value of King's persona - evidence the trial judge found insufficient. The daughter appealed this ruling, with success. Judge Stewart ruled that the daughter's opinion testimony was sufficient, and thus he reinstated the jury's award.

The daughter also had asserted a Lanham Act claim, because the liner notes on the CDs of King's live performances indicated that Ames was their "producer." According to the daughter, "there is no 'producer' of a live recording," so the liner notes were false and likely to cause confusion among the record-buying public. This claim was dismissed before trial, in response to Ames' motion for summary judgment. The daughter appealed this issue too, but without success.

Judge Stewart held that there was no evidence "that King, any producer, or any other person was injured by the alleged misattribution."

King v. Ames, 179 F.3d 370, 1999 U.S.App.LEXIS 14989 (5th Cir. 1999)[ELR 21:7:13]

If Florida state law permits agreements of indefinite duration to be terminated at will, jingle writer was entitled to terminate implied license she had granted to radio station; federal appellate court rules that 35-year termination period provided by Copyright Act does not preempt state law and thus implied copyright licenses do not have 35-year minimum terms, as radio station contended

Careful copyright owners make all their deals in writing. By law, exclusive licenses must be in writing, but countless copyright owners and licensees are not careful, and non-exclusive licenses may be oral and even implied.

These legal principles became important to jingle writer Mimi Korman when she discovered that Florida radio station WQBA was still using - years after her relationship with the station ended - a jingle she once wrote and authorized the station to use. When the station refused to stop playing the jingle or pay her a license fee, Korman sued for copyright infringement.

When Korman originally authorized the station to use her jingle, it was not done in writing, nor was it done in an explicit oral agreement. Her authorization was instead implied. Thus, when she later purported to terminate the station's implied license, this question

arose: what is the duration of an implied copyright license?

WQBA thought it had a simple answer to that question. Section 203 of the Copyright Act provides that licenses may be terminated 35 years after they are granted. According to the radio station, this meant that implied licenses couldn't be terminated earlier. Federal District Judge Stanley Marcus agreed, apparently persuaded that this was so by Rano v. Sipa Press (ELR 15:8:11), a Ninth Circuit Court of Appeals decision which so held.

The Rano decision however has been severely criticized. After Judge Marcus dismissed Korman's lawsuit, the Seventh Circuit Court of Appeals expressly disagreed with it. In the case of Walthal v. Rusk, the Seventh Circuit held that under Illinois law, an agreement that does not specify a duration is terminable

at will; and this includes copyright licenses (ELR 21:4:15).

Florida is the Eleventh Circuit, so when Korman appealed the dismissal of her suit, the Eleventh Circuit Court of Appeals had to decide which precedent to follow - the Ninth Circuit's decision in Rano, which would have meant that Korman's suit had been properly dismissed, or the Seventh Circuit's decision in Walthal which would have meant that her suit had been improperly dismissed.

In an opinion by Judge Edward Carnes, the Eleventh Circuit had no difficulty in deciding that the Ninth Circuit was wrong and the Seventh Circuit right. That is, Judge Carnes held that section 203 of the Copyright Act does not preempt state contract law concerning the duration of contracts. "[I]f state law provides that licenses of indefinite duration may be terminated in less than 35 years," Judge Carnes said, "it

is state law and not section 203 that governs the question of termination before 35 years."

The Eleventh Circuit therefore reversed the dismissal of Korman's suit and remanded the case to Judge Marcus so he could determine whether implied contracts may be terminated at will under Florida state law.

Korman v. HBC Florida, Inc., 182 F.3d 1291, 1999 U.S.App.LEXIS 18257 (11th Cir. 1999)[ELR 21:7:13]

Tuff City Records wins important rulings in dispute with Sugarhill Music over ownership of copyright to Spoonie Gee's "Spoonin' Rap"; Sugarhill's failure to register song's copyright results in dismissal of its infringement counterclaim against Tuff City, and Sugarhill's delayed recordation of assignment of copyright results in dismissal of its "prior transfer" affirmative defense to Tuff City's claims against it

Tuff City Records and Sugarhill Music are locked in a seemingly bitter dispute over which of them owns the copyright to Spoonie Gee's "Spoonin' Rap." Though the song dates back to 1979, Spoonie Gee's recording of it has been used in the soundtracks of the movies "Fresh" and "Love Without Pity"; and K-Tel International has released it as well, on an album titled "True School." Royalties, in other words, are being

earned by "Spoonin' Rap," so it matters who the real owner is.

One reason there is a dispute about who owns the song's copyright is that over the years, the copyright has changed hands, and Sugarhill was not careful enough about documenting its ownership in the records of the United States Copyright Office.

According to Sugarhill, Spoonie Gee sold his rights in the song and master recording to Heavenly Crown Music in 1979; and Heavenly Crown sold those rights to Sugarhill in 1980. Sugarhill apparently acknowledges, however, that the copyrights to the song and recording were never registered by Gee, Heavenly or Sugarhill. And Sugarhill acknowledges that it didn't get around to recording the assignment it got from Heavenly until 1995.

According to Tuff City Records, Gee assigned the same copyrights to it in 1988 - and Tuff registered them in the Copyright Office in 1994.

In the beginning, the battle between Tuff and Sugarhill over which of them owns the "Spoonin' Rap" copyrights was fought in letters to licensees. Sugarhill's letters provoked Tuff to sue it for interference with contract and defamation. Sugarhill responded with an affirmative defense of "prior transfer" and a counterclaim for copyright infringement.

In response to cross motions for summary judgment, federal District Judge Robert Sweet has made two rulings that weaken Sugarhill's case substantially. First, Judge Sweet has dismissed Sugarhill's counterclaim for copyright infringement, on the grounds that he does not have subject matter jurisdiction to hear that claim, because the copyrights

that Sugarhill claims were infringed were never registered.

Second, Judge Sweet has dismissed Sugarhill's "prior transfer" affirmative defense, on the grounds that even though Sugarhill claims that it acquired the copyrights at issue eight years before Tuff claims to have acquired them, Tuff recorded its assignment a year before Sugarhill recorded its assignment. Under these circumstances, the Copyright Act provides that the assignment to Tuff has priority over the assignment to Sugarhill, unless Tuff had notice of the earlier assignment to Sugarhill. Unfortunately for Sugarhill, the judge found that it had produced no evidence demonstrating that Tuff had any such knowledge.

