LEGAL AFFAIRS

Legal Issues Involved in Developing a Theme Park Attraction Based on Film Product

by Tony Sauber*

Introduction

People don't necessarily come to a theme park to learn about the legal issues involved in developing an attraction based on a well-known movie or television series; but the developers of these major movie-themed attractions that are featured at such parks as Disney/MGM in Orlando, Universal Studios in Orlando and Los Angeles, or the five Paramount Parks and thirteen Six Flag ride parks around the country need to pay close attention to a number of legal issues if the

attractions are going to avoid triggering major legal claims.

Having worked for the theme park division of Universal Studios (nee' MCA) for over 25 years, most of which time I was the senior Legal/Business Affairs executive, I have seen the legal issues evolve from simple "single cell" issues to the complex forms presently involved in developing major attractions that can cost $100 million, way more than most motion pictures.

In the early days, when I started in 1974, The Tour, as it was called, was primarily a tram ride past some sets and props, with a stop to visit Edith Head's costume display and a visit to Prop Plaza where guests could lift large Styrofoam boulders or be photographed standing in a jail. Plus there was a Stunt Show and Animal Show.

The Tour was doing so well that they raised the admission price in December of that year to $4.95 and had a turnstile attendance of almost 1.9 million people. (Now its $41 and around 5 million people.) There was a screen test-type show based on Airport that became Adam 12 and then Emergency in the mid-70's, but the first major attraction based on a recent movie was Jaws in 1976. There was so little in the way of big legal issues involved in our theme park operations in those early years, that I was the only lawyer in the whole division and I spent at least a third of my time on Yosemite matters (at that time, MCA ran all the concessions in Yosemite National Park).

Profit Participants

In my early years, in the mid-70's, there was a serious legal concern over whether we could make

theme park attractions out of our movies. The issue wasn't so much the legal right to the property itself; the issue then was whether Universal would owe the movie's profit participants something. Should someone who gets 10% of the profits, or perhaps 2% of the gross of a particular film, get anything when the studio builds a new attraction based on his or her movie, heavily advertises the attraction, and enjoys a big jump in attendance? Plus all those people who come to the park to see the hot new attraction spend lots of money on food and merchandise. Shouldn't all that be shared with the people whose contracts give them a right to share in somewhat similar revenue sources, such as record sales, T-shirt sales, sales of the movie to TV, and other areas where the studio makes money from their movie?

In 1974, I certainly thought that was a good argument, and so did some of the conservative, old time studio lawyers. But the "party line" among theme park

executives was that we were publicizing the movie; and starting in the mid-70's we began to develop major attractions around our hot movies and TV product, and I held my breath waiting for a claim to come from profit participants.

But it never did.

Well, actually we got two inquiries, but we talked about the great publicity value of our attractions, and nothing ever came of it. And for maybe the next 15 to 20 years we had a great run. We developed our classic movie-themed attractions, and none of the profit participants objected. As an added precaution, about 15 years ago, the participation agreements were changed to make clear that theme parks revenues were not to be included in "gross." (Of course, sales of movie-themed items do generate licensing royalties.)

Changing Nature of Movie Theme Park Industry

People accepted the fact, which I grew to believe fervently, that these theme park attractions were good publicity for the underlying film or TV show. They helped keep the property alive, selling T-shirts, creating interest in reruns when the film was sold to TV, helping make a sequel possible, exposing the property to foreign visitors; and then when home video came along, the theme park's case got even stronger. A theme park attraction could help sell videocassettes long after the film was out of release, and to emphasize that point, we did just that in our stores near the attraction.

We believed so enthusiastically that a theme park attraction prolonged the life of a movie, we actually convinced executives at a number of other studios to give us some of their hottest properties for free - based on our commitment to develop them into expensive, heavily promoted attractions and to build a dedicated

store to sell merchandise themed around their property (and pay a standard royalty on such merchandise). Plus, all the studios gave us film clips at a very nominal cost for our shows about Horror Makeup, Hitchcock, Special Effects, and the like.

But those were our glory days.

Then something terrible happened: movie theme parks got to be big successful businesses. Paramount went into the business with 5 movie-themed parks. Warner's opened movie parks in Australia and Germany and started theming their thirteen Six Flag parks around movie properties. Of course, Disney opened a major movie park in Orlando and Universal opened its second movie park there. And some of these movie parks started drawing almost 9 million people a year, charging $44 or more for admission, and grossing around a half a billion dollars.

In just a 5-year period there were a lot of new companies in the movie theme park business creating demand for film properties to build attractions around, and there was a lot of money being spent building and promoting these attractions. Something close to an arms race commenced. The new attractions were much more sophisticated than ever contemplated just a few years before, and as I said earlier, the costs of some mega-attractions can exceed $100 million, whereas in the 1970's they were well under $1 million.

So the days of other studios offering us the free use of their hot movies to develop attractions around were gone. And a lot of people - studios executives, talent, and the guilds - decided to see if they could get something out of the attractions being built from their films.

These days, theme parks have to be much more careful about rights issues, and there are a number of

theories that are being pursued against them to try to share in their success.

For the rest of this article, let us assume that a studio-run theme park owns a given move or TV series, or another studio has granted the theme park the right to do an attraction, so there is no question about the property itself (although obviously one should always check the underlying theatrical acquisition agreements to make sure there are no unusual provisions). With that as a "given," are there still any legal issues that need to be considered? Read on.

Major Talent Relations

First, the most important - and probably the most obvious - issue is the big time relationship. Just because a studio might own the rights to a major Steven Spielberg or Ron Howard or Jim Cameron film doesn't

mean it can go off and develop an attraction. When major directors, producers, or even superstar actors are involved, theme parks always make a contact through a high ranking studio executive to put their plans in a positive light and then do presentations and keep the celebrity informed throughout the development process. This has always worked out well, and the celebrity has always been enthusiastic and supportive of the attraction. The worst that sometimes happens is that they make suggestions for what they see as improvements - such as some added effect - which might not be possible to do on an on-going basis (as opposed to one "take" in a film), or which throws the budget out of whack.

As an aside, let me say that one reason Universal has always pleased the big time creators and directors is that its creative people have been extremely sensitive to the underlying works, and the people who own the

rights are happy to be working with us. Other parks, particularly on low budget attractions, may slap some theming or just a movie name on an off-the-shelf ride, or may just pay lip service to the owner's approval rights, but Universal has built up wonderful goodwill by understanding the property and consulting in a meaningful manner with the creators.

Writers

Now, back to legal issues. The newest and most disturbing problem area has to do with the writers. For most of my career they never raised any claims based on our attractions. But the Writers Guild is a very militant union and over the last 5 years it has come up with some ingenious claims. So far, we haven't paid anything (except for some very minor payments in connection with the use of old television clips), and I

think we will continue to succeed, but they are being very aggressive and very inventive.

With both ET and Backdraft (a ride and presentation, respectively, based on the well-known films), the Writers Guild claimed that the theme park attractions were a form of merchandising, and under the Writers Guild Agreement (Section 1.B.8.), the writer of a movie, in certain circumstances, is entitled to a small share of merchandising revenues. Universal's argument was that the attraction does not constitute merchandising because we are not selling the attraction (no one was taking it home with them), and the attraction was not described in the writer's script, a contract prerequisite. There is no dispute that the writer is entitled to his or her share of the royalty for any T-shirts sold, whether sold in the park or at K-Mart. These two claims have been sitting dormant for several

years and the assumption is that the Writers Guild will not be pursuing them.

Another Writers Guild claim relates to the Back To The Future attraction - a motion-base ride synched to a large format film produced specifically for the attraction. Under the Writers Guild agreement (Section 16.A.5.a), the writer of an original feature (not based on a book or story) is entitled to a payment if a sequel feature motion picture is made. So, the Guild claimed that the ride film shown in the Back to the Future attraction was a sequel motion picture. Obviously, this type of 4-minute ride film is not what was envisioned as triggering theatrical sequel payments and this claim has also stood silent for about 4 years.

We also received a worrisome claim from the creator of a popular TV series around which Universal developed a long running stunt show. This involved the complex "Separation of Rights" provisions of the

television portion of the Writers Guild Agreement, reserving certain rights to writers who create a television series. The case was brought in State Court, then removed to Federal Court and Universal won, but the court never reached the merits of the case. The case was dismissed mainly because the writer failed to exhaust the arbitration procedures of the collective bargaining agreement.

The biggest problem in the theme park industry pending with the Writers Guild has to do with Dramatic Stage Rights. Under very limited conditions, if a producer exploits the "Dramatic Rights" (a defined term) in a movie, it owes the writer half of the payments described under The Dramatist Guild Agreement, an agreement covering Broadway playwrights (Section 16.A.3.b.2). These Dramatist Guild payments, by the way, are based on a percentage of total ticket receipts.

The case pending involves a highly popular, widely marketed, 15-minute stunt demonstration that has a modest story line and incorporates the characters and themes from a major movie.

This is a serious case that is being pursued through an arbitration that has been going on and off for over 4 years, and will run at least another year.

Film Clips and Music

Let us assume the theme park has the right to do an attraction based on some film property. What other "rights"- type issues need to be considered? Probably the two biggest remaining areas of concern are the use of film clips (which involve primarily actor problems) and a variety of music issues.

Film Clips

While there are some theoretical issues about possible writer and director claims around the use of film clips, Universal has a nearly unblemished record over the past 20 or so years, and the amount at stake is small, so that is not a major cause of concern. Also, there are potential claims that might be raised by the American Federation of Musicians over the use of the music contained on the film clip; but those too have not been raised historically. (There is a problem I'll discuss about adding new music to a film clip, but at least based on long-standing practice, there is no problem in keeping the original music as part of a clip.)

So, the big problem area is the actors. Under the Screen Actors Guild (SAG) Agreement there is a concept called a re-use fee. If an actor's performance is used in a different movie, you must either negotiate permission from the actor or pay a default fee that is

based on a multiple of the actor's original compensation for that scene, which can be expensive in the case of a star. While this provision came into being in the 1960 SAG Agreement, SAG has always claimed it is retroactive for earlier films, and the studios always say they can use clips from pre-1960 films without payment.

