LEGAL AFFAIRS

Entertaining New Options in the Fight Against Cybersquatters: Choosing Between Internet Administrative Proceedings and Federal Court Lawsuits

by Matt Railo*

Apart from the technology industry itself, no industry has been more significantly impacted by the Internet than the entertainment industry. Among other things, the Internet has provided artists and entertainment companies with a slew of new opportunities for promotion and distribution. Unfortunately, these tremendous new opportunities also bring with them a host of concomitant problems. One cyber-problem that has been particularly endemic in the

entertainment industry is the prevalence of so-called cybersquatters.

Cybersquatting can be defined loosely as the registration in bad faith of an Internet domain name that is identical or confusingly similar to another's trademark or famous name. Here is how it works. Let's say your band's latest album has just reached the top of the charts, or the independent movie in which you starred just won an Oscar. Now you would like to leverage this success, gained through your hard work, with a web presence at www.yourband.com or www.yourname.com. But when you try to register the name, you discover to your surprise that the name already is taken, and the prior registrant demands six or seven figures to transfer your domain name to you.

No one would doubt your frustration at this dilemma, but is there anything you can do about it? In the past, the answer often was dishearteningly negative.

Fortunately, in the fight against cybersquatting, the normally slow wheels of justice uncharacteristically have adapted to the pace of the New Economy, and both trademark holders and famous individuals now have new weapons with which to combat such cybersquatters.

Three new options

In the last several months, both the Internet Corporation for Assigned Names and Numbers ("ICANN"), which oversees the administration of top-level domain names (such as all domain names ending in .com, .net, or .org), and the U.S. Congress have provided trademark owners faced with cybersquatters a new arsenal of highly adaptable and powerful legal proceedings from which to choose.

Broadly speaking, a trademark holder victimized by cybersquatting has three options:

(1) file a quick and affordable administrative proceeding under the new Uniform Domain Name Dispute Resolution Policy ("UDRP") promulgated by ICANN and adopted by all top-level domain name registrars;

(2) file a federal action under the new federal Anticybersquatting Consumer Protection Act ("ACPA"), possibly along with more traditional claims for trademark infringement and/or dilution; or

(3) file an in rem proceeding in federal court under the ACPA.

Which of these new procedures works best depends largely on the specific circumstances of each case.

Speed and expense

The UDRP administrative proceeding is without question the fastest and least expensive option for obtaining a domain name from a cybersquatter.

Under the UDRP, the dispute is decided by a one or three member administrative panel, usually based solely on the complaint filed by the trademark holder and the response, if any, filed by the alleged cybersquatter. In cases filed with the National Arbitration Forum (but not the other three ICANN-approved providers), one additional written statement is permitted within five days after the filing of the response, which gives the trademark holder an opportunity to respond to the contentions made by the alleged cybersquatter in the response. Barring exceptional circumstances, no further filings are permitted and there is no oral hearing.

As a result, the attorneys' fees expended in the entire UDRP proceeding are roughly equivalent to the

fees expended in the preparation and filing of a complaint in a legal action, and certainly far less than the fees and expenses associated with the prosecution of a federal lawsuit from start to finish.

The UDRP proceeding is filed with one of four ICANN-approved providers, who will charge an administrative fee of no more than a few thousand dollars. While cost ordinarily is not an overriding concern for most targets of cybersquatting, as cybersquatters tend to go after the "big game" of famous trademarks or celebrity names, it is nevertheless an important consideration. In the increasingly competitive market place of the Internet, even cybersquatters are now targeting smaller players, for whom a protracted federal action is not a viable option. Moreover, even large companies may wish to keep down the cost of policing their Internet identity, particularly where multiple different cybersquatters

have registered infringing domain names. For instance, to date, America Online has filed at least seven different UDRP proceedings against cybersquatters from all corners of the world.

In addition to the tremendous cost savings, the UDRP proceeding also has the advantage of being quite fast, a particularly important consideration in matters relating to the Internet. The entire UDRP proceeding, from the filing of the complaint to the publication of the administrative panel's decision, is designed to take no longer than approximately two months, and so far UDRP administrative panels generally have complied with these time limits.