*Tuff-N-Rumble Management v. Sugarhill Music Publishing*, 49 F.Supp.2d 673, 1999 U.S.Dist.LEXIS 7739 (S.D.N.Y. 1999)[ELR 21:7:14]

Island Records had valid license to use digital sample from "Funky Soul" in P.M. Dawn's "So On and So On"; dismissal of infringement action by "Funky Soul" writer and artist Michael Batiste is therefore affirmed

Island Records and its recording duo "P.M. Dawn" apparently got caught in the middle of a legal dispute between "David Batiste & the Gladiators" and that group's own publisher and record producer Isaac Bolden. It cost Island more than a million dollars to extricate itself from the case; but finally it has done so. A federal Court of Appeals has affirmed the dismissal of Copyright and Lanham Act claims made by Batiste against Island and P.M. Dawn - claims that in retrospect, Island seems to have taken care to avoid in the first place.

At issue in this expensive case was Batiste's assertion that P.M. Dawn's 1993 recording "So On and So On" contained material digitally sampled from "Funky Soul," a song that David Batiste had written and his group had recorded back in 1970. Island and P.M. Dawn have never denied that "So On" sampled "Funky Soul." What they have said, however, is that the sampling was properly authorized. The central question in the litigation was whether that authorization was in fact proper - whether, to be specific, it came from the right person.

At the time "Funky Soul" was recorded, Batiste had contracts with music publisher and record producer Isaac Bolden. Those contracts granted Bolden the copyright in the song as well as all rights relating to the copyright in the "Funky Soul" recording, including the right to license the recording for use "by any method now or hereafter known." Registrations in the

Copyright Office confirm Bolden's ownership of the copyrights in question; and nothing in the Copyright Office suggests Batiste is their owner.

Under these circumstances, it is not surprising that when Island determined it would need a sampling license for "So On," it went to Bolden to get it - not to Batiste. Bolden in fact granted Island such a license, in return for a \$15,000 advance and 40% ownership in "So On." Moreover, when "So On" was released on P.M. Dawn's album "Bliss," the liner notes credited Batiste as co-writer of "So On" and indicated that "'Funky Soul' [was] performed by David Batiste & The Gladiators [and was] used under license by Isaac Bolden."

None of this deterred Batiste from suing, however. He contended that his 1970 copyright grant to Bolden did not authorize Bolden to license digital sampling in 1993. Court of Appeals Judge Carolyn

King was not persuaded, however. In a terse response, the judge quoted the contract language and concluded that "Such a grant is sufficiently broad to include licensing of a record containing a digital sample of 'Funky Soul.'"

Batiste also argued that the sampling of his recording "mutilated" it, in violation of his rights under the Lanham Act. Moreover, he added, though the liner notes credited him personally, no credit was given to his two brothers who made up the other members of "The Gladiators." Neither of these arguments persuaded Judge King either. Even if sampling did constitute mutilation, the judge said, there was no evidence of consumer confusion - no evidence, in other words, that consumers were confused or deceived by the use of a digital sample of "Funky Soul" in "So On" or by the identification of Batiste's brothers as "The Gladiators."

For these reasons, Judge King ruled that the District Court had properly granted summary judgment dismissing Batiste's lawsuit against both Island and P.M. Dawn.

Batiste v. Island Records, Inc., 179 F.3d 217, 1999 U.S.App.LEXIS 13602 (5th Cir. 1999)[ELR 21:7:15]

New York Post article about celebrity graduates of New York City high schools did not infringe copyright to book on same subject, even though Post reproduced some photos and edited some captions from book, because copied material was not protected by book's copyright, federal District Court holds Fred Cantor is the editor of an interesting book about celebrities who graduated from New York City high schools. Entitled "The Graduates: They Came Out of New York's Public Schools," Cantor's book reproduced the high school yearbook photos of the celebrities he chose to include. Cantor also revised the yearbooks' captions, to eliminate such things as former addresses and to include celebrities' current names (if their names had changed since high school).

The idea behind Cantor's book is so interesting, it's been done at least twice since - once by the New York Daily News and later by the New York Post. The Daily News article was illustrated with photographs the News had reproduced directly from high school yearbooks; and Cantor made no objection to that article.

The New York Post article, however, was accompanied by some 16 photos the Post had copied

from Cantor's book (rather than from original yearbooks). In addition, the Post edited and republished some of Cantor's revised captions, rather than original yearbook captions. Cantor did object to this, in a copyright infringement suit against the Post's owner, NYP Holdings, Inc.

Though the Post acknowledged that it had access to a copy of Cantor's book and had actually copied the offending photos from it, the Post claimed - in a motion for summary judgment - that it had not infringed Cantor's copyright in the book. Federal District Judge Richard Owen agreed, and has granted the newspaper's motion.

Since Cantor was not the photographer who shot the original yearbook photos, he did not own a copyright in those - a point that Cantor conceded. The copyright to his book covered just his selection and arrangement of the photos it contained. And Judge Owen found that the Post had not copied Cantor's selection and arrangement. The Post article contained 75 photos, only 16 of which came from Cantor's book which contained 70 photos. The judge concluded that although Post employees "did take a short-cut in their research by relying in part on [Cantor's] book," doing so did not infringe Cantor's copyright.

Judge Owen also agreed with the Post that it had not infringed the copyright to Cantor's book by editing and publishing some of the captions that appeared in it. The judge found that Cantor's captions were merely revised versions of original yearbook captions, and that the revisions "were routine and obvious." This meant that Cantor could not claim a copyright in his revised captions. Moreover, Judge Owen noted, the Post had made further revisions of its own.

Cantor v. NYP Holdings, Inc., 51 F.Supp.2d 309, 1999 U.S.Dist.LEXIS 8434 (S.D.N.Y. 1999)[ELR 21:7:15]

McGraw-Hill is not obligated to pay royalties on proceeds from sale to another publisher of rights in books and related contracts, Colorado appellate court affirms

For a decade or so, McGraw-Hill was the publisher of a group of medical books it had licensed from a Colorado company known as Relative Value Studies, Inc. McGraw-Hill's contracts with Relative Value obligated McGraw-Hill to pay royalties based on its "net receipts from the annual revenues of . . . the Works." And "net receipts" were defined as the "selling or licensing price, less discounts, credits, and returns, or a reasonable reserve for returns."