On the other hand, if a film clip is fairly short and being used to promote or publicize the film (or the videocassette), no permission or payment is required.

So, the position the theme parks have always taken, which has worked up to now and even survived some SAG inquires, is that they are publicizing the film by showing the clip - which is why it is good practice to clearly identify the feature from which the clip is taken and mention that the film is available on video cassette, and even sell the videos in the gift store. On

movies that are before 1960, there is less legal need to take these steps.

On the other hand, the use of a post-1960 clip might in fact be a "reuse" under the SAG agreement, if the clip is being used to make a new story or a new piece of entertainment, as opposed to demonstrating some element from the original feature.

A couple of minor points dealing with actors in film clips. The actor is only entitled to payment for a re-use if he or she is recognizable ("identifiable"). So, there is no problem with actors in monster make up, or actors who are only seen from behind, etc. Also, extras have no rights; but stuntmen are very diligent in enforcing their rights, so one should look at stunt clips very carefully. (A stunt can be "identifiable" even if the stunt man is driving a car and not visible.) Also, there may be unique deals the studios made with some superstar actors, and there are always relationship

issues with big stars that may have to be considered when using film clips containing their performances.

Using film clips to advertise an attraction, as opposed to using them as part of the attraction, is a more serious problem since generally the actor has only given the studio the right to use his likeness in advertising the feature, as opposed to a theme park attraction based on the feature.

Music

The answer to whether studios can use copyrighted music in their parks and attractions depends on how it is used, and the good news is that the most common types of uses are no problem.

All theme parks secure what is called a "blanket license" from two organizations, ASCAP and BMI, which represent virtually all the copyright owners of

music. This license allows them to play any music, whether live or recorded (whether re-recorded by the theme park or on a CD sold at Tower Records) throughout the park, including in shows and rides, piped into queue lines, and in musical reviews.

A special license is needed to use music in advertising, and, there are two types of music uses inside the park, which require a special license.

Synchronization Licenses

One use is "synching" the music to film or tape - essentially using the music as a sound track. That requires a special "synchronization" license, although if the music was originally composed for a feature, and that feature is the focus of the theme park attraction, the studio that owns the movie generally has the necessary music rights.

Grand Performance Licenses

The other issue to be careful of is what is called "Grand Performance Rights." This is a somewhat legally ambiguous area. The ASCAP/BMI theme park licenses allow music to be used as part of a show, such as a musical review, but if the music is used to further a story line, as in a Broadway play, that requires a specific license. The classic legal case interpreting what is covered by ASCAP and BMI licenses and what requires a Grand Performance license involved a nightclub that had a blanket ASCAP/BMI license and did a performance of Jesus Christ Superstar using just the songs from beginning to end without costumes or action. Since the play was really an opera, and the songs were the story, that presentation was held to require a Grand Performance license.

The issue, somewhat oversimplified, is whether the songs are used to tell a story or just to entertain by their content. There are many gray areas to this issue, and theme parks have generally not secured a Grand Performance license even when the music is used as part of a mini-show or skit.

Conclusion

I've tried to provide an overview of some of the entertainment-related legal issues that are involved as a new theme park attraction is being developed. This is not an area of Entertainment Law that has been extensively litigated or written about, but there is about 25 years of experience among the major movie-themed parks. Let me provide you the customary precaution: rights issues require the involvement of a highly trained professional; don't try this at home. Universal now has

a staff of over 10 theme park lawyers in Los Angeles and Florida and Disney has many more.

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[ELR 21:8:4]

NEW LEGISLATION AND REGULATIONS

Congress Gives Satellite TV Industry and Subscribers Big Benefits in Satellite Home Viewer Improvement Act of 1999

by Philip R. Hochberg*

Congress, in the waning days of the First Session of the 106th Congress, ended up giving the satellite television industry an early - but necessary, from satellite's standpoint - Christmas present. And less than two weeks after Christmas, the satellite industry looked like it would begin reaping some immediate benefits from the bill.

Background

Congress has long been concerned about the ability of nascent cable and satellite industries to survive in a competitive - indeed, sometimes, anticompetitive - programming market. So, rather than take the chance that these fledgling distribution mechanisms might be stillborn, Congress drafted television programmers to be the mid-wife (wet nurse?) of the cable industry in 1976 and the satellite industry in 1988. The device? A compulsory license which allows cable systems and satellite carriers to retransmit television programming without negotiating for the right; instead the retransmitters pay a statutorily mandated fee. Programmers are "compelled" to allow their programs to be carried, cable and satellite are "compelled" to pay the statutory fee.

In 1988, Congress passed satellite's initial compulsory license in the Satellite Home Viewer Act, expiring on December 31, 1994. During that

termination year, Congress extended the license until December 31, 1999.

Satellite's compulsory license for those first eleven years was no blanket license. In fact, it had numerous limitations. Among them, local network stations could not be carried locally, distant network stations could not be offered by carriers to subscribers "served" by local affiliates, cable subscribers had to wait 90 days after stopping cable service before subscribing to satellite service, compulsory license fees paid by satellite were subject to being changed by a special Copyright Office panel.

Legislative Issues in the 106th Congress

A bundle of legislative issues were hammered out in the course of the legislation, involving multiple interested parties: satellite, broadcasters, networks,

network affiliates, programmers, cable and, of course, the viewing public. Among them:

Continuation of the Compulsory License for Distant Signals

The right to carry distant signals under Section 119 of the Copyright Act was extended for another five years, continuing the pattern set in the 1988 legislation.

Grant of a Compulsory License for Local Signals

For years, the satellite industry had found that potential subscribers would walk away when they found that they'd have to continue to have an antenna (or a cable subscription) in order to receive local signals. Congress therefore added Section 122 to the Copyright Act, allowing satellite carriers to begin

offering local signals in the markets (defined by the use of the Designated Market Area) of the stations.

Must Carry for Local Signals

The broadcast industry insisted that satellite carriers offering one local station in a market be required to offer all local stations in that market. Satellite fought this bitterly, pointing out that its limited channel capacity should not be used up by carrying little-watched shopping or religious channels. (This concept of must-carry is the corollary of retransmission consent described below.)

Congress delayed the must carry requirement for two years - until January 1, 2002. Watch the satellite industry work to have this repealed.

Retransmission consent

In 1992, Congress created a new right in dealing with cable carriage of stations: "retransmission consent" of the originating station to be carried. This right applied to the signal of the station - whether in fact there was any programming on the station at all. (How much is carriage of a test pattern worth?)

Stations could either demand must-carry (see above) or negotiate with the system for some consideration. The purpose was to put some control back into the hands of the broadcasters and open up potential new revenue streams. If their signals could not be carried without their consent, cable (and now satellite) would be forced to negotiate payments to the stations. Only it didn't quite work out that way. No cash payments were negotiated; instead, at most, some broadcasters negotiated exclusive access to cable channels for alternative programming. (A good

example is NewsChannel 8, a regional news service, owned by Allbritton Communications, which also owns WJLA-TV, Washington. In return for the right to carry WJLA-TV, Washington-area cable systems have agreed to carry NewsChannel 8.)

Until June, satellite carriers may carry local network stations in their own market without any consent; starting in June, however, permission must be obtained. But, to add to the complications (confusion?), permission is needed only to carry local signals locally. Carriage of these network signals outside the local market to "unserved" households doesn't require consent.

Broadcasters must negotiate these consents on a nonexclusive basis and in good faith until January 1, 2006. However, they can negotiate different terms and conditions to different carriers.

Copyright Fees

Under new Section 122, signals can be carried locally without any fees being paid to the copyright holders, although some sort of payment might have to be made to the station under retransmission consent.

At the same time, however, distant signal carriage wasn't going to come without cost. As a result of a decision by a Copyright Arbitration Royalty Panel, affirmed by the Librarian of Congress, the satellite industry's rates for carrying distant stations had finally reached something approximating the signals' "fair market value." The 1997 Librarian of Congress decision (62 Fed.Reg. 55742; ELR 19:8:5) had raised satellite's rates to $0.27 per subscriber per station per month. For the satellite industry, reducing the "fair market" payment by having Congress again set an arbitrary distant signal rate became a paramount issue.

This issue was "settled" early on in the legislative process, when Congressional interests simply informed copyright owners that the fees would be reduced from $0.27 to just under $0.19 for distant superstations and just under $0.15 for distant network stations. Per its legislative mandate, the Copyright Office imposed these fees as of July 1, 1999. (See 64 Fed.Reg. 71659 (December 22, 1999))

Removal of the 90-day Waiting Period

One of the less contentious and less troubling issues was removing the 90-day waiting period for a subscriber dropping cable to subscribe to satellite. Openly discriminatory, not even the broadcast industry put up much of a fight to have this continued.

Subscribers to Whom Distant Signals Can Be Offered

Starting with the passage of the original act in 1988, distant network signals could only be offered in "white areas," those portions of the country where off-air television service was unavailable. The standard used was the Predicted Grade B contour of local stations, a measurement based on a station's channel assignment, power, height of tower, and geographical considerations, among other factors. The use of the Grade B standard left many homes unable to get off-air local signals, but still ineligible to receive satellite-delivered distant signals.

On the other hand, more than a million otherwise ineligible subscribers were already getting distant signals illegally, based on claims of non-viewable signals. (See: ELR 20:8:13 and 20:11:14; CBS, Inc. v.

PrimeTime 24 Joint Venture, 48 F.Supp.2d 1342 (S.D.Fla. 1998); and ABC, Inc. v. PrimeTime 24 Joint Venture, 184 F.3d 348 (4th Cir. 1999). See also "Grandfathering" below.)

Congress concluded that the Predicted Grade B standard raised problems. It therefore required the FCC to deliver a report within a year on modifying the standard.

Henceforth, only households that cannot clearly receive over-the-air signals with a rooftop antenna will be eligible for distant signal satellite service.

