LEGAL AFFAIRS

Chinese Regulation of Foreign Performance Groups and Cultural Exhibitions in China

by Nicolas Groffman and Chen Li [1]

The last couple of years have seen a ballooning in the number of foreign performance groups visiting and performing in China. A glance at the November 1999 listings for the Grand Theatre, Shanghai, shows that audiences there have enjoyed performances by the Royal Opera, the Kirov Ballet, ten Italian tenors, the Takarazuka Revue from Japan, the French National Symphony Orchestra, not to mention a concert by the Shanghai Symphony Orchestra guest-conducted by Michael Plasson. In the same month, the Shanghainese have been treated to numerous other performances by foreign artists at various other locations: a show by the American magician Franz Harary, the Montreal Jazz Ballet, even a concert by two Taiwanese pop stars (who are listed along with the foreign performers). And this is all in just one month.

But it is not always easy for the foreign artists to arrange their tours. As with all imports China is strict in its regulation of foreign performance groups and cultural exhibitions that come to China.

Forbidden Activities

The government agency in charge of regulating foreign performances and exhibitions is the Ministry of Culture, which has the responsibility of ensuring that such foreign imports "do not harm Chinese morality" (that is, they are not pornographic or excessively violent), and that they are "politically correct."

Obviously, the Chinese Ministry of Culture has a different view of political correctness than the average Western artist, so it is worth examining the requirements.

The basic prejudices of Chinese cultural policy are well known, but in particular, Chinese law forbids performances with contents which:

(1) Are opposed to China's social system and disparage her image;

(2) Disturb China's societal stability;

(3) Sow ethnic discord and undermine China's unity;

(4) Interfere with Chinese internal affairs;

(5) Are corrupt and decadent in ideas, and vulgar and frenzied in expression;

(6) Propagate superstition, pornography, violence, terror or drug abuse;

(7) Harm the physical or mental health of the audience;

(8) Offend the moral code of Chinese society; or

(9) May damage friendly relations between China and other countries.

To summarize: foreign performers should avoid dealing with the subject of China and the Chinese at all, unless delivering an unqualified eulogy, or at least avoiding anything contentious. Hong Kong, Taiwan, Xinjiang (East Turkestan), Tibet and the Spratly Islands are regions where Chinese policy is even less tolerant of contentious commentary by foreigners. In addition, any political comment on the incumbent regimes in any foreign country is ill-advised.

It should be emphasized that while the content of any performance may not seem controversial to the performer, it still may fall foul of Chinese regulation. A case in point is the song Queen's Road East, written by the Taiwanese Lo Tayu in 1991 about the coming transfer of Hong Kong to the PRC. The title was a pun on the name of a street in Hong Kong and the fact that British royalty would shortly have no staging post in the Far East. The lyrics further played on certain differences in vocabulary between the Chinese mainland and Hong Kong. This example is a good indicator of the spirit of Chinese policy which in this case was enforced rigorously ¾ KTV bars were inspected for possession of the disc version of the song.

While religious themes may be tolerated, this is true only up to a point. In practice, religious symbolism and vague references to God, Buddha or what-have-you are not likely to be problematic. Preaching, and stating or implying that religion can or should be superior to material life and science, rather than merely complementary thereto, goes against the spirit of

Chinese laws and is very unlikely to be tolerated. This is especially so at present while the Chinese government is investing heavily in promoting and publicizing the superiority of science over faith as part of their initiative to debunk the Falun Gong movement.

The propagation of superstition is expressly forbidden, and the legislators have deliberately left the distinction between religion and superstition vague in order to give maximum discretion to the decision-making authorities. There is a similar grey area about the distinction between pornography and acceptable art: Madonna, whose dance routines were deemed to fall somewhere in between, was warned by the authorities that her stage show should be toned down when she performed in China.

The legislation does, however, leave room for more adventurous shows which are "internationally popular, unique in artistic expression but are not in harmony with traditional Chinese customs and habits and are socially highly controversial." However, such shows are to be exhibited or performed only for professional reference, not for the public at large.

Scope of Activities Regulated

The Ministry of Culture regulates both cultural and artistic performances as well as exhibitions. This covers just about every kind of show except movies and TV. Specifically, they include music, dance, drama, traditional Chinese opera, ballad singing, versified storytelling sung to the beat of a drum, rhythmic comic monologue to the accompaniment of bamboo clappers, acrobatics, circus shows, animal shows, magic shows, puppet shows, leather silhouette shows, folk theatrical shows, costume and fashion shows, and martial arts and qigong (ch'i-kung) shows. Cultural and artistic exhibitions involving foreign parties include such Chinese-foreign exchange exhibitions as art, handicrafts, folk art, photography, calligraphy, stone inscriptions, seal carvings, ancient and traditional costumes, art collections and other cultural and artistic theme exhibitions. It may be observed that many of these seem to be specific to China: this is because the provisions are intended to regulate Chinese activities abroad as well as foreign activities in China.

Requirement for a Chinese Sponsor

All foreign cultural and artistic performance groups and exhibitions need a Chinese sponsor in order to come to China. Such sponsors can be:

* The Ministry of Culture;
* The government at or above the Provincial level;

* Any department or organization, whether of the state or of the communist party, which has been authorized to deal with foreign cultural exchanges; or

* Commercial institutions or organizations with a permit to engage in arranging commercial cultural and artistic performances and exhibitions by foreigners. The permit is issued by the Ministry of Culture, often to entities which have already acted as "cultural brokers" for Chinese performance groups. Cultural brokers are simply businesses which specialize in arranging performances: they book the performance site and arrange any local help required. Clients have the advantage of the brokers' local knowledge, connections and economies of scale. A cultural broker with a permit to deal with foreign parties will also handle the myriad legal, political and administrative ramifications associated with foreign performers, as discussed below. They are not required to desist from helping with

Chinese performances, and often continue to do so after obtaining permits.

Examples of Chinese sponsors in Shanghai include the Shanghai Performance Company and the Shanghai Association of Foreign Cultural Exchanges. These Chinese sponsors have freedom to work with foreign parties in any way they choose, but broadly, the co-operation will fall into one of the following three categories:

1. The sponsor assists the foreign parties in obtaining approval for their performances or exhibitions in China in exchange for a service fee;

2. The sponsor works as a partner with foreign parties, sharing income and costs; or

3. The sponsor acts as a promoter, pays the performers for their services and expenses, and collects the revenues from the venture itself.

The method of co-operation will be dictated by commercial factors rather than legislation. For example, the first method described above is used when the Chinese party does not have great confidence in the economic success of the foreign venture. It therefore keeps risk at a minimum by investing a minimum of resources and effort in the venture, in return for a small fee. The risk may be further minimized by providing for a fixed fee payment of several thousand ribimini (RMB) instead of a percentage commission.

Approval Procedures

Letter of Intent. The first step on the road to approval for a foreign performance group or exhibition is to sign a letter of intent with a qualified Chinese sponsor. The letter of intent should contain the essential terms of the proposed deal, such as the members of the performance group, the performance schedule, payments and fees and the main programs to be performed. The foreign party would be well-advised to contact the Chinese party more than 6 months before the proposed date of the performance, because the process described below is time-consuming.

Preliminary Application. After the parties sign the letter of intent, the Chinese partner then files a preliminary application with the department of the Ministry of Culture at provincial government level with the following documents:

a. a power of attorney to make the application, issued by the foreign parties;

b. the publicity brochure of the foreign performance groups, including the main performers and the broker if they have one; and

c. the letter of intent.

If the local cultural department recommends that the project be approved, it will then refer the project to the Ministry of Culture in Beijing for approval, and this should be done at least two months before the performance date.

In deciding whether approval should be granted, the Ministry of Culture and its local branches take into account the foreign party's reputation, "artistic level" and marketability in China. If the foreign party comes from a country or district which has no diplomatic relations with China, the project must be submitted by the Ministry to the State Council for approval. When the Chinese partner receives the approval documentation from the Ministry of Culture, they may send official invitation letters to the foreign parties, which in turn enable the foreign parties to obtain their Chinese business visas.

Definitive Contract. Once the Ministry of Culture has approved the project, the parties are permitted to enter into a formal contract implementing the Letter of Intent.

Getting Paid

The foreign party will generally receive its payment in RMB. This could be every day, or in advance, or after its final performance, depending on its agreement with the Chinese sponsor. According to the Shanghai Performance Company, in all cases the initial receipts are paid into the Chinese sponsor's account.

Conversion of Currency. However, the sponsor does not then simply pay the performers. First, conversion of the currency is necessary because RMB cannot be remitted or converted outside China. And before this can be done, there has to be proof that tax has been paid. In addition, the Chinese partner must go to the local branch of the State Administration of Foreign Exchange and show the Ministry of Culture's approval document together with the formal contract, as well as a receipt for taxes paid from the Tax Bureau. The foreign exchange authority should then approve the conversion into foreign currency of any RMB payments received by the foreign party pursuant to the agreement.

Taxation. Tax is levied separately on the Chinese party and the foreign party. The Chinese sponsor is taxed on its income, whether this is paid to it by the foreign party or received directly via ticket sales. If the foreign party is a company, which pays its employees in China out of its share of receipts, these employees will be taxed on their earnings. The company will be taxed separately but only its net profits. Double taxation is thus avoided.

There are more than 40 countries signatory to tax treaties with China, including the USA, Britain, Japan, Australia, Canada, France, Germany and Italy. These treaties normally provide that income generated from performing may be taxed in China, regardless of whether the income accrues to the performer or to another person. This provision prevents performers from avoiding tax by establishing service corporations to receive the bulk of their income in a tax-free jurisdiction. (However, where a performer performs in China under a plan of cultural exchange between the governments of China and another treaty state, the income is exempt from tax in China.)

PRC law provides for exemptions from tax if an individual works in China for less than 90 days cumulatively in any one tax year, and is paid by his employer outside China, not by establishments in China. This rule appears in practice to be qualified by the rules of the preceding paragraph contained in treaties. In other words, foreign performers do not get the benefit of this exemption.

Businesses, however, will be taxed even if they are only in China for a day or two. This applies to any performers who come to China under the name of an organization. "Business Tax" will be levied at the rate of 3% of all income gained from ticket sales or venue bookings after subtracting what has been paid to contractors and sponsors. It is to be stressed that the business does not need to be a corporation for this law to apply.

In addition, a 30% "Enterprise Tax" is levied on the total income after subtracting all actual expenses, and a 3% "Local Tax" is levied on the same amount.

If the performance group cannot provide complete documentation showing its total actual expenses, the local tax authorities will estimate what its profit rate was and tax it at 30% of that. This is not a desirable option and it is advisable for the business to save all possible receipts and pay slips

Enterprise income tax, local income tax, individual income tax and business tax declarations should be made to the tax authorities in the locality where the performances are staged. So if a performance is held in Beijing, then moves to Shanghai, declarations would have to be made to the tax bureau in both municipalities.

PRC law imposes a duty on the Chinese sponsor organizations to withhold any amounts which ought to have been paid as tax by foreign performers. Remuneration paid to individual performers will still be subtracted from the taxable income of the business.

Individual income tax is levied at stepped rates on wage or salary income received by individual performers. If an individual performs in his or own name rather than as the employee or member of an organization, business tax is levied, in addition to individual income tax, at 3% of all income after subtracting broker or sponsor expenses only.

