

IN THE NEWS

Record industry scores significant wins in battles against unauthorized MP3 files; in separate cases, courts rule that MP3.com infringed record companies' copyrights, and that Napster is not protected by safe harbor provisions of Digital Millennium Copyright Act

The record industry's battle against unauthorized MP3 files has taken a turn in its favor, as a result of rulings issued this month in two significant cases.

In a case filed by ten record companies against MP3.com, a federal District Court in New York City has held that MP3.com infringed the record companies' copyrights by creating a computerized database of MP3-formatted copies of their recordings, without authorization.

In a separate case filed by seventeen record companies against Napster, a federal District Court in San Francisco has held that Napster is not protected by provisions of the Digital Millennium Copyright Act that give online and Internet service providers "safe harbor" protection against copyright infringement liability, under certain circumstances.

The results in these cases represent a turn in the record industry's battle with unauthorized MP3 files, because the industry lost its first case involving MP3 technology. That case was the Recording Industry Association of America's lawsuit against Diamond Multimedia Systems - a case in which the RIAA unsuccessfully sought to block the continued manufacture and sale of Diamond Rios, which were the first generation of portable MP3 players (ELR.21:7:5).

Though all three cases revolve around MP3 files, they involve very different technologies and very different legal issues.

MP3.com case

The lawsuit against MP3.com was triggered when that company began offering a two-part service known as "My.MP3.com." The service permitted users to listen to MP3 files of copyrighted recordings over the Internet, if they already had possession of a CD version of the recording they wanted to listen to, or if they purchased a CD of the recording from one of MP3.com's cooperating online retailers.

If users already had possession of a CD, My.MP3.com's "Beam-it Service" permitted them to listen to an MP3 version of it from any computer connected to the Internet. Users needed the actual CD

only the first time they used the service, in order to verify their possession of it. They did so by placing the CD in their computer's CD-ROM drive just long enough for My.MP3.com to read an identification symbol from the CD itself. Users did not have to convert their CDs to MP3 files themselves, nor did they have to upload MP3 files to MP3.com's server. Once MP3.com verified users' possession of a CD, users could listen to the MP3 version without having the CD in the computer's drive.

If users did not already own the CD they wanted to listen to, they could order it online, from an online retailer that would immediately notify MP3.com of the purchase. Those who did so could then immediately listen to an MP3 version of that CD over My.MP3.com's "Instant Listening Service," even before the CD itself was delivered (by UPS or FedEx).

In order to provide the Beam-it and Instant Listening Services, MP3.com bought tens of thousands of CDs, converted them to MP3 files, and stored those files on MP3.com's own servers - all without the authorization of the record companies that sued MP3.com for doing so. While no authorization was required by law for the purchase of those CDs, the record companies alleged that by converting their recordings to MP3 files and storing them on its servers, MP3.com made unauthorized reproductions of the companies' recordings.

MP3.com's principal defense was that its activities were a non-infringing fair use. Judge Jed Rakoff found this argument to have little merit, however. "The complex marvels of cyberspacial communications may create difficult legal issues," he said, "but not in this case."

Judge Rakoff analyzed MP3.com's fair use defense using the four-factor test required by section 107 of the Copyright Act.

MP3.com acknowledged that the purpose of its use of the recordings was "commercial," but it argued that it provided a "transformative 'space shift'" that permitted users to enjoy their recordings without having to carry around the actual CDs themselves. Judge Rakoff was not persuaded that this counted towards fair use. He concluded that MP3.com had added no new "aesthetics," "insights" or "understandings" to the copied recordings. Instead, he said, it had simply repackaged them to make them available in another medium. "While such services may be innovative," the judge concluded, "they are not transformative."

The nature of the copied recordings also counted against fair use, because the recordings were creative

works that are "close to the core of intended copyright protection,' unlike factual works whose copying is more likely to be considered a fair use.

The amount copied also counted against fair use, because MP3.com copied all of the recordings at issue in the case.

Judge Rakoff gave particular attention to the effect of MP3.com's use on the "potential market for or value of" the recordings. The company argued that its activities would enhance the record companies' sales, because in order to use its Beam-it or Instant Listening Services, people would need to have or purchase an actual CD. However, the judge concluded that even if this were true, that would not permit MP3.com "to usurp a further market that directly derives from reproduction of the [record companies'] works."

Apparently, MP3.com argued that it had not actually "usurped" a market from the record companies,

because none was providing a similar service. Judge Rakoff responded by saying that "even if the copyright holder had not yet entered the new market in issue, . . . a copyright holder's 'exclusive' rights, derived from the Constitution and the Copyright Act, include the right, within broad limits, to curb the development of such a derivative market by refusing to license a copyrighted work or by doing so only on terms the copyright holder finds acceptable."

Other factors too are sometimes considered in deciding fair use claims, and MP3.com urged one. It said that in the absence of its service, consumer demand for MP3 files would be served by pirates. Judge Rakoff rejected this claim too. "Copyright . . . is not designed to afford consumer protection or convenience," he said, "but, rather, to protect the copyright holders' property interests. Moreover, as a practical matter, [the record companies] have indicated

no objection in principle to licensing their recordings to companies like MP3.com; they simply want to make sure they get the remuneration the law reserves for them as holders of copyrights on creative works. Stripped to its essence, [MP3.com's] 'consumer protection' argument amounts to nothing more than a bald claim that [it] should be able to misappropriate [the record companies'] property simply because there is a demand for it. This hardly appeals to the conscience of equity."

As a result, Judge Rakoff granted the record companies' motion for partial summary judgment, and held that MP3.com has infringed their copyrights.

Napster case

Napster presents an even bigger threat to record companies than MP3.com, because Napster permits

users to download MP3 files without having or buying actual CDs. Instead, Napster provides a free program called MusicShare, which - once downloaded and installed - permits users to locate and download MP3 files directly from computers owned by other MusicShare users.

Napster itself has not copied CDs, and its servers do not store or transmit MP3 files. Instead, Napster's servers provide users with just two things: MusicShare software and an index of MP3 files available from MusicShare users who are then online. Napster's MusicShare software is a specialized form of Internet browser, which enables users to locate available MP3 files by searching for artist names or song titles. The searched-for files are presented to users as an on-screen list. Users simply highlight desired files on that list and then click on a "Get Selected Song" button. The

download then takes place over the Internet, directly between Napster users.

Since Napster itself does not copy, store or transmit MP3 files, record companies sued it for "contributory" and "vicarious" copyright infringement, rather than for direct infringement.

Under certain circumstances, the doctrines of contributory and vicarious liability may make a person or company liable for infringements actually committed by others. At least one early Internet case made it apparent that online and Internet service providers might find themselves liable under these doctrines for infringements committed by their subscribers (ELR 18:7:22). As a result, when Congress passed the Digital Millennium Copyright Act, it included "safe harbor" provisions that protect online and Internet service providers from infringement liability, if certain requirements are satisfied (ELR 20:6:5). These

provisions were codified at what is now section 512 of the Copyright Act.

Napster responded to the record companies' lawsuit by arguing that it is entitled to the protection of the safe harbor provisions of section 512. It did so in a motion for summary adjudication; but it has not been successful. Judge Marilyn Hall Patel has held that Napster has not satisfied the "safe harbor" requirements, and thus she has denied Napster's motion.

Napster is not really an online or Internet service provider, so at first blush, it seems ineligible to claim the benefit of section 512's safe harbor provisions. On the other hand, section 512 does not clearly state that its protection is limited to "online or Internet service providers." Instead, the section is wordy and even convoluted. It provides, for example, that a "service provider" shall not be held liable for "transmitting,

routing, or providing connections for, material through a system . . . controlled or operated by or for the service provider" Napster was able to thread its way through the section in a way that enabled it to make a plausible argument that it was entitled to the section's safe harbor protection.

Though Napster's argument was plausible, it was not persuasive. After a careful analysis of the language of the section - of the kind usually associated with analyses of the Internal Revenue Code - Judge Patel concluded that since MP3 files are passed directly between Napster users, and not through Napster's own server, "Napster does not transmit, route, or provide connections through its system." Therefore, the judge concluded, Napster "failed to demonstrate" that it qualifies for the section 512 safe harbor.

Moreover, even eligible service providers must have a prescribed copyright compliance policy in order

to claim the section's safe harbor protection. Therefore, Judge Patel concluded even if Napster were an eligible service provider, it would not be protected by section 512's safe harbor, because it did not have such a policy.

Napster did adopt a copyright compliance policy after the record companies sued it. Napster argued that its policy was adequate, because section 512 does not spell out when such a policy must be in place. Judge Patel, however, found that Napster's argument "defies . . . logic" even though it was "facially accurate." She held that Napster's policy, adopted as it was after suit was filed, "should not moot [the record companies'] claim to monetary relief for past harms."

Moreover, section 512 also requires that copyright compliance policies be "reasonably implemented." The judge found that the record companies had raised genuine issues of fact concerning whether Napster had "reasonably implemented" its

policy, even after it adopted one. This was so, the judge explained, because the record companies provided evidence that "Napster willfully turns a blind eye to the identity of its users," and thus "infringers may readily reapply to the Napster system," even if Napster removes them from its list of authorized users.

For these reasons, Judge Patel denied Napster's motion for summary adjudication - thus permitting the record companies' lawsuit to proceed.

Aftermath

In the aftermath of the ruling against it, MP3.com disabled access to its database of MP3 files of recordings owned by the record companies that sued it. According to emails sent to My.MP3.com users, MP3 is engaged in negotiations with the record

companies, which it hopes will result in a license permitting MP3 to reopen access to those files.

Record companies are not the only ones who have sued Napster. The band Metallica has as well, in a separate lawsuit of its own. Pursuant to Napster's copyright compliance policy, the company asked Metallica to identify those Napster users who Metallica claims are downloading MP3's of Metallica recordings. Metallica hired a company to compile such a list, and then delivered to Napster documents identifying more than 300,000 such Napster users. As promised, Napster reportedly disabled those users' access to the Napster service. But according to ZDNet News, it took only hours for one banned user to figure out how to get back on the system. And that user posted the workaround on Napster's own message boards!

UMG Recordings, Inc. v. MP3.com, Inc., No. 00 Civ. 472 (S.D.N.Y., May 4, 2000), available at www.riaa.org/PDF/MP3_Court_Ruling.pdf; *A & M Records, Inc. v. Napster, Inc.*, No. C99-05183 MHP (N.D.Cal., May 5, 2000), available at www.riaa.org/PDF/Court512aRuling.pdf [May 2000][ELR 21:12:4]

WASHINGTON MONITOR

Time Warner Cable violated Communications Act and FCC rules by deleting ABC television stations during Nielsen audience rating sweeps period, FCC Cable Services Bureau rules

Time Warner Cable subscribers in eight cities from Los Angeles to New York were unable to watch

their local ABC television stations for two days early this month - as a result of a problem that was not "technical." It was instead the result of a dispute over the terms on which ABC would permit Time Warner to continue to retransmit ABC station signals.

Time Warner Cable has been retransmitting the signals of the affected ABC stations since 1993 when the companies first entered into a retransmission agreement. That agreement expired December 31, 1999 and was extended several times for short durations through April 30, 2000. When the agreement finally expired on that date, Time Warner Cable dropped ABC's signals, saying that it no longer had the authority or the obligation to carry them.

Time Warner, and all other cable systems, enjoy a compulsory copyright license that authorizes them to retransmit local television programming, even though that programming is protected by copyrights owned by

program producers. The compulsory copyright license has existed in U.S. law since 1978. Thus copyright liability to program producers was not what concerned Time Warner, nor was potential copyright liability a justification for dropping ABC's stations.

Even though cable systems have had a compulsory copyright license since 1978, Congress amended the law in 1992 so that, by itself, the compulsory copyright license was no longer sufficient for cable retransmission of local television station signals. The 1992 Cable Act amended the federal Communications Act (not the Copyright Act) so that television stations (not copyright owners) had to either: (1) consent to cable retransmission of their signals; or (2) demand that cable systems retransmit their signals (ELR 14:7:14). These provisions of the Communications Act are known as the "retransmission consent" and "must-carry" rules.

Apparently, it was thought that this 1992 Act would enable heavily-viewed stations to demand and receive payment from cable systems that would want to retransmit their signals, and that lightly-viewed stations would be able to demand cable retransmission (using the must-carry rule) though cable systems wouldn't have to pay to do so.

Apparently too, little if any money actually changed hands as a result of the 1992 Act. (See, "Congress Gives Satellite TV Industry and Subscribers Big Benefits in Satellite Home Viewer Improvement Act of 1999," by Philip R. Hochberg (ELR 21:8:8).