Grandfathering

Well over a million subscribers were getting service when they were not entitled to it. Nevertheless, Congress - perhaps measuring votes in a pre-election year - saw fit to treat these illegal subscribers gently,

very gently. They were not wrongdoers, said members of Congress, but merely viewers who simply wanted to watch television. Are we to punish them for that?

And so Congress decided to allow a continuation of illegal service to all C-band (big dish) subscribers and many DBS (small dish) subscribers even if they were never entitled to service in the first place.

Numbers of Distant Signals

For those subscribers eligible to receive distant signals and for grandfathered subs, Congress imposed a limit of two distant stations from each network. In addition, where a carrier offers local signals, the subscriber may also receive the local network affiliate.

Waivers

Subscribers who want to receive distant signals can request a waiver based on poor reception of local stations. The waiver is automatically granted if there is no response from the local station within thirty days. If there's still disagreement on whether the station is viewable, tests will be run; loser pays for the tests.

Program Deletions

Congress recognized that the standards of program deletions applied to the cable industry for the past quarter century also ought to apply to satellite. Therefore, Congress directed the FCC to institute a rule making which would apply cable-like deletion requirements for network, and syndicated programming.

Sports programming ended up playing a significant role. The National Football League pointed

out to Congress that an obvious reason for wanting to carry multiple distant network signals was to gain access to multiple NFL games. This might allow a satellite carrier to put together a cannibalized compulsory license Sunday Ticket package without paying the negotiated rights fee.

Public Broadcasting

A national PBS feed will be available for the next two years. At that time, local PBS stations must be carried if local service is offered.

Rural Loan Guarantees

In a provision which almost stalled consideration of the entire bill until 2000 - remember, the satellite compulsory license to carry off-air stations was to have

expired on December 31, 1999 - Congress agreed that it would take up the question of financing satellites for rural areas in the Second Session of the 106th Congress. Senate Banking Chairman Phil Gramm insisted that any loan guaranty go through his Committee or he would kill the entire bill. Unwilling to run the risk of delay, the leadership agreed to Gramm's promise that he would address the issue early in the Second Session.

Internet Service Providers

In another issue that created 11th hour problems - indeed it was about 11:55 - House Judiciary leaders agreed to withdraw an amendment which would have specifically denied online service providers the use of the either the cable or the satellite compulsory license. During the course of the legislative debate, some

Internet providers had claimed that they already had a compulsory license in the Act. This generated what must be one of the stronger statements in recent memory from the Register of Copyrights. "It is my understanding that some services that wish to retransmit television programming over the Internet have asserted that they are entitled to do so pursuant to the compulsory license of section 111 of Title 17," the Register wrote. "I find this assertion to be without merit."

Ironically enough, it was this letter from the Register that was used as a reason for not amending Section 111. Why amend the law, the ISPs argued, when the law is obviously clear on its face?

Satellite Hits a Figurative Home Run

Little did the satellite industry know - or maybe it did? - that it would begin reaping the benefits of the legislation just weeks after its passage. Right in Congress' backyard.

The quarter-million subscriber cable system owned by Cox Communications in Fairfax County, Virginia - the 25th largest system in the country - lost the right to carry Fox Television's WTTG, Channel 5, Washington on December 31, 1999, as did other smaller Cox systems with Fox stations in Cleveland, Dallas, Houston, and Austin. The Fox stations refused retransmission consent to the Cox systems; they could not agree on the consideration for retransmission.

The same might have been true in dealing with satellite - except that satellite's need for local consent does not kick in until the end of May. Not only did local cable subscribers lose "The X Files" and "The Simpsons," but they potentially would lose Fox's

carriage of NFL Playoff games (which, as of this writing, still included the Washington Redskins). As summarized by The Washington Post:

At least one national provider has moved quickly to cash in on the dispute. Dish Network, the nation's second-largest satellite TV company, said it will begin targeting disgruntled cable subscribers this week, offering a special package including free satellite equipment and installation. "We sure see this as an opportunity," said Dish spokeswoman Judianne Atencio. "We have a very aggressive marketing plan for the area. We're going to take care of those Redskin fans."

Timing, as they say, is everything.

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Satellite Home Viewer Improvement Act of 1999, Title I of S.1948 (106th Cong. 1st Sess. 1999)[ELR 21:8:8]

Colleges radio stations to pay ASCAP, BMI and SESAC slightly more for compulsory public performance licenses as a result of annual cost-of-living adjustment, Copyright Office announces

Most college and university radio stations will be paying slightly more in the year 2000 than they paid in 1999 for their ASCAP, BMI and SESAC music public performance licenses. The Copyright Office has announced a "Cost of Living Adjustment" that increases by 2.6% the compulsory license fees payable by broadcasters licensed to nonprofit educational institutions (that are not affiliated with National Public Radio).

The compulsory license in question is found in section 118 of the Copyright Act. It permits public broadcasters to perform nondramatic musical

compositions in return for license fees fixed by Copyright Office regulation, rather than by negotiation. The fee is adjusted annually to reflect increases in the cost of living.

The fees that college radio stations must pay under the compulsory license are quite modest. For 1999, the Copyright Office set the fees payable to ASCAP and BMI at just $225 each, and those payable to SESAC at $61 (ELR 20:7:7).

As a result of the Copyright Office's recently-announced cost of living adjustment, for the year 2000, those fees will be $231 each for ASCAP and BMI and $63 to BMI. The new rates will be codified in Copyright Office Regulations appearing at 37 CFR section 253.5.

Cost of Living Adjustment for Performance of Musical Compositions by Colleges and Universities, 64

Fed.Reg. 7187 (Copyright Office, Library of Congress 1999) [ELR 21:8:11]

RECENT CASES

Suit by Michael Costanza seeking $100 million for his negative and humiliating portrayal by "Seinfeld" show character "George Costanza" is dismissed by New York state court; Costanza and his lawyer ordered to pay $2,500 each in sanctions because suit was "frivolous"

Michael Costanza knew Jerry Seinfeld in college. So for that and other reasons, Costanza concluded that he was the person on whom the "Seinfeld" show's character "George Costanza" was based.

Michael Costanza claims that he, like "George," is short, fat, and bald and came from Queens. On the other hand, the show's "George Costanza" constantly had problems with his employers, his girl friends, and his parents, and generally suffered from excessive self-absorption. In these respects, Michael Costanza claims to be different from "George." Nonetheless, Michael Costanza asserted that because of the similarities between them, the show attributes "George Costanza's" negative characteristics to him and thus humiliated him.

Because of his humiliation, Michael Costanza sued Seinfeld, the show's co-creator Larry David, and its production companies and NBC. In his complaint, Costanza alleged claims for common law false light and invasion of privacy, unauthorized use of his name and likeness in violation of New York Civil Rights Law sections 50 and 51, and defamation. Costanza's

humiliation must have been deep, because he sought damages of $100 million.

New York Supreme Court Judge Harold Tompkins has given Michael Costanza's lawsuit less respect than "George Costanza" got on the show from his employers, girl friends and parents. Judge Tompkins has dismissed Costanza's lawsuit for failing to state a valid claim.

The judge explained that Costanza's claims for common false light and invasion of privacy "must be dismissed" because "New York law does not and never has allowed" such common law claims. Any privacy-related claims asserted in New York must be asserted under sections 50 and 51 of that state's Civil Rights Law. While those statutory provisions do apply to the unauthorized use of a person's name and likeness, they apply only to uses "for trade or advertising." This is where Costanza's statutory claim failed. "The Seinfeld

television program was a fictional comedic presentation," the judge said. "It does not fall within the scope of trade or advertising."

Costanza's defamation claim complained that Larry David had called Costanza a "flagrant opportunist" because Costanza wrote a book entitled "The Real Seinfeld" whose publication date coincided with the broadcast of the show's final episode. Judge Tompkins ruled, "The use of the phrase 'flagrant opportunist' in the context . . . under which it was uttered is a statement of opinion." As such, it could not be the basis for a successful defamation claim, and the judge dismissed it for that reason.

Costanza's case was an interesting one. Indeed, Judge Tompkins said it "could be the plot for an episode in a situation comedy." However, it ignored well-settled New York law and thus was "frivolous," the judge ruled. For that, Judge Tompkins ordered

Costanza and his lawyer to pay sanctions of $2,500 each.

Costanza v. Seinfeld, 693 N.Y.S.2d 897, 1999 N.Y.Misc.LEXIS 562 (Sup. 1999)[ELR 21:8:12]

Oral agreement made in Cannes for grant of exclusive Spanish broadcast rights for "Spiderman" by New World Entertainment to Spanish TV company is not enforceable, because New World never signed written agreement as required by Copyright Act, federal appellate court affirms

New World Entertainment has escaped potential liability to a Spanish television broadcaster by successfully relying on an important technicality in United States copyright law. Under section 204(a) of

the Copyright Act transfers of copyright ownership - including exclusive licenses - are not valid unless the copyright owner signs a written "note or memorandum of the transfer." Thus United States courts have rejected claims by the Spanish broadcaster that were based on an allegedly exclusive license that was never signed by New World.

The case arose because in 1994, New World went to the Cannes television market where it orally agreed to grant Television Espanola the exclusive right to broadcast "Spiderman" in Spain. Written contracts were not signed in Cannes; instead they were to have been prepared by Television Espanola after both companies' executives returned to their respective offices.

Before any written contracts were signed, however, failed negotiations over additional provisions - allegedly requested by New World - resulted in the

"parties end[ing] their relationship." New World then granted another Spanish broadcaster, Antena 3, a license to broadcast "Spiderman" in Spain. Television Espanola responded by suing New World, in United States District Court, for breach of contract and declaratory relief.

District Judge William Keller granted New World's motion for summary judgment, ruling that since New World had never signed a written agreement with Television Espanola, the exclusive license allegedly breached by New World was simply unenforceable. Television Espanola appealed, but the Court of Appeals has agreed.