Depending on the agreement between the foreign performer and the Chinese party, it may be the Chinese sponsor's contractual responsibility to ensure that the relevant application forms are ready for submission so that the foreign party can pay its taxes, convert its takings into foreign currency and leave the country in one day. However, it seems unlikely that such a procedure can be dealt with so expeditiously, and it is significant that the Shanghai Performance Company commented: "Most foreigners like to do some sightseeing around China before going back, so that gives us time to sort out tax payments and conversion." It was added that they are often paid after leaving the country.

If tax is not paid before the foreign party leaves China, the results could be embarrassing for the foreign parties concerned. According to Chinese newspapers, a certain female singer (who is not otherwise mentioned in this article) was reportedly stopped in the airport by law enforcers when about to leave China because the tax issue had been overlooked or misunderstood by her managers. Another is said to have returned to her country without having paid tax at all. One must assume that in such cases, either the performers are paid in foreign currency by their hosts, or that they don't mind being paid in unconvertible currency.

Problems with Enforcement

Previously, the government has had neither the will nor the ability to enforce its laws on the regulation of performers and, indeed, only really has the means to do so for very high profile acts. The problem of enforcement is discussed in detail in an article called Time for Hong Kong and Taiwanese stars to knuckle under, by Luo Zhenguang[2]: "Hong Kong and Taiwanese stars used to be idolized by millions but now they must face facts: if they dare to perform without abiding by the regulations, then the Ministry of Culture will flog them mercilessly for it, no matter how well they do at the box office...." They must obtain approvals from the Ministry of Culture "...otherwise the performance will be viewed as clandestine and the artist will be disciplined with a fine, or even 'exile.'[3] Although this has been law for a long time, it has yet to be put into practice. Moreover, with the exception of a few superstars who can look after themselves, most artists will just go where they will get paid, surfacing at functions held by factories, enterprises or individuals. These are known as 'Command Performances,' and the stars are only too keen to take part, considering that the lack of media coverage attending command performances minimizes the risk of being found out. There is the additional advantage that these performances are tax-free...."

The article goes on to discuss the tightening-up of enforcement: " ...the Ministry of Culture has recently made a stand. The first to come up against the knives was the singer Jeffrey Chang. The Culture Bureau of Hubei Province announced that the large-scale October Weddings performance on Wuhan Television on 26th September 1999 was illegal, and he would be 'exiled' for six months." The Hubei Culture Bureau also requested that the Ministry of Culture cancel Jeffrey Chang's planned tour of China.

The fault, in Jeffrey Chang's case, seems to lie with the Chinese sponsor, which was supposed to obtain the relevant approval from the Culture Bureau but failed to get approval for anything beyond Chang's acting as a guest presenter. Nevertheless "during the program, he sang Love is a one-syllable word from the sound-track to the film The Lotus Lamp, thus rendering the performance illegal."

The same article also cites the examples of the Hong Kong actors Alex Man and Deric Wan who, it alleges, have performed in China many times without obtaining approvals from the Ministry of Culture and as a result may be banned from the country.

It is not just Hong Kong and Taiwanese performers who offend. Anyone who can get a tourist visa to come to China has a good chance of escaping the regulation of the Ministry of Culture. There are legions of foreign groups and individuals in China who give performances in restaurants and bars. Legally speaking, those groups or individuals are subject to the legislation and approval procedures discussed above, and the Departments of Social Culture Administration of the local cultural bureaus are the relevant authorities for these groups. The officials of these administrative departments are required to go to restaurants frequently to inspect for illegal performances given by foreign performers. However, the fact is that some groups and individuals come to China without any approval from Chinese government. According to the director of the Planning & Liaison Department of the Shanghai International Culture Association, these people make deals with the restaurants, bars or even hotels that have good relationships with the administrative departments so that they can avoid the inspections. They can thus enter China with tourist visas, give performances in China without any Chinese government approval, earn money and leave China without any income tax payment.

Notes:

1. Nicolas Groffman is a Solicitor, and Chen Li a Consultant, with the law firm of O'Melveny & Myers in its Shanghai office.

2. Printed in the November 26, 1999 issue of Living Week; translation by O'Melveny & Myers.

3. "Exile" is an informal word to describe the penalty whereby an artist is denied the right to perform in China. In many cases this can be extended to a complete ban on publicity in respect of the artist in question.

[ELR 21:9:4]

NEW LEGISLATION AND REGULATIONS

Copyright Act is amended to make sound recordings eligible for classification as works made for hire

Sound recordings are now eligible to be classified as works made for hire, as a result of an amendment to the Copyright Act that was passed without hearings or debate.

The amendment is buried in the Satellite Home Viewer Improvement Act - an Act that otherwise has nothing whatsoever to do with sound recordings or the music industry. Instead, as the name of the Act suggests, it concerns satellite TV transmissions (ELR 21:8:8). Indeed, the amendment that permits sound recordings to be classified as works made for hire is found in paragraph (d) of section 1011 of the Act - a section that is entitled "Technical Amendments" - every other paragraph of which concerns satellite and cable transmissions.

The amendment is very short, but potentially quite significant. It reads: "Section 101 of title 17, United States Code, is amended in the definition relating to work for hire in paragraph (2) by inserting 'as a sound recording,' after 'audiovisual work'."

According to press reports (Billboard, Jan. 22, 2000, pp. 5, 122), the amendment was inserted in the Satellite Act "by a House staffer . . . at the request of the Recording Industry Assn. of America."

Record companies have long taken the position that recordings are works made for hire, and routinely include clauses so providing in their contracts with recording artists. The reason that record companies do this is that copyrights to works made for hire belong to the employer or commissioning party, rather than to the individuals who actually create the works. Indeed, under the Copyright Act, the "author" of a work made for hire is the employer or commissioning party, rather than the person who actually created the work.

Since 1978, when the current Copyright Act took effect, works have been eligible to be classified as works made for hire only in two situations: (1) if they are created by employees within the scope of their employment; and (2) if they are specially ordered or commissioned for use in one of nine specific ways, and the parties agree in writing that they are works made for hire.

While backup vocalists and musicians may be "employees" within the meaning of the Copyright Act, featured recording artists rarely if ever are. Thus, sound recordings usually do not fall into the first category of works that are eligible for work made for hire status.

On the other hand, record companies have taken the position that sound recordings do fall into the second category. Sound recordings usually are "specially ordered or commissioned" works, and record companies include work made for hire acknowledgements in their contracts with recording artists. Thus, the only question was whether sound recordings were one of the nine specific types of works that could be specially ordered or commissioned works made for hire.

Before the new amendment, sound recordings were not among the nine types of works specified in the Copyright Act. Collective works and compilations were, however, and record companies took the position that sound recordings are collective works or compilations. If so, this made sound recordings eligible for classification as works made for hire. And that is what many in the music business have long assumed.

Recently, however, in Ballas v. Tedesco (ELR 21:5:13), federal District Judge Joseph Greenaway punctured that assumption when he wrote: ". . . the sound recordings [whose copyrights were at issue in that case] are not a work for hire under the second part of the statute because they do not fit within any of the nine enumerated categories . . . The definition does not provide that a sound recording standing alone qualifies as [a] work made for hire under [section] 101(2)."

The question of whether sound recordings are or are not works made for hire matters, because the Copyright Act gives authors (or their heirs) the right to terminate transfers or licenses signed since 1978, beginning 35 years after the transfer or license. Authors (or their heirs) will begin to exercise their termination rights in the year 2013 (35 years after 1978), and will thereby recapture ownership of the copyrights to those works.

However, this termination right does not apply to works made for hire. Thus, if sound recordings are not works made for hire, beginning in 2013, recording artists will be able to recapture the copyrights to their recordings. If however sound recordings are works made for hire, recording artists will not be able to do so; instead, record companies will retain their ownership of those copyrights.

Thus, the new amendment to the Copyright Act making sound recordings eligible for classification as works made for hire bolsters the position of record companies, and makes it less likely that recording artists will be able to recapture the copyrights to their recordings when they might otherwise have had the right to do so beginning in 2013.

Satellite Home Viewer Improvement Act of 1999, Title I of S.1948, section 1011(d), amending Copyright Act section 101 (106th Cong. 1st Sess. 1999)[ELR 21:9:8]

Statutory copyright damages are increased by "Digital Theft Deterrence and Copyright Damages Improvement Act of 1999"

Congress has increased by 50% the amount of statutory damages that federal courts may award to successful copyright owners in infringement lawsuits. The bill that does so amends section 504(c) of the Copyright Act, and is barely longer than its title: the "Digital Theft Deterrence and Copyright Damages Improvement Act of 1999."

Minimum statutory damages in most cases have been increased from $500 to $750, and maximum statutory damages from $20,000 to $30,000, per infringed work. (Compilations - such as music CDs - are treated as "one work," even though they may consist of a dozen or more individual recordings.)

In cases where the copyright owner proves that an infringement was committed "willfully," courts have been given the discretion to award as much as $150,000 in statutory damages, a $50,000 increase from the $100,000 "willful infringement" cap before the new Act was passed.

Though minimum statutory damages have been increased to $750 in most cases, courts have the discretion to award less if the court finds that infringer was not aware and had no reason to believe that his or her acts constituted copyright infringement. The minimum in those cases is $200 and is unchanged by the new Act.

Statutory damages are not sought in all cases. In an infringement lawsuit, a successful copyright owner is entitled to recover either (1) the copyright owner's actual damages and the infringers profits, or (2) statutory damages. In many cases - including those involving unlicensed public performances and record piracy - copyright owners elect to recover statutory damages, because their actual damages are relatively small or difficult to prove, and because the infringer has not earned profits or its profits are difficult to prove.

The newly enhanced damages apply in all actions filed since December 9, 1999 - the day President Clinton signed the Act into law.

Digital Theft Deterrence and Copyright Damages Improvement Act of 1999, amending Copyright Act section 504(c), H.R. 3456, P.L. 106-160 (106th Cong. 1st Sess. 1999)[ELR 21:9:9]

RECENT CASES

Electronic republication of newspapers and magazines on NEXIS and CD-ROM infringes copyrights to individual articles owned by freelance writers, federal appellate court holds in suit filed by Jonathan Tasini and others

In a ruling that jeopardizes the ability of periodical publishers to republish their back issues as electronic databases, a federal Court of Appeals has held that the Copyright Act does not give publishers the right to include freelance-authored articles in online or

CD-ROM databases like those published by NEXIS or University Microfilms International.

This ruling was written by Judge Ralph Winter, on behalf of a panel of the Second Circuit Court Appeals, in a copyright infringement lawsuit filed by Jonathan Tasini and five other freelance writers against the New York Times, Newsday, Time Inc., Mead Data (then the owner of NEXIS) and University Microfilms.

Tasini and his colleagues alleged that print periodicals in which their articles had appeared were republished by NEXIS and on CD-ROMs issued by University Microfilms, pursuant to licenses obtained only from the publishers of those print periodicals, and not from them. While their articles originally appeared in print with their consent, that consent usually was for "first publication" rights only, and in any event did not expressly include electronic republication rights.

The articles in question were not works made for hire, because Tasini and his colleagues were not employees of the periodicals that published their articles and because they never signed work made for hire agreements. Thus, they are the owners of the copyrights to their articles, under the first sentence of Copyright Act section 201(c) which states: "Copyright in each separate contribution to a collective work . . . vests initially in the author of the contribution."

Even when sued, the New York Times and its co-defendants agreed that the copyrights to the individual articles were owned by Tasini and the other writers. Nevertheless, the publishers argued that they had the right to electronically republish those articles - and to authorize NEXIS and University Microfilms to do so - as a result of the second sentence of section 201(c) which gives "the owner of copyright in the collective work . . . the privilege of reproducing and distributing the contribution as part of . . . any revision of that collective work. . . ." That is, according to the publishers, electronic databases of back issues of periodicals are "revisions" of those back issues, thus giving them "the privilege" of reproducing those back issues in revised electronic format.