Instead, companies that owned heavily-viewed television stations and also owned cable channels used the retransmission consent rule to induce cable systems to carry the companies' cable channels (or pay more for them) in order to get consent to retransmit those heavily-viewed stations. Indeed, according to Time

Warner, ABC tried "to elicit more money and better channel positions for various Disney channels: ESPN, ESPN2, Lifetime, The Disney Channel, Toon Disney, and SoapNet, all linked to Time Warner's continued carriage of the ABC . . . Stations."

Playing what appears to have been a game of brinkmanship, ABC must have figured that Time Warner wouldn't drop ABC stations, even without retransmission consent, because doing so would anger Time Warner Cable subscribers. And Time Warner must have figured that ABC wouldn't risk being dropped, because the final extension on their retransmission consent agreement expired just four days into a Nielsen audience rating sweeps period, when it would be critical for ABC's stations to get the highest ratings they could.

When April 30th came and went, Time Warner called ABC's bluff and pulled its stations' signals. The

result was a controversy at least as big as anyone could have anticipated. Time Warner Cable subscribers complained to Time Warner, ABC and their Washington representatives. And two days later, ABC and Time Warner signed a further extension of their retransmission consent agreement - one that will last until July 15th.

In the meantime, however, ABC had already responded, legally, by filing an Emergency Petition with the FCC seeking a declaratory ruling that Time Warner had violated federal law by dropping ABC's stations in the midst of a ratings period. Just two days later, ABC got exactly the ruling it sought.

A subsection of the Communications Act "must-carry" rule prohibits cable systems from deleting television station signals during a ratings period. An FCC rule restates this ban and makes it clear that the critical periods are the four-times yearly periods

commonly known as "audience sweeps." On the face of things, it did indeed appear as though Time Warner had violated both the Act and the rule. And in a short, five-page opinion, that's what the FCC Cable Services Bureau has held.

Time Warner was not defenseless. It argued that the ban on dropping station signals during the sweeps applies only to stations that had taken advantage of the "must-carry" rule, not to stations - like ABC's - that had granted now-expired retransmission consents. While the structure of the Act supported that argument, the Cable Services Bureau was not persuaded. It concluded that the ban on dropping a station "applies equally to television stations carried under must-carry and television stations carried through retransmission consent."

The Cable Services Bureau also rejected Time Warner's argument that its First Amendment rights

would be violated by such an interpretation. It ruled that the Supreme Court's decision upholding the constitutionality of the must-carry rule itself (ELR 18:12:7) applied to the dropped signal ban as well.

As a result, the Bureau held that "Upon expiration of an existing retransmission consent during a sweeps period a cable operator is required to carry the signal of a local television station . . . until the conclusion of the current sweeps period."

Time Warner has said that it will appeal the Bureau's decision to the full FCC.

In the Matter of Time Warner Cable, FCC Cable Services Bureau CSR 5543-C (May 3, 2000), available at www.fcc.gov/disney_tw [ELR 21:12:7]

RECENT CASES

LaFace Records and rap group Outkast did not violate rights of civil rights activist Rosa Parks by titling their Grammy-nominated recording "Rosa Parks," federal District Court rules

Back in 1955, Rosa Parks refused to give up her bus seat to a white passenger, as was then the custom in Montgomery, Alabama, and elsewhere in the South. Her defiance led to a bus boycott that eventually ended segregation on public transportation. In the words of one admiring jurist, Parks' defiance also "sparked the Civil Rights Movement of the 1960's."

The admiring jurist was federal District Judge Barbara Hackett. Forty-four years after Rosa Parks refused to move to the back of the bus, Judge Hackett wrote an opinion that described Rosa Parks as a "well-

known public figure who has been recognized as an international symbol of freedom, humanity, dignity and strength. . . ." The opinion was issued in a case in which Parks herself was the plaintiff. But after methodical analysis, Judge Hackett concluded that the law did not support Parks' claims. And thus the judge "regrettably" granted the defendants' motion for summary judgment.

The defendants in whose favor Judge Hackett felt compelled to rule were the rap group Outkast and its record companies, La Face Records, Arista Records, and BMG Entertainment. Outkast earned Parks' displeasure by giving one of the songs on its 1998 album "Aquemini" the title "Rosa Parks." The album went double platinum, and the song named "Rosa Parks" was nominated for a Grammy. But the song's lyrics contain "profanity, racial slurs, and derogatory

language directed at women," so Parks was not complimented by the use of her name as the song's title.

Instead, Parks filed a multi-count complaint, alleging claims for the violation of her right of publicity under common law and the Lanham Act, as well as for defamation, false light invasion of privacy, infliction of emotional distress, interference with business relations, and unjust enrichment.

Parks may have had reason to suppose that she would prevail on at least some of these claims, because the song does not mention her by name in its lyrics, nor is it about her or the Civil Rights Movement. On the other hand, the song's chorus - which is repeated ten times - includes the words "Ah, ha, hush that fuss. Everybody move to the back of the bus."

The chorus was the reason that Parks lost much of her case. Judge Hackett noted that the right of publicity does not prevent the use of a celebrity's name

"in an expressive work protected by the First Amendment." The Supreme Court has held that music is a form of expression protected by the First Amendment (ELR 11:5:11). Likewise, the title of an expressive work that contains a celebrity's name is entitled to First Amendment protection, if it "bears any relationship" to that name.

Under this standard, "Rosa Parks" - the song - qualified for First Amendment protection against Parks' right of publicity claim. Judge Hackett explained that "Rosa Parks is universally known for and commonly associated with her refusal . . . to . . . 'move to the back of the bus.' The song . . . makes unmistakable reference to that symbolic act. . . . Admittedly, the song is not about plaintiff in a strictly biographical sense, but it need not be. Rather, defendants' use of plaintiff's name, along with the phrase 'move to the back of the bus,' is metaphorical and symbolic. As a matter of law, this

obvious relationship between the content of the song and its title . . . renders the right of publicity inapplicable."

Parks' Lanham Act claim was rejected because the album on which the song appears does not represent that it was endorsed by or affiliated with her. In fact, the album and its packaging "unequivocally identify defendants as the source of the album," and thus there was no likelihood of confusion between Parks and the album.

Judge Hackett ruled against Parks on her defamation claim, because the song "contains no factual statements, false or otherwise, about plaintiff." For the same reason, the song did not portray Parks at all, let alone in a false light.

Parks' infliction of emotional distress claim failed, because "defendants' exercise of their First Amendment right to title a song 'Rosa Parks' can hardly

be considered extreme and outrageous." Her unjust enrichment claim was rejected for a similar reason.

Parks v. LaFace Records, 76 F.Supp.2d 775, 1999 U.S.Dist.LEXIS 18097 (E.D.Mich. 1999) [ELR 21:12:9]

ESPN breached contract with Major League Baseball by broadcasting Sunday night NFL games instead of baseball games without Baseball's approval, federal District Court ruled; whether ESPN's breach was material would have been jury question, but if so, Major League Baseball had right to terminate ESPN contract, if Baseball withheld approval reasonably; case then settled

We're at the outset of a new Major League Baseball season, and fans can watch countless games on network and local television. Those fans who have cable or satellite service can catch another 108 games on ESPN, 28 more than were carried by ESPN last year.

For the casual viewer, there's nothing newsworthy about ESPN coverage of professional baseball. The cable network has been doing so for years. However, hardcore fans, and those who closely follow the business side of baseball or television, know that ESPN came very close to losing its baseball telecasting rights at the end of the 1999 season - even though its contract with Major League Baseball was supposed to run for five more years.

ESPN came close to losing its baseball rights for this reason: in September 1998 and again in September 1999, ESPN preempted three Sunday night Major

League Baseball games in order to televise National Football League games instead. ESPN's contract with Major League Baseball gave ESPN the right to preempt a certain number of baseball games "for an event of significant viewer interest," but only "[w]ith the prior written approval of Baseball, which shall not be unreasonably withheld. . . ."

When ESPN decided it wanted to carry NFL games on Sundays in September, instead of baseball games, it asked Major League Baseball for its approval, but Baseball refused to approve. Thinking that Baseball had withheld its consent unreasonably, in violation of the contract, ESPN engaged in "self-help" by preempting Sunday night baseball games anyway.

When this happened in September 1998, Major League Baseball complained, but otherwise did nothing. When ESPN did it again in September 1999, Major League Baseball sent ESPN a letter formally

terminating ESPN's contract as of the end of the 1999 season. ESPN promptly countered by suing Major League Baseball for breaching the contract itself, seeking damages as well as declaratory and injunctive relief.

Shortly before the case was scheduled for trial, both sides made several motions. Federal District Judge Shira Scheindlin ruled on those motions with two written opinions that run almost 40 printed pages. Each side got some, but only some, of what it wanted. Had the case gone to trial, either side could have won.

Major League Baseball prevailed on two of the central issues in the case: whether ESPN could preempt Sunday night games without Baseball's prior written approval, and whether Baseball could withhold its approval even if the substituted NFL games were of "significant viewer interest."

Judge Scheindlin ruled that ESPN did breach the contract by preempting baseball games, because it did not have the right to preempt games without Baseball's approval, even if Baseball had been unreasonable in withholding approval. "Self-help," in other words, was not one of the remedies available to ESPN. If Baseball's refusal to approve was unreasonable, the judge explained, ESPN could have terminated the contract completely and not broadcast any more baseball games thereafter; or ESPN could have broadcast the baseball games as required by the contract and then sued Major League Baseball for damages.

As helpful to Baseball as this ruling seems, it did not end the case in its favor, because the judge also ruled that whether ESPN's breach was material was for a jury to decide. Baseball would have been justified in terminating ESPN's contract only if ESPN's breach were material.

Baseball also scored points with Judge Scheindlin's ruling that it had the right to withhold approval for preemption, even if the NFL games ESPN wanted to telecast were events of "significant viewer interest," so long as Baseball was reasonable in doing so. Again, however, these points were not enough to win the case, because the judge also ruled a jury would have to decide whether Baseball had withheld its consent reasonably.

ESPN had evidence that it thought would prove that Baseball had withheld its consent unreasonably. According to ESPN, Baseball wanted to renegotiate ESPN's license fee, and Baseball withheld approval in order to force such a renegotiation. Baseball of course objected to ESPN's use of this evidence. But ESPN scored points of its own on this issue, because Judge Scheindlin ruled that ESPN could introduce evidence

concerning Baseball's motive for withholding its approval.

This was a significant ruling, because if a jury determined that Baseball had withheld its approval unreasonably, Baseball could not recover against ESPN for its breach - even if it were a material breach - because Baseball itself would not have performed the contract - a necessary element for Baseball to prevail in its breach claim against ESPN. In other words, Baseball would be entitled to prevail only if a jury determined that Baseball withheld approval reasonably, and that ESPN's breach was material.

In that event, Baseball's termination of ESPN's contract as of the end of the 1999 season would have been proper. On the other hand, the judge ruled that Baseball could only seek to recover nominal - not actual - damages. Baseball claimed that ESPN caused it millions of dollars in damages by preempting games.

But Judge Scheindlin ruled that Baseball could not introduce evidence to support that claim, because during discovery, Baseball offered no examples of such damage nor did it offer a method for calculating such damages.

Editor's note: Less than two weeks after Judge Scheindlin issued these rulings, Major League Baseball and ESPN announced that they had entered into a new six-year "multimedia agreement" that substantially increases the number of games and other baseball-related programs ESPN will carry beginning this season. The agreement also permits ESPN to carry daily video highlights on its ESPN.com website. And - in apparent response to the very thing that prompted their dispute in the first place - the new agreement provides that (for at least the first two years), Sunday night telecasts in September will be shifted, with ESPN or ESPN2 televising two games for every one moved.

One of those two telecasts will be aired on Fridays in September and be chosen days before to highlight the most meaningful pennant race games. The second telecast will be aired Sunday nights on ESPN2 earlier in the season, creating a simultaneous ESPN/ESPN2 "double play" on those Sunday nights.

ESPN, Inc. v. Office of the Commissioner of Baseball, 76 F.Supp.2d 383, 416, 1999 U.S.Dist.LEXIS 18050, 18379 (S.D.N.Y. 1999)[ELR 21:12:10]

Clip from public domain Three Stooges movie "Disorder in the Court" is not an enforceable trademark, federal appellate court holds in decision affirming dismissal of trademark infringement suit based on New Line's use of clip in "The Long Kiss Goodnight"

Comedy III Productions owns The Three Stooges' intellectual property rights, and it aggressively protects those rights. Usually it is successful (ELR 18:9:18, 20:12:12). But not always. Recently, it attempted to push the envelope of trademark law beyond its existing boundaries, in a way that failed to persuade any of the federal judges who considered its case.