On appeal, Television Espanola argued that the Copyright Act's signed-writing requirement was satisfied by faxes New World had sent during the parties' post-Cannes negotiations, and by an internal New World deal memo. However, in an opinion by

Judge Warren Ferguson, the Court of Appeals determined that those documents were merely part of the negotiations. Some never mentioned an exclusive license at all, and another specifically stated that "contracts will be sent" to New World by Television Espanola. "Without language indicating finality," Judge Ferguson ruled, section 204(a)'s signed-writing requirement "is not satisfied."

Radio Television Espanola S.A. v. New World Entertainment, Ltd. 183 F.3d 922, 1999 U.S.App.LEXIS 16009 (9th Cir. 1999)[ELR 21:8:12]

Attorney Don Engel loses malicious prosecution case against CBS and its lawyers; New York Court of Appeals rules that CBS Records' earlier suit against Engel (and client Tom Scholz) had not caused "special injury" as required to win malicious prosecution cases in New York, so federal Court of Appeals affirms summary judgment dismissing Engel's suit

Attorney Don Engel has been paid a huge compliment by federal and state courts in New York, though in this case, the compliment must have caused Engel significant disappointment. It resulted in the dismissal of Engel's malicious prosecution lawsuit against CBS and its lawyers, because the courts have ruled that CBS and its lawyers did not cause Engel to suffer the "special injury" required by New York law in order to win such a case.

Engel's malicious prosecution lawsuit was part of the aftermath of a separate lawsuit CBS Records filed back in 1983 against the group "Boston" and its lead singer Tom Scholz. Engel represented Scholz and his co-defendants in that case, and in negotiations that eventually resulted in "Boston" signing with MCA Records despite CBS's assertion that the group was already signed to it, exclusively.

The MCA signing resulted in a second lawsuit by CBS against Scholz, MCA and Engel personally. Those lawsuits produced numerous rulings (ELR 6:10:20, 7:1:10, 10:3:10, 11:11:6, 12:5:19). In the end, Scholz and Engel won both: Scholz recovered $6.5 million from CBS; and the CBS lawsuit against Engel was dismissed in response to his motion for summary judgment.

After winning dismissal of CBS's suit against him, Engel filed a malicious prosecution suit against

CBS and its lawyers, in federal District Court. That case has had its own long and winding history (ELR 7:6:20, 14:9:5, 17:8:19). Eventually, Engel's prospects for success turned on whether he'd be able to prove that he had suffered some "special injury," because special injury appeared to be an essential element of a malicious prosecution claim under the law of New York. Following discovery that covered this point, CBS and its co-defendants moved for summary judgment, arguing that Engel had not suffered any such injury; and their motion was granted (ELR 19:9:2).

Engel appealed to the Second Circuit. But since the issue on appeal - what type of injury qualifies as a "special injury" - involved a point of New York state law, the Second Circuit certified the question to the New York Court of Appeals. There, Engel argued that New York does not, or should not, require "special injury" in malicious prosecution cases at all; but if it

does, he suffered it. The New York Court of Appeals ruled against Engel on both points.

In an opinion by Judge Carmen Ciparick, the New York Court of Appeals decided that New York law does require "special injury" and should. Provisional remedies - like injunctions - qualify as special injuries, though other things may as well. Judge Ciparick held that a "special injury" is "some concrete harm that is considerably more cumbersome than the physical, psychological or financial demands of defending a lawsuit."

Engel thought he could satisfy that standard, because CBS's suit against him had created a conflict of interest between him and Scholz, and had increased the time and costs required to defend Scholz (not all of which Engel charged to his client).

Judge Ciparick was not persuaded, however. "These do not rise to the level of atypical consequences

of a lawyer being sued," said the judge. "Avoiding conflicts of interest and dealing with actual conflicts are part and parcel of the lawyer's profession, and here . . . Scholz agreed to continue notwithstanding the conflict and Engel prevailed. It is true that his burden was slightly increased but . . . the burden did not form the critical mass necessary to be cognizable as special injury. The conflicts may have been virtually insurmountable, but the fact remains that Engel did surmount them, apparently without diminishing his client's chances of ultimately prevailing."

Judge Ciparick did not approve of what CBS had done. "To be certain," the judge said, "CBS's actions in bringing a groundless claim for the purposes of creating a conflict were reprehensible." But those actions had not caused "special injury," the New York Court of Appeals advised the Second Circuit.

Thus, when the case got back to the Second Circuit, it affirmed the dismissal of Engel's case, in a short Per Curiam opinion by Judges John Walker and Jose Cabranes - thus finally bringing to an end more than a decade and a half of litigation.

Engel v. CBS, Inc., 689 N.Y.S.2d 411, 711 N.E.2d 626, 1999 N.Y.LEXIS 230 (N.Y. 1999); *Engel v. CBS, Inc.*, 182 F.3d 124, 1999 U.S.App.LEXIS 13805 (2d Cir. 1999) [ELR 21:8:13]

Americans with Disabilities Act does not give pro golfer Ford Olinger the right to use golf cart in qualifying round of U.S. Open, because use of cart would fundamentally alter Open's nature, federal court rules

Reasonableness is in the eye of the beholder, and thus Ford Olinger has failed where Casey Martin prevailed, just two years before.

Olinger, like Martin, is a professional golfer. Olinger, like Martin, also suffers from a disability that makes it extremely difficult for him to walk a full round of golf. For this reason, Olinger, like Martin, sought permission to use a golf cart in tournament play. Olinger's request to the United States Golf Association, like Martin's to the PGA, was denied. And Olinger, like Martin, filed a lawsuit, arguing that the Americans with Disabilities Act gave him a legal right to use a golf cart because of his disability. This is where the similarities between Olinger and Martin end however, because Martin won his case (ELR 20:5:9), while Olinger has lost his.

Federal District Judge Robert Miller agreed with Olinger on certain points. The judge agreed, for

example, that although the USGA is not itself "a place of public accommodation," it does operate places of public accommodation while conducting the U.S. Open and its qualifying rounds. Therefore, Judge Miller agreed with Olinger that the USGA is subject to the Americans with Disabilities Act.

Under the ADA, the USGA is required to make "reasonable accommodations" for Olinger's disability. And apparently, even the USGA did not challenge Olinger's assertion that the use of a golf cart by someone with his condition would be a reasonable accommodation "in a general sense."

On the other hand, the ADA does not require even reasonable accommodations if the requested accommodation would cause "a fundamental alteration in the nature of the program." The "program" in Olinger's case was the U.S. Open, and Judge Miller concluded that permitting Olinger to use a cart, when

other golfers could not, "would fundamentally alter the nature of the U.S. Open. . . ."

The judge reached this conclusion after evaluating evidence introduced at trial that persuaded him that "a strong possibility exists that on any particular day," permitting one golfer to use a cart might give that golfer "a competitive advantage . . . and that it might be substantial." For this reason, the judge ruled against Olinger and entered judgment for the USGA.

Judge Miller's conclusion differed from the one reached in Casey Martin's earlier ADA lawsuit against the PGA, where a federal court ordered the PGA to permit Martin to use a cart in PGA tournaments. In a footnote, Judge Miller addressed this apparent conflict by noting that the Martin decision was reached by a District Court in a different Circuit and thus "has no precedential impact." In addition, Judge Miller sought

to distinguish Martin by saying it involved a series of multi-level weekly tournaments while Olinger's case involved a single event.

Finally, Judge Miller noted that the Martin decision relied on expert testimony offered in support of Martin's position by Dr. Gary Klug. In this case, however, Dr. Klug's testimony had been excluded (in an earlier ruling) on the grounds that he had used "an undisclosed methodology" to arrive at his opinion supporting Olinger's position.

Olinger v. United States Golf Association, 52 F.Supp.2d 947, 1999 U.S.Dist.LEXIS 9226 (N.D.Ind. 1999); *Olinger v. United States Golf Association*, 55 F.Supp.2d 926, 1999 U.S.Dist.LEXIS 9869 (N.D.Ind. 1999) [ELR 21:8:14]

ZZ Top song "La Grange" is sufficiently original to be protected by copyright, despite expert's opinion that it is strikingly similar to earlier songs, court rules in infringement suit prompted by Chrysler's unlicensed use of "La Grange" in promotional auto video

In 1996, when Chrysler Corporation introduced its then-new Plymouth Prowler, it used ZZ Top's song "La Grange" in the soundtrack of a promotional video and as background music at a press event. Ordinarily, uses of this kind are a compliment as well as a source of income. But in this case, Chrysler did not have a license from ZZ Top authorizing the car company to use the song - so insofar as ZZ Top was concerned, Chrysler's use was neither. In fact, ZZ Top has sued Chrysler for copyright infringement.

Most every case seems defensible, at least for a while; and so it was, here. Chrysler admitted it had copied "La Grange." But it argued that "La Grange" is not original, and thus not eligible for copyright protection. According to Chrysler's expert, musicologist Robert Walser, "La Grange" is "strikingly similar" to earlier songs, especially John Lee Hooker's "Boogie Chillen" and Norman Greenbaum's "Spirit in the Sky."

Since this contention was all that stood between ZZ Top and a ruling that Chrysler had infringed, ZZ Top made a motion for partial summary judgment, addressed specifically to the "originality" issue.

ZZ Top has succeeded. In a brief and to-the-point decision, Federal District Judge Robert Lasnik has held that "La Grange" is sufficiently original to be protected by copyright; and thus all that remains is a trial on damages.

The judge explained that Chrysler's expert had focused his originality analysis almost exclusively on the similarities between a guitar riff in "La Grange" and earlier songs, and had made no attempt to compare non-riff elements of "La Grange" with prior songs. In fact, the expert had admitted that the improvised guitar solo and the vocals in "La Grange" are original and are important to the song's overall impression.

Apparently, the reason Chrysler focused on the guitar riff was because that was a substantial part of what it copied. However, Judge Lasnik was critical of the method by which the expert made his comparisons. The expert "changed the written music by reducing intervals, or power chords, to single notes," because that is "how the music actually sounds." However, said the judge, this "is not an accurate representation of the written notes that are subject to copyright protection."