Early in the case, Federal District Judge Sonia Sotomayor agreed with the publishers and granted their motion for summary judgment (ELR 19:10:11). On appeal, however, Tasini and the other writers have prevailed.

Judge Winter has held that the NEXIS database and University Microfilms CD-ROMs are not "revisions" of the original collective works - that is, the original periodicals - in which the writers' articles were published. They are not revisions, Judge Winter reasoned, because the articles could be individually retrieved from these electronic databases "from among thousands or millions of individually retrievable articles taken from hundreds or thousands of periodicals." When articles are retrieved by database users, they often are grouped with other articles from other periodicals, which are entirely different collective works, and they are not retrieved with the other articles from the same issue of the periodicals in which they were originally published.

One of Tasini's co-plaintiffs - writer David Whitford - had signed an agreement with Time that gave it the right "to license the republication" of an article he had written for Sports Illustrated "provided" Time paid him half the net proceeds it received for the republication. On its face, this appeared to authorize Time to license the electronic republication of Whitford's article. But Time never paid him anything for doing so, and thus it didn't rely on this provision in its defense.

Time's failure to pay Whitford his half might have been classified as a breach of contract, rather than as copyright infringement. Judge Winter, however, chose to characterize the agreement as a "conditional license." The condition, apparently, was Time's obligation to pay Whitford. Thus, when that condition was not satisfied, his article was used in a way not authorized by the license. And that is a copyright infringement. Judge Winter thus ruled that summary judgment should have been granted to Whitford on his infringement claim.

Editor's note: This decision is a huge victory for freelance writers, and an equally huge blow for the creation of full-text databases. Two work-arounds are possible, for those who wish to create databases. Going forward, the work-around is mechanically easy: publishers must get electronic database rights from freelance writers at the same time they get print rights.

Unfortunately, getting electronic rights to electronically publish back issues may be difficult and even impossible. Copyrights to pre-1978 freelance articles now last 95 years from their first publication (ELR 20:6:8). This means that electronic rights might have to be sought from writers with whom publishers have had no contact for decades, or even from their unknown and unidentifiable heirs. The cost of simply attempting to locate these people is, in many cases, likely to exceed any license fee they might be paid, and might even exceed the total gross revenues that can be expected from the exploitation of most periodical databases. There is a second work-around that may be helpful in these cases (and on a going-forward basis too). The second work-around is an electronic work-around. Judge Winter's decision turned on the fact that articles could be individually retrieved (rather than as part of the periodical issue as a whole). Thus, it appears that if retrieved articles came as part of the back issue as a whole, or even with links to all other articles in the issue, the result may have been different. In that case, publishers may be able to rely on another clause in section 201(c) - a clause that gives "the owner of copyright in the collective work . . . the privilege of reproducing and distributing the contribution as part of that particular collective work. . . ." This work-around will require databases to be redesigned and may require changes in pricing plans too. But this one is within the control of publishers and doesn't require them to attempt what in many cases will be impossible or prohibitively expensive.

Tasini v. New York Times Co., 192 F.3d 356, 1999 U.S.App.LEXIS 23360 (2nd Cir. 1999)[ELR 21:9:10]

Manager Larry Marshak loses trademark rights in music group name "The Drifters"; court rules that Marshak's federal registration was obtained by fraud, and that he never obtained common law rights because name was first and continuously used by managers George and Faye Treadwell

Music fans of a certain age remember well "The Drifters." During a five-year stretch from 1959 to 1964, the group recorded such huge hits as "There Goes My Baby," "Save the Last Dance for Me," "Up on the Roof" and "Under the Boardwalk."

If the names of the group's individual performers are less well remembered, there is a good reason. Over the many years since "The Drifters" were first formed in 1953, more than 30 different singers have performed and recorded as members of the group, under the management of George and Faye Treadwell alone. Still other singers performed as "The Drifters" under the management of Larry Marshak.

The question of who has a right to use "The Drifters" name has appeared in these pages before, because Marshak has been particularly aggressive in asserting his claim to the trademark. Moreover, until recently, he has done so successfully. (ELR 3:1:1, 9:6:16, 9:10:10)

Now, however, as a result of a trademark infringement suit Marshak filed against Faye Treadwell, Marshak has lost all of his rights in "The Drifters" name. In the process, a federal judge and jury have even branded him a participant in a "fraud" on the Trademark Office.

George Treadwell was "The Drifters" first manager. In fact, group members were actually employed by his corporation, pursuant to written employment agreements in which they acknowledged the corporation's ownership of "The Drifters" name and promised not to use that name after they left the group. Following George Treadwell's death in 1967, his widow Faye took over the corporation, and took the group to Europe where its popularity was growing.

A few years later, Larry Marshak reassembled some of the earlier members of "The Drifters" - those not then traveling in Europe with Faye Treadwell - and Marshak's group began performing as "The Drifters" in the United States. In 1976, Marshak decided that his trademark battles with other former members of the group would be stronger if he owned a registered trademark in "The Drifters" name. So he had three of his performers file a federal trademark application and assign their rights to him.

When Marshak sued Faye Treadwell for trademark infringement in 1995, she responded by countersuing him, claiming that his trademark registration had been fraudulently obtained. A jury did a curious thing: it agreed that Marshak's trademark registration had been fraudulently obtained; but it found that Marshak had acquired common law rights to the mark, because Faye Treadwell had abandoned her use of it.

Both sides made motions for judgment notwithstanding the verdict. Federal District Judge Nicholas Politan denied Marshak's motion but granted Treadwell's.

In a lengthy and fact-detailed opinion, Judge Politan refused to set aside the jury's verdict that Marshak's registration had been obtained by fraud. In applying for the registration, Marshak's three performers all signed oaths that to the best of their knowledge and belief, no other person or company had the right to use "The Drifters" mark. Yet all three of those performers had once been employed by George

Treadwell's corporation; and thus all three knew that Treadwell's corporation - rather than they - owned the name and was using it, at least in connection with the ongoing sale of recordings. Marshak knew this too, the judge found. For this and other reasons, Judge Politan concluded that "the evidence of fraud was overwhelming." Under the Trademark Act, registrations obtained by fraud are invalid.

Though the jury found that Marshak's registration was fraudulent, it also found that Faye Treadwell had abandoned "The Drifters" mark, and that Marshak's subsequent use of the mark gave him common law ownership of it. The jury may have found that Treadwell abandoned the mark, because since 1972, her Drifters have performed in Europe rather than in the U.S.

On the other hand, Treadwell has continuously received royalties from the sale of original Drifters albums in the United States. Citing earlier decisions involving "The Kingsmen" (ELR 5:2:8) and "The Platters" (ELR 21:5:13), Judge Politan held that the use of a name in connection with the sale of a group's albums is sufficient to avoid abandonment.

"A successful musical group does not abandon its mark unless there is proof that the owner ceased to commercially exploit the mark's secondary meaning in the music industry," the judge said. "It is insufficient merely to prove that the group stopped performing and recording new songs." In this case, Marshak failed to prove that Treadwell ceased to exploit "The Drifters" mark in the music industry. Thus, Judge Politan set aside the jury's verdict that she had.

The question of remedies and attorneys' fees was left for a subsequent hearing.

Marshak v. Treadwell, 58 F.Supp.2d 551, 1999 U.S.Dist.LEXIS 11930 (D.N.J. 1999)[ELR 21:9:11]

"Sailor Bill" spirit message broadcast by CBS during Army-Navy game did not infringe copyright or trademark to "Mr. Bill" clay figure, federal District Court rules

"Saturday Night Live" fans no doubt remember "Mr. Bill." He was the popular clay figure who became famous for wailing "oh no!" as he got into accidents that seemed to disfigure or even destroy him.

Mr. Bill originally debuted on television more than 20 years ago and recently made a comeback on the FOX Family Channel. Mr. Bill also made a brief appearance in these pages 20 years ago - as the object of a legal fight over who then owned his copyright

(ELR 2:14:7). Now, he's reappearing here too, as the main character in a lawsuit that alleges his copyright and trademark were infringed by CBS as a result of the network's broadcast of a "spirit message" during the 1997 Army-Navy football game.

"Spirit messages" are produced by Army and Navy cadets or troops. Thirty seconds or less in length, these messages support of their producers' respective branches of the military; and during the 1997 Army-Navy game, CBS broadcast a number of them. The one that got CBS sucked into a lawsuit was entitled "Sailor Bill Joins the Army." Produced by Army Infantry Soldiers stationed in Hawaii, it depicted a clay figure Navy Seaman being dropped from a helicopter, run over by a tank and riddled with machine gun bullets, as he was undergoing army training. "Sailor Bill's" appearance and mannerisms mimicked those of "Mr. Bill" closely enough to prompt an infringement suit by

Walter Williams and Dreamsite Productions, Inc., the owners of the "Mr. Bill" copyrights and trademark.

CBS responded to the copyright claim by asserting a fair use defense. Federal District Judge David Carter rejected the network's argument that "Sailor Bill Joins the Army" was a fair use parody. "In order for a parody to qualify as a fair use of a protected work, the original work must be the object of the parody," the judge explained. In this case though, "The exploits of Sailor Bill do not poke fun at Mr. Bill, but merely copy his antics." Therefore, the "Sailor Bill" message was a satire, not a parody.

Nevertheless, Judge Carter ruled that CBS was protected by the Fair Use Doctrine for other reasons. The spirit message was in part non-commercial. It used only a small part of the Mr. Bill work; it omitted, for example, Mr. Bill's friends Spot and Ms. Sally as well as his tormentors Mr. Hands and Sluggo; and it used only enough of Mr. Bill to "conjure up" the original. Finally, the spirit message had little effect on the market for or value of Mr. Bill.

Judge Carter also rejected Williams' and Dreamsite's trademark infringement claim, for two reasons. First, the judge found that CBS had not used the "Sailor Bill" message in connection with the sale of goods or services, even though it was broadcast adjacent to a commercial for the network's online service. Second, Judge Carter ruled that there was "little, if any, likelihood that the public was confused as to the origin or nature of Sailor Bill."

For these reasons, the judge has granted CBS's motion for summary judgment.

Williams v. Columbia Broadcasting Systems, Inc., 57 F.Supp.2d 961, 1999 U.S.Dist.LEXIS 18426 (C.D.Cal. 1999)[ELR 21:9:12]

First Amendment does not protect "Beardstown Ladies" publishers from possible liability for misleading advertising, because rate-of-return statements on covers of investment advice book and tape were allegedly false, California appellate court rules

The "Beardstown Ladies" are retired women from a small town in Illinois who, for a while, were an inspiration to budding investors of all ages. The Ladies formed an investment club back in 1983, and by 1991, they had achieved annual returns of 23.4% - returns that were greater than the Standard and Poors Index and three times as great as those achieved by mutual funds and professional money managers.

When the world learned what these retired women had accomplished, "Beardstown Ladies" investment guides soon followed, in book and videotape form. Naturally, the covers of their first book and tape were adorned with phrases like "23.4% Annual Return" and "learn how to outperform mutual funds and professional money managers 3 to 1."

Rates of return can be calculated in a variety of ways. And when the first book was reprinted in paperback, it contained this revealing disclaimer: "Note: Investment clubs commonly compute their annual 'return' by calculating the increase in their total club balance over a period of time. Since this increase includes the dues that the members pay regularly, this 'return' may be different from the return that might be calculated for a mutual fund or a bank. Since the regular contributions are an important part of the club philosophy, the Ladies' returns described in this book are based on this common calculation."