So long as McGraw-Hill was selling actual books, the contract was clear and proper royalties were paid, apparently without dispute. In 1996, however, McGraw-Hill sold all of its rights in the books, and in their related contracts, to another publishing company, for about a million dollars. The buyer continued to pay royalties to Relative Value based on the buyer's book sales. But McGraw-Hill never paid Relative Value a royalty on the million dollars it received from its sale of its book rights and contracts.

The contracts between McGraw-Hill and Relative Value made no explicit mention of an assignment by McGraw-Hill. And Relative Value apparently didn't object to McGraw-Hill's sale to the new publisher. Relative Value did, however, want to be paid a royalty on the million-dollar sale price - something Relative Value said was required by its contracts with McGraw-Hill.

Relative Value made this argument in a breach of contract suit in Colorado state court. A trial court judge was not persuaded and thus granted McGraw-Hill's motion for summary judgment. The exact amount at stake has not been publicly reported. It appears, however, that the amount was probably in the neighborhood of \$150,000 - enough, in other words, for Relative Value to appeal; and that is what it did, but without success.

In a short opinion by Judge Leonard Plank, the Colorado Court of Appeals has affirmed McGraw-Hill's victory. Judge Plank agreed with McGraw-Hill and the trial court that the phrase "net receipts from the annual revenues" simply does not include revenues received by McGraw-Hill from its assignment to another publishing company of McGraw-Hill's book rights and contracts with Relative Value. In context, Judge Plank

said, it was apparent that royalties were due only in connection with McGraw-Hill's sales of actual books.

Relative Value Studies, Inc. v. McGraw-Hill Companies, 981 P.2d 687, 1999 Colo.App.LEXIS 145 (Colo.App. 1999)[ELR 21:7:16]

## Saint Louis Symphony wins dismissal of suit by violinist alleging disability and age discrimination and infliction of emotional distress

Violinist Louis Kampouris played with the Saint Louis Symphony orchestra for 45 years, from 1949 until 1994. Then, as a result of nerve problems that affected both of his hands, Kampouris' doctor ordered him to stop playing, and Kampouris went on long-term disability leave.

More than two years later, following surgery, Kampouris thought his condition had improved enough for him to return to the Symphony; but the Symphony asked him to show that he could still perform to its artistic standards. When Kampouris and the Symphony could not agree on a method by which he could make that showing, the violinist sued, alleging the Symphony had violated his rights under the Americans with Disabilities Act and the Age Discrimination in Employment Act. He also sought damages under Missouri state law for intentional infliction of emotional distress

In response to the Symphony's motion for summary judgment, federal District Judge Donald Stohr has dismissed Kampouris' case.

Judge Stohr found that the violinist had not shown that the Symphony had questioned anything but his ability to perform up to its particular standards. Since he had received disability benefits for more than two years, the judge ruled that the Symphony's requirement that Kampouris prove he was no longer disabled "appears eminently reasonable, particularly in as performance-conscious an environment as a worldclass symphony orchestra."

For the same reason, the judge held that the violinist had not shown that the Symphony had discriminated against him because of his age.

Finally, under Missouri law, emotional distress claims resulting from the termination of an at-will employee require proof of "extraordinary circumstances and outrageous conduct." Those were circumstances and conduct were "not found" in this case, the judge ruled.

Kampouris v. Saint Louis Symphony Society, 52 F.Supp.2d 1096, 1999 U.S.Dist.LEXIS 8700 (E.D.Mo. 1999)[ELR 21:7:16]

Court denies motion by professional sports leagues, players associations and Disney seeking dismissal of RICO suit filed by trading card purchasers who allege that insertion of valuable "chase" cards in random packages constitutes illegal gambling

The sale of sports trading cards seems like a legally safe thing to do, but doing so has resulted in more than a dozen federal lawsuits against card manufacturers and their licensors. These lawsuits have been filed on behalf of trading card purchasers who claim that the practice of inserting rare and therefore valuable "chase" cards in random card packages

constitutes a form of illegal gambling. Thus, it is alleged, the practice violates the federal Racketeer Influenced and Corrupt Organizations Act, commonly referred to as "RICO" (and in one case, the California Unfair Business Practices Act).

The accused "racketeers" and "corrupt organizations" include Major League Baseball Properties, the Major League Baseball Players Association, NBA Properties, the National Football League Players Association, National Hockey League Enterprises, the NHL Players Associations, and The Walt Disney Company. The primary thing these organizations did was to license their copyrights, trademarks, and publicity rights to companies that make and sell the trading cards purchased by the plaintiffs. In fact, according to these organizations, that - plus controlling the quality of the licensed cards, as required by trademark law - is all they did.

It is not surprising, then, that regardless of the merits of the RICO allegations against the card manufacturers, the sports leagues, players associations and Disney think that - as mere intellectual property licensors - they have not committed any such violations. Moreover, their opinion has been validated in five lawsuits filed in the Eastern District of New York, all of which were dismissed (in unpublished rulings).

The plaintiffs in all of these cases are represented by the same lawyers who - it is plausibly asserted learned something from the dismissal of the New York actions. They learned to file new cases in another district, and they have - in the Southern District of California. The District Court there has received their claims with more respect. That is, the judge has refused to dismiss them, though recently he agreed to stay the California lawsuit pending the outcome of declaratory relief lawsuits filed by the sports leagues and the NFL Players Association in New York.

In California, the leagues, players associations and Disney sought dismissal of the case against them, on the grounds that they could not have violated RICO simply by doing the very things required of them by the Trademark Act in order to protect the validity of their marks. However, they made this argument in a motion to dismiss for failure to state a claim (not in a summary judgment motion) which meant that District Judge Rudi Brewster had to, and did, assume that the allegations of the plaintiffs' complaint were true.

That complaint alleges that the leagues, players associations and Disney did more than merely review and control the quality of the trading cards they had licensed. It alleged that they were engaged in an actual association with their card manufacturer licensees and actively participated in the decision to use "chase"

cards and to advertise the cards in a way that urged customers to seek "chase" cards. These allegations, Judge Brewster concluded, were sufficient to state a RICO violation claim.

Though Judge Brewster refused to dismiss the case, he did agree to stay it, pending the outcome of the declaratory relief cases which the leagues and NFL Players Association filed in the Eastern District of New York in the hope that given of that court's rulings in other earlier cases, it will declare that their activities did not run afoul of RICO.