Moreover, Judge Lasnik made his own comparison of the riff in "La Grange" and the riff used by Norman Greenbaum in "Spirit in the Sky." Chrysler's expert said the two riffs were "virtually identical." But the judge disagreed. He ruled that no reasonable juror "could confuse the two riffs, even if they were exposed to only six or eight seconds of each."

ZZ Top v. Chrysler Corp., 54 F.Supp.2d 983, 1999 U.S.Dist.LEXIS 9863 (W.D.Wash. 1999)[ELR 21:8:15]

Disney breached contract with licensor of cartoon character "Marsupilami," as well as implied good faith covenant, by failing to produce animated films, not using best efforts to secure network broadcasts, and not making adequate merchandising efforts; appellate court affirms $9 million judgment in favor of licensor

"Marsupilami" is a popular cartoon character. Though not as successful as Disney's "Aladdin" or the "Little Mermaid," "Marsupilami" is of European, not American, origin; and its first exposure to the consuming public was in little more than French language comic books sold in France, Belgium and Germany. Yet, without any television exposure even in Europe, "Marsupilami" generated revenues of more than a million dollars a year, as long ago as 1989.

Disney thought it could help "Marsupilami" earn "significantly" more. As a result, in 1990, it entered into a licensing agreement with the character's owner, Marsu, B.V., pursuant to which Disney agreed to do three things. It agreed to produce thirteen half-hour animated "Marsupilami" films by the end of 1993. It agreed to use its "best efforts" to secure network broadcasts of those films. And it agreed to enter into merchandising agreements with other companies pursuant to which they would make and sell "Marsupilami" products.

None of these things ever happened. And it now appears that the reason they didn't is that the success of "Aladdin" and "Little Mermaid" prevented Disney from diverting its attention from its own "hot properties" in order "to do Marsu." Disney paid Marsu $5.5 million in guarantees, but in the final week of 1993, it

nevertheless exercised an option allowing it to terminate its agreement with Marsu.

Marsu sued Disney for breach of contract, for breach of the implied covenant of good faith and fair dealing, and on other theories. After a two-week trial, federal District Judge Edward Rafeedie ruled in Marsu's favor and awarded it more than $8.4 million in damages and almost $1 million in attorneys' fees. Disney appealed, without success. In an opinion by Judge Harry Pregerson, the Court of Appeals has affirmed Marsu's judgment.

Disney argued that it had not breached its contract to produce half-hour animated films, for two reasons: because it had produced several six to eight minute shorts instead, with Marsu's knowledge and consent; and because it had terminated the contract, as the contract allowed, before the deadline for producing the half-hour films. Judge Pregerson rejected both of

these arguments. The shorts, he said, didn't satisfy the contract, because they didn't feature "Marsupilami." And Disney's obligation to produce half-hour films by the end of 1993 was not relieved by its termination of the contract, because even though the notice of termination was given on December 27th, the termination did not become effective until June 30, 1994 - six months after Disney's deadline to produce the half-hour films had passed.

Disney had not used its "best efforts" to obtain network broadcasts of "Marsupilami" animated films, Judge Pregerson affirmed. Indeed, the evidence showed that Disney had never asked a network to do so.

Judge Pregerson also ruled that Disney had breached the implied covenant of good faith and fair dealing with respect to its obligation to merchandise "Marsupilami." It did so by launching a merchandising campaign when no "Marsupilami" animation was on

television, and by using "junior employees with minimal or no prior experience in merchandising" to create the character's marketing plan. It especially did so, Judge Pregerson said, by deciding to use the company's resources to handle merchandising for its own "hot properties" - "Aladdin" and the "Little Mermaid" - which were "more important both financially and strategically" to Disney than "Marsupilami."

Disney contended that it had satisfied all its duties under the contract by paying Marsu the minimum guarantees called for in the agreement. But Judge Pregerson did not agree. A similar argument was rejected in Sondra Locke's lawsuit against Warner Bros. (ELR 19:11:6), Judge Pregerson noted; and he rejected it again in this case.

Marsu, B.V. v. Walt Disney Co., 185 F.3d 932, 1999 U.S.App.LEXIS 5413 (9th Cir. 1999)[ELR 21:8:15]

Anheuser-Busch and its advertising agency win dismissal of copyright infringement claim filed by author of scripts proposing "Bud Frog" television commercials; court decides that frogs in Budweiser commercials are not substantially similar to author's frog

Frogs croak, and the sound that at least some of them make sounds a lot like "Bud." Indeed, when Michael Smith was a boy in rural Illinois, he noticed that frogs around his home often sounded as though they were saying "Bud" - so much so that he named one "Bud." Smith is an Art Director with D'Arcy Masius Benton & Bowles, the advertising agency that created

the "Bud Frog" television commercials for Anheuser-Busch. According to the beer company and its ad agency, it was Smith who conceived the idea of using frogs in Budweiser commercials, in 1994.

Stephen Arpaia thinks otherwise. In 1990, Arpaia submitted seven scripts to Anheuser-Busch, unsolicited, for Budweiser commercials that would have featured a "Bud Frog." In one of those scripts, the frog croaks "Bud." After Arpaia signed a non-confidentiality agreement, the beer company apparently considered and then rejected his scripts. When Budweiser commercials later appeared that also featured a frog croaking "Bud," Arpaia sued for copyright infringement and other things, including breach of implied contract.

At the time Arpaia submitted his scripts, Anheuser-Busch had an elaborate procedure for insulating its advertising agencies from ideas that were

submitted to it. Those procedures were followed in Arpaia's case. And thus the beer company and D'Arcy filed a motion for summary judgment seeking dismissal of Arpaia's lawsuit. The motion argued that D'Arcy had never seen let alone copied Arpaia's scripts, and in any event, their Budweiser commercials were not substantially similar to those scripts.

Federal District Judge Charles Siragusa has granted that motion.

The judge agreed with Arpaia that - despite Anheuser-Busch's procedures for insulating its ad agencies from idea submissions - there was a genuine issue of fact concerning whether or not Arpaia's scripts had been copied.

On the other hand, the judge agreed with Anheuser-Busch and D'Arcy that their commercials were not substantially similar to Arpaia's scripts. The stories told in the commercials were not similar at all to

the stories told in the scripts. So the real issue became whether Anheuser-Busch's frogs were substantially similar to Arpaia's. Judge Siragusa determined they were not.

"It is true that all of the characters at issue here are frogs who promote Budweiser Beer," the judge acknowledged. "However, the idea of using a frog to promote beer is not subject to copyright protection. Apart from the fact that they are frogs, the greatest similarity between the characters is that the plaintiff's frog croaks 'Bud Bud,' while the defendant's frogs croak 'Bud,' 'weis' and 'er.' However, the differences between the characters far outweigh the similarities."

The judge then went on to describe in some detail the ways in which the frogs differed from one another. He concluded that there "vast differences between the 'attributes and traits' of the parties' frogs." For that reason, and because he found differences in the

"total concept and feel" of the two works, he ruled that no reasonable jury could find them to be substantially similar.

Finally, Judge Siragusa rejected Arpaia's implied contract claim. Though Arpaia argued that this claim was based on the use of his uncopyrightable ideas, his complaint alleged that it was based on the use of his "copyrighted works." Thus, because of that allegation, the judge ruled that the implied contract claim was preempted by the Copyright Act.

Arpaia v. Anheuser-Busch Companies, Inc., 55 F.Supp.2d 151, 1999 U.S.Dist.LEXIS 7080 (W.D.N.Y. 1999)[ELR 21:8:16]

Copyright Act preempts Louisiana community property law, so artist is sole owner of copyrights to paintings he created during marriage; ex-wife does not own half-interest in those copyrights, federal District Court rules

The Copyright Act quite clearly makes the "author" of a work the sole owner of its copyright. With equal clarity, Louisiana community property law makes spouses the co-owners of property acquired during marriage. The community property laws of other states, including California, do too.

Most of the time, copyright and community property laws never come into contact with one another, let alone conflict. But when authors get divorced in community property states, they do. It happened after Louisiana artist George Godfrey Rodrique, Jr. got divorced.

Rodrique created a number of copyrighted paintings while married; and after his divorce, he created derivative works incorporating "Blue Dog" and "Jolie Blonde" images from his pre-divorce paintings. As a result, his ex-wife demanded an accounting of his post-divorce earnings from the use of those images, claiming that Louisiana community property law made her a co-owner of their copyrights. Rodrique of course denied that his ex-wife had any ownership interest those copyrights, so the two returned to court - this time to federal District Court - to thrash out their differences. Once issue was joined, they made cross-motions for summary judgment, and the artist has prevailed.

Surprisingly, there is only one other published opinion on the question of whether community property law makes an author's spouse the co-owner of the copyrights to works created during marriage. That

opinion was rendered by the California Court of Appeal in 1987 in the Marriage of Worth case (ELR 9:6:10). It held that community property laws do make spouses copyright co-owners. To reach that conclusion, the California court had to decide that state community property law was not preempted by the federal Copyright Act; and it did. The Marriage of Worth decision has been criticized on many grounds, in these pages and elsewhere (see, e.g., "Copyright as Community Property: Questions about Worth are More than Trivial," by Michael J. Perstein (ELR 9:11:3)). But Worth has never been overruled (or even reconsidered) judicially or by Congress.

A dozen years later, when Judge Mary Ann Lemmon decided the Rodrique case, she acknowledged the Marriage of Worth decision in a footnote and dealt with it simply by commenting that "Most commentators repudiate Worth." Judge Lemmon ruled

that Louisiana community property law is preempted by the Copyright Act, for several reasons.

First, the judge found that the provision of the Copyright Act that vests initial ownership of a copyright in the author of a work, and the provision of Louisiana community property law that makes spouses co-owners of property acquired during their marriage, "clash head-on." The judge reasoned that "Ownership cannot vest simultaneously in both the author alone and in the community." As a result, "a copyright is the separate property of the author spouse upon its creation," Judge Lemmon ruled.