However, the UDRP is not an available or appropriate option for all disputes. Under the UDRP, a trademark holder can get back a domain name from a cybersquatter by proving that (a) the domain name is essentially identical to the trademark, (b) the

cybersquatter has no legitimate rights in the domain name, and (c) the cybersquatter registered and has used the domain name in bad faith. Each of these prongs may pose unique problems for artists or their representatives.

Trademark or celebrity name identity

The first requirement ordinarily is satisfied very easily, as cybersquatting disputes usually arise from the similarity or identical nature of the domain name at issue and the complainant's trademark.

However, the UDRP limits complainants to trademark holders. While a federal trademark registration is not required (as was true under prior domain name dispute resolution policies), and holders of state and common law trademarks may utilize the UDRP, famous individuals whose names do not qualify

as trademarks cannot proceed under the UDRP. Their only avenue for relief is the ACPA.

Like the UDRP, the ACPA protects personal names that qualify as trademarks, but the ACPA also goes further and protects any personal name where the cybersquatter is shown to have a specific intent to profit from the name by selling the domain name. Therefore, where an artist's or actor's name does not qualify as a federal, state, or common law trademark, his or her only avenue of recourse is a federal action under the ACPA.

Bona fide business and fair use defense

The second requirement is satisfied if the alleged cybersquatter has not used the domain name in connection with a bona fide business, has not been commonly known by the domain name, and is not

making a legitimate noncommercial or fair use of the domain name without misleading or diverting consumers for commercial gain and without tarnishing the trademark at issue.

This second prong presents a serious problem for famous actors or musicians where the prior registrant actually shares the famous individual's name. Fan clubs present another potential problem, as their use of a movie star's or a band's name could be deemed a legitimate noncommercial and fair use. Of course, fan clubs usually share the trademark holder's interests, and thus present no actual threat to the trademark. And, to the extent a fan club's web site serves to tarnish the trademark, such as by providing links to pornographic web sites, the fan club's use of the trademark should not be deemed a legitimate noncommercial or fair use.

In general, these same problems can preclude relief under the ACPA as well, and thus are unlikely to

be alleviated by the filing of a federal action instead of a UDRP proceeding.

Bad faith use

The "bad faith" required to satisfy the third prong of the UDRP test usually consists of either a plan to extort huge sums from the trademark holder in exchange for the transfer of the domain name, or the use of a domain name incorporating the trademark to direct traffic to the cybersquatter's other, often pornographic, web sites.

For a number of years, courts struggled to fit this new kind of violation of trademark rights into the existing framework of trademark infringement or trademark dilution, with varying degrees of success and intellectual expediency. The vagaries of the legal landscape, and the resulting high expense and

uncertainty associated with any cybersquatting litigation, allowed cybersquatters to negotiate favorable settlements or, in many cases, to get away with their bad faith conduct.

All that has now changed. UDRP opinions, all of which are published on ICANN's web site (at www.icann.org), have been nearly uniform in finding the requisite bad faith whenever an alleged cybersquatter has demanded any significant sums from the trademark holder to transfer the domain name at issue. The opinions also have condemned roundly the diversion of consumers to a cybersquatter's other web sites for commercial gain. Significantly, even cybersquatters who make no concrete use of the domain name, and instead merely hold it hostage by refusing to allow the trademark holder to have its most natural domain name, have been deemed to be in bad faith.

Therefore, alleged cybersquatters with no legitimate interests in the domain names at issue have found it difficult to defend their actions, and nearly all such cybersquatters have found themselves at the losing end of the UDRP proceedings. Indeed, out of the 319 UDRP proceedings that were decided in the first four-and-a-half months after the UDRP was adopted, more than seventy-five percent (247) resulted in decisions in favor of the complainant. The vast majority of the remaining proceedings involved respondents who had at least some legitimate right or interest in the domain name at issue. The same pattern is true in the few federal court opinions that so far have addressed the ACPA.