Dumas v. Major League Baseball Properties, Inc., 52 F.Supp.2d 1170, 1999 U.S.Dist.LEXIS 9015 (S.D.Cal. 1999); Dumas v. Major League Baseball Properties, Inc., 52 F.Supp.2d 1183, 1999 U.S.Dist.LEXIS 9014 (S.D.Cal. 1999)[ELR 21:7:17]

Dissatisfied "People's Court" participant waived all claims against Ralph Edwards Productions in "Agreement to Arbitrate," even though program is not really an arbitrator, New York court rules

"People's Court" is of course a television program produced by Ralph Edwards Productions. Its status as a judicial institution is less clear. On paper, it considers itself an "arbitration" tribunal. But at least one court has ruled that it's not. The reason that the judicial status of "People's Court" mattered is that a litigant who appeared on the program in 1997 turned out to be a big problem.

A company called The Doo Wop Shoppe bought a used refrigerator from T & B Restaurant Equipment for \$700. The refrigerator broke down and needed \$150 in repairs; but before Doo Wop got around to fixing it,

some beer that had been stored in the refrigerator went bad. Doo Wop sued T & B in small claims court seeking to recover the price of the refrigerator, the cost of repairing it, and the value of the spoiled beer. Ralph Edwards Productions discovered the case before it went to trial, and got Doo Wop and T & B to litigate their dispute on the "People's Court" instead of in small claims court.

In accordance with Ralph Edwards' standard procedures, Doo Wop dismissed its small claims court case against T & B, and consented - in an "Arbitration Agreement" - to have its claim be heard and decided on the program. In the "Arbitration Agreement," Doo Wop also released and discharged Ralph Edwards from any claims it might have against the production company, including those arising out of Doo Wop's case against T & B.

When the case was heard on "People's Court," "Judge" Edward Koch awarded Doo Wop the \$700 it spent on the refrigerator and the \$150 it spent getting it fixed, but not the cost of the spoiled beer. Koch failed to say whether Doo Wop had to return the refrigerator in order to collect its "judgment," but that apparently is what Ralph Edwards expected. By agreement, the judgment was to have been paid by Ralph Edwards, rather than by T & B. But when Doo Wop refused to return the refrigerator, Ralph Edwards reduced Doo Wop's recovery - thus provoking Doo Wop into filing a second small claims court action, this time against Ralph Edwards itself.

This is why the judicial status of the "People's Court" became relevant. If it were an actual arbitration tribunal, New York law would have protected it from liability to Doo Wop and would have provided a specific procedure for Doo Wop to object to the

reduction of its award. However, New York Civil Court Judge Philip Straniere has ruled that the "People's Court" is not an arbitrator. This is so, Judge Straniere explained, because the parties had agreed to be compensated by the program's producer, and not by the other litigant. Instead, they "traded their rights to use the Court system for what Andy Warhol called their 'fifteen minutes of fame." Thus, none of the rights and protections given to those who engage in arbitration are available to those who agree to appear on the "People's Court."

On the other hand, Doo Wop had waived and released any claims it might otherwise have had against Ralph Edwards. And that provision of the "Arbitration Agreement" is perfectly valid, the judge ruled. "The parties have voluntarily sold their right to utilize the Court system for monetary compensation and the opportunity to be seen on television. There clearly was

consideration received. . . . The agreement does not violate public policy," Judge Straniere concluded.

Doo Wop Shoppe Ltd. v. Ralph Edwards Productions, 691 N.Y.S.2d 253, 1998 N.Y.Misc.LEXIS 691 (N.Y.City Civ.Ct. 1998)[ELR 21:7:18]

"Details" magazine wins dismissal of defamation and emotional distress action filed by art dealer who was described as "money launderer" and "extortionist" in article about Russian mob involvement in National Hockey League

The article in Details magazine was certainly provocative. Entitled "Power Play," the piece was a self- described "exclusive report" revealing how the Russian mob has muscled its way into the National

Hockey League. The article reported how journalist Robert I. Friedman asked hockey player Slava Fetisov about his acquaintance "with a New York art dealer and hockey fan named Felix Komarov - a man that the FBI asserts is [a] main money launderer and the 'chief extortionist of émigré businessmen in New York'" as well as a man who is as well known in Brighton Beach as "John Gotti."

Hockey player Fetisov's response to Friedman's questions was to end the interview. Art dealer Felix Komarov's response to Friedman's article was to file a defamation and infliction of emotional distress lawsuit. While Fetisov successfully ended the interview, Komarov's suit was not successful.

New York Supreme Court Judge Sheila Abdus-Salaam has dismissed the case, for three reasons. First, Friedman based his assertion that Komarov is a "money launderer" and "extortionist" on statements made in an

FBI warrant application and internal report. Thus, those statements are protected by a privilege granted by New York Civil Rights Law section 74 which provides that civil actions "cannot be maintained . . . for the publication of a fair and true report of any judicial . . . or other official proceeding."

Second, the judge concluded that comparing Komarov to John Gotti is not a false "fact," was "clearly understood as conjecture," and thus could not be the basis for a defamation claim.

Finally, Komarov's emotional distress claim was dismissed because it was based on the same statement that was protected by the fair report privilege, and because the article's offending statements were not so "extreme and outrageous" as to transcend the bounds of decency.

Komarov v. Advance Magazine Publishers, Inc., 691 N.Y.S.2d 298, 1999 N.Y.Misc.LEXIS 192 (Sup. 1999)[ELR 21:7:18]

## Trial judge improperly closed court to journalists during trial of Sondra Locke's lawsuit against Clint Eastwood, California Supreme Court affirms

Sondra Locke's lawsuit against Clint Eastwood is now history, and by Hollywood standards, ancient history at that. Those with long memories may recall that the case was settled, after trial, while the jury was deliberating.

(A related but separate case was settled as well (ELR 21:2:7), after an appellate court ruled that Locke was entitled to a trial in her breach of contract and fraud suit against Warner Bros. based on a development

deal the studio gave Locke after her breakup with Eastwood. (ELR 19:11:6))

One issue that arose while Locke's suit against Eastwood was in trial took on a life of its own, even after the case was settled. That issue arose because the case was being tried to an unsequestered jury, and the trial judge wanted to be certain that inadmissible evidence didn't reach jurors through television reports or newspaper articles. As a result, the judge excluded the public and reporters during proceedings that took place while the jury wasn't present.