If the Ladies' dues had been excluded from their "returns," their actual rate of investment returns would have been 9.1% - not bad, but far from the advertised 23.4% and less than three times the returns achieved by mutual funds and investment professionals.

This revelation prompted Russell Keimer to file a lawsuit "on behalf of the public" against the publishers of the "Beardstown Ladies" books and tape. The suit was filed in California state court, under California Business and Professions Code sections that prohibit false advertising and unfair business practices.

At first, Keimer's lawsuit went nowhere, because a trial court judge granted the publishers' motion to dismiss it on the grounds that they were protected by the First Amendment. On appeal, however, Keimer's case has been given a new lease on life. The California Court of Appeal reversed the dismissal

Justice Herbert Walker rejected the publishers' argument that the objected-to rate-of-return statements were made in the content of the books, and thus those statements were absolutely protected by the First Amendment. Instead, Justice Walker focused on the statements as they appeared on the book and tape covers where they were "commercial speech" and thus "entitled only to qualified free speech protection."

This helped Keimer's case enormously, because qualified free speech protection can be lost, if objected-to statements are false. Since Keimer's complaint alleged that the rate-of-return statements on the book and tape covers were false, Justice Keimer concluded that they "are entitled to no First Amendment free speech protections." Thus the case has been remanded to the trial court for further proceedings.

Keimer v. Buena Vista Books, *Inc*., 89 Cal.Rptr.2d 781, 1999 Cal.App.LEXIS 947 (Cal.App. 1999)[ELR 21:9:13]

Author and publisher of book of Washington ghost stories recover $127,298 in breach of contract, tortious interference and copyright infringement damages from publisher of earlier edition of book; amount includes unpaid royalties due author, damages caused by letters to stores that sold new edition, and profits from continued sale of original edition after author terminated contract

Author John Alexander and his publisher Schiffer Publishing, Ltd., have been awarded $127,298 in their three-part lawsuit against Chesapeake, Potomac, and Tidewater Books, Inc., a publisher that does business as The Washington Book Trading Company.

The claims asserted by Alexander and Schiffer were not complicated. Calculating the amount they were entitled to recover was.

Alexander is the author of a book entitled Ghosts: Washington's Most Famous Ghost Stories. It was published in 1975 by Washington Book pursuant to a contract that required the publisher to pay royalties to Alexander twice a year. For a long time, relations between author and publisher were good. Beginning in 1991, however, Washington Book became late with its royalty payments. At first, Washington Book was just a few months late, but eventually its payments were tardy by more than a year.

In 1997, Alexander terminated the publishing contract on the grounds that Washington Book had materially breached it by failing to make timely royalties payments. Soon thereafter, Alexander entered into a contract with Schiffer Publishing for its publication of an updated and expanded edition of the book entitled Ghosts: Washington Revisited.

Washington Book responded to these developments by doing three things. It withheld the payment of royalties due on books it actually sold. It wrote letters to bookstores that were selling the new edition of the book, saying that they risked copyright infringement liability if they continued to sell that edition. And it continued to sell the earlier edition of the book, even though Alexander had terminated the contract that had authorized it to do so.

All this resulted in Alexander and Schiffer suing Washington Book for three things: (1) breach of contract, for not paying royalties that were due; (2) tortious interference with contractual relations, for sending letters to booksellers that were selling the new edition; and (3) copyright infringement, for continued publication of the book after its contract had been terminated.

A jury returned verdicts in favor of Alexander and Schiffer in connection with their breach of contract and tortious interference claims; and Judge T.S. Ellis ruled in Alexander's favor in connection with his infringement claim. That part of the case must have been easy, because Judge Ellis's decision says nothing about Washington Book's liability.

Judge Ellis's opinion does say a lot, however, about how he calculated the amount that Alexander was entitled to recover as a consequence of the infringement of his copyright. That calculation was complicated, because the jury had already awarded Alexander $16,175 on his breach of contract claim for unpaid royalties; and it had awarded Alexander and Schiffer an additional $57,500 on their tortious interference claim.

When it came time for Judge Ellis to determine copyright infringement damages, Washington Book argued that the amounts already awarded by the jury covered all the damages Alexander was entitled to recover for the infringement too. But the judge ultimately determined otherwise.

The basis for Washington Book's argument was section 504 of the Copyright Act which provides that a successful copyright owner is entitled to recover his or her "actual damages" plus as much of the infringer's profits as "are not taken into account in computing the actual damages." In other words, Washington Book argued that all of its profits were taken into account by the jury when it decided how much in damages to award Alexander and Schiffer.

Judge Ellis agreed that Washington Books was partially correct - but only partially so. Washington Book's failure to pay Alexander royalties on books it had sold resulted in damage to Alexander which was already awarded by the jury in its breach of contract verdict.

On the other hand, after a detailed analysis, Judge Ellis found that the jury's tortious interference verdict was for damages suffered by Alexander and Schiffer as a result of their inability to sell the new edition of the book, once it was published. However, before Schiffer published the new edition, Washington Book earned profits from selling the earlier edition; and those profits were unrelated to the damages later caused by the booksellers' failure to sell the new edition.

The judge calculated the profits earned by Washington Book from its sales between the termination of its contract and the publication of the new edition; and he deducted from those profits the royalties that should have been paid, but weren't, and thus were included in the jury's breach of contract verdict. The difference amounted to $53,622. The judge thus entered judgment against Washington Book for that amount as well as on the jury's $16,175 breach of contract and $57,500 tortious interference verdicts.

Judge Ellis denied Alexander and Schiffer's request for an award of attorneys' fees, because Washington Book's argument that Alexander had waived his right to demand prompt royalty payments by accepting late payments was "neither frivolous, nor wholly without a legal basis."

Alexander v. Chesapeake, Potomac, and Tidewater Books, Inc., 60 F.Supp.2d 544, 1999 U.S.Dist.LEXIS 13101 (E.D.Va. 1999)[ELR 21:9:13]

Miramax defeats Philadelphia art film exhibitor again; en banc ruling of federal appeals court reaffirms earlier panel decision that Copyright Act preempts Pennsylvania's 42-day limit on exclusive first runs

For a moment, it looked as though Miramax's victory over the operator of a Philadelphia art house theater known as The Roxy might be in jeopardy. That victory came in a landmark opinion of a three-judge panel of the Third Circuit Court of Appeals which held that the Copyright Act preempts Pennsylvania's 42-day limit on exclusive first runs (ELR 21:5:9).

The Roxy sought a rehearing en banc (before nine judges). The Third Circuit granted The Roxy's petition and vacated the panel's earlier opinion - thereby raising the possibility that Miramax might lose after all. Instead, however, when the court ruled en banc, its decision reaffirmed the three-judge panel's earlier decision - thus reaffirming Miramax's victory.

Indeed, because the court's latest decision is en banc, it gives even greater weight to the legal principle that the Copyright Act preempts Pennsylvania's 42-day limit on exclusive runs. And thus this latest opinion will be the actual "landmark" that the earlier opinion appeared to be at first.

Orson, Inc. v. Miramax Film Corp., 189 F.3d 377, 1999 U.S.App.LEXIS 19740 (3rd Cit. 1999)[ELR 21:9:14]

Court denies screenwriter's motion to alter or amend summary judgment in favor of New Line Cinema in screenwriter's suit alleging movie "Set it Off" was copied from screenplay "Sister Sarah"; court also denies New Line's motion for attorneys' fees

Regular readers of these pages will recall that New Line Cinema defeated a copyright infringement suit alleging that its movie "Set it Off" was copied from a screenplay entitled "Sister Sarah" by writer Christopher Robinson. As previously reported, federal District Judge Andre Davis concluded that Robinson failed to show that New Line had access to his screenplay, even though he had submitted it to the manager of the company's acquisitions department; and the judge also concluded that the screenplay and the movie were not substantially similar. As a result, Judge

Davis granted New Line's motion for summary judgment. (ELR 21:5:10)

Screenwriters need to be persistent, and Robinson is. He responded to the dismissal of his lawsuit by filing a motion asking Judge Davis to "alter or amend" the summary judgment, boldly arguing that the judge's "findings" were inconsistent with the record and his legal analysis faulty. Not surprisingly, the judge has disagreed.

In a second opinion, Judge Davis evaluated and responded to each of Robinson's arguments and has reaffirmed the earlier ruling that the screenwriter failed to show that New Line had access to his screenplay and did not show that a jury could find "Set it Off" to be substantially similar to "Sister Sarah."

While this part of Judge Davis' second opinion must have been gratifying to New Line, not all of the second opinion was. New Line had made a motion of its own seeking to recover almost $50,000 in attorneys' fees it incurred just in connection with 14 depositions Robinson's lawyers took from each of the individuals Robinson had named as co-defendants along with the company. Judge Davis denied that motion too.

The judge found that the 14 individuals would have been deposed even if they had not been named as co-defendants, because each was involved in some way in the making of "Set it Off" and thus each was a potential witness on the question of whether it had been copied from Robinson's screenplay.

Moreover, while New Line incurred additional expense because Robinson filed his suit in Maryland, instead of California where most witnesses were located, Judge Davis ruled that this did not give New Line a right to recover attorneys' fees. "It can be assumed that residents of California will predominate as defendants in claims arising out of theatrical films," the judge observed, "but courts should hesitate for that reason alone to anoint California the preferential venue for the litigation of such claims."

Robinson v. New Line Cinema Corp., 57 F.Supp.2d 211, 1999 U.S.Dist.LEXIS 11585 (D.Md. 1999)[ELR 21:9:15]

Andy Warhol Foundation and Estate are entitled to insurance coverage for copyright infringement claim made by Time Inc., even though they did not promptly notify insurance company of claim made by lawyer representing photographer who gave Time permission to publish photo allegedly copied by Warhol, appellate court rules

The Andy Warhol Foundation and Estate had the foresight to get insurance that included coverage for claims of copyright infringement. This turned out to be a good thing, because in December of 1996 they were sued by photographer Henri Dauman and Time Inc. The lawsuit alleges that Warhol improperly incorporated into his artworks a copyrighted photograph of Jacqueline Kennedy, taken by Dauman at President Kennedy's funeral, which Dauman had authorized Time to publish in Life magazine.

Unfortunately for the Warhol Foundation and Estate, they did not get the full benefit of that insurance, and they came close to getting none at all. Federal Insurance Company, which issued the policy in question, declined their request for coverage, saying that they had breached the policy's "timely notification" provision. A federal District Court agreed, and thus granted Federal's motion for summary judgment in a declaratory relief and bad-faith refusal to provide coverage lawsuit the Foundation and Estate had filed against it.

On appeal, however, the Foundation and Estate have salvaged some insurance coverage, though not all they originally purchased. In an opinion by Judge Richard Cardamone, the Court of Appeals has ruled that the Foundation and Estate did give Federal timely notification of Time's infringement claim, and thus is entitled to coverage for that. The Foundation and Estate did not appeal the District Court's ruling that they did not give Federal timely notification of Dauman's claim; and thus they remain uninsured for that.

The Foundation and Estate got themselves into this bind, because they first learned of the infringement claim in an October 1994 letter from Dauman's lawyer. They did not report that letter to Federal then, nor did they report Dauman's claim to Federal in January 1995 when yet another letter was received from Dauman's lawyer. In fact, they did not report the infringement claim to Federal until December 1996 when Dauman and Time filed suit, after two years of negotiations failed to produce a settlement.