Second, the judge rejected the argument that community property law transfers a half-interest in copyrights to works created during a marriage. Section 201(d) of the Copyright Act does permit transfers "by operation of law." But section 201(e) then prohibits transfers by operation of law that are "not . . .

voluntary." Judge Lemmon interpreted this to mean that section 201(e) "precludes any involuntary transfer of a copyright from the author to the community."

Third, the judge also rejected the argument that Rodrique had voluntarily transferred - constructively or impliedly - a half-interest in his copyrights to his then-spouse by creating works in a community property state without taking advantage of provisions of Louisiana law that would have enabled him and his wife to opt-out of Louisiana's community property regime. In so ruling, Judge Lemmon noted that constructive or implied transfers under community property law "would require third-party licensees and transferees to determine whether an author were subject to community property rules. . . . If community property law were to govern the rights of non-author spouses, there would be different management rules for each

community property state and another for the rest of the nation."

Finally, Judge Lemmon explained that copyright co-ownership is not necessary to protect non-author spouses. "Equal sharing of the proceeds of the copyright sufficiently satisfies the prime goal of community property law by recognizing the non-author spouse's overall contribution to earning power of the community," she said. "Allowing the author spouse to retain control over the copyright protects third-parties from uncertainty of title and avoids threats to national uniformity that arise from diverse management schemes."

Rodrique v. Rodrique, 55 F.Supp.2d 534, 1999 U.S.Dist.LEXIS 2088 (E.D.La. 1999)[ELR 21:8:17]

Internet search engines Netscape and Excite do not infringe or dilute Playboy's trademarks by including banner ads for other companies on search results pages that list sites in response to searches for "playboy" and "playmate," federal District Court rules

Playboy has suffered a setback in a lawsuit that challenges the business model now being used by many Internet search engine websites. That business model involves: (1) the sale of banner ads that are included on the "results pages" that are generated in response to searches for particular words; and (2) charging advertisers a premium for placing their banner ads on pages that respond to particular words desired by the advertiser rather than on pages generated at random or in a general rotation. As federal District Judge Alicemarie Stotler explained it, auto makers might

prefer - and be willing to pay extra for - placements on pages that respond to searches for words like "car" and "truck" than for searches for terms related to gardening.

Judge Stotler has denied Playboy's request for a preliminary injunction in a suit it has filed against Netscape and Excite. Both of these companies operate Internet search engines that sell adult entertainment banner ads on search result pages that respond to searches for any of a group of 450 terms, including "playboy" and "playmate." "Playboy" and "Playmate" are registered trademarks belonging to Playboy Enterprises, and Playboy contends that the sale of ads on pages that respond to searches for the terms "playboy" and "playmate" infringe and dilute their trademarks.

Playboy has been handicapped by the fact that "playboy" and "playmate" are actual words that are used in contexts unrelated to the businesses owned by

Playboy Enterprises. Worse yet from Playboy's point of view, companies other than Playboy Enterprises also own registered trademarks consisting of or containing the words "Playboy" and "Playmate."

These facts enabled Netscape and Excite to argue that their use of the words "playboy" and "playmate" was not a trademark use at all, and thus not the sort of use that violates federal trademark law, either on an infringement or dilution theory. Judge Stotler agreed.

Even if Netscape and Excite had made a trademark rather than generic use of "Playboy" and "Playmate," the judge found that Playboy had not shown any likelihood of confusion - something that must be shown to prove trademark infringement. Judge Stotler distinguished the recent "MovieBuff" case, where "initial interest confusion" was held to be sufficient to establish infringement (ELR 21:5:22). Among other things, she noted that "moviebuff" (when

written as one word) is not a real word, while "playboy" and "playmate" are.

Judge Stotler also rejected Playboy's dilution claim, because Playboy had not shown that Netscape or Excite have blurred or tarnished the company's trademarks.

Playboy Enterprises, Inc. v. Netscape Communications Corp., 55 F.Supp.2d 1070, 1999 U.S.Dist.LEXIS 9638 (C.D.Cal. 1999)[ELR 21:8:18]

General Release signed by former owner of New England Patriots when he sold team bars antitrust suit complaining that NFL didn't permit him to move team to Jacksonville

When Victor Kiam was the owner of Remington Products, he did television commercials saying that he bought the company because he liked his Remington electric shaver. In 1988, Kiam took a similar shine to the New England Patriots, even though the team had been losing so much money that sixteen other people who were interested in buying the team ultimately decided not to.

The Patriots did no better under Kiam's ownership than they had before. In order to fund the team's operations, Kiam used several million dollars of his income from Remington and borrowed millions more using his Remington stock as collateral. By 1990, he considered moving the Patriots to Jacksonville, but didn't. There appear to be several reasons he didn't move the team out of New England, including a reluctance on the part of the NFL and NBC to have the

Patriots leave a major television market for a smaller city.

By 1992, Kiam had had enough, and he sold the team. At the time the NFL approved the sale - as its Constitution and Bylaws required - Kiam was required to sign a General Release discharging the NFL and all of its members from virtually all claims, including antitrust claims. The NFL requires all departing owners to sign General Releases; Kiam's was neither unique nor the first.

In 1993, Jacksonville was awarded an expansion franchise for what became the Jacksonville Jaguars. The following year, Kiam filed an antitrust lawsuit, alleging that the NFL and its members had conspired to prevent him from moving the Patriots to Jacksonville. Naturally, the NFL asserted Kiam's General Release as a defense; and on its face, it was a good defense. Kiam

however argued that the Release was invalid for three reasons.

First, he argued that the Release had been obtained from him while he was under economic duress. This issue was tried to a jury, which simply ruled against him. The jury found that Kiam was not under economic duress - at least none caused by the NFL or its members - when he signed the General Release. Thus, federal District Judge Milton Pollack entered judgment against Kiam on that theory.

Second, Kiam argued that the General Release was "part and parcel" of the antitrust conspiracy about which his lawsuit complained. The NFL made a motion for summary judgment on this issue; and Judge Pollack has granted that motion. The judge ruled that "Kiam was powerless to relocate the Patriots [to Jacksonville], not because of any conspiracy, but rather because he no longer owned the club. Therefore, the Release could

not have been an 'integral part' of a conspiracy to keep the Patriots from relocating out of New England."

Third, Kiam claimed the Release was invalid because he had not received any consideration from the NFL in exchange for signing it. Judge Pollack thought otherwise, however. Kiam "indisputably received valuable consideration for signing the Release," he said. "Kiam received the NFL's consent to transfer ownership of the Patriots," for which Kiam received enough money to settle his debts and obligations.

Kiam's antitrust claims against the Jaguars themselves were dismissed for two reasons: the Jaguars didn't exist at the time the alleged conspiracy took place; and as members of the NFL, they were covered by the General Release.

Finally, in a separate order, Judge Pollack dismissed the NFL's breach-of-contract counterclaims against Kiam. Apparently the allegedly breached

contract was the General Release itself, and Kiam allegedly breached it by filing suit. However, the judge found that the Release did not contain a "clear covenant not to sue," and thus Kiam had not breached the Release.

The NFL also sought sanctions against Kiam's attorneys for vexatious litigation tactics. The judge agreed that the litigation procedures used by Kiam's lawyers had been "overbroad" and gave "grave suspicion concerning their propriety, necessity and purpose." Nevertheless, Judge Pollack was "not persuaded" sanctions were warranted in this case, and he declined to award them.

VKK Corp. v. National Football League, 55 F.Supp.2d 196, 1999 U.S.Dist.LEXIS 9317 (S.D.N.Y. 1999); *VKK Corp. v. National Football League*, 55 F.Supp.2d 229,

1999 U.S.Dist.LEXIS 9642 (S.D.N.Y. 1999)[ELR 21:8:18]

NFL Properties and Green Bay Packers win dismissal of tortious interference counter-claim filed by clothing manufacturer they have sued for trademark infringement; infringement suit, by itself, is not a basis for interference claim, federal court decides

In the game of football, it has been said that the best defense is a good offense. Clothing manufacturer ProStyle, Inc., seems to have adopted that same strategy in a trademark infringement suit filed against it by National Football League Properties, Inc., and the Green Bay Packers.

In response to the infringement claims of NFL Properties and the Packers, ProStyle filed a counterclaim accusing them of tortiously interfering with its prospective business relations with J.C. Penney. Apparently, J.C. Penney carried ProStyle's merchandise in 1996, before NFL Properties and the Packers filed their infringement action. But after the suit was filed, J.C. Penney decided not to carry ProStyle's merchandise for the 1997 season.

Deposition testimony by J.C. Penney executives was not perfectly clear about why they decided not to carry ProStyle's line. One executive said first that she bases her buying decisions only on the rate at which merchandise sells. But then she added, "provided [the merchandise] meets all J.C. Penney's legal department's requirements." This, ProStyle argued, showed that J.C. Penney decided not to carry ProStyle's merchandise

because NFL Properties and the Packers had filed an infringement suit concerning that merchandise.

ProStyle did not contend that either NFL Properties or the Packers had ever suggested to J.C. Penney that it not carry ProStyle merchandise. In fact, J.C. Penney had been notified of the infringement suit by ProStyle itself, not by NFL Properties or the Packers. For this reason, NFL Properties and the Packers made a motion for summary judgment, seeking dismissal of ProStyle's counterclaim. And federal District Judge J.P. Stadtmueller granted that motion (in a ruling issued in 1998 but published only recently).

Judge Stadtmueller noted that Wisconsin tortious interference law requires proof that a third party was induced not to enter into or continue business relations with the complaining party, and proof that the offending party's conduct was a substantial factor in producing the complaining party's damages. In this

case, there was no evidence - apart from the infringement lawsuit itself - that NFL Properties or the Packers had induced J.C. Penney to discontinue buying ProStyle merchandise. Nor was there any evidence - apart from the lawsuit - that they had caused any damage to ProStyle.