KNBC-TV, the Los Angeles Times, and California Community News took exception to the trial judge's closure order, and quickly obtained a writ of mandate from the California Court of Appeal, requiring the trial judge to vacate the offending order. Though the case was thereafter settled, the question of whether and under what circumstances civil lawsuits may be

closed to the press is important, and is a question that was likely to arise again in the future. The California Supreme Court therefore agreed to hear the case; and it has affirmed the Court of Appeal's decision.

In a lengthy and scholarly opinion by Chief Justice Ronald George, the Supreme Court acknowledged that "the trial court reasonably was concerned with the risk that the jury in this highly publicized matter might learn of inadmissible evidence or information if the proceedings outside the presence of the jury were held in open court. . . . " Nevertheless, Justice George wrote, "recent decisions make clear that, as a general matter, frequent and specific cautionary admonitions to the jury and clear and direct instructions, rather than closure of the courtroom to the public, constitute the accepted, presumptively adequate, and typically less restrictive means of dealing with this potential problem."

California law has required courtrooms to be open to the public (except in certain family law matters) ever since Code of Civil Procedure section 124 was enacted in 1872. While that section has been little applied in actual cases, Justice George noted that in general, the First Amendment too provides a right of access to ordinary civil trials and proceedings; and thus section 124 has to be interpreted in a manner that is compatible with First Amendment standards.

In order to do so, Justice George held that section 124 must be interpreted to preclude closure of civil proceedings, "unless two things occur." First, if a trial judge intends to close a courtroom, the public must be given advance notice. And second, before proceedings are closed, the trial judge must hold a hearing and "expressly find" that: there is an "overriding" interest that requires closure of the courtroom; there is a substantial probability that the interest will be

prejudiced if the courtroom is not closed; the proposed closure is narrowly tailored to serve the overriding interest; and there is no less restrictive way to protect that interest.

In Locke's case, the trial judge had not made these necessary findings; and that is why the California Supreme Court affirmed the writ of mandate that required the case to be opened to the press and public.

NBC Subsidiary (KNBC-TV) v. Superior Court, 20 Cal.4th 1178, 86 Cal.Rptr.2d 778, 980 P.2d 337, 1999 Cal.LEXIS 4634 (Cal. 1999)[ELR 21:7:19]

Appellate court dismisses defamation suit filed by Houston family court judge, complaining about statements made in HBO documentary "Women on Trial," because judge 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. Judge Dean Huckabee was the judge in two of those cases. After the documentary aired, Huckabee sued HBO, alleging that the film was defamatory, because it unfairly and falsely criticized his decisions in those two cases.

Huckabee's suit was the second defamation action triggered by "Women on Trial." A separate

defamation lawsuit was filed by Dr. Kit Harrison, a court-appointed psychologist who complained that the documentary unfairly and falsely criticized his handling of one of the cases.

Huckabee's lawsuit and Harrison's lawsuit followed similar procedural paths. HBO made motions for summary judgment in both. Texas trial courts denied HBO's motions in both. HBO appealed both denials (which it was able to do immediately, because of a Texas statute that permits interlocutory appeals of denials of summary judgment motions made by the media based on the free speech guarantees of the First Amendment or the Texas constitution).

On appeal, HBO won dismissal of the suit filed by Harrison, the court-appointed psychologist, because the appellate court found that Harrison was a public figure and the filmmakers believed the information in their documentary was true, thus proving they had not acted with the "actual malice" that would have been necessary for a public figure to prevail. (ELR 21:2:9)

The Texas Court of Appeals also has ruled in HBO's favor in the case filed by Judge Huckabee. The appellate court's opinion in the Huckabee case was written by Justice Maurice Amidei - the same judge who wrote the court's opinion in the Harrison case. Justice Amidei's reasoning was the same in both cases.

Huckabee was an elected judge, and as such was a public figure. He therefore had to prove the filmmakers made false statements with "actual malice" in "Women on Trial," in order to win his defamation action. In order for HBO to win the case with its summary judgment motion, HBO had to conclusively negate the element of "actual malice."

Justice Amidei explained that in defamation cases, "actual malice" does not mean ill will or spite; it means making a statement with knowledge that it is

false or with reckless disregard for whether it is true. In Huckabee's case (as in the Harrison case), HBO submitted affidavits from Lee Grant, co-producer Virginia Cotts, and HBO vice-president Cis Wilson, all of whom stated that they believe the information in "Women on Trial" is true. These affidavits were "clearly sufficient to negate the element of actual malice," Justice Amidei concluded.

While Huckabee quarreled with several aspects of the production, none of the points he made showed that the filmmakers thought "Women on Trial" was false.

For these reasons, the appellate court reversed the trial court's refusal to grant HBO's summary judgment motion, and it "render[ed] judgment" in HBO's favor.

*HBO v. Huckabee*, 995 S.W.2d 152, 1998 Tex.App.LEXIS 5399 (Tex.App. 1998)[ELR 21:7:20]

Male model's lawsuit against insurance company that used his photo in ads directed at AIDS-infected homosexuals was not barred by Florida rule prohibiting tort claims for economic losses, even though model had written contract with insurance company, Florida appellate court rules

Readers of this periodical know that "ELR" is an abbreviation for the Entertainment Law Reporter. In the state of Florida, however, "ELR" also stands for the "economic loss rule." The "economic loss rule" is a common-law legal principle that bars tort recoveries for purely economic losses. The principle was created by Florida judges to distinguish between interests that are

protected by tort law and those that are protected by contract law. In Florida, economic interests are ordinarily protected by contract law, while tort law protects purely personal interests.

All of this became relevant to entertainment lawyers (at least those in Florida) because of a somewhat unusual case that has been filed by male model Paul Facchina against Mutual Benefits Corp., the Viatical Benefits Foundation, and a number of magazines in which Mutual and Viatical have advertised. According to Facchina, the magazines in question are those that are read by sexually active homosexuals. And the advertisements in question advise fatally-infected AIDS patients that they may be able to sell their life insurance policies before they die, for amounts that are less than their policies' death benefits.