Federal's insurance policy requires insureds to give the insurance company written notice of any "claims" they receive "as soon as practicable." The legal issue in the suit by the Foundation and Estate against Federal was whether the letters from Dauman's lawyer constituted a "claim" - and if so, whether they constituted a claim on behalf of Time as well as on behalf of Dauman.

Apparently, the Foundation and Estate argued at first that the letters from Dauman's lawyer were not a "claim" at all. The District Court ruled that the letters amounted to a "claim" on behalf of both Dauman and

Time. And the Foundation and Estate appealed only with respect to Time.

Judge Cardamone held that the letters from Dauman's lawyer were not a "claim" on behalf of Time, because when he wrote those letters, he was not Time's lawyer and his letters only stated that he represented Dauman. "To constitute a claim within the meaning of an insurance contract," the judge explained, "the assertion must be made by or on behalf of the party making the claim."

The lawyer's January 1995 letter did say that he had spoken with Time, and that Time was willing to "take all reasonable and necessary steps . . . to effect a recovery in this matter." But according to Judge Cardamone, that language merely meant that Time was willing to take steps "to support the resolution of Dauman's claims," not its own. "Hence, the letter fails to meet the requirement of a claim because it lacks a request to the insured for damages within the risks covered by the policy by the party whose rights allegedly were violated," the judge concluded.

Editor's note: The lesson of this case is that insureds should notify their insurance companies as soon as they receive letters stating claims, even if settlement negotiations are begun immediately; and they should not wait until they get sued. In this case, the Foundation and Estate salvaged coverage only because the letters they received turned out to be from a lawyer who then represented only one of the two eventual plaintiffs. Insureds cannot be certain they'll always be so lucky. Moreover, it's far from clear that the appellate court's ruling will be of any economic benefit to the Foundation and Estate at all. This is because of the real possibility that if Warhol infringed a copyright, the only copyright he infringed was Dauman's copyright in the photograph, and not Time's collective-work copyright in the issue of Life magazine in which that photograph was published. In other words, the Foundation and Estate may be liable only to Dauman - for which they have no coverage because of their delay in notifying Federal.

Andy Warhol Foundation v. Federal Insurance Co., 189 F.3d 208, 1999 U.S.App.LEXIS 19263 (2nd Cir. 1999)[ELR 21:9:15]

NFL defensive back Stan Smagala loses suit against disability insurance company, because career-ending knee injury occurred more than 12 months before he became permanently disabled and because his lawsuit was filed more than 4 years after injury

When Stan Smagala was playing for the Dallas Cowboys, he bought a personal accident insurance policy from Lloyd's of London. The policy covered his activities as a professional athlete, and so it was expensive: $2,532 for a year. It turned out to be a good investment though - or so it seemed at first - because after moving to the Pittsburgh Steelers, Smagala injured his knee in an August 1992 preseason game.

Smagala didn't play for the rest of that season, and despite off-season surgery and rehabilitation, the Steelers released him during the following year's summer training camp, in August 1993. Smagala however would not give up. In March 1994, he participated in NFL tryouts. But when his time in the 40-yard dash was more than 0.2 seconds slower than required of defensive backs, he knew his career was over. And he then made a claim for disability benefits, under his Lloyd's of London policy.

Lloyd's however denied Smagala's claim. It did so because the policy provided coverage only for a disability "first manifesting itself" within 12 months of an injury. Smagala's disability wasn't covered, the insurance company said, because his injury occurred August 1992 while his disability began some 19 months later in March 1994.

When Smagala finally sued Lloyd's in December 1996, the insurance company added yet another defense. The policy required him to sue within 4 years of his injury. But his suit wasn't filed until more than 4 years had passed.

An Illinois trial court granted the insurance company's motion to dismiss Smagala's suit, and the Appellate Court of Illinois has affirmed. Justice Patrick Quinn found the insurance policy to be "unambiguous and clear," and interpreted it to mean just what Lloyd's said it meant.

Editor's note: For athletes - like Smagala - who are injured during the pre-season, a Catch-22 is presented by policies that provide coverage - like Lloyd's - only for disabilities that occur within 12 months of an injury. These policies mean that athletes who attempt comebacks after injuries and off-season rehabilitation run the risk of delaying the commencement of their disabilities - if the comeback is unsuccessful - for more than 12 months. Moreover, if athletes do not even attempt a post-injury comeback, they run the risk of being unable to satisfy their insurance companies that they are permanently disabled. Disability insurance for athletes, it seems, really must provide coverage for disabilities that are acknowledged even more than 12 months after an injury, in order to give athletes a chance to attempt comebacks without risking the loss of their coverage.

Smagala v. Owen, 717 N.E.2d 491, 1999 Ill.App.LEXIS 590 (Ill.App. 1999)[ELR 21:9:16]

Musical director for touring company of "Jesus Christ Superstar" was at-will employee who could be terminated at any time without cause, even though his AFofM contract was for "the run of the tour," Pennsylvania appellate court rules

It must have seemed at first like a good gig. So musician Michael Rapagnani willingly gave up his studio in California to become the musical director for a touring company of "Jesus Christ Superstar." His employment contract included the American Federation of Musicians collective bargaining agreement; and it provided that his duties would be for "the run of the tour."

Something however must have happened while the company was on the road, because before the tour ended its run, Rapagnani was terminated after eight months on the job with just three weeks notice. In response, Rapagnani sued in state court in Pennsylvania. But he has not been successful.

In Pennsylvania, as elsewhere, "As a general rule, there is no common law cause of action against an employer for termination of an at-will employment relationship." The presumption that employment relationships are at-will may be rebutted in several ways. An employee may show that his or her agreement: was for a definite duration; specified that discharge would be for just cause only; or that he or she provided "sufficient additional consideration." Rapagnani unsuccessfully argued that his case fit all three of these exceptions.

Although Rapagnani's contract provided that his duties were for "the run of the tour," the Pennsylvania Superior Court affirmed a trial court ruling that the contract was not for a definite duration. In an opinion by Judge Kate Ford Elliot, the Superior Court held that "references to 'the run of the tour' in a paragraph describing an employee's duties are far too vague and indefinite to form a contract for a definite duration . . . ."

Judge Elliot noted that nothing in Rapagnani's contract required "just cause" for his termination. Moreover, she added, another provision of the AfofM agreement - one that permitted the employer to terminate on three weeks' notice - supported the presumption that Rapagnani was an at-will employee.

Finally, the judge rejected Rapagnani's argument that he had given additional consideration when he gave up his California studio to go on the road. "By its very nature," the judge said, Rapagnani's "job required [him] to go on the road, thus leaving behind his home and his former employment. . . . Thus . . . by closing his studio, he was merely taking the sort of risk associated with being employed by a touring company in the entertainment industry, a risk for which [he] was compensated."

Rapagnani v. Judas Company, 736 A.2d 666, 1999 Pa.Super.LEXIS 2388 (Pa.Super. 1999)[ELR 21:9:17]

ABC did not violate federal eavesdropping statute by using hidden camera to tape employees of Psychic Marketing Group for broadcast on "PrimeTime Live," federal appellate court affirms

A segment of ABC's "PrimeTime Live" devoted to a company known as the Psychic Marketing Group prompted at least two lawsuits by company employees alleging a variety of claims based on state and federal law. At issue in both cases was ABC's use of hidden cameras to surreptitiously record portions of the "PrimeTime Live" segment.

In their federal court action, the complaining Psychic Marketing Group employees asserted that the hidden camera tapings violated a section of federal law that generally prohibits the interception of communications. ABC has defeated that claim.

Federal District Judge James Ideman had dismissed the claim on the grounds that the legislative history of the statute showed that it was amended in 1986 to protect journalists from claims based on recordings of conversations to which they were a party, as the ABC journalist was in this case (ELR 19:12:12).

That ruling has been affirmed on appeal, though in an opinion that appears to give journalists somewhat narrower protection than had Judge Ideman.

The statute in question makes it illegal to intercept communications "unless" they are intercepted "for the purpose of committing any criminal or tortious act. . . ." This language does not give journalists a "blanket exemption," Judge Alex Kozinski wrote in his opinion for the Court of Appeals. On the other hand, even where the taping itself is a tort - such as the invasion of privacy - if it is done for a legal purpose - like reporting a newsworthy event - taping does not violate the statute.

In this case, employees of the Psychic Marketing Group alleged that their privacy was invaded in violation of California tort law. But even they never claimed the "PrimeTime Live" broadcast was not newsworthy. Since they did not produce evidence to show that ABC had any illegal purpose in making the tapes, Judge Kozinski affirmed the dismissal of their federal eavesdropping claim.

State law invasion of privacy claims asserted in this case may still be pending, as they are in the companion state court case of Sanders v. ABC (ELR 21:6:24).

Sussman v. American Broadcasting Companies, Inc., 186 F.3d 1200, 1999 U.S.App.LEXIS 19646 (9th Cir. 1999)[ELR 21:9:17]

Appellate court reverses $10 million libel judgment against ABC; network did not doubt truthfulness of "Too Good to be True" segment of "20/20" because its "gist" was supported by objective sources

A federal Court of Appeals has reversed a $10 million libel judgment entered against ABC as a result of a "20/20" segment that implied that financier Alan Levan had taken advantage of investors in his real estate limited partnerships. The offending segment was entitled "Too Good to be True," and it reported that Levan had induced his investors to participate in transactions known as "rollups" on terms that were grossly unfair.

Levan was a public figure, and thus had to prove that the segment was untrue and that ABC broadcast it with "actual malice." This meant that Levan had to show that ABC had doubts about the truthfulness of the segment, but broadcast it anyway.

A jury apparently found that Levan satisfied his burden of proof. Indeed, the trial court judge apparently did too, because he denied ABC's post-trial motion for judgment as a matter of law.

ABC finally won the case on appeal, however. Judge Gerald Tjoflat reviewed the investigation ABC had done while producing the segment, including the sources the segment's producers had interviewed and the Congressional hearings they had attended.

"In view of the vast number of objective sources who condemned the rollups as unfair to the limited partners," the judge wrote on behalf of the appellate court, "we conclude as a matter of law that ABC did not entertain serious doubts that the gist of its broadcast was true."

This meant that ABC had not aired the segment with actual malice. Judge Tjoflat therefore sent the case back to the trial court with instructions that judgment be entered in favor of ABC.

Levan v. Capital Cities/ABC, Inc., 190 F.3d 1230, 1999 U.S.App.LEXIS 24282 (11th Cir. 1999)[ELR 21:9:18]

Rams and NFL Properties defeat trademark claims of company that registered "St. Louis Rams" mark shortly after announcement that team would move from Los Angeles to St. Louis

Johnny Blastoff, Inc., knows a good opportunity when it sees one - though as a recent judicial decision reveals, not all of those opportunities are legitimate.

The company is a Wisconsin corporation that is in the business of creating and marketing cartoon characters, including characters associated with fictional sports teams. Perhaps for that reason, Blastoff was paying close attention when, in January 1995, the mayor of St. Louis and Georgia Frontiere, the owner of the Los Angeles Rams, announced that the Rams would be moving to St. Louis.

Just one month after this announcement, Blastoff filed a State of Wisconsin trademark application for

"St. Louis Rams." A month after that, it filed two federal intent-to-use trademark applications for the "St. Louis Rams." And two years later - after the Rams had moved to St. Louis and had filed federal trademark registration applications of its own - Blastoff sued the team and NFL Properties for trademark infringement.