At issue in Comedy III's failed effort was a clip from The Three Stooges short film "Disorder in the Court." New Line Cinema used the clip in its 1996 movie "The Long Kiss Goodnight," without a license to do so. New Line didn't get a license because the copyright to "Disorder in the Court" was not renewed, thus putting it in the public domain.

Since a copyright claim would not have succeeded, Comedy III sued New Line for trademark

infringement instead. It argued that the clip contains an enforceable trademark because it embodies the "name, the characters, the likeness, and overall 'act' of The Three Stooges."

Federal District Judge Audrey Collins was not convinced and eventually dismissed the case for failure to state a claim, in response to a New Line motion. In a remarkably short opinion by Judge Diarmuid O'Scannlain, the Court of Appeals has affirmed.

Judge O'Scannlain reasoned that Comedy III had not explained how the clip contained a distinctive Three Stooges mark or how footage of The Three Stooges' name, voices, images, and act could have secondary meaning.

In a passage that is likely to be quoted often in future cases, Judge O'Scannlain added that "the footage at issue here was clearly covered by the Copyright Act . . . , and the Lanham Act cannot be used to circumvent

copyright law. If material covered by copyright law has passed into the public domain, it cannot then be protected by the Lanham Act without rendering the Copyright Act a nullity."

Comedy III cited a number of earlier cases that it said supported its claim, including the Vanna White case (ELR 14:4:3). In that case, a simulation of Vanna White was used in a Samsung television commercial. Judge O'Scannlain distinguished that case with the pithy observation that New Line had not used the Three Stooges clip to sell a product. "Had New Line used the likeness of The Three Stooges on t-shirts it was selling, Comedy III might have an arguable claim for trademark violation," the judge acknowledged. But that was not this case. In this case, the clip played on a television set in background of an interior scene of "the Long Kiss Goodnight" for less than thirty seconds.

Judge O'Scannlain's conclusion was unusually abrupt. "[W]e will not entertain this expedition of trademark protection squarely into the dominion of copyright law, to allow for Lanham Act coverage of a piece of footage taken directly from a film by The Three Stooges," he said. "Comedy III's assertion that this clip is itself a collection of trademarks of The Three Stooges is unconvincing."

Perhaps thinking that the judge's conclusion was too abrupt, Comedy III petitioned the full Ninth Circuit Court of Appeals for a rehearing en banc; but its petition has been denied.

Comedy III Productions, Inc. v. New Line Cinema, 200 F.3d 593, 2000 U.S.App.LEXIS 249 (9th Cir. 2000)[ELR 21:12:11]

Louis Prima's widow asserted valid right of publicity claim against the Olive Garden based on Prima sound-alike recording in restaurant's TV commercial; federal District Court applies New Jersey law which recognizes descendible publicity right, rather than Louisiana law which does not, even though Prima was born and died in Louisiana and his will was probated in Nevada

Louis Prima died in 1978, but his music lives on. Newly-released movies, recordings and even television commercials all have featured his swing music classics.

Most recently, the soundtrack of a television commercial for the Olive Garden restaurants contains a sound-alike recording of Prima's 1944 song "Oh Marie." The song itself is in the public domain, because its copyright wasn't renewed, so no license was obtained for it. Since the commercial uses a newly-

recorded sound-alike, rather than Prima's actual recording of the song, no license was obtained from Prima's widow either.

It looks as though it may have been a mistake to ignore Prima's widow. She has sued the Olive Garden, and federal District Judge Garrett Brown has denied virtually all of the restaurant chain's motion for judgment on the pleadings. Indeed, Judge Brown's lengthy and methodical opinion makes it appear that Prima's widow has the case all but won.

The Olive Garden's major defense was that Louisiana law controls the case, because Prima was born and died there. While Louisiana law recognizes the right of publicity, the right is a personal privacy right there, and thus does not descend to a decedent's estate or heirs.

Prima's widow argued that the court should apply the law of New Jersey, where the case was filed, or of

Nevada where Prima lived for much of his life and where his will was probated. New Jersey and Nevada law both recognize a right of publicity that does descend to decedents' estates or heirs.

Judge Brown decided that New Jersey law should apply, thus making the right descendible. Louisiana law was not applicable, the judge reasoned, because even though Prima was born and died there, it "has no qualitatively significant contact with the relevant issues in this litigation." Even if Louisiana had an interest in giving its own citizens free use of the personas of dead celebrities, the Olive Garden is not a citizen of Louisiana, so that state had no interest in prohibiting Prima's estate or widow from bringing a right of publicity lawsuit.

The judge chose New Jersey over Nevada law simply because publicity rights are descendible under both, and the case was brought in New Jersey.

New Jersey courts have not yet decided whether an imitation of a celebrity's voice for commercial purposes violates the right of publicity. However, Judge Brown concluded that a "trend" was established by the Bette Midler and Tom Waits cases (ELR 10:2:7, 14:6:3), both of which held that unauthorized voice imitations in commercials do violate the right of publicity. The judge decided that New Jersey courts would adopt that rule too.

Judge Brown rejected the Olive Garden's argument that its use of "Oh, Marie" in its commercial was de minimus and thus not a violation of the right of publicity. Instead, the judge found the song was an important part of the commercial for four reasons: it plays "almost continuously" throughout the commercial; "the song and the voice of the Prima imitator are clearly audible above the din of restaurant noise and the voice of the narrator"; the song is sung at

key moments in the commercial; and the song was selected for its thematic relevance.

The judge also rejected the Olive Garden's argument that copyright law preempts the claims of Prima's widow. The judge even ruled that Prima's widow had adequately alleged a claim for tortious interference with prospective economic advantage, because she asserted that the commercial had interfered with her ability to market her interest in Prima's voice and singing style.

Judge Brown did rule in the Olive Garden's favor on one issue. He held that Prima's widow had not stated a valid claim for unjust enrichment, because under New Jersey law, such a claim requires a contractual or quasi-contractual relationship, neither of which were alleged to exist in this case.

Prima v. Darden Restaurants, Inc., 78 F.Supp.2d 337, 2000 U.S. Dist. LEXIS 248 (D.N.J. 2000)[ELR 21:12:12]

Claims under California and Texas right of publicity laws are not preempted by Copyright Act, courts hold in two separate cases involving website's unauthorized posting of erotic photos and record company's unauthorized sale of recordings bearing performers' names and likenesses

Erotic photos of nude models and record album photos of vintage era blues musicians seem to have little in common - apart from the fact they're all photos. Nonetheless, the unauthorized use of just these types of photos gave rise to an identical legal issue in two

separate cases in two different states decided just ten days apart.

Both cases were right of publicity lawsuits - one in California state court under California Civil Code section 3344, and the other in federal court in Texas under that state's common law - and the issue in both was whether the plaintiff's claims were preempted by the Copyright Act.

At first blush, right of publicity law and copyright law appear to protect quite different sorts of rights, so preemption would not be expected. In both of these cases, however, the plaintiffs complained about the defendants' unauthorized use of photographs that clearly are protected by copyright. Moreover, at least twice before, courts have held that right of publicity claims were preempted by copyright: first in *Baltimore Orioles v. Major League Baseball Players Association* (ELR 8:11:17), and more recently in *Fleet v. CBS*

(ELR 19:5:15). Perhaps for these reasons, the defendants in the California and Texas cases may have hoped their preemption arguments would persuade.

The defendant in the California case is the operator of a by-subscription website featuring nude photos obtained from Usenet newsgroups. The plaintiff operates its own website featuring nude photos, some which it posts in Usenet newsgroups in order to attract viewers to its site. The defendant copied 417 of the plaintiff's photos and posted them to the defendant's own site, without copyright authorization from the plaintiff or right of publicity licenses from the models pictured in the photos. Though the plaintiff owned the copyrights to these photos, he chose instead (for unexplained reasons) to obtain assignments from the models of their publicity rights, and to sue the defendant for violating those rights.

The defendant in the Texas case manufactured and sold vintage blues recordings, using photos of the recording artists on the cassettes and CDs, without copyright authorizations from the owners of the music or right of publicity licenses from the recording artists. In this case, the plaintiffs sued both for copyright infringement and violation of their rights of publicity.

In both cases, the defendants asserted that the plaintiffs' right of publicity claims were preempted by the Copyright Act. But in both cases, judges concluded otherwise.

In the website case, the California Court of Appeal reversed the dismissal of the plaintiff's case. Justice Reuben Ortega held that "because a human likeness is not copyrightable, even if captured in a copyrighted photograph, the models' section 3344 claims against the unauthorized publisher of the photographs are not the equivalent of a copyright

infringement claim and are not preempted by federal copyright law." This was so, Justice Ortega ruled, even though the defendant's display of the models' photos also infringed the plaintiff's copyrights in those photos.

Justice Ortega distinguished *Fleet v. CBS* - which also was a California decision - on two grounds. First, in *Fleet*, the defendant distributed videos in which the plaintiffs had performed dramatic roles - performances which themselves could have been copyrighted, unlike the mere appearances of the models in the website case. Second, in *Fleet*, the distributor had a license from the videos' copyright owner to distribute them, unlike this case where the defendant did not have a license from the copyright owner to display the photos on his website.

In the recording artists' case, a federal Court of Appeals affirmed a judgment entered in favor of the artists. In an opinion by Judge Edith Jones, the

appellate court noted that Texas right of publicity law "protects a person's persona" and that a "persona does not fall within the subject matter of copyright. . . ." Judge Jones too distinguished *Fleet v. CBS* by saying that the right of publicity claims preempted in that case were based on the unauthorized uses of "the individual performances in the film" and those "were copyrightable."

Judge Jones dealt with the Baltimore Orioles case by noting that it "has been heavily criticized for holding that a baseball game is a protectable work of authorship simply because the performance was recorded on videotape that was itself copyrightable." She then went on to distinguish the Orioles case by emphasizing that the players based their right of publicity claims on the rebroadcast of videotapes of games "whose broadcast rights already were owned by the clubs" the players had sued.

KNB Enterprises v. Matthews, 92 Cal.Rptr.2d 713, 2000 Cal.App.LEXIS 101 (Cal.App. 2000); *Brown v. Ames*, 201 F.3d 654, 2000 U.S.App.LEXIS 1597 (5th Cir. 2000)[ELR 21:12:13]

Photographic thumbnail images created by Ditto.com visual search engine are fair use and do not violate Digital Millennium Copyright Act, even though thumbnails do not include copyright management information, federal District Court rules

Most website operators are happy to be listed by Internet search engines, in order to increase the chances they will be found by potential viewers. Photographer Les Kelly was not.

Kelly operates two websites from which he promotes the sale of books featuring his photographs of the California Gold Rush country. The web crawler operated by Ditto.com found Kelly's sites. And when Ditto's search engine listed his sites, Kelly sued.

In fairness to Kelly, it must be emphasized that Ditto.com is not an ordinary search engine. It is instead a "visual search engine" - one that posts thumbnails of images found on the web, in response to search requests, rather than text excerpts. An early version of Ditto also deep-linked to full-sized versions of those images, without displaying any surrounding material that appeared on their originating sites.

Kelly sued Ditto for copyright infringement and for violating the provision of the Digital Millennium Copyright Act that prohibits the removal of copyright management information (ELR 20:6:4). He has not, thus far, been successful. Federal District Judge Gary

Taylor has granted Ditto's motion for summary judgment, as to both claims.

Judge Taylor ruled that Ditto's reproduction of thumbnail images of Kelly's photographs was a non-infringing fair use. The judge's four-factor fair use analysis led him to conclude that two factors - the nature of Ditto's use, and its lack of market harm - favored fair use. The other two factors - the creative nature of Kelly's photographs, and the amount or substantiality of Ditto's copying - weighed against fair use.

Of the four however, Judge Taylor determined that the character of Ditto's use was the most important factor. "[Ditto] never held [Kelly's] work out as its own, or even engaged in conduct specifically directed at [Kelly's] work," the judge reasoned. "[Kelly's] images were swept up along with two million others available on the Internet, as part of [Ditto's] efforts to

provide its users with a better way to find images on the Internet. [Ditto's] purposes were and are inherently transformative. . . ."