The reason that Facchina took offense at these advertisements is that his photograph was part of them. As a result, he says, the ads falsely imply that he is a terminally ill AIDS infected homosexual. What makes Facchina's case somewhat unusual is that he posed for the photograph in question pursuant to a written release that gave Mutual Benefit the right to use the photo in advertisements for the purchase of life insurance policies. According to Facchina, however, the ads in which his photo was used were not authorized by the release he had signed.

Facchina has complained about the offending ads in a Florida state court lawsuit that alleges claims for "unauthorized publication," invasion of privacy and defamation. It appears that eventually the central issue in his case will be whether the ads went beyond the uses authorized by his release. But before the case got to that issue, a trial court dismissed it entirely, on the

grounds that it was barred by Florida's "ELR." On appeal, however, that ruling has been reversed, and Facchina's case has been reinstated. In an opinion by Judge Gary Farmer, the Florida District Court of Appeal has ruled that the "economic loss rule" does not bar any of Facchina's claims.

Facchina's "unauthorized publication" claim is based on Florida's right of publicity statute - one that prohibits the use of a person's name or likeness for commercial or advertising purposes without consent. That statute authorizes the recovery of damages for "any loss or injury" resulting from its violation. Judge Farmer ruled that the remedies created by this statute are not based on common law tort or contract law, and thus are not limited by the economic loss rule.

The judge also ruled that Florida's ELR did not bar Facchina's defamation claim, even though he and Mutual had a contract with one another, because when Facchina signed the release, he "could hardly have foreseen the need to provide remedies for a later defamatory falsehood concerning him." Likewise, Judge Farmer ruled that Facchina's invasion of privacy claim was not barred by the ELR, because even though he knew his photo would be published, it was "not realistic" to expect him to anticipate that the photo would be published in manner that invaded his privacy.

Facchina v. Mutual Benefits Corp., 735 So.2d 499, 1999 Fla.App.LEXIS 11961 (Fla.App. 1999)[ELR 21:7:20]

Following remand from U.S. Supreme Court, appeals court affirms dismissal of federal class action lawsuit arising out of Matsushita's acquisition of MCA; settlement of Delaware state court class action barred class members from pursuing federal suit despite claim that they were inadequately represented in Delaware, appellate court holds

The companies that once were owned by MCA - including Universal Studios - are now owned by Seagram. For a while though, not too long ago, those companies were owned by Matsushita, as a result of a transaction that spawned two class action securities lawsuits.

Matsushita's ownership of Universal is all but forgotten now in Hollywood. But securities lawyers are unlikely to forget that era, ever, because one of the class action lawsuits ended in a controversial settlement; and the other produced landmark judicial decisions by the United States Supreme Court and by the Ninth Circuit Court of Appeals.

As previously reported, the United States Supreme Court ruled that the settlement of the Delaware state court class action lawsuit barred class members from pursuing the separate federal court class action, even though the federal action was based on a statute over which federal courts have exclusive jurisdiction (ELR 18:2:7). That unequivocal Supreme Court ruling seemed at first to bring the federal action to a complete halt (except, perhaps for those class members who opted-out of the Delaware settlement). But it didn't.

The Delaware settlement was especially controversial because of claims that class members did not receive adequate representation in that case. When

the Supreme Court's ruling was remanded to the Ninth Circuit Court of Appeals, an argument broke out between the class members on the one hand and MCA and Matsushita on the other over whether the Supreme Court's decision barred the class from making a "due process" collateral attack (based on inadequate representation) on the Delaware settlement.

At first, the Ninth Circuit concluded that the class could make a due process collateral attack on the Delaware settlement, despite the Supreme Court's decision. But on rehearing, the Ninth Circuit changed its mind, and decided that the Supreme Court had necessarily determined that the Delaware settlement satisfied due process. As a result, since a collateral attack on the settlement is not possible, the dismissal of the federal class action has been affirmed.

Epstein v. MCA, Inc., 179 F.3d 641, 1999 U.S.App.LEXIS 11723 (9th Cir. 1999)[ELR 21:7:21]

Appellate court affirms injunction barring enforcement of Indiana High School Athletic Association's "eight-semester" eligibility rule against learning disabled student, because Association's failure to grant student a waiver violated Americans with Disabilities Act

From elementary school to high school, Eric Washington was literally a failure. As a result of learning disabilities, he advanced from one grade to the next, only because teachers thought that would be better than holding him back. He was in fact required to repeat the eighth grade, but he received failing grades even then. Promoted to high school nonetheless, he

failed again and dropped out of high school at the suggestion of a counselor.

Surprisingly, things then began to improve for Washington. While participating in a summer basketball tournament sponsored by Central Catholic High School, Washington was spotted by Central Catholic's coach who encouraged him to enroll and who became his academic mentor. At Central Catholic, Washington excelled at basketball; and this "improved his confidence in other areas, including education."

The turnaround in Washington's life was put in jeopardy after just a year at Central Catholic, because after that year, Washington lost his eligibility to participate in high school sports. Central Catholic is a member of the Indiana High School Athletic Association; and it has an "eight-semester" eligibility rule that ordinarily prohibits students from participating

in athletics for more than eight semesters after they first enroll in high school.

The Athletic Association permits the rule to be waived under certain circumstances, and it has done so in cases where students were unable to play for a year because of physical injuries. Central Catholic sought a waiver for Washington, asking that the year he was not enrolled in school not be counted towards the eight-semester limit. But the Athletic Association refused to grant Washington a waiver, so he and Central Catholic took the Association to court.

Washington and Central High argued that the Association's refusal to grant a waiver violated Washington's rights under the Americans with Disabilities Act. So far, Washington has enjoyed as much success in courts of law as he had on basketball courts. A federal District Court agreed that it was likely that the Association had violated the ADA, and issued a

preliminary injunction barring the Association from enforcing the eight-semester rule against Washington.

In other cases, courts have upheld similar eligibility rules of other athletic associations, despite the Americans with Disabilities Act. Probably for this reason, the Indiana High School Athletic Association appealed. Washington has prevailed once again, however. In an opinion by Judge Kenneth Ripple, the Seventh Circuit Court of Appeals has affirmed the injunction issued by the lower court.

Judge Ripple ruled that the Association's failure to grant the requested waiver in Washington's case was a failure to make a "reasonable accommodation" for his disability, as required by the ADA. The judge acknowledged that the eight-semester rule serves reasonable purposes. In this case, however, Judge Ripple concluded that waiving the rule for Washington in particular would not frustrate any of those purposes.