Personal jurisdiction

One great advantage of the UDRP is that it makes no distinction based on the domicile of the alleged cybersquatter, thereby obviating the thorny problems associated with establishing personal jurisdiction for purposes of a federal lawsuit.

However, the UDRP is only available in disputes involving top-level domain names, such as those ending in .com, .org, or .net. Country-specific domain names such as www.yourband.co.uk (for the United Kingdom) or www.yourband.de (for Germany) do not fall under the UDRP, and must be resolved either in court or through local administrative proceedings.

If personal jurisdiction in the United States can be established over the alleged cybersquatter in such a case, the best option usually is a federal action under the ACPA (possibly combined with other trademark or dilution claims) in the court where jurisdiction exists.

Damages

A federal ACPA action also is a more appropriate vehicle where the trademark holder wants to seek damages. In most cybersquatting cases, actual damages are limited or virtually impossible to prove. However, where a trademark clearly has been tarnished, or diversion of traffic has caused substantial losses, damages can be an important consideration. Because the relief in a UDRP proceeding is limited to the cancellation or transfer of the domain name, an ACPA action is clearly the better option where the trademark holder has suffered damages as a result of the cybersquatter's activity.

In addition, because the ACPA permits a court to award statutory damages of between $1,000 and $100,000 per domain name without proof of actual damages, "as the court considers just," an ACPA action

may make sense where the circumstances are likely to justify a higher award (such as in cases involving multiple domain names) and there is a reasonable chance of actually collecting any damages from the cybersquatter.

Related claims

A federal action also may make more sense if other causes of action against the same defendant can be combined in the same case. In such cases, a single federal action is actually likely to be cheaper than a UDRP proceeding combined with a subsequent or concurrent federal action on the other causes of action.

Immediate relief and protracted proceedings

An ACPA action also is preferable where the trademark holder needs immediate relief. This may be the case where a cybersquatter's continuing conduct is inflicting serious harm on the trademark by, for example, diverting traffic from the disputed domain name to the cybersquatter's pornographic web sites. While the UDRP is a relatively quick proceeding, the UDRP does not provide the administrative panel with the power to grant temporary injunctive relief. Therefore, in situations where two months is not fast enough, an ACPA action coupled with a request for a temporary restraining order and a preliminary injunction will be the better course of action.

Finally, where the trademark holder expects the alleged cybersquatter to fight to the bitter end, it may be more economical to proceed directly with a federal action. Because the UDRP does not preclude post-UDRP litigation of the same domain name dispute, a

litigious cybersquatter has the option of filing a lawsuit against the prevailing trademark holder after the UDRP decision is issued. It is unclear what, if any, evidentiary or preclusive value the UDRP administrative panel's findings would have in any such subsequent lawsuit.

However, unless the losing cybersquatter files the action within ten business days of the adverse decision, the domain name will be transferred under the UDRP. Nevertheless, it appears that the losing cybersquatter is free to file an action against the prevailing trademark holder even after the expiration of the ten-day deadline and the consequent transfer of the name. The positive aspect of this lack of finality in the UDRP is that a trademark holder faced with an adverse decision by a UDRP administrative panel may choose to re-litigate the matter in federal court. Indeed, it appears that even a prevailing trademark holder could pursue a further federal action, subject to any

preclusive effect that the court would give to the UDRP decision.

In rem proceedings

In enacting the ACPA, Congress provided a third option to the UDRP or an ordinary ACPA action: an in rem action under the ACPA. The in rem action is available where the alleged cybersquatter is not subject to personal jurisdiction anywhere in the United States or cannot be found despite attempts to serve him or her.

However, the in rem proceeding provides few real advantages over the UDRP. As in a UDRP proceeding, the remedies in an in rem action are limited to cancellation or transfer of the domain name. Moreover, while the in rem proceeding is theoretically available for country-specific domain names (as well as top-level domain names), in practice that is unlikely to

be the case because the in rem proceeding must be filed in the federal court where the domain name registrar (the company that actually registered the domain name for the alleged cybersquatter) is located, and most country-specific domain names are registered in the countries in question, not in the United States.