Kelly's Digital Millennium Copyright Act claim failed, because it prohibits the distribution of copies of works from which copyright management information has been removed, only if the distributor knows (or has reason to know) that doing so will contribute to infringements by others. In this case, Ditto did not have reason to know that its elimination of Kelly's copyright information would cause Ditto users to infringe Kelly's copyrights, Judge Taylor concluded.

"[Kelly's] images are vulnerable to copyright infringement because they are displayed on [his own] Web sites," the judge said. "[Kelly] has not shown users of [Ditto's] site were any more likely to infringe copyrights, any of these users did infringe, or [Ditto] should reasonably have expected infringement."

Kelly v. Arriba Soft Corp., 77 F.Supp.2d 1116, 1999 U.S. Dist. LEXIS 19304 (C.D. Cal. 1999)[ELR 21:12:13]

Terri Welles' use of "Playmate of the Year" and other Playboy marks on her web page and in metatags is non-infringing "fair use"; federal District Court dismisses Playboy's trademark infringement and dilution claims

Playboy Enterprises has finally met its match. The magazine publisher is usually successful in lawsuits designed to protect its copyrights and trademarks. (See, e.g., ELR 16:4:10, 19:11:11, 20:2:19, 20:3:16, 20:4:3; but see ELR 21:8:18.) But a former Playmate of the Year named Terri Welles has defeated the company in a trademark infringement and dilution

suit it filed against her, in response to things that appear on Welles' own website.

The home page for Welles' site, www.terriwelles.com, is headed "Terri Welles - Playmate of the Year 1981," and subsequent pages use "PMOY '81" as a watermark. Moreover, the site uses "Playboy" and "Playmate" as metatags, so that search engines index Welles' site under those terms too. Welles has not palmed her web site off as affiliated with Playboy. In fact, most of the site's pages contain a disclaimer that explicitly states it is not endorsed or sponsored by, or affiliated with, Playboy Enterprises, and indicating that "Playboy" and "Playmate of the Month" are Playboy Enterprises' registered trademarks.

At an earlier stage of the case, Playboy sought a preliminary injunction against Welles, without success. Federal District Judge Judith Keep ruled that Welles' use of Playboy's marks appeared to be a "fair use," and

thus she denied Playboy's motion for a preliminary injunction - a ruling that was then affirmed by the Ninth Circuit Court of Appeals in an unpublished four-paragraph order (ELR 20:8:12).

Playboy did not abandon the case however. As a result, Welles herself took the offensive and filed a motion for summary judgment - a motion that Judge Keep has granted.

In a lengthy opinion (35 printed pages), Judge Keep again has concluded that Welles' use of Playboy's marks is a fair use, in both of the ways in which "fair use" is recognized as a trademark law doctrine.

Her use of those marks in the masthead of her web page, as well as in watermarks and advertising banners, is a fair use under Lanham Act section 33(b)(4), the judge held, because she uses them "only to describe [her] goods or services," "fairly and in good faith," and "otherwise than as a trademark."

In addition, Welles' use of Playboy's marks is a fair use under the "nominative use" standard articulated by the Ninth Circuit in the New Kids on the Block case (ELR 14:9:6). This is so, the judge explained, because "1) Ms. Welles has no viable alternative to the use of the term, 'Playmate of the Year 1981,' or 'PMOY '81,' 2) she references the contested terms only to the extent necessary to identify herself and doesn't use the distinctive Bunny logo or anything else that isn't needed to make the website intelligible and identifiable to consumers, and 3) she does nothing to suggest or imply sponsorship or endorsement of her website by [Playboy]."

Playboy also objected to Welles' use of its marks as metatags. Earlier cases have held that the use of another company's trademarks as metatags is trademark infringement. Indeed, Playboy itself was the successful plaintiff in two of those cases (ELR 20:3:16). However,

Judge Keep observed that none of those cases "involved the fair use defense or a use of trademarks in the metatags which accurately and fairly describe the contents of the web page or website."

The judge ruled that fair use is a defense to the "initial interest confusion" test used earlier in metatag cases. Since Welles' use of Playboy's marks was a fair use, the judge dismissed the company's metatag claims as well. Fair use also is a defense to dilution claims, so Judge Keep dismissed Playboy's dilution claims too.

Finally, Playboy asserted a breach of contract claim against Welles, relying on a contract she had signed in 1981 - just after being named Playmate of the Year - in which she agreed not to use the phrase "Playmate of the Year" without the company's prior written approval. When she signed that contract, however, she did so as an officer of a corporation, not

individually. And that corporation was dissolved years before Welles created her website.

Judge Keep therefore dismissed Playboy's contract claim, on two grounds. First, the judge held that Welles could not be held liable for post-dissolution claims against the corporation arising out of post-dissolution activity. Second, the judge held that Welles was not the alter ego of the corporation, and thus is not bound by its contractual obligations.

Playboy Enterprises, Inc. v. Terri Welles, Inc., 78 F.Supp.2d 1066, 1999 U.S. Dist. LEXIS 21047 (S.D. Cal. 1999)[ELR 21:12:14]

"Planet Hollywood" and "Hollywood Casino" trademarks and trade dress do not infringe or dilute one another, federal court rules; complaint and counterclaim are both dismissed

Sometimes, satisfaction comes from fighting the good fight, regardless of the outcome.

That's the only way Planet Hollywood and Hollywood Casino could have gotten any satisfaction from their recent lawsuit against one another. After 90 printed pages of detailed (and polished) analysis, federal Magistrate Judge Sidney Schenkier has completely dismissed a lawsuit Planet Hollywood filed against Hollywood Casino, as well as a counterclaim Hollywood Casino filed against Planet Hollywood.

Planet Hollywood operates themed restaurants, though it operates fewer of them now than it did before its October 1999 bankruptcy. Four of its restaurants are

located in casinos. And at one time, the company planned to expand into the casino business, though nothing came of those plans. The company's bankruptcy plan listed casinos as a "potential" area for expansion, but the plan does not make casinos a priority.

Hollywood Casino operates riverside casinos in Illinois and Mississippi, each of which contains several restaurants. And the company plans to build a third casino in Louisiana.

The case before Judge Schenkier was initiated when Planet Hollywood sued Hollywood Casino for trademark and trade dress infringement and dilution. Hollywood Casino responded with several affirmative defenses as well as a counterclaim of its own in which it charged Planet Hollywood with trademark and trade dress infringement and dilution.

So confident was each of its position, that both companies filed motions for summary judgment. In an interesting and efficient procedural move, Judge Schenkier got both sides to agree to convert their motions into a trial on the pleadings, though before the case was over, the pleadings were supplemented by the judge's own (unaccompanied and unannounced) on-site visits as well as four days of courtroom testimony.

For reasons the judge explained at great length, he found that there was no likelihood of confusion between the two companies' marks, and thus he dismissed both of the trademark infringement claims they had filed against one another. Planet Hollywood also had asserted a trade dress claim against Hollywood Casino. But Judge Schenkier dismissed that claim as well, also on the grounds that there was no likelihood of consumer confusion between the companies' trade dress.

Both companies' dilution claims suffered the same fate. The judge found that Planet Hollywood's mark is a famous mark. But he found that Hollywood Casino's mark does not blur the distinctiveness of Planet Hollywood's mark.

The judge dismissed Hollywood Casino's dilution counterclaim on the grounds that its mark is not "famous" and thus is not protected by the Federal Trademark Dilution Act. Hollywood Casino's dilution claim under the Illinois Anti-Dilution Act didn't require its mark to be "famous." But that claim failed, the judge held, because the two marks are not sufficiently similar to one another to support such a claim under state law.

Planet Hollywood v. Hollywood Casino Corp., 80 F.Supp.2d 815, 1999 U.S.Dist.LEXIS 19486 (N.D.Ill. 1999)[ELR 21:12:15]

When Connie Stevens was sued by personal manager whom she claimed had acted as an unlicensed talent agent, she should have submitted dispute to California Labor Commissioner, rather than assert manager's alleged violation of Talent Agencies Act as defense to lawsuit, California appellate court rules; \$4.33 million jury verdict against Stevens is reinstated

Connie Stevens has had a falling-out with her one-time personal manager, Norton Styne - one that resulted in a \$4.33 million jury verdict in Styne's breach of contract lawsuit against her. According to Styne, he and Stevens orally agreed that she would pay him 10% of the profits of her cosmetics business, if he got a deal for her to sell her products to the Home Shopping Network.

He did. In fact, HSN not only bought Stevens' cosmetics, it even insisted that she appear on-camera in order to promote the products herself. Stevens wasn't paid extra for those appearances. HSN simply purchased products from her. Nevertheless, when Styne sued Stevens for his share of the profits, she eventually defended by arguing that by making a deal for her to appear on HSN, he had acted as an talent agent, without having a license to do so, as required by the California Talent Agencies Act.

Steven's defense was asserted for the first time in an unsuccessful motion for summary judgment. It was asserted again before trial, when Stevens proposed a jury instruction that would have required the jury to decide whether Styne had violated the Act. The judge refused to give that instruction. But after the jury returned its multi-million verdict in Styne's favor, the judge decided that he had erred in refusing to give the

jury instruction Stevens had requested. As a result, the judge granted Stevens' motion for a new trial.

Styne immediately appealed, and has been rewarded for doing so. In an opinion by Justice Michael Nott, the California Court of Appeal has held that the California Labor Commissioner has exclusive original jurisdiction to determine whether the Talent Agencies Act has been violated. Thus, "Stevens proper course was to seek a stay of the judicial proceeding and submit the matter to the Labor Commissioner."

Stevens was of course willing to submit the case to the Labor Commissioner after the jury's verdict was returned. But by then it was too late, the appellate court held.

The Act provides that no proceeding may be brought concerning any violation that is alleged to have occurred more than one year before. In *Park v. Deftones* (ELR 21:4:14), Justice Nott had ruled that a

musical group could initiate proceedings before the Labor Commissioner within one year of the date its manager filed a lawsuit to collect commissions, even though that was much later than a year after the manager last obtained procured personal appearances for the group without being licensed to do so.

Justice Nott extended his Deftones ruling in Connie Stevens' case by deciding that she should have initiated a Labor Commissioner proceeding within one year of being served with Styne's breach of contract complaint. In some cases, Justice Nott said, artists may not know, even when they are sued, that their managers may have violated in the Talent Agencies Act. In those cases, "the courts will have to sort out on a case-by-case basis when the artist was (or reasonably should have been) aware that the Act should be asserted as a defense."

Despite Justice Nott's extremely generous reading of the Act's one-year statute of limitations, Stevens's time had run out. She was always aware of "the role Styne played in her relationship with HNS and she was not misled by the complaint." Since more than a year had passed since she was served with Styne's complaint, it was too late for her to submit the dispute to the Labor Commissioner.

For these reasons, Justice Nott concluded that the trial judge should not have granted Stevens' motion for a new trial, so Justice Nott reversed the trial court order doing so.

Styne v. Stevens, 92 Cal.Rptr.2d 655, 2000 Cal.App.LEXIS 83 (Cal.App. 2000)[ELR 21:12:16]

Texas cattlemen failed to prove statements made about Mad Cow Disease by guest on Oprah Winfrey Show were false, so appellate court affirms judgment in Winfrey's favor in cattlemen's suit under Texas False Disparagement of Perishable Foods Act

In the wake of the 1996 British panic over "Mad Cow Disease," the Oprah Winfrey Show devoted an episode to dangerous food. One guest on that show was Howard Lyman, a former cattle rancher turned vegetarian and an activist for the Humane Society.

While on the show, Lyman voiced his opinion that Mad Cow Disease could make AIDS look like the common cold, and that the United States government had failed to take substantial steps to prevent an outbreak of the disease here. Winfrey herself told

viewers that she was "stopped cold from eating another burger."

Immediately after Winfrey's show was broadcast, the price of cattle "dropped drastically." Though the Winfrey Show permitted cattlemen representatives to refute Lyman's assertions just one week later, a Texas cattlemen's organization nevertheless sued Winfrey and Lyman under the Texas False Disparagement of Perishable Food Products Act and for common law business disparagement.

The Texas Act was passed in 1995 as a result of the Alar apple scare triggered by a "60 Minutes" segment (ELR 18:1:12). In a nutshell, the Act permits producers of perishable food products to recover damages caused by those who knowingly disseminate false information to the public stating or implying that those products are not safe for public consumption.

At the close of the cattlemen's case, federal District Judge Mary Lou Robinson dismissed the cattlemen's claims under the Texas Act for several reasons, but permitted the common law business disparagement claim to be decided by the jury which returned a verdict in Winfrey and Lyman's favor.