Not surprisingly, the Rams and NFL Properties responded with a trademark infringement counterclaim of their own; and they were successful. A federal District Court granted their motion for summary judgment, ruling that they had not infringed any trademark rights belonging to Blastoff, and that Blastoff in fact had infringed trademark rights belonging to them. The District Court also ordered that Blastoff's Wisconsin registration be canceled immediately.

Blastoff appealed, but without success. A three-judge panel of the Seventh Circuit Court of Appeals has affirmed the District Court's judgment, and the full Seventh Circuit denied Blastoff's request for a rehearing en banc.

In an opinion by Judge John Coffee, the appellate court held that the Rams owned trademark rights in the "St. Louis Rams" mark prior to Blastoff's Wisconsin registration. While use of a mark is necessary to acquire trademark rights, actual sales are not always necessary. In this case, Judge Coffee ruled that when Georgia Frontiere announced her intention to move the Rams to St. Louis, during her January 1995 press conference with the city's mayor, she "implicitly adopted the exact phrase 'St. Louis Rams.'" Also, relying on an earlier Seventh Circuit decision in which the Indianapolis Colts prevented another league's team from calling itself the Baltimore Colts (ELR 16:8:11), Judge Coffee held that the Rams had a "long-established priority over the use of the 'Rams' name in connection with the same football team, regardless of urban affiliation."

Judge Coffee rejected Blastoff's contention that NFL Properties and the Rams themselves had caused confusion between their mark and Blastoff's, because Blastoff was not the senior user of the "St. Louis Rams" mark.

The judge also rejected Blastoff's argument that "Rams" had become generic for football teams because the Colorado State college football team also is called the "Rams." Even if many college teams were called the "Rams," the judge said, that would not mean that "Rams" had become "the common linguistic term for a professional football team."

Johnny Blastoff, Inc. v. Los Angeles Rams Football Co., 188 F.3d 427, 1999 U.S.App.LEXIS 18410 (7th Cir. 1999)[ELR 21:9:18]

California appellate court affirms dismissal of breach of contract claims against Rams made by Los Angeles season ticket holder who was not offered opportunity to buy season tickets in St. Louis, but rules that ticket holder's complaint stated adequate claim for fraud

When the Los Angeles Rams moved to St. Louis in 1995, many of its fans were disappointed, and at least one was truly angry. The angry fan was Larry Charpentier. He had been a Rams season ticket holder for years, including several in which the team had played so poorly that one hometown sportswriter declared it to be the "Worst Pro Sports Franchise of the Decade."

Indeed, the Rams were so bad that Charpentier alleges that he bought season tickets for 1994 "merely to 'reserve' the seat location of [his] season tickets in the future when [he] hoped [the Rams] would [be] a quality professional team. . . ." The reason that Charpentier thought that buying tickets in 1994 would "reserve" them for the 1995 season was that the 1994 renewal form said "Your season reservation is valuable," in part because "You have the privilege to renew reserved seat locations for the upcoming season."

Charpentier, however, never got the opportunity to exercise that privilege, because the Rams moved to St. Louis and didn't offer to sell him season tickets there. Instead, the team sold season tickets in St. Louis to those who paid an additional "license fee" in order to buy tickets themselves. Not one to take this slight lightly, Charpentier sued the Rams for breach of contract, breach of the covenant of good faith and fair dealing, and fraud.

Charpentier was shut out in the first quarter. A California Superior Court dismissed his entire complaint for failing to state a cause of action. In the second quarter, however, Charpentier got himself back into the game. A California Court of Appeal has reversed the dismissal of Charpentier's fraud claim, though it affirmed the dismissal of his breach of contract and good faith and fair dealing claims.

Writing for the appellate court, Justice Thomas Crosby has held that the Rams' failure to give Charpentier the right to buy season tickets in St. Louis in 1995 did not breach any express or implied contract the team had made with him in 1994 or earlier.

The justice reasoned that a "reasonable Rams season ticket purchaser" might have understood the 1994 renewal form to be an offer to sell seats for 1995 games played in Anaheim Stadium and perhaps even other local venues. "Once the Rams moved [to St.

Louis], however," the justice said, "there was no local seat available to purchase and [Charpentier's] contractual rights left with them." Moreover, Justice Crosby added, nothing in the 1994 renewal form "even remotely implies a promise by the Rams not to forage for greener pastures."

Charpentier's implied covenant claim alleged that the Rams had a duty to season ticket holders to provide in "good faith" a quality football team while it was in Los Angeles, and breached that duty in "bad faith" by fielding a poor team. Justice Crosby concluded this claim was "out of bounds." The "Rams were not beholden to [Charpentier] to operate as he might have preferred, nor was the team required to repay local fan's loyalty by declining other opportunities."

Charpentier's fraud claim was "something else . . . though," the justice said. This claim alleged that when the Rams were selling 1994 season tickets, the team said that it had no intention of moving and that no discussions had taken place with other cities. Charpentier alleged that the Rams knew these statements were false and made them "purely to maintain . . . the sales of tickets . . ." for the 1994 season. Charpentier also alleged that he relied on these false statements and bought tickets for 1994 in order to maintain his seat location for future years when the team "would become competitive."

These allegations do state a valid claim, Justice Crosby held, because "a jury could properly find that many fans knowing the Rams were planning to decamp in 1995 would have chosen to cut their losses in 1994, rather than sign on for another losing season. . . . If [the Rams] misled folks to believe the team was not leaving town to induce them to buy tickets to see another poor team in its last season, . . . it . . . deserves to lose this case. . . ," Justice Crosby concluded.

Charpentier v. L.A. Rams Football Co., 89 Cal.Rptr.2d 115, 1999 Cal.App.LEXIS 876 (Cal.App. 1999)[ELR 21:9:19]

Ohio appellate court affirms dismissal of breach of contract claim against Browns made by Cleveland season ticket holders who were not offered opportunity to buy season tickets in Baltimore, but rules that ticket holders are entitled to trial on breach of first-refusal right and fraud claims

When the Cleveland Browns moved to Baltimore in 1996, its fans were at least as disappointed as Rams fans were when that team moved to St. Louis the year before. Taking a page from the Rams' fan playbook (see ELR 21:9:19 above), two Cleveland season ticket holders sued the Browns for breach of contract, fraud and other things.

An Ohio trial court thought little of the case and dismissed it entirely, in response to the Browns' motion for summary judgment. In football, the game isn't over until the final gun. In litigation, a case isn't over until the last appellate court rules. Though the Browns departed Ohio and now play their home games in Maryland as the Baltimore Ravens, the corporation that owned the old Browns is stuck in an Ohio courtroom, still litigating with the team's former ticket holders. (The team now known as the Baltimore Browns is an entirely new expansion franchise.) This is so because the Ohio Court of Appeals has ruled that those ticket holders are entitled to a trial on some of their claims, and thus it reversed the dismissal of their case.

Writing for the appellate court, Judge Timothy McMonagle agreed with the trial court that the Browns had not breached their contract with season ticket holders by performing poorly on the field after their move to Baltimore was announced. "To allow recovery under such a theory would enable any ticket holder not satisfied with the performance of whatever entertainment the ticket procured to seek a refund," the Judge McMonagle reasoned; and thus the trial court properly dismissed that claim.

However, the ticket holders also claimed that their season ticket contract with the Browns gave ticket holders a right of first refusal to buy season tickets for the following season too - a right the Browns didn't honor. The trial court should not have dismissed this claim, Judge McMonagle ruled, because "to the extent [the ticket holders] bargained for a season ticket package that included a right of first refusal to purchase the next season's tickets . . . they were prevented from exercising that right because of the conduct of the Browns."

Judge McMonagle also ruled that the ticket holders' fraud claim should not have been dismissed. They asserted that when they bought season tickets for 1995, they relied on statements made by team owner Art Modell to the press unequivocally indicating that he would not move the Browns as long as his family owned the team, and that the team was not for sale.

The Browns said Modell's statements to the press about the team's not moving had been "conditional" rather than unequivocal. But Judge McMonagle understood Modell's statements to mean that while the sale of the team was conditional, the move was not. These conflicting interpretations raised an issue of fact, and summary judgment should not have been granted for that reason, the judge held.

Beder v. Cleveland Browns, Inc., 717 N.E.2d 716, 1998 OhioAppLEXIS 3161 (Ohio App. 1998)[ELR 21:9:20]

Buyer of non-transferable tickets to Rangers and Knicks games is entitled to recover amount he paid for tickets, including $140,000 above face ticket price, when Madison Square Garden canceled tickets, because transaction violated New York anti-scalping law

Season tickets for Rangers and Knicks games are valuable - even more valuable than their face value. This became apparent when Coleman & Co. sold its season tickets to Mitchell Sahn for $90,000 more than their face value, and a few months later, Sahn sold some of those tickets to James Haber for $140,000 more than their face value.

Good for Coleman and better for Sahn, free-market advocates might say. In fact, however, it wasn't, because the season tickets were non-transferable. When Madison Square Garden learned they had been sold, it canceled the unused tickets and refunded their face value.

Haber got back the face amount of the tickets he had purchased, but Sahn kept the $140,000 premium Haber had paid. Not surprisingly, Haber sued. He sought rescission of his contract with Sahn and a return of the $140,000 on three grounds: failure of consideration, frustration of purpose, and violation of the anti-scalping provisions of the New York Arts and Cultural Affairs Law.

Haber has won, and it was the anti-scalping provisions of New York law that won it for him. In an opinion by Justice David Saxe, the Appellate Division of the New York Supreme Court has ruled that the

$140,000 premium Haber paid violated that law's prohibition against reselling tickets for more than their "established price plus five dollars or ten percent of the established price, whichever is greater."

Although Haber was as guilty of violating the law as Sahn, this did not prevent Haber from winning. Judge Saxe explained that the anti-scalping law "provides a private right of action to recover damages," and therefore the law "contemplate[d] that among those suffering actual damages would be purchasers of scalped tickets . . . [who] could generally be assumed to have been aware of the illegality of ticket scalping when they entered into the transaction."

The Appellate Division has therefore affirmed a judgment in Haber's favor for $140,000, plus attorneys' fees.

Diversified Group Inc. v. Sahn, 696 N.Y.S.2d 133, 1999 N.Y.App.Div.LEXIS 9699 (App.Div. 1999)[ELR 21:9:20]

Court excludes testimony of trademark survey expert used by NFL Properties and Green Bay Packers in infringement suit against clothing manufacturer, but permits testimony by Reggie White on manufacturer's behalf

In trials, facts have to be proved by witnesses; and sometimes, preliminary disputes arise over which witnesses should be permitted to testify. This very thing happened in a trademark infringement suit filed by NFL Properties and the Green Bay Packers against clothing manufacturer ProStyle, Inc.

At an earlier stage of this case, ProStyle suffered a significant setback when federal District Judge J.P. Stadmueller dismissed the clothing manufacturer's counterclaim for tortious interference with prospective business relations (ELR 21:8:19). At the next stage, however, Judge Stadmueller evened the score a bit by handing NFL Properties and the Packers a setback of their own.

The judge excluded a trademark report and proposed testimony by Jacob Jacoby, an expert retained by NFL Properties and the Packers to conduct surveys they hoped would prove consumer confusion and dilution. In response to ProStyle's motion in limine, Judge Stadmueller excluded Jacoby's report and testimony, because the judge found that Jacoby's methods were defective.

On the other hand, the judge denied a motion in limine made by NFL Properties and the Packers by which they sought to exclude proposed testimony by Reggie White. White played defensive end for the Packers for years and has become a celebrity in Wisconsin. NFL Properties and the Packers argued that the value of his testimony would be outweighed by the "unfair prejudice" it would cause them, apparently because of his celebrity status.