Moreover, the judge added that ProStyle would not have had a viable claim, even if it had "indisputable proof that J.C. Penney stopped carrying ProStyle merchandise solely as a result of this lawsuit." Indeed, Judge Stadtmueller quoted authorities for the proposition that tortious interference liability could not be imposed on NFL Properties or the Packers, even if they eventually lost their infringement suit against ProStyle, because "a party has a right to protect what he believes to be his legal interest."

In this case, several of the infringement claims had survived ProStyle's earlier motions for summary

judgment. Thus, the judge concluded that the infringement suit could not support, "by itself, a claim of tortious interference with prospective business relations."

National Football League Properties, Inc. v. ProStyle, Inc., 54 F.Supp.2d 870, 1998 U.S.Dist.LEXIS 22179 (E.D.Wis. 1998)[ELR 21:8:19]

Judgment in favor of ex-Buffalo Bills quarterback Jim Kelly in defamation case filed by his former agent, complaining about statements in Kelly's autobiography "Armed and Dangerous," is affirmed on appeal

During all the years that Jim Kelly played football - for the University of Miami, the USFL's

Houston Gamblers, and finally for the NFL's Buffalo Bills - Kelly played offense. He was a quarterback, and offense is all that quarterbacks play. After retiring from football, however, Kelly has spent a lot of time playing defense in federal courts. Kelly was drawn into the litigation arena by statements he made in his autobiography Armed and Dangerous that were critical of his former agents, one of whom was A.J. Faigin.

Offended by what Kelly's book said in a couple of short passages, Faigin sued Kelly as well as his co-author Vic Carucci and his publisher Doubleday Dell. Though Faigin's claims against co-author Carucci were dismissed (without a published opinion) in response to Carucci's motion for summary judgment, Faigin did better in the early stages of his lawsuits against Kelly and Doubleday (ELR 18:6:16, 19:2:20, 19:11:11).

In fact, the case against Kelly eventually went to trial, where Kelly's talents as a defensive player finally

blossomed: a jury returned a verdict in Kelly's favor. Although the jury found that the offending passages in Armed and Dangerous were defamatory, because implications of fact tended to harm Faigin's reputation, the jury also found that Faigin had failed to prove those statements were false.

Faigin appealed, arguing that the trial court had erred when it dismissed his claims against co-author Carucci and later made many more errors during the trial against Kelly. The Court of Appeals, however, has rejected all of Faigin's arguments. Writing for the appellate court, Judge Bruce Selya began his opinion by describing Kelly as an "American icon," and ended it by writing: "In law, as in football, the number of passes attempted means less than the record of passes completed and touchdowns scored. Here, Faigin's passing attack, though prolific, lacks accuracy, and, in all events, never crosses the goal line. For aught that

appears, Faigin lost a hotly-contested game played with scrupulous attention to the rules under the watchful eyes of an attentive referee."

Judge Selya rejected Faigin's argument that the trial court had erred when it granted Carucci's summary judgment motion after characterizing Faigin as a limited-purpose public figure who had to prove "actual malice." Judge Selya acknowledged that whether Faigin was, or was not, a limited-purpose public figure was "not free from doubt." Nevertheless, the answer didn't matter, the judge ruled, because the jury found that Faigin had not proved the falsity of the offending statements, and thus it was irrelevant whether Carucci made them with actual malice or merely negligently.

Judge Selya also rejected Faigin's contention that the evidence was insufficient for the jury to have ruled against him in his case against Kelly. The judge said

"the evidence that contradicts Faigin's claim of objective falsity seems more than ample."

In his trial against Kelly, Faigin hoped to make good use of a ruling he had gotten against Kelly in an earlier, separate case Kelly had filed against him - a ruling in which Kelly had been ordered to pay Faigin $11,000 in sanctions for failing to produce any evidence that Faigin had been involved in bad investment decisions that were the basis for Kelly's lawsuit. According to Faigin, the sanctions ruling proved that Kelly knew his book's statements about Faigin were false. But Faigin never got to use the sanction order in his defamation suit. The trial court refused to give that order collateral estoppel effect and even refused to permit Faigin to introduce evidence concerning it. Judge Selya concluded that both of these decisions had been correct, because the issue on which the sanction order had been based was not sufficiently

similar to the truthfulness question in the defamation case.

The judge also rejected Faigin's appeal from a number of evidence rulings that had been made during trial as well as Faigin's objections to certain jury instructions that had been given.

Faigin v. Kelly, 184 F.3d 67, 1999 U.S.App.LEXIS 16668 (1st Cir. 1999)[ELR 21:8:20]

New York appellate court dismisses negligent misrepresentation lawsuit filed by art dealer and auctioneer against law firm that issued opinion letter stating that seller of Italian painting had good title to it, even though Italian government later confiscated painting because it was sold to art dealer in violation of Italian cultural export law

Being an art dealer is a risky business, especially where foreign works of cultural significance are concerned. The authenticity of such works is one risk, and the seller's actual ownership of them is another. To protect against these risks, cautious art dealers get warranties and expert opinions concerning authenticity, and lawyers' opinion letters concerning the seller's good title. Those things are not always enough, however, as a Panamanian art dealer named Wombaca and a French auction house named Etude Tajan have learned.

Wombaca was, for a brief time, the owner of an Italian Old Master painting entitled "A Capriccio with a Domed Church and Buildings in Las Pirna," by 18th century artist Bernardo Bellotto. Wombaca paid $1.1 million for the painting when it bought it from the distributee of the estate of its prior owner in January 1997. Soon thereafter, Wombaca consigned the

painting to Etude Tajan which expected to auction it in June 1997 for more than $3 million, 25% of which it would retain as its commission. The auction never took place however, because the painting was seized by French authorities, at the request of the Italian government, just hours before it was to have been sold.

As a result of the seizure, Wombaca was out the $1.1 million it paid for the painting, to say nothing of its anticipated profit on the resale which could have been a million dollars or more (after commissions); and Etude Tajan was out its commission which could have amounted to $750,000 or more. In the United States, losses of this magnitude often trigger lawsuits; and that's what happened in this case too.

Readers may wonder why a dispute over losses suffered by a Panamanian art dealer and a French auction house, as a result of the seizure of an Italian painting by the French police, at the request of the

Italian government, wound up in an American court. The answer is that the painting's prior owner was an Italian named Enzo Colombo, from whose villa in Florence the painting was stolen many years ago. After Colombo's death, the painting "reappeared" in New York City. The distributees of Colombo's estate arranged for the painting to be sold there. In order to do so, a partner in the New York law firm Pavia & Harcourt was appointed as the Ancillary Administrator and lawyer for Colombo's estate; and the partner made the necessary arrangements.

Because the painting had once been stolen, Wombaca was naturally concerned about the seller's ownership of the painting. In response to that concern, Pavia & Harcourt issued an opinion letter stating that the painting had been distributed to the seller by Colombo's estate pursuant to written instructions from all of his heirs. The opinion letter also stated that no

claim had been asserted to the painting "to today's date."

Wombaca apparently relied on the opinion letter, so when the painting was later seized by French police, Wombaca sued Pavia & Harcourt in New York state court for negligent misrepresentation, alleging that the opinion letter was inaccurate. Etude Tajan did too. The law firm sought dismissal of the case, and was partially successfully. On appeal, it has been completely so. The Appellate Division of the New York Supreme Court has modified the trial court's ruling and has dismissed Wombaca and Etude Tajan's complaint completely.

Writing for the Appellate Division, Justice Peter Tom ruled that Pavia & Harcourt could not be held liable for negligent misrepresentation to Etude Tajan, because the auction house was unknown to the law firm when it wrote its opinion letter and because Etude Tajan was not a party likely to rely on the letter.

Justice Tom also ruled that Pavia & Harcourt could not be held liable to Wombaca - though as to the art dealer, the explanation was factually more complicated. The Italian government had asked the French to seize the painting, the day Etude Tajan's auction was scheduled, because one of Colombo's heirs informed the Italian government that Wombaca had purchased the painting in New York, in violation of an Italian law that prohibits the sale of Italian cultural objects outside of that country. The complaining heir was Colombo's widow; and she was one of those from whom Pavia & Harcourt had received signed written instructions authorizing the estate to distribute the painting.

Justice Tom was unable to tell from the record why Colombo's widow complained to her government. But it was clear from the record that whatever her reason, she had signed written instructions authorizing

the estate to distribute it. Moreover, when she complained to the Italian government, she did not claim to have an ownership interest in the painting. Finally, when the Italians asked the French to seize the painting, it did so because the painting's earlier sale in New York violated Italian law - not because of any dispute about the painting's ownership.

For all of these reasons, Justice Tom concluded that the Pavia & Harcourt opinion letter was not inaccurate at all, and thus could not be the basis for a misrepresentation action.

Tajan v. Pavia & Harcourt, 693 N.Y.S.2d 544, 1999 N.Y.App.Div.LEXIS 9815 (App.Div. 1999)[ELR 21:8:21]

Andy Warhol Foundation wins judgment against Warhol Estate's former lawyer for excessive legal fees he was paid, even though lawyer had received discharge in bankruptcy; Court of Appeals rules that excessive fees were not dischargeable because they were result of lawyer's "defalcation" while acting in fiduciary capacity

When artist Andy Warhol died in 1987, he left behind an enormous body of valuable work - so enormous and so valuable, it has become the subject of a significant body of judicial decisions dealing with legal disputes concerning those works. (ELR 10:11:12, 13:5:17, 15:3:11, 16:6:24, 16:12:8, 17:7:14, 18:8:16, 18:9:21)

These disputes involved even the question of how much money the Warhol Estate's lawyer, Edward Hayes, was entitled to be paid. Hayes was paid $4.85

million pursuant to a retainer agreement, between 1987 and 1990. But in 1992, he sought $12 million in a petition filed with the New York Surrogate Court. That court declined to give Hayes all that he sought, but it did award him $7.2 million, over the objections of the Andy Warhol Foundation - the Estate's sole beneficiary (ELR 17:7:14). The Foundation appealed that award, successfully. The New York Appellate Division reduced Hayes' fees from $7.2 million to $3.5 million (ELR 18:8:16). That of course meant that Hayes had already been overpaid $1.35 million. And the Foundation demanded that he refund the excess.