The cattlemen appealed, without success. In a Per Curiam opinion, the Court of Appeals has affirmed Winfrey and Lyman's victory. It acknowledged that Lyman's comparison of Mad Cow Disease with AIDS was "hyperbolic." But the appellate court concluded that neither that statement, nor Lyman's complaint that the government had not taken "substantial steps" to prevent an outbreak here, were knowingly false. "Stripped to its essentials, the cattlemen's complaint is that the 'Dangerous Food' show did not present the Mad Cow issue in the light most favorable to United States beef," the court said. "This argument cannot prevail."

The cattlemen also appealed the wording of an instruction given to the jury in connection with common law claim it decided. However, they had not made their argument to Judge Robinson before the instruction was given, and thus the appellate court held that they waived any error the instruction may have contained.

Texas Beef Group v. Winfrey, 201 F.3d 680, 2000 U.S.App.LEXIS 1723 (5th Cir. 2000)[ELR 21:12:16]

Securities fraud claims against Livent's auditors and outside directors are dismissed (without prejudice), but claims against Garth Drabinsky and other inside directors are adequate, federal District Court rules

Livent was once a seemingly successful producer of live entertainment, including such popular stage shows as "Ragtime," "The Phantom of the Opera," "Showboat," "Sunset Boulevard" and "Fosse." It was based in Canada, and first went public there. But its common stock was registered for sale in the United States too, in 1995.

Livent's co-founder Garth Drabinsky has long been a high-profile executive in the U.S. In 1998, Livent's stature edged up even further when a company headed by Michael Ovitz invested \$20 million in return for 12% of Livent's stock. As part of that deal, Drabinsky and co-founder Myron Gottlieb stepped down from their management positions in the company, and Roy Furman - a highly-regarded Wall Street financier - took over as its chief executive.

Furman's appointment as Livent's chief executive may have been the company's high water mark. Just a

few months later, the company's new management discovered "unusual financial situations" that had never before been revealed in Livent's filings with the SEC. Indeed, these situations hadn't been discovered during the due diligence reviews conducted by Ovitz in connection with his \$20 million investment.

Not long thereafter, Livent sued Drabinsky and Gottlieb - and filed for bankruptcy. By that time, the first of several class action securities fraud lawsuits had already been filed, on behalf of both U.S. and Canadian shareholders who bought Livent common stock between March 1996 and August 1998. The lawsuits are now consolidated before District Judge Robert Sweet, and they name as defendants Drabinsky and Gottlieb and other inside directors and employees of the company as well as Deloitte & Touche (Livent's auditors) and several of its outside directors. The case

is far from through, but it has generated one published decision already.

Some of the defendants filed motions to dismiss the case on the grounds of forum non conveniens, arguing that it should have been brought in Ontario rather than New York. Following a detailed consideration of the private and public interest factors that are relevant in such motions, and a careful weighing of those factors, Judge Sweet concluded that although the private factors slightly favored Ontario, the public factors strongly favored New York. He therefore denied the forum non conveniens motion.

The defendants also filed a motion to dismiss the case on the grounds that the complaint did not plead the circumstances of their alleged fraud with adequate "particularity." For readers not personally involved in the case, this was the more interesting motion, because it required Judge Sweet to explain, in considerable

detail, exactly what the complaint alleges the defendants did (or failed to do).

According to the complaint, Drabinsky and others entered into agreements with five unrelated companies that should have been accounted for as loans to Livent, but instead were recorded as revenue-generating transactions.

The complaint also alleges that these defendants manipulated Livent's financial records to make the company appear more profitable than it was. They allegedly did so by treating preproduction costs (that would have been deducted in no more than five years) as capital expenses (for things like theater construction that could be deducted over as many as forty years). They also allegedly erased certain expenses from Livent's books and re-entered them later, in order postpone the effect these expenses had on the company's profits. And they allegedly shifted expenses

from one show to another, also to delay the effects these expenses would have on profits.

In addition, the complaint alleges that vendor kickbacks went undisclosed, that false and misleading statements were made to Wall Street analysts, and that tickets to Livent's Los Angeles production of "Ragtime" were purchased on behalf of the company itself, to make the show appear more popular than it was so its up-coming Broadway opening would not be jeopardized, and that the cost of buying these tickets was capitalized rather than offset against revenues.

Livent's auditors and outside directors were not accused of doing any of these things. They were however sued for not discovering that they were done.

Judge Sweet determined that the complaint alleged all this with sufficient particularity, insofar as Drabinsky and the inside directors are concerned. But the judge ruled that the complaint had not been

particular enough insofar as Deloitte & Touche and the outside directors are concerned. As a result, the judge has dismissed the complaint against them, without prejudice.

In re Livent, Inc. Securities Litigation, 78 F.Supp.2d 194, 1999 U.S. Dist. LEXIS 19329 (S.D.N.Y. 1999)[ELR 21:12:17]

Robert Harris is awarded \$4.5 million value of Stock Appreciation Rights in case against Scholastic Productions

Robert Harris has been President of Universal Television and Imagine Films. As a result, when Scholastic, Inc., decided to get into the movie and TV

business, Harris must have seemed like a good person to partner with. And that is in fact what happened.

In 1990, Scholastic Productions (a Scholastic, Inc., subsidiary) entered into a written agreement with Harris (and his company Harris Entertainment, Inc.), which created a joint venture known as Harris & Co.

The agreement provided that the parties would enter into a "long form agreement setting forth . . . terms . . . customary in the motion picture business . . . , but until such long form is executed, this agreement shall remain a complete and mutually binding agreement. . . ."

No long form ever was executed. But the original 1990 agreement was amended several times, and it became a pretty detailed document. It contained terms, for example, concerning how much money Scholastic Productions would provide and when, as well as the method by which Scholastic Productions could end its

obligations to provide further funding. The agreement also provided that Harris would receive Stock Appreciation Rights in Scholastic, Inc., at the end of the fourth, fifth and sixth years of the joint venture's operation.

As things turned out, the joint venture - which developed scripts for movies like "Indian in the Cupboard" and "The Babysitter's Club" - was not as successful as Scholastic had hoped. So Scholastic exercised its right to discontinue funding the joint venture, before Harris became entitled to any Stock Appreciation Rights.

Apparently, however, the joint venture continued to operate; and when the time came for Harris to get the first batch of Stock Appreciation Rights, he asked for them. Scholastic denied Harris' request, and filed a declaratory relief suit, asking for a judgment declaring that Harris was not entitled to them.

Scholastic has lost. Federal District Judge Alvin Hellerstein has granted summary judgment for Harris (on his counterclaim), after considering and rejecting each of Scholastic's reasons for arguing that it was not bound by its agreement to grant Stock Appreciation Rights to Harris.

The judge found that the 1990 agreement was sufficiently detailed to be binding, even though no "long form" was ever signed.

He ruled that the Statute of Frauds was not a valid defense, even though the agreement was signed by Scholastic Productions rather than Scholastic itself. This was so, because in its answer to Harris' counterclaim, Scholastic admitted that both it and its subsidiary had agreed to give Harris the Stock Appreciation Rights he claimed.

The judge rejected Scholastic's claim that Harris himself had breached the agreement in a variety of

ways. Harris' alleged breaches "were not grounded in any provision of the Agreement," the judge explained. Instead, "The allegations of breach reflect, not what was in the Agreement but, rather, that which [Scholastic and Scholastic Productions] wish the Agreement had provided."

And the judge ruled that the filing of the lawsuit did not relieve Scholastic of its obligation to Harris. Even if the filing of the lawsuit dissolved the joint venture, dissolution by itself does not terminate the rights and obligations of the partners, the judge explained.

Judge Hellerstein calculated the amount of Harris' damages by determining the value of Scholastic stock on each of the three dates the Stock Appreciation Rights vested, and by subtracting from that value the amount that Harris was to have paid for those rights. Since Harris was to have paid \$18 per share for

100,000 shares of Scholastic stock that were worth \$47.00, \$69.25 and \$74.50 per share, the total came to more than \$4.5 million.

Scholastic, Inc. v. Harris, 80 F.Supp.2d 139, 1999 U.S.Dist.LEXIS 19008 (S.D.N.Y. 1999)[ELR 21:12:18]

Owner of extended renewal terms to 1939 songs composed by Jimmy Van Heusen depends on California community property and probate law, federal District Court rules, in decision denying summary judgment motions by both music publishers now claiming ownership

Back in 1939, composer Jimmy Van Heusen registered the copyrights to two of his songs, "I

Thought About You" and "Darn That Dream." The question of who owns those copyrights sixty years later is now the subject of a complicated dispute. Two separate companies claim to be: Range Road Music and Music Sales Corporation. After a couple of years of litigation in federal District Court in New York, Judge John Sprizzo has suspended proceedings there, "pending a decision either in probate or in a suit for declaratory relief from a California court regarding the ownership of the copyrights in dispute."

Neither music publishing company was happy with Judge Sprizzo's order. Each had asked him to grant summary judgment in its favor. But the judge determined that the critical fact in the case was whether Jimmy Van Heusen's widow Josephine owned the copyrights in 1995 - and the answer to that question was a matter of California community property or probate law, not copyright law. That's why Judge

Sprizzo sent the two publishers off to California state court to get that question answered.

The chains of title to the songs' copyrights are unusually complicated. Neither Road Range Music nor Music Sales Corporation was Jimmy Van Heusen's original publisher. Instead, each acquired its claimed ownership by assignment from earlier copyright owners in what appear to be two separate and incompatible chains of title. The reason that two separate chains could co-exist is that in 1985, Jimmy Van Heusen took advantage of his right to terminate his original copyright assignments, in order to recapture ownership of the extended copyright terms as of 1995 - 56 years after the two songs' copyrights were originally registered. Then, in 1986, he assigned those extended terms to another publisher. Unfortunately, he died in 1991, before the extended terms began.

Road Range Music acquired the copyrights in 1986, from the publisher to which Jimmy Van Heusen had assigned the extended renewal terms after terminating his original assignments to another company. Road Range also re-acquired the copyrights from Josephine in 1995, just in case the 1986 transaction was ineffective.

Music Sales Corporation is the successor to the publisher whose ownership rights were terminated in 1985 (effective as of 1995). In 1996, Music Sales also acquired those copyrights from Josephine - in her capacity as the trustee of a trust that owned the stock of Jimmy's original publisher - just in case its rights as successor were effectively terminated.

In deciding that he couldn't decide the case, Judge Sprizzo did make one copyright law ruling. He held that Jimmy Van Heusen's 1986 assignment (to the company from which Range Road acquired the

copyrights) was not effective, because it was made nine years before the 1995 effective date of his termination. Under section 304(c)(6)(D) of the Copyright Act, a "further grant . . . of any right covered by a terminated grant is valid only if made after the effective date of the termination."

This meant that when the termination became effective in 1995, ownership of the copyrights would have vested in Jimmy Van Heusen personally, rather than in the publisher to which he assigned them in 1986 (and from which Range Road acquired them). But by 1995, Jimmy was dead, and thus ownership of the copyrights vested in his estate. Range Road also re-acquired the copyrights from Josephine in 1995, and it argued that since she had obtained them from Jimmy's estate, it had become their owner.

However, according to Judge Sprizzo, the question of whether Josephine did obtain the copyrights

from Jimmy's estate involved factual issues that he could not answer from the record then before him, concerning whether the copyrights were community property under California law, as well "substantial and complicated questions of California probate law," which the judge thought himself "ill-equipped to resolve."

This is why Judge Sprizzo denied both publishers' motions for summary judgment and sent them off to California to determine what if anything Josephine owned in 1995 when she purported to grant the extended renewal terms to Range Road Music.

Range Road Music, Inc. v. Music Sales Corp., 76 F.Supp.2d 375, 1999 U.S. Dist. LEXIS 18130 (S.D.N.Y. 1999)[ELR 21:12:19]

Record company wins dismissal of some, but only some, copyright infringement claims brought by musician-songwriter; issues concerning ownership of sound recording copyright require further proceedings

Record company Real Authentic Sound got into a dispute with musician-songwriter Reginald Stagers over royalties due in connection with the album "New Brand Style." The dispute has - quite literally - become a federal case, in the sense that it's resulted in a federal court lawsuit, and in the sense that it's a complicated lawsuit to boot.

"New Brand Style" is a remake of an earlier album entitled "Mi Name Tiger." Real Authentic hired Larry McLarty to produce the new album, using lyrics from the original album set to new music. McLarty in turn entered into an agreement with Stagers who

wrote new music for all but one of the album's songs, and who performed and recorded the new album's master tape. The music for one song was written by Raymond Tilkens - a fact that contributed to the complexity of the case.