Judge Stadmueller disagreed, however. Because of White's involvement in the operation of Reggie White's All Pro Shop, and because he has entered into agreements with ProStyle, the judge concluded that White "may be able to contribute a wealth of probative testimony," Moreover, the judge added that he was "not persuaded that calling a witness at trial is unfairly prejudicial simply because the witness happens to be a celebrity. . . ."

National Football League Properties, Inc. v. ProStyle, Inc., 57 F.Supp.2d 665, 1999 U.S.Dist.LEXIS 11455 (E.D.Wis. 1999)[ELR 21:9:21]

University of Colorado and its Assistant Athletic Director are immune from liability in suit by website operator who was denied access and information given to members of the press, federal District Court rules

Theodore M. Smith is a Denver lawyer and also a website operator. His site, Netbuffs.com, covers the varsity sports program of the University of Colorado. For a full year, from September 1997 to August 1998, the University gave Smith the same access and privileges it gave to members of the press.

Something, however, must have happened that fateful August, because from that time on, David Plati, the University's Assistant Athletic Director for Media Relations, cut Smith off. According to Smith, he was no longer given access to the Athletic Media Relations Fieldhouse (and was even arrested for entering it), and he was required to pay for schedules, photographs and press releases the University routinely gives the press for free.

Smith made these assertions in a lawsuit against Plati and the University in which Smith sought injunctive relief and damages for the violation of his First Amendment rights. As filed, Smith's lawsuit raised interesting questions concerning whether all website operators are members of the "press" and entitled to whatever benefits and privileges members of the press are accorded. As decided, however, the case deals with a much narrower point.

Federal District Judge John Kane has ruled that the Eleventh Amendment gives the University absolute immunity from Smith's claims, even though Smith only sought injunctive relief (not damages) against it. The judge (himself a 1958 University of Colorado graduate and current Adjunct Professor) also ruled that insofar as Smith's suit asserted claims against Plati in his official capacity as the University's Assistant Athletic Director, Plati too is absolutely immune under the Eleventh Amendment.

To the extent Smith's suit against Plati was against him in his individual capacity, rather than in his official capacity, Smith's request for injunction relief failed for another reason. Judge Kane held that Plati's "ability to provide 'media' and 'press' entities with special access to information regarding University of Colorado athletic programs stems directly from his position as the Assistant Athletic Director of Media

Relations. Thus, only in his official capacity could Plati provide Smith with the relief he desires." Since Plati was immune from suit in his official capacity, Smith was the victim of "Catch 22," and his suit against Plati in his individual capacity was dismissed too.

Insofar as Smith sought damages against Plati, Judge Kane ruled that the Assistant Athletic Director was entitled to qualified immunity, so that claim was dismissed as well.

Finally, the judge dismissed Smith's false arrest claim against Plati, because the arresting officer said he made his own determination to arrest Smith and did not rely solely on Plati's complaints to do so.

Smith v. Plati, 56 F.Supp.2d 1195, 1999 U.S.Dist.LEXIS 11331 (D.Colo. 1999)[ELR 21:9:21]

Since Duke University permitted woman to try out for football team, Title IX regulations prohibit discrimination against her even though football is a contact sport, federal appellate court rules

In a precedent-setting decision, a federal Court of Appeals has held that Title IX regulations prohibit Duke University from excluding Heather Sue Mercer from its football team on the grounds that she's a woman, because it allowed her to try out for the team, even though those same regulations would have allowed Duke to deny her a try-out in the first place.

Earlier in the case, a federal District Court in North Carolina dismissed Mercer's case for failing to state a claim (ELR 21:3:19). The District Court reasoned that although Title IX generally prohibits gender-discrimination in collegiate sports, a specific regulation permits schools to field single-sex teams in contact sports including football.

On appeal, Judge Michael Luttig agreed that the Title IX regulations do permit schools to have single-sex teams in contact sports, and that those regulations do not require schools to allow members of the opposite sex to try out for single-sex teams in contract sports.

In this case, however, Duke had permitted Mercer to try out for its football team as a place kicker. Indeed, she was even told she had made the team, both by its head coach and its kicking coach. And Duke's sports information director had her participate in press and television interviews. When she was later cut from the team, she concluded she had been discriminated against because she is a woman, because - she alleged - other less-skilled kickers were permitted to remain on the team.

According to Judge Luttig, the fact that Mercer was permitted to try out for the football team was legally significant. This is so, he explained, because once Mercer was permitted to try out for the football team, the regulation that would have authorized Duke to exclude her from football try-outs "is simply no longer applicable." Instead, at that point, the regulation that generally prohibits gender discrimination became the applicable regulation - and the one that Duke allegedly violated.

For this reason, the appellate court reversed the dismissal of Mercer's case and "remanded it for further proceedings."

In so ruling, Judge Luttig acknowledged that another federal appellate court (in a different circuit) held otherwise (ELR 16:2:16). But he responded to that earlier case by saying simply "we reject such a conclusion as inconsistent with the language of the regulation." Mercer's case may thus wind up in the Supreme Court, though by then, she's likely to be too old to play college football, no matter what the ultimate outcome.

*Mercer v. Duke Universi*ty, 190 F.3d 643, 1999 U.S.App.LEXIS 15502 (4th Cir. 1999)[ELR 21:9:22]

University of Notre Dame owed football fan a duty to take reasonable steps to protect her from injury inflicted by another fan who attempted to retrieve football that landed in seating area behind the goal posts, Indiana appellate court rules

Letitia Hayden and her husband William are University of Notre Dame football fans. Or at least they were. They may not be any longer, because Letitia was injured during a game in Notre Dame stadium, and the University has vigorously denied her claim that she was injured due to its negligence.

Notre Dame took the lead in the first period of the Haydens' lawsuit when an Indiana trial court granted the University's motion for summary judgment. The Haydens however caught up in the second period when the Indiana Court of Appeals reversed

The Haydens were Notre Dame season ticket holders. They had end zone seats behind the south goalpost. Notre Dame hoists a net to protect those seats during field goal and point-after plays. But sometimes a kicked football sails over the net and into the stands. Letitia was injured on one such occasion, when another fan lunged for a ball that landed near her seat and struck Letitia in the process. The other fan hit her so hard, he knocked her down and injured her shoulder.

The Haydens sued, alleging that the University had negligently failed to protect her. But Notre Dame argued that it had no duty to protect Letitia from the other fan's criminal act; and the trial court agreed. Why exactly the other fan's act was "criminal" was not made clear. But on appeal, Judge James Kirsch assumed that it was.

The appellate court nevertheless held that the University did owe Letitia a duty to protect her from an injury resulting from other fans lunging for kicked balls. This was so, Judge Kirsch explained, because "Notre Dame should have foreseen that injury would likely result from the actions of a third party in lunging for the football after it landed in the seating area."

Hayden v. University of Notre Dame, 716 N.E.2d 603, 1999 Ind.App.LEXIS 1697 (Ind.App. 1999)[ELR 21:9:22]

Court describes standards it will use to review Oregon high school athletic association's decisions in waiver requests under Americans with Disabilities Act

Adam Bingham is a learning disabled student who has accomplished a lot in his young life.

First, he won a preliminary injunction that permitted him to play football during his senior year in high school, despite an athletic association Eight Semester Rule that would have disqualified him. Federal Magistrate Judge Thomas Coffin ruled that Bingham was entitled to play - during his ninth semester in high school - because the Americans with Disabilities Act required the athletic association to make reasonable accommodations for his disability (ELR 20:12:18).

Second, after a full trial, Bingham won a court order that required the athletic association to rewrite its Eight Semester Rule to provide an exception for learning disabled students (ELR 21:4:22). As a result of that order, the Oregon School Activities Association did rewrite the Rule.

Now, Judge Coffin has issued a further order, describing the standards that will be applied in reviewing the association's decisions under its revised Rule, in response to waiver requests.

The judge explained that the purpose of the ADA is "to achieve reasonable accommodations for the disabled who qualify for such." On the other hand, if each student who requests an ADA-based waiver of the Eight Semester Rule were entitled to "an independent and de novo review . . . in federal court" of the association's decision, Judge Coffin found that the "reasonableness" of the accommodation would be eroded, because the expense of protracted litigation would threaten to overwhelm the association's budget.

Thus, in reviewing association decisions, the judge said he would review two things. The first is "whether the student is a qualified individual with a disability." Here, the judge said he would give "due weight" to the association's decision. "The amount of deference accorded the [association's] findings will depend on the record it has made," the judge said, "and that deference increases where the findings are 'thorough and careful.'"

The second thing the judge will review is whether the student's participation in a sport "will result in undue risk to other competitors or an undue competitive advantage for that student's team." Again, the judge said he will give "due deference" to the association's decision, which should be based on specific criteria and reflected in a "thorough and complete" administrative record.

Judge Coffin's written opinion includes, as an appendix, the complete text of the association's revised Eight Semester Rule, though the opinion does not evaluate whether the revised rule is likely to produce association decisions that will withstand judicial scrutiny.

Bingham v. Oregon School Activities Association, 60 F.Supp.2d 1062, 1999 U.S.Dist.LEXIS 13513 (D.Or. 1999)[ELR 21:9:23]

New York Court has personal jurisdiction over Fort Worth Star-Telegram in suit by Sipa Press seeking indemnity for copyright infringement liability resulting from Sipa's syndication of photos supplied by Star-Telegram

The murder of 16-year old Adrienne Jones by 18-year-old military cadets David Graham and Diane Zamora eventually triggered civil litigation as well as criminal prosecutions. The civil litigation involves issues that are far removed from the murder itself: they involve allegations of copyright infringement, and resulting claims for indemnification.

News coverage of the murder was accompanied by the publication and broadcast of several prom and portrait photos of the victim. Many of the publishers, program producers and broadcasters who used those photos obtained them from Sipa Press, a New York-based photograph syndication company. Sipa in turn got the photos from the Fort Worth Star-Telegram, a Texas-based newspaper.

By the time the Jones photos became newsworthy, Sipa and the Star-Telegram had done business with one another for years, pursuant to a "verbal course of dealing" entered into by phone. The Star-Telegram sent photos to Sipa electronically or by courier. No Star-Telegram employees came to New York for any purpose. And their arrangement was never reduced to writing.

The extent of the Star-Telegram's connections to New York became relevant, because after the Jones photos were widely disseminated, a company known as Texas Hot Looks sued Sipa and others for copyright infringement, alleging that it - and not the Star-Telegram - is the owner of the copyrights to those photos. The infringement suit was filed and settled by

Sipa in Texas. But when Sipa sought indemnity from the Star-Telegram, Sipa chose to sue in New York. The Star-Telegram responded with a motion to dismiss for lack of personal jurisdiction or under the doctrine of forum non conveniens.

New York Supreme Court Judge Lorraine Miller has denied the Star-Telegram's motion. The judge ruled that New York has personal jurisdiction over the Texas newspaper for several reasons: because it contracted to supply goods in New York when it agreed to have Sipa market its photos; because it affirmatively delivered photos to Sipa in New York; because if it didn't own the copyrights to the Jones photos, it committed a fraud on Sipa in New York; and because it derived substantial revenue from Sipa's interstate sales of those photos.

The judge acknowledged that New York's jurisdiction statute is subject to a Due Process "fairness" requirement. But Judge Miller held that the "Star-Telegram's repeated employment of Sipa to syndicate photographs" satisfies that requirement.

Finally, the judge rejected the Star-Telegram's forum non conveniens argument, because Sipa's royalty records are in New York, most of its customers were New York media, and most witnesses are there as well.