Judge Ripple also acknowledged that in a similar case, the Sixth Circuit Court of Appeals had ruled that the ADA did not require the Michigan High School Athletic Association to waive its eight-semester rule on behalf of a student who suffered from attention deficit disorder (ELR 19:12:18). However, the Michigan rule limited athletic eligibility to eight semesters of actual enrollment, while the Indiana rule limited eligibility to eight semesters from initial high school enrollment. Thus, a student who drops out of high school in Michigan does not use up his eligibility while not enrolled in school, though one who drops out of school in Indiana does. This meant that if the Michigan version of the rule were applied to Washington, his eligibility would not have expired. And Judge Ripple pointedly observed that Washington was "merely" asking that the Indiana High School Athletic Association apply to him a rule identical to the one the

Michigan High School Athletic Association applies to its students.

Washington v. Indiana High School Athletic Association, 181 F.3d 840, 1999 U.S.App.LEXIS 13994 (7th Cir. 1999)[ELR 21:7:21]

Tennessee high school athletic association is not a "state actor," and thus its enforcement actions are not subject to First Amendment, federal appellate court rules

The Brentwood Academy is a football "powerhouse." The private Christian school has won seven Tennessee state championships and has been nationally ranked by USA Today. Until recently,

Brentwood Academy has had a pretty good record in court, as well.

Brentwood wound up in court because rival high school coaches complained that the school had violated the rules of the Tennessee Secondary School Athletic Association in several ways. These complaints triggered internal Association proceedings that resulted in Brentwood being banned from tournaments for two years, being put on probation for four years, and being fined \$3,000.

Brentwood responded by suing the Association, claiming (among other things) that the Association had violated its First Amendment rights. Federal District Judge Todd Campbell agreed, and thus he held that the sanctions imposed by the Association were void and unenforceable. (ELR 20:9:16)

As good as Brentwood's football team was, even it lost games occasionally. And despite Brentwood's

initial success in court, it has since lost there as well. In an opinion by Judge Ronald Gilman, the Court of Appeals has reversed Judge Campbell's decision and has vacated the injunction Judge Campbell issued against the Association.

The Court of Appeals focused on a single issue: whether the Association was a "state actor." This was a critical issue in the case, because only state actors must abide by the First Amendment. Thus, unless the Association were a state actor, the sanctions it imposed on Brentwood would not have violated the First Amendment. And that is exactly what the Court of Appeals concluded.

Judge Gilman reviewed the organization and administration of the Association in some detail and held that it was "clear" that the Association is "not an arm of the government." The judge also considered whether the Association might be a state actor under

alternate theories. But he concluded that the Association does not perform "public functions," was not compelled or encouraged by the state to perform its activities, and does not have a "symbiotic relationship" with the state.

For these reasons, Judge Gilman held that the Association is not a state actor, and thus the sanctions it imposed on Brentwood did not violate the First Amendment.

Brentwood Academy v. Tennessee Secondary School Athletic Association, 180 F.3d 758, 1999 U.S.App.LEXIS 13597 (6th Cir. 1999)[ELR 21:7:22] Operator of "adult entertainment" center may not have to pay federal payroll taxes in connection with earnings of private-booth dancers, if it can prove that it reasonably relied on industry practice not to treat dancers as employees, federal appellate court rules

The difference between an "employee" and an "independent contractor" or "tenant" is significant in the entertainment business - for tax as well as other purposes. The operator of Show World, an adult entertainment facility on 42nd Street in New York City, learned just how important the distinction is when the Internal Revenue Service assessed it with \$268,313 (plus interest) in payroll taxes in connection with the earnings of Show World's private-booth dancers.

Show World claims that its dancers are not employees (for whom payroll taxes have to be paid),

because they sign leases for the booths in which they perform. These leases entitle the dancers to retain all of the money their customers pay them directly, as well as 40% of the money their customers pay Show World to open the screens that separate the viewer portion of the booths from the portion where the dancers perform.

Show World paid a portion of the taxes the IRS assessed and then sued for a refund, unsuccessfully. Federal District Judge Leonard Sand applied a 20factor text used by the IRS to determine whether workers are "employees" for tax purposes; and the judge agreed with the IRS that Show World's privatebooth dancers are "employees." (ELR 18:5:18) By the time Judge Sand entered his judgment, Show World's unpaid taxes came to \$474,503, so its disagreement with the IRS involved more than a matter of principle. Not surprisingly, Show World appealed, and it has been rewarded - at least temporarily - for its effort.

In an opinion by Judge Leonard Wexler, the Court of Appeal has reversed the judgment entered in favor of the IRS and has remanded the case for further proceedings. Judge Wexler rejected Show World's argument that its dancers are not "employees." He agreed with the lower court and IRS that they are.

On the other hand, there is a "safe harbor" provision of the Internal Revenue Code that shields employers from payroll tax liability, if they have consistently treated those who provide services as non-employees and had a reasonable basis for doing so. One reasonable basis for failing to treat service providers as employees is that a significant segment of the employer's industry has had a long-standing recognized practice of doing so.

At the time the IRS originally assessed Show World with unpaid taxes, and then again on appeal, Show World claimed that those in its industry treat private-booth dancers as tenants rather than as employees, just as it does. But the question of whether Show World reasonably relied on this practice was inadequately developed in the District Court.

As a result, the Court of Appeals has reversed and remanded the case to the lower court so that Show World can prove, if it can, that it did reasonably rely on an industry practice of treating private-booth dancers as tenants rather than as employees. If it can make that showing, Show World will not have to pay payroll taxes for them after all, and will in fact be entitled to a refund of the taxes it already paid.

303 West 42nd St. Enterprises, Inc. v. Internal Revenue Service, 181 F.3d 272, 1999 U.S.App.LEXIS 13414 (2nd Cir. 1999)[ELR 21:7:23]

## **Previously Reported:**

The United States Supreme Court reconvened on the first Monday in October, and immediately issued orders in four cases previously reported in these pages.