The agreement between McLarty and Stagers provided that Stagers would retain "all Copyrights and Publishing to the music of the . . . compositions." As a result, Real Authentic needed to - and eventually did - obtain mechanical licenses for Stagers' compositions from the Harry Fox Agency, acting as agent for Regstag Music, Stagers' music publishing company.

Alas, the agreement between McLarty and Stagers does not indicate who owns the sound recording copyright to the album - a fact that Real Authentic now has reason to regret.

As a result of the royalty dispute, Stagers sued Real Authentic for breach of contract, seeking to

recover allegedly unpaid royalties. He also sued for copyright infringement, alleging that Real Authentic infringed his sound recording and musical compositions copyrights by distributing the album, in the United States and abroad, without authorization.

Real Authentic responded with a motion for summary judgment. It sought dismissal of Stagers' infringement claims on the grounds that it, not Stagers, is the owner of the album's sound recording copyright, and on the grounds that it has a valid license from the Harry Fox Agency for the musical compositions. Judge Stanley Harris has granted Real Authentic motion concerning its license to use the musical compositions; but he has denied Real Authentic's motion concerning its ownership of the sound recording copyright.

Real Authentic argued that under "industry standards," record companies are the owners of the

copyrights to sound recordings. Judge Harris agreed that this was indeed industry standard. But he pointed out that this is so only because recording contracts typically include a provision expressly making it so. Staggers' agreement did not.

Moreover, Real Authentic did not provide sufficient evidence to establish that the sound recording was a work made for hire. According to the judge, sound recordings do not fall into any of the nine categories of works eligible for independent contractor work-made-for-hire status (prior to the Copyright Act's recent amendment adding sound recordings as a tenth category (ELR 21:9:8)). Thus, in order for "New Brand Style" to be a work made for hire, Staggers would have to have been McLarty's "employee" under the multi-factor test described by the Supreme Court in *CCNV v. Reid* (ELR 11:3:12). The judge said he had not been given the facts necessary for him to apply that test.

Even if the album were not a work made for hire, Real Authentic would not be an infringer if McLarty were the album's co-author (along with Staggers). But the nature of McLarty's contribution to the album had not been spelled out clearly enough for the judge to make that determination either.

As a result, the judge ruled that Staggers' sound recording infringement claims require further proceedings.

Judge Harris has, however, dismissed Staggers' musical composition infringement claims. Staggers acknowledged that Real Authentic obtained mechanical licenses from the Harry Fox Agency. But Staggers' argued that when Real Authentic failed to properly pay royalties, he terminated those licenses. Copyright Act section 115 permits automatic termination of compulsory licenses for non-payment of royalties, if royalties remain unpaid 30 days after notice is given.

The Harry Fox Agency license agreement contained similar language.

Fortunately for Real Authentic, neither the demand letter sent by Staggers' lawyer, nor the infringement complaint filed thereafter, expressly stated that unless royalties were paid within 30 days, the licenses would be automatically terminated. For this reason, Judge Harris ruled that Staggers had not successfully terminated Real Authentic's mechanical licenses for the songs Staggers had written, so Staggers' infringement claims for those songs were dismissed.

Real Authentic had not obtained a mechanical license for the one song on the album written by Raymond Tilkins. Thus, it appeared that Real Authentic might have infringed the copyright to that song. Staggers claimed to own the copyright to that song, as a result of an assignment from Tilkins. But the assignment was not in writing. For that reason, Judge

Harris ruled that Staggers does not own the copyright to Tilkens' song; and Staggers' infringement claim as to that song was dismissed as well.

Staggers also complained about distribution of "New Brand Style" outside the United States. Real Authentic apparently licensed a Dutch company to distribute the album overseas, either by manufacturing copies abroad or by selling albums manufactured in the United States and shipped abroad. According to Staggers, foreign sales of the album infringed both his sound recording and musical composition copyrights.

Judge Harris agreed that if Staggers owns the album's sound recording copyright - but only if he owns it - Real Authentic would have infringed that copyright by authorizing copies to be made and sold abroad or by shipping copies abroad from the U.S. On the other hand, if Staggers does not own the sound recording copyright (or doesn't own all of it, because

McLarty was a co-author), then Real Authentic did not infringe its copyright by doing either. Thus, a ruling on the foreign sales claim must await further proceedings to determine who the sound recording copyright owner really is.

The judge rejected Staggers' claim that his musical composition copyrights were infringed by foreign sales. While the Harry Fox Agency mechanical license only authorized sales in the United States, Real Authentic's foreign licenses only authorized reproduction and sale of the sound recording. Its foreign licensee was advised that in order to actually make and sell the album, it would have to obtain mechanical licenses itself.

Staggers v. Real Authentic Sound, 77 F.Supp.2d 57, 1999 U.S.Dist.LEXIS 19136 (D.D.C. 1999)[ELR 21:12:19]

NCAA and Pac-10 are not subject to Americans with Disabilities Act or Due Process Clause, federal District Court rules in decision denying preliminary injunction to learning disabled Washington State football player who was declared ineligible because he failed to satisfy NCAA's "75/25 Rule"

Anthony Matthews lost his bid for a preliminary injunction that, if granted, would have permitted him to play football for the last three games of Washington State University's 1999 season. Matthews sought that injunction in an Americans with Disabilities lawsuit against the NCAA and Pac-10, because the NCAA had declared him ineligible under the organization's "75/25 Rule."

The rule 75/25 Rule requires student athletes to earn at least 75% of the credits they need to graduate during the regular academic year, and no more than

25% of those credits during summer sessions. The purpose of the rule is to ensure "that student-athletes maintain a course load equivalent to the general student body."

Matthews ran afoul of this rule because he's learning disabled. The NCAA didn't dispute that. In fact, it twice gave him waivers of the 75/25 Rule because of his disability. But it denied his request for a third waiver, because despite the two earlier waivers, Matthews' academic performance had not improved.

Federal District Judge Wm. Fremming Nielsen denied Matthews' motion for a preliminary injunction for three reasons.

First, the judge ruled that the NCAA and Pac-10 are not subject to the Americans with Disabilities Act, because they are not a "place of public accommodation," nor closely enough affiliated with such a place to be considered one, nor the operator of

such a place. While Judge Nielsen acknowledged that football stadia are places of public accommodation, the NCAA and Pac-10 did not become such a place "merely because events sanctioned by them occur there."

Second, even if the NCAA and Pac-10 were subject to the ADA, they did not violate that Act, because the NCAA had made "reasonable accommodations" for Matthews' disability, as the law requires. "To require [the NCAA and Pac-10] to continually issue waivers of [the rule's] requirements for [Matthews] would be to completely dispense with its essential requirements," Judge Nielsen explained. "This is something the ADA does not require."

Third, in response to Matthews' due process claim, the judge held that "the NCAA is not a state actor." Thus, the Due Process Clause of the Constitution did not require the organization to give

Matthews a hearing in connection with its decision not to grant him a third waiver.

Matthews v. National Collegiate Athletic Association,
79 F.Supp.2d 1199, 1999 U.S.Dist.LEXIS 21338
(E.D.Wash. 1999)[ELR 21:12:21]

LSU violated Title IX by failing to provide sufficient intercollegiate sports opportunities for its women students, appellate court affirms, and it did so intentionally so it may have to pay damages to students who sued

Several years ago, Louisiana State University suffered a serious loss in a gender discrimination lawsuit filed against it by women students who were more than miffed by the school's refusal to field a fast-

pitch softball team. Federal District Judge Rebecca Dougherty ruled that LSU violated Title IX, the federal statute that prohibits gender discrimination by schools that receive federal financial assistance. Though the case was, no doubt, expensive to defend, LSU did score one victory: Judge Dougherty found that it had not discriminated against women students "intentionally," and thus LSU did not have to pay money damages to the plaintiffs for its violation of the law. (ELR 18:4:14)

If LSU could have quit right there, it should have. In fairness, it should be noted that LSU couldn't quit. The plaintiffs themselves appealed, and LSU did too. LSU has done even worse on appeal than it did before Judge Dougherty; as a result, before this case is entirely over, it may have to pay damages after all.

LSU's boldest attack on the judgment against it was the assertion that as a state institution, it is immune from Title IX liability as a result of the Eleventh

Amendment. In other contexts - such as intellectual property - the Supreme Court and lower federal courts have held that state institutions are immune from liability under federal statutes that, on their face, do apply to states. (See, e.g., ELR 21:11:8.) But in an opinion by Judge Carl Stewart, the Court of Appeals rejected the intellectual property analogy, and it held that LSU is subject to Title IX.

LSU also attacked Judge Dougherty's evaluation of the facts, arguing on appeal that the evidence had not shown that women at LSU had sufficient interest and ability in fast-pitch softball to make the school liable for not offering a team in that sport. Judge Stewart characterized this argument as "brazen[]," and rejected it. "The heart of this argument," Judge Stewart explained, "is that an institution with no coach, no facilities, no varsity team, no scholarships, and no recruiting in a given sport must have on campus enough

national-caliber athletes to field a competitive varsity team in that sport before a court can find sufficient interest and abilities to exist. It should go without saying that adopting this criteria would eliminate an effective accommodation claim by any plaintiff, at any time."

On appeal, the plaintiffs in the case prevailed on an issue that had been decided against them below. Judge Dougherty ruled that LSU didn't violate Title IX intentionally, because its actions were instead the result of "arrogant ignorance, confusion regarding the practical requirements of the law, and a remarkably outdated view of women and athletics. . . ."

Judge Stewart wasn't nearly as forgiving. "If an institution makes a decision not to provide equal athletic opportunities for its female students because of paternalism and stereotypical assumptions about the interests and abilities, that institution intended to treat

women differently because of their sex," he said. LSU "need not have intended to violate Title IX, but need only have intended to treat women differently."

Since money damages are available under Title IX for intentional violations, this part of the case has been remanded to Judge Dougherty for a damages phase.

Pederson v. Louisiana State University, 201 F.3d 388, 2000 U.S.App.LEXIS 990 (5th Cir. 2000)[ELR 21:12:21]

Federal court refuses to dismiss gender-discrimination claims against Michigan High School Athletic Association; court holds that Association may be subject to Title IX and is subject to Equal Protection Clause

The Michigan High School Athletic Association was created by the State of Michigan in 1924 to regulate interscholastic athletics. When Title IX was enacted, the Association incorporated itself as a "private association." And in 1995, the State of Michigan removed the Association's "official designation."

According to federal District Judge Richard Enslin, these changes "appear to have been motivated by a desire to avoid the requirements of Title IX and the Equal Protection Clause, not to alter its mission or purpose." So far, the Association has managed to avoid neither.

Judge Enslin is presiding over a case in which the Association has been sued by the parents of two high school female student-athletes and a civil rights organization known as Communities for Equity. The

case alleges that the Association has violated Title IX and the Equal Protection Clause in a variety of ways, because boys in Michigan high schools enjoy better athletic programs than girls.

The factual merits of the plaintiffs' claims have yet to be litigated, because the Association has made pretrial motions hoping to get out of the case on purely legal grounds. In a motion for summary judgment, the Association argued that it is not subject to Title IX at all, because it does not receive federal financial assistance. And it has argued that it is not subject to the Equal Protection Clause, because it is not a "state actor."

Judge Enslin has not been persuaded, however. In a lengthy and quite thoroughly analyzed decision, he has held that although the Association itself does not receive federal financial assistance, it may nevertheless be subject to Title IX on the grounds that it has

"controlling authority" over high school athletics which, under Title IX, are considered to be programs or activities that do receive such assistance.

Judge Enslin held that if the Association does have "controlling authority," it is subject to Title IX. But material issues of fact remain to be decided concerning whether the Association actually does have such control. As a result, the judge has denied the Association's motion for summary judgment - though the plaintiffs haven't yet prevailed on this issue.

The judge also rejected the Association's claim that as a private organization, it is not a "state actor" and thus is not subject to the Equal Protection Clause. Instead, he concluded that the Association is a "state actor," which is what the "vast majority" of courts have held with respect to athletic associations in other states. For this reason, Judge Enslin denied the Association's

motion for summary judgment seeking dismissal of the plaintiffs' Equal Protection claims.