However, in the relatively rare instance where a cybersquatter who is not subject to personal jurisdiction in the United States registers a country-specific domain name through a U.S. registrar, the in rem action does provide a trademark holder with the only option for proceeding without going overseas.

Conclusion

Ultimately, the final decision whether to proceed under the UDRP or the ACPA must be made on a case-

by-case basis, after careful consideration of the facts in the particular case.

While the standards for prevailing in an ACPA action are substantially similar to those in a UDRP proceeding, there are a number of relatively small, yet often important, differences between the two proceedings. The choice between the UDRP and the ACPA should be made only after a thorough analysis of all the differences between the two proceedings, including the broad distinctions outlined above, and the facts at hand.

*Matt Railo is a senior litigation association at Mitchell Silberberg & Knupp in Los Angeles, specializing in trademark, internet, and other intellectual property matters. Mr. Railo has prosecuted several UDRP proceedings on behalf of clients and regularly counsels

clients on the protection and exploitation of their brands and identities on the internet. [ELR 22:1:4]

WASHINGTON MONITOR

Major record companies settle FTC proceedings by agreeing to consent orders that require them to drop Minimum Advertised Price provisions of their cooperative advertising programs

When CDs were first introduced, they were noticeably more expensive than cassette tapes for two good and sufficient reasons. First, CDs played music better and were more durable than tapes. And second, fewer CDs than tapes were manufactured, so per-unit manufacturing costs were greater.

However, the retail price of CDs has long hovered at $15 or more, even after CDs replaced tapes as the primary format for music recordings, and long after CD manufacturing costs declined dramatically. Why didn't declining costs and competition drive retail CDs prices down? The Federal Trade Commission asserts that during the 1990s, the five major record companies adopted "Minimum Advertised Pricing" policies intended to eliminate price competition, and those policies - referred to in the industry as "MAP" policies - had their intended effect.

The FTC made this assertion in five separate but similar proposed complaints against Sony Music, Universal Music, BMG, Warner-Elektra-Atlantic, and EMI Music. Together, these five companies distribute recordings that account for 85% of the music industry's $13.7 billion in domestic record sales.

The FTC's proposed complaints charged each of the five majors with violating section 5 of the Federal Trade Commission Act for allegedly engaging in practices that restrained trade unreasonably and hindered competition in the retail and wholesale markets for prerecorded music in the United States.

The FTC alleged that in the early 1990s, several large consumer electronics chains triggered a retail price war when they began selling "some" CDs and tapes at prices that "offered consumers substantial savings." Faced with this competition, other - presumably smaller - retailers requested "margin protection" from the record companies; and in 1992 and '93, the record companies responded by adopting Minimum Advertised Pricing policies. At first, these policies merely required retailers to adhere to specified minimum advertised prices in cooperative advertising paid for in part by the record companies themselves.

However, in 1995 and '96, the record companies adopted "stricter" MAP policies that required retailers to adhere to specified minimum advertised prices in all advertising done by retailers, including advertising paid for entirely by retailers themselves. These new MAP policies even included all in-store signs and displays (except price stickers).

Retailers who violated the new MAP policies lost all cooperative advertising and promotional funds from record companies, thus ensuring "that even the most aggressive retail competitors . . . stop[ped] advertising prices below MAP."

According to the FTC, the record companies' MAP policies had their intended effect: from in 1996, "aggressive retail pricing" was eliminated and retail CD prices were "stabilized." Moreover, according to the FTC, all five majors then raised their wholesale prices. FTC Chairman Robert Pitofsky estimated that "U.S.

consumers may have paid as much as $480 million more than they should have for CDs and other music because of these policies over the last three years."

The record companies could have fought the FTC - and many record stores and independent distributors no doubt wish they had. But they didn't. Instead, all five companies have signed agreements containing Consent Orders that

* for seven years, prohibit them from adopting or enforcing any policy which makes the receipt of any cooperative advertising or promotional funds contingent upon the price at which their recordings are offered or sold, and

* for five years, prohibit them from announcing resale or minimum advertised prices of their recordings and then unilaterally terminating those who fail to comply with those prices. (Record companies may, however, continue to have "suggested retail prices" for

their recordings, so long as retailers who sell for less do not suffer any consequences for doing so.)