The Court denied petitions for certiorari in three cases: Hawkins v. City and County of Denver, 120 S.Ct. 172, 1999 U.S.LEXIS 5797 (1999), in which the Tenth Circuit Court of Appeals held that a musicians union does not have a First Amendment right to picket and distribute leaflets in the Galleria area of the Denver Performing Arts Complex to call attention to the Colorado Ballet's decision to replace its live orchestra with recorded music (ELR 21:4:19); Ringling Bros.-Barnum & Bailey Combined Shows v. Utah, 120 S.Ct. 286, 1999 U.S.LEXIS 6565 (1999), in which the Fourth Circuit held that Utah's "Greatest Snow on Earth" slogan does not violate the federal trademark dilution rights of Ringling Bros.-Barnum & Bailey to its circus slogan "Greatest Show on Earth" (ELR 21:4:17); and Robi v. Reed, 120 S.Ct. 375, 1999 U.S.LEXIS 6957 (1999), in which the Ninth Circuit held that the sole surviving member of the original "Platters" is entitled to continue using the group's name, rather than the widow of a member who left the group (ELR 21:5:13).

In the fourth case, the Supreme Court dismissed a petition for certiorari in Catapult Entertainment, Inc. v. Perlman, 120 S.Ct. 369, 1999 U.S.LEXIS 6906 (1999), in which the Ninth Circuit ruled that a bankrupt videogame company could not assume non-exclusive patent licenses over the patent owner's objection (ELR 21:2:16, 21:5:4). The dismissal order was pursuant to Supreme Court Rule 46.1 which provides "At any stage of the proceedings, whenever all parties file with the Clerk an agreement in writing that a case be dismissed.

. . the Clerk . . . will enter an order of dismissal," thus making it appear that the case has been settled.

[ELR 21:7:24]

## **DEPARTMENTS**

## In the Law Reviews:

Entertainment, Publishing and the Arts Handbook, 1999-2000 Edition, edited by Robert Thorne and John David Viera with Stephen F. Breimer as Consulting Editor, has been published by West Group, 620 Opperman Drive, St. Paul, MN 55164, (800) 328-4880, with the following articles:

Stars and Bars: Trademark Protection for Universal Symbols by Craig D. Aronson and Jamie Alexis Newbold, 1999-2000 Entertainment, Publishing and the Arts Handbook 3 (1999)

Copycat Grooves: Protecting Proprietary Interests in Band Names by Owen J. Sloane and Courtney A. Dillaplain, 1999-2000 Entertainment, Publishing and the Arts Handbook 7 (1999)

The Idea Submission Case: When Is An Idea Protected Under California Law? by Glen L. Kulik, 1999-2000 Entertainment, Publishing and the Arts Handbook 11 (1999)

DOING LUNCH: Copyright Law Makes It Clear That an Oral Agreement for the Transfer of Exclusive Licensing Rights Will Not Be Enforced By the Courts by Edward A. Klein, 1999-2000 Entertainment, Publishing and the Arts Handbook 29 (1999)

Infringement Stage Left by Owen J. Sloane, 1999-2000 Entertainment, Publishing and the Arts Handbook 39 (1999)

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The First Amendment Takes a Hit: The U.S. Supreme Court Allows an Unprecedented Case To Go To Trial Against a Book Publisher for Civil Liability on the Theory That a Book "Aided and Abetted" A Triple Murder by Stephen F. Rohde, 1999-2000 Entertainment, Publishing and the Arts Handbook 181 (1999)

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Star Power: Celebrity Status and Name Rights by Owen J. Sloane, 1999-2000 Entertainment, Publishing and the Arts Handbook 265 (1999)

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Is Turnabout Fair Play? Using Bankruptcy to Level the Playing Field Between the Music Industry amd New Artists by Brian Erickson, 1999-2000 Entertainment, Publishing and the Arts Handbook 403 (1999)

Calculating Record Royalties: Often Less Than Anticipated by Owen J. Sloane, 1999-2000

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Bankruptcy and Personal Services Contracts: What Works, What Doesn't, and Why by Stuart J. Wald, 1999-2000 Entertainment, Publishing and the Arts Handbook 435 (1999)

Entertainment Software: How to Protect Your Rights as a Licensee When the Licensor Files for Bankruptcy Relief by Shelly Rothschild, 1999-2000 Entertainment, Publishing and the Arts Handbook 453 (1999) Making Movie Magic Possible by Mark London Williams and Elisabeth Boone, 1999-2000 Entertainment, Publishing and the Arts Handbook 459 (1999)

Other People's Money: Financing the Low-Budget Independent Feature Film with Private Equity Securities Offerings by Daniel M. Satorius, 1999-2000 Entertainment, Publishing and the Arts Handbook 465 (1999)

Insurance and Management of Intellectual Property Risks by Melvin Simensky and Eric C. Osterberg, 1999-2000 Entertainment, Publishing and the Arts Handbook 483 (1999) If You Got a Niche, Scratch It Or the New Movie Business by Peter J. Dekom, 1999-2000 Entertainment, Publishing and the Arts Handbook 499 (1999)

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reviewed by Richard J.Greenstone, 17/3 Entertainment and Sports Lawyer 18 (1999) (for address, see above) Fordham Intellectual Property, Media & Entertainment Law Journal has published Volume IX/2 as a Symposium on the First Amendment and the Media with the following articles:

The First Amendment and the Media: Convergence - Necessary, Evil or Both? The Legal, Economic, and Cultural Impacts of Mega Media Mergers by Joel R. Reidenberg, Lawrence Lessig, James Goodale, Andrew Jay Schwartzman, Nicholas Jollymore, Janine Jaquet, Jonathan Zittrain, Mark Patterson, William Baer, Lawrence Grossman, Jeffrey Lanning, and Robert Joffe, IX Fordham Intellectual Property, Media & Entertainment Law Journal 401 (1999)

Protection in the United States for "Famous Marks": The Federal Trademark Dilution Act Revisited by Edward E. Vassallo & Maryanne Dickey, IX Fordham Intellectual Property, Media & Entertainment Law Journal 503 (1999)

Leave No Stone Unturned: The Search for Art Stolen by the Nazis and the Legal Rules Governing Restitution of Stolen Art by Kelly Diane Walton, IX Fordham Intellectual Property, Media & Entertainment Law Journal 549 (1999)

Jurisdiction, Choice of Law, Copyright, and the Internet: Protection Against Framing in an International Setting by Kai Burmeister, IX Fordham Intellectual Property, Media & Entertainment Law Journal 625 (1999)

Nice Tie: Trade Dress Protection for Visual Artistic Style When Competitors Offer Artist-Inspired Products by Andrew J. Noreuil, 67 Fordham Law Review 3403 (1999)

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