Sipa Press, Inc. v. Star-Telegram Operating Ltd., 694 N.Y.S.2d 850, 1999 N.Y.Misc.LEXIS 269 (Sup.Ct. 1999)[ELR 21:9:23]

Federal court has jurisdiction to hear photographer's contract and copyright suit against publisher that used photos in book, in alleged violation of contract authorizing publication only in magazine; but claim for statutory damages and attorney's fees is stricken, because book was published before photographer registered copyrights

It's amazing how many legal issues can be generated by a simple dispute. The dispute between photographer Steven Gerig and Krause Publications, Inc., is a case in point. As the publisher of Collector's Mart Magazine, Krause hired Gerig some 15 times to shoot photographs of home decorating styles. Gerig sent invoices to Krause for the photographer's agreed-upon "assignment fee"; and Krause apparently paid them.

A few years later, Krause published a book titled Decorating With Collectibles which included 70 of Gerig's photographs. According to Gerig, his deal with Krause authorized it to use his photos only in the magazine. Krause contends it was authorized to use the photos in the book too.

On its face, this dispute looks like a simple one involving nothing more than the proper interpretation of the agreement between Gerig and Krause. But even before the court got to that issue, it had to deal first with Krause's argument that the court had no jurisdiction to hear the dispute, and with the publisher's objection to the photographer's request for statutory damages and attorney's fees.

Federal District Judge Thomas Marten has awarded each of the parties a partial victory at this preliminary stage of the case.

Since Gerig and Krause are citizens of different states, the federal court jurisdiction issue raised by Gerig's contract claim was whether the amount in controversy exceeds $75,000. The liquidated damages clause on the back of Gerig's invoices could be read in two ways. One made the amount in controversy less than $75,000; and that was the way Krause read it. The other meant the amount in controversy could be more than $63,000 which, when combined with contract-authorized attorney's fees, could exceed $75,000. That of course was the way Gerig interpreted the clause; and Judge Marten agreed - thus giving his court diversity jurisdiction over the contract claim.

Judge Marten also had jurisdiction over Gerig's copyright infringement claim, though he didn't at first, because Gerig filed his lawsuit before he registered the copyrights to the photographs at issue. Once Gerig did register those copyrights, his infringement claims were refiled. But since this meant that Krause's alleged infringement took place after Gerig's copyrights were registered, Gerig couldn't recover statutory damages or attorney's fees (on his copyright claim). So Judge Marten dismissed Gerig's request for those remedies, thus limiting the photographer's potential recovery on his infringement claim to his actual damages or Krause's profits.

Gerig v. Krause Publications, Inc., 58 F.Supp.2d 1261, 1999 U.S.Dist.LEXIS 11934 (D.Kan. 1999)[ELR 21:9:24]

New York court has personal jurisdiction over California media-buyer in suit by Court TV to collect unpaid invoices for commercials broadcast for buyer's client

In the early stages of many lawsuits, a preliminary legal fight takes place over where the case should be heard, and sometimes that fight takes on a life of its own. One such fight took place between New York-based Court TV and a California-based advertising and media-buying company named Focus Media. In the end, but only in the end, Court TV prevailed.

In 1997, Focus Media bought broadcast time for 345 commercials on Court TV on behalf of a Focus client named Tactica. Focus has no offices or employees in New York. The deal was done entirely by phone calls, faxes and letters. Focus sent tapes to Court TV that were broadcast in agreed-upon time slots. Court TV then sent Focus invoices for that commercial time totaling some $101,000. When the invoices were not paid, Court TV sued - in state court in New York, where it is located.

Focus responded to the suit by making a motion to dismiss, arguing that the New York court did not have personal jurisdiction over it. In the first round of this preliminary legal fight, Focus prevailed. A trial court ruled that Focus did not have sufficient contracts with the state, because it didn't do business in New York on a continuous or systematic basis, and because shipping tapes to Court TV did not amount to supplying goods or services to New York customers (an alternate basis for New York personal jurisdiction). Thus, Focus won the first round, because the trial court dismissed the case.

That is when the personal jurisdiction issue took on a life of its own, because instead of simply refiling the case in California, Court TV appealed. That strategy turned out to be a good one, because the

Appellate Division of the New York Supreme Court has reversed and remanded the case for further proceedings.

In a Memorandum Decision, the Appellate Division has ruled that Focus played more than a passive role in making the deal with Court TV. Instead, "it played a 'crucial role' in creating the substance of the transaction . . . " - a role that amounted to doing business in New York.

Moreover, the appellate court added, "as a State with a high concentration of media outlets which receive materials from all over the country," New York has an interest in asserting jurisdiction over out-of-state media buyers like Focus. Otherwise, "Broadcasters like [Court TV] would be at a serious disadvantage" because "they would be forced to litigate in the home states of every media buyer who created programming for their networks."

Courtroom Television Network v. Focus Media, Inc., 695 N.Y.S.2d 17, 1999 N.Y.App.Div.LEXIS 8787 (App.Div. 1999)[ELR 21:9:24]

Time Warner cable systems legally refused to transmit indecent programs on leased access channels, but could not penalize program producers by refusing to consider further submissions from them, federal appellate court affirms

Thomas Loce and Ed Richter are television producers, and the name of their business - "Life Without Shame" - suggests their favored genre. Their programs feature nude women, Loce and Richter's suggestive commentary, and commercials for escort services that offer to make "house and hotel calls."

In order to get their programs to their intended audiences, Loce and Richter leased cable channel space from cable systems operated by Time Warner Entertainment in Rochester and Syracuse, New York. Religious and political leaders in those cities, as well as hundreds of cable subscribers, complained to Time Warner about "Life Without Shame" programs, even though the programs were transmitted only between midnight and 1:00 a.m.

Time Warner responded to those complaints in a manner that it thought was permitted by federal statute and company policy. The statute in question was the Cable Act of 1992, one provision of which allows cable operators to ban patently offensive sex-related programming on leased access channels. In 1996, the Supreme Court upheld the constitutionality of that provision of the statute (ELR 18:3:3). And shortly thereafter, Time Warner adopted a written policy forbidding indecent programming on its leased access channels. The policy also provided that producers who submitted forbidden programming would be "suspended" for six months the first time, and would lose "all eligibility" for leased channel access if forbidden programming were submitted again.

Despite this policy, which was incorporated by reference into the channel leases signed by Loce and Richter, the producers submitted program episodes entitled "The Best of Lookers," "A Tribute to Violence" and "The Gore Gore Girls." All were rejected for violating Time Warner's indecency policy; and Loce and Richter were suspended for six months.

In response, the producers sued Time Warner, alleging that the cable company had violated their First Amendment rights as well as their rights under the Cable Act. A federal District Court ruled that Time Warner had legally rejected the offending episodes, but should not have suspended Loce and Richter. A federal Court of Appeals has affirmed that ruling.

In an opinion by Judge Amalya Kearse, the appellate court has held that Time Warner did not violate the producers' First Amendment rights, because the First Amendment applies only to government activity, and the cable company is not a governmental agency.

Judge Kearse also held that Time Warner's rejection of the offending episodes did not violate the Cable Act, because the rejection was "reasonable," as that Act requires. Loce and Richter argued that Time Warner's rejection procedures were unreasonable, because the cable company did not provide the producers with assistance in editing the episodes so they would satisfy the company's decency requirements. But Judge Kearse ruled that the Cable

Act does not require cable systems "to serve as assistant editors to program providers."

On the other hand, the judge held that although the Cable Act permits cable operators to reject indecent programs, it does not authorize them to penalize the producers of such programs. Time Warner had argued that the cost of reviewing programs is great, and thus the Act authorizes cable systems to reduce that cost by excluding program producers who submit indecent programs. Judge Kearse found no support for that argument in the Act, however, and thus ruled that Time Warner must consider the decency of all programs submitted for transmission on leased access channels, including those submitted by past offenders like Loce and Richter.

Loce v. Time Warner Entertainment, 191 F.3d 256, 1999 U.S.App.LEXIS 13179 (2d Cir. 1999)[ELR 21:9:25]

Court refuses to enjoin enforcement of Military Honor and Decency Act, ruling that magazine distributors and readers failed to show Act is unconstitutional

The Military Honor and Decency Act has withstood a second attack on its constitutionality. The Act prohibits the military from selling or renting sexually explicit materials - something it once did at on-base military exchanges.

The Act was first challenged in the Second Circuit where its constitutionality was upheld in a 2-to-

1 decision which the United States Supreme Court declined to review (ELR 20:3:10).

Apparently hoping that courts in the Ninth Circuit would be more receptive to their First Amendment arguments, magazine wholesalers filed a new lawsuit, joined by military personnel. In an effort to bolster their case, they made additional arguments (not made in the first case) concerning the way in which the Act is being implemented. They also relied on a Supreme Court case - Arkansas Educational Television Commission v. Forbes (ELR 20:2:7) - that had not been decided when the Second Circuit upheld the constitutionality of the Act.

Neither tactic has been successful, however. Federal District Judge Jeremy Fogel has concluded that "the First Amendment does not compel the government to offer sexually explicit materials for sale or rental at military exchanges." And thus, he has denied the plaintiff's motion for a preliminary injunction.

PMG International Division LLC v. Cohen, 57 F.Supp.2d 916, 1999 U.S.Dist.LEXIS 10829 (N.D.Cal. 1999)[ELR 21:9:26]

Previously Reported:

The United States Supreme Court has denied petitions for certiorari in: Hatch v. Minnesota Twins Partnership, 120 S.Ct. 517, 1999 U.S.LEXIS 7666 (1999), the case in which the Minnesota Twins won a protective order against civil investigative demands served by the state Attorney General in connection with an antitrust investigation arising from the Twins proposed move to North Carolina, on the grounds that the business of professional baseball is exempt from state (as well as federal) antitrust law (ELR 21:5:17); Stanley v. University of Southern California, 120 S.Ct. 533, 1999 U.S.LEXIS 7827 (1999), the case in which USC defeated a gender discrimination suit by former women's basketball coach Marianne Stanley, because the disparity between her pay and the pay of men's coach George Raveling was justified by his greater experience (ELR 21:6:26); and Indiana High School Athletic Association v. Washington, 120 S.Ct. 579, 1999 U.S.LEXIS 8027 (1999), a case in which the Court of Appeals affirmed an injunction barring the Athletic Association from enforcing its "eight-semester" eligibility rule against a learning disabled student, because the Association's failure to grant the student a waiver violated the Americans with Disabilities Act (ELR 21:7:21).

The Sixth Circuit Court of Appeals has denied a petition for rehearing en banc in Brentwood Academy v. Tennessee Secondary School Athletic Association, 190 F.3d 705, 1999 U.S.App.LEXIS 21631 (6th Cir. 1999), a case in which a three-judge panel of that court earlier ruled that a high school athletic association in Tennessee is not a "state actor," and thus its enforcement actions are not subject to the First Amendment (ELR 21:7:22).
[ELR 21:9:26]

DEPARTMENTS

In the Law Reviews:

The European Intellectual Property Review, published by Sweet & Maxwell, 100 Avenue Road, London NW3

3PF United Kingdom, has issued Volume 21, Issue 11 with the following articles:

Simplifying Copyright Law: Proposals from Down Under by Sam Ricketson, 21 European Intellectual Property Review 537 (1999) (for address, see above)

Challenges for the World Intellectual Property Organization and the Trade-related Aspects of Intellectual Property Rights Council in Regulating Intellectual Property Rights in the Information Age by Pamela Samuelson, 21 European Intellectual Property Review 578 (1999) (for address, see above)

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