Editor's note: One case that was not among the "vast majority" on the "state actor" issue is Brentwood Academy v. Tennessee Secondary Athletic Association which held that Tennessee's athletic association is not a state actor (ELR 21:7:22). Judge Enslin reviewed the reasoning of the Brentwood Academy decision and concluded that it "misstates" and "misapplies" earlier Supreme Court precedent. The Supreme Court may think so too; it has granted Brentwood Academy's petition for certiorari in that case (see "Previously Reported" below) and will soon decided the issue for itself.

Communities for Equity v. Michigan High School Athletic Association, 80 F.Supp.2d 729, 2000 U.S.App.LEXIS 574 (W.D.Mich. 2000)[ELR 21:12:22]

Quadriplegic hockey player's claims against USA Hockey and others are dismissed, because player assumed risk of injury in signed release and defendants did not engage in willful or wanton misconduct

A week before his eighteenth birthday, Levi Mohney was badly injured while playing hockey for the Toledo Cherokees. After colliding with fellow player Jason Reneger, Mohney hit the boards at the end of the rink and damaged his spinal cord so severely that he is now a quadriplegic.

Mohney received insurance benefits under a catastrophic medical coverage policy provided by USA Hockey, the national governing body for amateur hockey in the United States. Then, he and his parents sued USA Hockey, as well as the Cherokees, Reneger,

and the companies that manufactured the helmet and face mask he was wearing at the time of the accident.

The judge to whom Mohney's case was assigned - Federal District Judge David Katz - was sympathetic. "No one touched by the incidents of that day can be unmoved by the tragedy of the collision," the judge acknowledged. Judge Katz wrote these words, however, in an opinion that granted the defendants' motion for summary judgment.

Mohney's claims failed because of the doctrine of "assumption of the risk." At the outset of the season, Mohney and his father both signed a USA Hockey form by which they acknowledged their awareness of the risks of playing hockey - including the risk of paralysis - and by which they assumed that risk and released USA Hockey and its affiliates and sponsors from any liability.

As a general rule, such releases are valid in Ohio, where Mohney's injury occurred and where his suit was filed. Thus - unless they were guilty of willful and wanton misconduct - the release insulated USA Hockey from liability, as well as the Cherokees (which was a USA Hockey affiliate) and the companies that manufactured Mohney's helmet and face mask (which were USA Hockey sponsors).

Mohney made several fact-specific arguments in an attempt to persuade Judge Katz that these defendants had been willful and wanton. Among others, Mohney argued that the Cherokees' use of the National Hockey League's version of the "icing" rule, rather than a safer version of the rule used by junior level amateur teams, was evidence of willful and wanton misconduct. But Judge Katz disagreed.

Reneger - the player with whom Mohney collided, just before hitting the boards - was not

covered by the USA Hockey release. But he too was protected by a different aspect of the assumption of the risk doctrine, unless his conduct was willful and wanton. Judge Katz found that Reneger's conduct was not. "The videotape demonstrates conclusively that the accident between Mohny and Reneger was just that - an accident," the judge said. "No reasonable jury could find Reneger to have acted recklessly or intentionally in failing to stop the slide in time to avoid a collision with the boards."

Mohny also argued that the equipment manufacturers were not protected by the assumption of the risk doctrine, because his claim against them was based on strict product liability rather than negligence. Judge Katz rejected that argument, because the helmet warned users that it would not protect against neck or spinal injuries. Moreover, it was "undisputed that there is no viable way to design a face mask and/or helmet to

provide protection against spinal injuries while permitting hockey players sufficient freedom of movement to play the game effectively."

Mohney v. USA Hockey, Inc., 77 F.Supp.2d 859, 1999 U.S.Dist.LEXIS 19359 (N.D.Ohio 1999)[ELR 21:12:23]

Illinois Baseball Facility Liability Act is not unconstitutional special legislation, nor does it deny equal protection to patron injured by foul ball during Chicago Cubs game, state appellate court rules

James Jasper was injured by a foul ball during a Chicago Cubs game sometime after 1992. That was the year the Cubs removed a net above the backstop behind

home plate, in order to install skyboxes. According to Jasper, removing the net was a negligent thing to do, perhaps even willful and wanton.

Jasper did what other injured baseball fans have done before - including others injured at Chicago Cubs games. He sued. If he's able to prove the Cubs were willful and wanton, he may win. Simple negligence is not going to help him, however, because of a state statute that's been on the books in Illinois since 1992 or so.

The act is called the Illinois Baseball Facility Liability Act. It protects baseball facility owners from liability for injuries to those hit by balls or bats, unless an injured person was seated behind a defective screen, or unless the injury was caused by willful and wanton conduct.

In an effort to avoid the need to prove the Cubs had been willful and wanton, Jasper included a claim

that the Baseball Facility Liability Act is unconstitutional, under the Illinois and U.S. Constitutions. That claim, however, has failed. An Illinois trial court dismissed it, and the Appellate Court of Illinois has affirmed.

In an opinion by Justice Robert Cahill, the appellate court acknowledged that the act would be unconstitutional, if it gave special benefits to just one person or company, or to one class of beneficiaries, but not to others similarly situated. The act also would be unconstitutional, if it was not rationally related to a legitimate state interest.

Judge Cahill ruled that the act satisfies constitutional requirements. "The Baseball Act encourages baseball team owners to build and maintain parks for the sport of baseball by shifting the expense of injury caused by foul balls to spectators unless injury is caused by the owner's willful and wanton conduct,"

he reasoned. In this fashion, "The Act encourages use of parks for recreational activity in a way that is not arbitrary, capricious or unreasonable."

Jasper argued that the Act was special interest legislation, because it was designed to protect the Chicago White Sox and the Chicago Cubs in particular. Jasper noted that the Act became effective just six months after earlier cases against those two teams had held that owners of major league baseball parks have a duty to protect spectators from injuries caused by foul balls (ELR 14:6:16, 14:8:18).

Judge Cahill was not persuaded, however. "[Jasper] does not argue that the Baseball Act applies only to the White Sox and Cubs . . . ," the judge observed. "Nothing in the equal protection or special legislation clauses prohibits the General Assembly from enacting legislation in response to judicial decisions. That is one of the things legislatures do."

Jasper v. Chicago National League Ball Club, 309 Ill.App.3d 124, 722 N.E.2d 731, 1999 Ill.App.LEXIS 839 (Ill.App. 1999)[ELR 21:12:23]

Fans who paid to watch pay-per-view telecast of 1997 fight between Mike Tyson and Evander Holyfield lose lawsuit seeking refunds; Tyson's disqualification for biting Holyfield's ear does not support breach of contract or other claims, appellate court affirms

Damian Castillo and many others paid good money to watch the pay-per-view telecast of the 1997 fight between Mike Tyson and Evander Holyfield. The boxers and their promoters predicted that it would be "the biggest fight of all time" and would result in a "sensational victory" for someone. But it wasn't and

didn't. Instead, the fight ended with Tyson's disqualification because he bit off part of Holyfield's ear.

Disappointed with the way in which the fight came to an end, Castillo and others filed a lawsuit against Tyson seeking a refund of the money they had paid to watch the telecast. Their complaint asserted several causes of action ranging from breach of contract to fraud. None, however, had ever been used in case quite like this one. And eventually, a New York state trial court dismissed the case, saying their arguments were "contrived."

In a very short, unsigned Memorandum Decision, the Appellate Division of the New York Supreme Court has affirmed. The appellate court noted that "The rules [of boxing] . . . provide for disqualification, and it is a possibility that a fight fan can reasonably expect."

Castillo v. Tyson, 701 N.Y.S.2d 423, 2000
N.Y.App.Div.LEXIS 468 (App.Div. 2000)[ELR
21:12:24]

Time Warner Cable awarded enhanced statutory damages and attorneys' fees against three New York City establishments that exhibited pay-per-view fight between Mike Tyson and Peter McNeeley without being licensed to do so

Time Warner Cable has been awarded a total of \$29,905 in a lawsuit against three New York City establishments that exhibited the 1995 fight between Mike Tyson and Peter McNeeley, without being licensed to do so.

The fight was a pay-per-view event, for which residential customers were charged \$49.95 and

commercial establishments from \$500 to \$1500 (depending on occupancy). The three establishments in question - two restaurants and a bar - used unauthorized descramblers to show the fight, without paying anything for the privilege.

Federal District Court Magistrate Judge Sharon Grubin recommended that Time Warner be awarded \$50 for each patron who viewed the fight. (Time Warner investigators were at each of the three establishments during the fight and were able to get headcounts.)

Section 605 of the Communications Act also permits judges to award "increased" damages in cases where the violation was committed "willfully." Judge Grubin had "no doubt" that the violations in this case were willful. "Signals do not descramble spontaneously," she explained, "nor do television sets connect themselves to cable distribution systems." The

judge therefore recommended increased damages in amounts ranging from \$3,000 to \$12,000 against each of the three establishments.

Time Warner Cable sought attorney's fees at rates ranging from \$90 to \$150 for time actually devoted to the case. Judge Grubin found these "rates per hour quite reasonable for such matters in New York," and awarded all of the fees that were requested.

Federal District Judge John Keenan adopted Judge Grubin's recommendations.

Time Warner Cable v. Googies Luncheonette, 77 F.Supp.2d 485, 1999 U.S. Dist. LEXIS 19956, 1997 (S.D.N.Y. 1999)[ELR 21:12:24]

New York statute banning television coverage of all trial court proceedings is ruled unconstitutional; Court TV permitted to televise criminal trial of four police officers accused of killing Amadou Diallo

There was enormous public interest in the criminal trial of the four New York City police officers accused of killing Amadou Diallo. Court TV was willing and even anxious to televise the trial. But New York Civil Rights Law section 52 seemed to stand in the way. According to Judge Joseph Teresi, that section amounts to "a per se ban on all audio-visual coverage of trial court proceedings, under all circumstances in any case."

Judge Teresi made this observation in response to a motion by Court TV to intervene in the case for the purpose of seeking a court order permitting it to

televise the trial despite the statutory ban, on the grounds that the statute is unconstitutional.

Judge Teresi granted Court TV's motion. The judge did not rule that "there is an unfettered right to televise all aspects of every proceeding." He did however agree with Court TV that "as an absolute ban on audio-visual coverage in the courtroom," section 52 of the Civil Rights Law is unconstitutional.

Court TV was permitted to televise the trial pursuant to rules that had been used during a now-ended experiment with television coverage of trials in New York. (The trial itself ended with the officers' acquittal.)

People v. Boss, 701 N.Y.S.2d 891, 2000 N.Y.Misc.LEXIS 16 (2000)[ELR 21:12:25]

Federal appellate court upholds constitutionality of Communications Act provision that requires radio stations to obtain FCC licenses in order to broadcast; radio spectrum is not a "public forum," court rules

In order to operate a radio station, a license from the federal government has been necessary, ever since 1912. Thus, the argument that this licensing requirement is unconstitutional seems a little belated, when made in 1999. Nonetheless, an unlicensed low-power radio station in New York City made just such an argument in a lawsuit against the Department of Justice and the FCC.

The station was joined in its suit by four of its disk jockeys and a group of its listeners. Apparently they were encouraged by developments in First

Amendment law that have occurred since Congress first required broadcast licenses almost nine decades ago.

According to the station, "under contemporary First Amendment doctrine, the radio spectrum is . . . a . . . public forum, and . . . government regulation of access to the spectrum therefore warrants strict scrutiny."

Federal District Judge Michael Mukasey disagreed and dismissed the station's claims. Moreover, in an unpublished ruling, Judge Mukasey granted the government's request for a preliminary injunction, barring the station from broadcasting without a license. Unwilling to give up the fight, the station appealed, but without success. In a short, unsigned Per Curiam opinion, the Court of Appeals has affirmed.

The appellate court held that "the government's allocation of the radio spectrum is not subject to public forum analysis," and it concluded that the station's

"First Amendment challenge to the broadcast licensing scheme was properly dismissed for that reason."

The appellate court also affirmed the preliminary injunction, rejecting the station's argument that the government had not demonstrated a likelihood of irreparable harm. "[U]nlicensed broadcasting threatens the FCC's orderly allocation of scarce resources and the clear communication of current and future licensees," the appellate court said. "No further showing of irreparable harm was necessary. . . ."

Free Speech ex rel. Ruggiero v. Reno, 200 F.3d 63, 1999 U.S.App.LEXIS 28125 (2nd Cir. 1999)[ELR 21:12:25]

Ballerina Natalia Makarova was employee of Kennedy Center when she was injured by falling scenery, and thus workers' compensation benefits were her sole remedy, federal appellate court affirms

In 1982, when Natalia Makarova was widely regarded as the world's best prima ballerina, she was injured by a falling piece of scenery while performing in a Kennedy Center production of "On Your Toes." Fifteen years later, in 1997, she filed a civil suit seeking to recover damages for that injury. The reason for the long delay between the accident and the lawsuit does not appear in the judicial decision that brings Makarova's case to end.