Hayes instead went bankrupt, and - again over the objections of the Warhol Foundation - all his debts were discharged. The Foundation had argued that Hayes' debt to the Estate should not be discharged, because section 523(a)(4) of the Bankruptcy Act makes nondischargeable debts that arise from a "defalcation

while acting in a fiduciary duty." The Foundation's argument did not persuade either the Bankruptcy Court or the District Court, both of which ruled in Hayes' favor, in unpublished decisions.

On appeal, however, the Foundation has finally prevailed. Writing for the Court of Appeals, Judge Ralph Winter has held that the attorney-client relationship is a "fiduciary" relationship within the meaning of the Bankruptcy provision, and that the lawyer's fiduciary obligation extends to fee agreements.

Judge Winter also held that Hayes had received excessive fees as a result of a "defalcation." Hayes had argued that "defalcation" requires "some . . . misconduct," and that he had engaged in none, because the fees he had received, including the $1.35 excessive portion, had been voluntarily paid to him by the Estate's executor.

Judge Winter disagreed, however. The fees Hayes received had been paid to him as a result of an invalid agreement that pegged those fees to the value of the Estate's assets - during a rising art market - rather than to the value of his services. Moreover, Hayes did not then limit his spending to an estimate of what a court might eventually approve, nor did he seek judicial pre-approval of his "questionable agreement." Judge Winter therefore concluded that Hayes' "conduct was sufficiently at odds with his fiduciary obligations to constitute a defalcation within the meaning of Section 523(a)(4). . . ."

Apparently concerned that his ruling might be read to apply in all other attorneys fees cases too, Judge Winter ended his decision by saying that it does "not reach the question of the dischargeability of debts incurred by attorneys as a result of payments determined ex post by a court to be excessive where a

good faith attempt was made to match fees and the value of services, or where no ready avenue to seek approval in advance exists."

In re Hayes, 183 F.3d 162, 1999 U.S.App.LEXIS 18011 (2d Cir. 1999)[ELR 21:8:22]

Fan magazine and website publisher, sued for copyright and trademark infringement by Artist Formerly Known As Prince, is permitted to record Prince's deposition on videotape, but court requires videotape to be safeguarded and not used to create content for defendant's magazine or website

Uptown Productions is the publisher of a fan magazine and website devoted to the Artist Formerly Known As Prince. Uptown doesn't have Prince's

consent to do this. In fact, Prince sued Uptown in federal court in New York for copyright and trademark infringement and on other theories.

If the case had been decided on its merits, it would have addressed interesting and important issues of intellectual property law. The case was settled in just a matter of months. But before that happened, it did produce a published opinion concerning a discovery dispute - one that is important in many cases involving celebrities.

Uptown wanted to take Prince's deposition. There's nothing unusual about that. Depositions are taken in virtually every case, including those filed by or against celebrities. Uptown also wanted to record Prince's deposition on videotape. There's nothing unusual about that either. Rule 30 of the Federal Rules of Civil Procedure permits videotaped depositions as a matter of routine, "[u]nless the court orders otherwise,"

because it is better to show jurors videotaped depositions than it is to read them cold printed transcripts.

In this case, though, it appeared to Prince that Uptown intended to use the videotapes to create content for its fan magazine and especially for its website, where Uptown already was posting pleadings and press releases concerning the case (www.uptown.se). Prince therefore sought a protective order, preventing the taping of his deposition, or at least preventing Uptown from using the tape for any purpose other than the lawsuit.

Judge Lewis Kaplan gave Prince part of what he wanted: an order that had the effect of preventing the deposition videotape from being posted on Uptown's website or used to create photos for its magazines. Judge Kaplan did this by prohibiting the creation of copies of the video, by ordering the parties to select a

mutually agreeable "Custodian" for the original videotape, and by ordering that the Custodian not permit anyone to view or listen to the tape without further court order.

According to Uptown's website, the case was settled shortly thereafter on terms that permit Uptown to continue its magazine and website, subject to certain conditions.

Paisley Park Enterprises, Inc. v. Uptown Productions, 54 F.Supp.2d 347, 1999 U.S.Dist.LEXIS 9756 (S.D.N.Y. 1999)[ELR 21:8:22]

Court enjoins enforcement of Michigan statute criminalizing use of Internet to disseminate sexually explicit material to minors, because statute violates First Amendment and Commerce Clause

Back in 1978, the Michigan legislature made it a crime to distribute "obscene" materials to children in that state. The year 1978 was of course long before the advent of the Internet, so in 1999, the legislature decided to amend the statute to take into account current computer and Internet technology. The legislature did so by criminalizing the use of computers or the Internet to disseminate "sexually explicit" materials to minors.

Even before this amendment was scheduled to take effect, it attracted critical attention from organizations and individuals who use the Internet, including internet service providers, website operators, bookstores, and the ACLU. Together, these critics filed a lawsuit in federal District Court in Michigan, seeking an injunction barring Michigan Governor John Engler and Attorney General Jennifer Granholm from

enforcing the amended statute. The lawsuit asserted that the amendment violates the First Amendment and the Commerce Clause. And Judge Arthur Tarnow agreed.

Though Judge Tarnow was "sympathetic to the attempt of the Michigan legislature to protect minors," he easily concluded that the statutory amendment attempted to achieve that desirable objective in an unconstitutional fashion.

The amendment violates the First Amendment, the judge held, because the government failed to show the amendment would directly and materially advance a compelling governmental interest, because it was not the least restrictive means of achieving its stated interest, and because it was substantially overbroad.

The amendment also violates the Commerce Clause, because it would have regulated conduct that occurred entirely outside the state of Michigan, and

because it would have subjected interstate Internet communications to inconsistent state regulation.

As a result, Judge Tarnow issued a preliminary injunction barring the Governor and Attorney General from enforcing or threatening to enforce the amendment.

Cyberspace Communications, Inc. v. Engler, 55 F.Supp.2d 737, 1999 U.S.Dist.LEXIS 12843 (E.D.Mich. 1999)[ELR 21:8:23]

In case involving thefts Mozart and Wagner items from music division of New York Public Library, court upholds constitutionality of statute making it a federal crime to steal objects of cultural heritage from museums

Helard Gonzales O'Higgins was indicted in federal court for stealing objects of cultural heritage from the Music Division of the New York Public Library. The items in question included a leaf from a piano minuet by Wolfgang Amadeus Mozart and an essay and letters by Richard Wagner.

Accused of stealing these exotic objects, O'Higgins replied with an exotic defense. He argued that the federal statute he was charged with violating was simply unconstitutional. More specifically, he contended that when enacting the statute in question, Congress exceeded its powers under the Commerce Clause, because the crime with which he was charged did not have a "substantial relation" to interstate commerce.

Federal District Judge Robert Patterson disagreed. "[T]he theft of objects of cultural heritage . . . has a substantial impact on the national economy," the

judge said, "even if the thefts perpetrated by this particular defendant had only a de minimis effect." The judge explained that "Art thieves generally do not pursue their bounty so as to hang it on their own living room walls; rather, they aim to resell the works. This affects the price of art not just in the state in which a given letter or manuscript was stolen, but it has an impact across state lines and around the world."

This means that Congress does have the power to make such thefts a federal crime, because "Congress rationally could conclude that criminalizing the theft of objects of cultural heritage from museums will reduce interstate trafficking in stolen art and thus is 'an essential part of a larger regulation of economic activity, in which the regulatory scheme could be undercut unless the intrastate activity were regulated.'"

Judge Patterson therefore denied O'Higgins' motion to dismiss the indictment.

United States v. O'Higgins, 55 F.Supp.2d 172, 1998 U.S.Dist.LEXIS 15668 (S.D.N.Y. 1998)[ELR 21:8:23]

Scanning copyrighted photo of Las Vegas strip constitutes infringement, though image created by computer manipulation of scanned image may not have been infringing derivative work, federal court rules

Computer scanners and programs like Photoshop are wonderful tools, though sometimes they can be used in ways that infringe copyright. Reno-Tahoe Specialties, a Nevada company that produces postcards and other souvenirs, crossed the infringement line when one of its graphic artists scanned a competitor's photograph of the Las Vegas Strip in order to

electronically cut and paste six buildings into an image used in Reno-Tahoe's products.

The competitor - another Nevada company named Tiffany Design - sued Reno-Tahoe for infringement, and has won part of its case. Federal District Judge Philip Pro has held that Tiffany Design's copyright was infringed when Reno-Tahoe's artist scanned Tiffany's photograph, even if the scanned image was held in the RAM of the artist's computer only long enough for him to extract the image segments he wanted to use. Judge Pro rejected Reno-Tahoe's argument its artist's scanning was a fair use. As a result, the judge granted Tiffany's motion for partial summary judgment as to this issue.

On the other hand, Judge Pro denied Tiffany's partial summary judgment motion with respect to the products Reno-Tahoe produced using images of six buildings that had been cut from Tiffany's photo.

Tiffany argued that the use of portions of its copyrighted photo in Reno-Tahoe's products made those products unauthorized and thus infringing "derivative works." Reno-Tahoe responded by asserting that its artist had computer-manipulated the buildings' images so significantly before they were used that its products were not in fact "derivative works." The judge determined that the parties had raised a disputed issue concerning whether the asserted modifications "of things such as lighting, perspective, and shading were significant enough to render [Reno-Tahoe's] use of the scanned images de minimus or unrecognizable in nature."

Tiffany Design, Inc. v. Reno-Tahoe Specialty, Inc., 55 F.Supp.2d 1113, 1999 U.S.Dist.LEXIS 10919 (D.Nev. 1999)[ELR 21:8:24]

DEPARTMENTS

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[ELR 21:8:25]