It doesn't, because the courts decided that Makarova was an "employee" of the Kennedy Center at the time of her injury, and thus her remedies were

limited to workers' compensation benefits. For this reason, her tort lawsuit was dismissed by a federal District Court; and that ruling has been affirmed by the Court of Appeals.

Judge Joseph McLaughlin held that Makarova was an "employee" because she: was required to play a specific part in a specific musical; was required to meet a rehearsal and performance schedule; was required to have her hair styled in the time period of the show; was required to wear shoes and make-up provided by the Kennedy Center; and was obligated to perform exclusively for the Kennedy Center during the term of her contract.

Moreover, before she was injured by the falling scenery, Makarova hurt her chin during a rehearsal; and the medical treatment she received for that injury was paid for by the Kennedy Center's workers' compensation insurer. "Having accepted the workers'

compensation benefits of being a Kennedy Center employee [for her chin injury]," Judge McLaughlin reasoned, "Makarova cannot now argue that she should be free of the strictures of that same workers' compensation regime."

Makarova v. United States, 201 F.3d 110, 2000 U.S.App.LEXIS 321 (2nd Cir. 2000)[ELR 21:12:25]

Golf tournament participant is entitled to \$10,000 prize for hitting hole-in-one, even though he used "mulligan" to do so, Indiana appellate court affirms

Sponsoring a golf tournament seemed like a good way to raise money for Jimmy K. Wright's reelection as mayor (of some city in Indiana). Perhaps it was. The amount actually raised, however, was reduced

by \$10,000 - the amount that Joe Spinks won for shooting a hole-in-one.

Though Spinks made his hole-in-one on the first hole of the course, he didn't make it on his very first shot. He made it instead on his second shot from the tee, a shot he took after using a mulligan. As golfers (though few others) know, a "mulligan" is a free shot, sometimes awarded to a golfer when his or her preceding shot was poorly played.

In addition to paying a tournament entry fee, Spinks paid extra for the mulligan he used for what became his hole-in-one. Moreover, Spinks was never told that he couldn't use a mulligan to attempt a hole-in-one.

Nonetheless, Mayor Wright, perhaps not a golfer himself, interpreted "hole-in-one" differently than Spinks. Wright thought Spinks' mulligan shot was his second for the hole, and thus refused to pay Spinks the

\$10,000 prize offered in tournament advertisements for hitting a hole-in-one.

Spinks sued Wright, and then moved for summary judgment. An Indiana trial court judge granted Spinks' motion, but Spinks didn't get his prize even then, because Wright appealed. Barring further appeals, Spinks should have gotten his prize by now, because the Court of Appeals of Indiana has affirmed.

In an opinion by Judge Carr Darden, the appellate court has held that "Because . . . Spinks was not advised that he could not use a mulligan to attempt to make a hole-in-one on the first hole, when he used the mulligan purchased from a tournament organizer and succeeded in making a hole-in-one with it, he met the conditions of Wright's offer. Accordingly, Wright is obligated to honor the terms of his offer and pay \$10,000 to Spinks."

Wright v. Spinks, 722 N.E.2d 1278, 2000 Ind.App.LEXIS 77 (Ind.App. 2000)[ELR 21:12:26]

Previously Reported:

The United States Supreme Court has granted a petition for certiorari in *Brentwood Academy v. Tennessee Secondary School Athletic Association*, 120 S.Ct. 1156, 2000 U.S.LEXIS 1483 (2000), a case which held 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).

The Supreme Court has denied petitions for certiorari in: *Johnny Blastoff, Inc. v. Los Angeles Rams Football Company*, 120 S.Ct. 1241, 2000 U.S.LEXIS 1588 (2000), the case in which the Rams and NFL Properties defeated trademark claims of company that

registered "St. Louis Rams" as its mark shortly after it was announced that the team would move from Los Angeles to St. Louis (ELR 21:9:18); *Levan v. Capital Cities/ABC*, 120 S.Ct. 1262, 2000 U.S.LEXIS 1731 (2000), where the Court of Appeals reversed a \$10 million libel judgment against ABC, because the network did not doubt the truthfulness of the "Too Good to be True" segment of a "20/20" broadcast and because its "gist" was supported by objective sources (ELR 21:9:18); and *Orson, Inc. v. Miramax Film Corp.*, 120 S.Ct. 1286, 2000 U.S.LEXIS 1869 (2000), in which Miramax defeated claims made by a Philadelphia art film exhibitor under the Pennsylvania Feature Motion Picture Fair Business Practices Law, on the grounds that the Copyright Act preempts the Pennsylvania statute's 42-day limit on exclusive first runs (ELR 21:9:14).
[ELR 21:12:26]

DEPARTMENTS

In the Law Reviews:

Los Angeles Lawyer Magazine, published by the Los Angeles County Bar Association, 261 S. Figueroa St., Suite 300, Los Angeles, CA 90012, (213 896-6503), has published its 16th Annual Entertainment Law Issue with the following articles:

Negotiating Television Deals with Business Affairs Executives by Barbara M. Rubin and Kyle Stewart, April Los Angeles Lawyer Magazine 16 (2000)

Workers' Compensation Liability for Production Companies by William E. Weinberger, April Los Angeles Lawyer Magazine 21 (2000)

Killer Defense (Natural Born Killers) by Stephen F. Rohde, April Los Angeles Lawyer Magazine 29 (2000)

You Have No Idea by Pierce O'Donnell and William Lockard, April Los Angeles Lawyer Magazine 32 (2000)

Children of Fortune: High-earning Entertainers' Child Support by Thomas Paine Dunlap and Lawrence E. Leone, April Los Angeles Lawyer Magazine 37 (2000)

Book Review: The Entertainment Economy: How Mega-Media Forces Are Transforming Our Lives by Michael J. Wolf, reviewed by Abilio Tavares, Jr., April Los Angeles Lawyer Magazine 60 (2000)

Fast and Faster Internet Connections for Law Offices
by Daryl Teshima, April Los Angeles Lawyer
Magazine 62 (2000)

Fight the Entertainment Industry Cartel by Gerard F.
Daley, April Los Angeles Lawyer Magazine 68 (2000)

The Federal Communications Law Journal, published
by Indiana University School of Law-Bloomington,
201 S. Indiana Avenue, Bloomington, Indiana 47405,
(812) 855-5952, has issued Volume 52, Number 2 with
the following articles:

A History and Analysis of the Federal Communications
Commission's Response to Radio Broadcast Hoaxes by
Justin Levine, 52 Federal Communications Law Journal
273 (2000) (for address, see above)

Copyright and Antitrust: The Effects of the Digital Performance Rights in Sound Recordings Act of 1995 in Foreign Markets by Connie C. Davis, 52 Federal Communications Law Journal 411 (2000) (for address, see above)

Don't Talk to Strangers: An Analysis of Government and Industry Efforts to Protect a Child's Privacy Online by Dorothy A. Hertzell, 52 Federal Communications Law Journal 429 (2000) (for address, see above)

Online Auction Fraud: Are the Auction Houses Doing All They Should or Could to Stop Online Fraud? By James M. Snyder, 52 Federal Communications Law Journal 429 (2000) (for address, see above)

The Game of Radiopoly: An Antitrust Perspective of Consolidation in the Radio Industry by Sara Elizabeth

Leeper, 52 Federal Communications Law Journal 473 (2000) (for address, see above)

McLibel: A Case Study in English Defamation Law by Marlene Arnold Nicholson, 18 Wisconsin International Law Journal 2 (1999)

Whose Who? The Case for a Kantian Right of Publicity by Alice Haemmerli, 49 Duke Law Journal 383 (1999)

"What a Tangled Web We Weave, When First We Practice to Deceive": Frames, Hyperlinks, Metatags, and Unfair Competition on the World Wide Web by Shelby Clark, 50 Hastings Law Journal 1333 (1999)

Does the First Amendment Bar Cancellation of Redskins? By Jeffrey Lefstin, February Stanford Law Review 665 (2000)

One and the Same: How Internet Non-Regulation Undermines the Rationales Used to Support Broadcast Regulation by Stephen J. Shapiro, 8 Media Law & Policy 1 (1999) (published by New York Law School, 57 Worth St., New York, NY 10013-2960)

Restricting Foreign Television Programming in Europe: The European Community's Television Quota Reappraised by Michael Landsman, 8 Media Law & Policy 29 (1999) (for address, see above)

Videostreaming Content Over the Internet by Lyndon Hong, 8 Media Law & Policy 55 (1999) (for address, see above)

Why Copyrights Are Not Community Property by Dane S. Ciolino, 60 Louisiana Law Review 127 (1999)

The Children's Internet Protection Act of 1999: Is Internet Filtering Software the Answer? By Elizabeth M. Shea, 24 Seton Hall Legislative Journal 167 (1999)

Commercial Trademark Parody: A Creative Device Worth Protecting by Greg Skoch, 9 Kansas Journal of Law & Public Policy 357 (1999)

Internet Speech and the First Amendment Rights of Public School Students by Leora Harpaz, 1 Brigham Young University Education and Law Journal 123 (2000)

Who Owns Course Materials Prepared by a Teacher or Professor? The Application of Copyright Law to Teaching Materials in the Internet Age by Georgia Holmes & Daniel A. Levin, 1 Brigham Young University Education and Law Journal 165 (2000)

Bootlegs and Imports: Seeking Effective International Enforcement of Copyright Protection for Unauthorized Musical Recordings by Robert M. Blunt, 22 Houston Journal of International Law 169 (1999)

Third Party Intellectual Property Rights and Contractual Restrictions: Implications for Implementation of the Telecommunications Act of 1996 by David A. Rice, 5 Roger Williams University Law Review 159 (1999)

Copyright and Public Welfare in Global Perspective by Ruth Gana Okediji, 7 Indiana Journal of Global Legal Studies 117 (1999)

The Entertainment Law Review, published by Sweet and Maxwell, 100 Avenue Road, London NW3 3PF

United Kingdom, telephone (International) 44 20 7393 7000, has issued Volume 11, Issue 3 with the following articles:

ICANN-Now Others Can by Rupesh Chandrani, 11 Entertainment Law Review 39 (2000) (for address, see above)

Bloodhounds and Watchdogs-Qualified Privilege, Malice and the Publication of Material in the Public Interest by Sallie Spilsbury, 11 Entertainment Law Review 43 (2000) (for address, see above)

The Americanisation of English Libel Laws by Keith Schilling, 11 Entertainment Law Review 48 (2000) (for address, see above)

A "Dramatic Work" Includes...a Film by Hamish Porter, 11 Entertainment Law Review 50 (2000) (for address, see above)

The Strategic Development of the Irish Film & Television Industry 2000-2010-Final Report of the Film Industry's Review Group by John B. O'Keefe, 11 Entertainment Law Review 54 (2000) (for address, see above)

An Unsettled Feeling: a second view of the Norowzian Decision by Jean Hughes and Marissa Parry, 11 Entertainment Law Review 56 (2000) (for address, see above)

The European Intellectual Property Review, published by Sweet and Maxwell, 100 Avenue Road, London NW3 3PF United Kingdom, telephone (International)

44 1264 342706, has issued Volume 22, Issue 3 with the following articles:

On-line Intermediary Liability Issues: Comparing E.U. and U.S. Legal Frameworks by Rosa Julia-Barcelo, 22 European Intellectual Property Review 106 (2000) (for address, see above)

International Intellectual Property, Conflicts of Laws and Internet Remedies by Paul Edward Geller, 22 European Intellectual Property Review 125 (2000) (for address, see above)

Some Joy at Last for Cinematographers by Michelle James, 22 European Intellectual Property Review 131 (2000) (for address, see above)

Revival of Rights v. Protection of Acquired Rights by Brigitte Lindner, 22 European Intellectual Property Review 133 (2000) (for address, see above)

Running Rings around the Sponsors: The Sydney Olympics and "Ambush Marketing" by Christopher N. Kendall and Jeremy C. Curthoys, 11 Australian Intellectual Property Journal 5 (2000) (published by Law Book Limited, 44-50 Waterloo Road, N. Ryde NSW 2113 Australia)

Simplifying Australian Copyright Law-the Why and the How by Andrew Christie, 11 Australian Intellectual Property Journal 40 (2000) (for address, see above)
[ELR 21:12:27]