Legal proceedings concerning CD pricing are not entirely over yet. The FTC will be accepting comments from the public on the consent agreements until June. (Ironically, the first comments received by the FTC were submitted by independent distributors, all of whom opposed the Consent Orders on the grounds that discounters will drive them out of business, and that will cause prices to rise in the future.) Also, within days of the announced settlements of the FTC actions, at least four class-action lawsuits were filed on behalf of CD purchasers, alleging violations of federal and state antitrust laws.

Five Consent Agreements Concerning the Market for Prerecorded Music in the United States, FTC File No.

971 0070 (May 10, 2000); available at www.ftc.gov/os/2000/05 [ELR 22:1:8]

FCC approves Viacom's acquisition of CBS, but requires Viacom to comply with Dual Network Rule, National Television Ownership Rule, Radio-TV Cross-Ownership Rule

The Federal Communications Commission has approved Viacom's acquisition of CBS, despite objections filed by four separate groups of petitioners.

The transaction required FCC approval because CBS owns 20 television stations and 162 radio stations, and the Communications Act requires the FCC to determine whether the transfer of control of TV and radio stations will "serve the public interest, convenience and necessity." Moreover, since CBS also

owns the CBS television network, and since Viacom owns the UPN television network as well as 18 television stations, the combination of the two companies could have violated at least three FCC rules: the Dual Network Rule, the National Television Ownership Rule, and the Radio-TV Cross-Ownership Rule.

CBS and Viacom's applications for consent to transfer control of CBS's stations were opposed by the American Cable Association, the National Black Media Association, the owner of television station WEYS, a group of radio listeners who think Howard Stern's broadcasts are "indecent," and newspaper publisher A.H. Belo.

The National Black Media Association complained that CBS has discriminated in its employment practices, and that the network's Mississippi affiliates have distorted or suppressed news

about civil rights issues. If so, CBS might have violated FCC equal employment rules and its news distortion policy. But the FCC rejected the Association's objections, with little discussion. The Association had provided no evidence to support its allegations. Moreover, the Mississippi affiliates are independently owned, their programming decisions are not made by CBS, and they were not among the stations whose control would be affected by the Viacom acquisition.

The FCC denied the petition of Howard Stern's critics, because the agency had already considered and rejected these same complaints in connection with CBS's earlier acquisitions of Infinity Broadcasting and American Radio Systems. The FCC saw no reason to "revisit" the Howard Stern issue or to "alter" its earlier conclusions that CBS was a fit broadcast licensee.

On the other hand, the FCC's Dual Network Rule presented a more substantial impediment to Viacom's

acquisition of CBS. As its name implies, that Rule prohibits a company from owning two "networks." CBS is certainly a "network," as that term is defined by the Rule. Viacom argued, however, that UPN is not a "network," because several television stations have only secondary affiliation agreements. These secondary affiliates are permitted to televise UPN programs on weekends or late at night, and these stations are not required to promote their connections with UPN.

Nevertheless, the FCC determined that UPN is a "network," and thus Viacom is not permitted to own both it and CBS. Anticipating that the FCC would reach that conclusion, Viacom asked that it be given 24 months to comply with the rule (presumably by selling or shutting down UPN). The FCC decided to give Viacom 12 months to do so, rather than the 24 months it requested. While this was not as much time as Viacom would have liked, opponents of Viacom's

acquisition of CBS had asked that the acquisition not be permitted at all, until it disposed of UPN. And the FCC has rejected that position.

The National Television Ownership Rule also presented Viacom with a hurdle. Though recently liberalized in favor of broadcasters, the Rule still limits the number of stations a single company may own to those reaching no more than 35% of the national audience (ELR 17:11:14). Together, CBS's 20 stations and Viacom's 18 stations reach 41% percent of the national audience - 6% more than the national cap. As a result, Viacom will have to sell at least one and perhaps as many as 16 stations to bring its national audience down to 35% or less. Again, Viacom asked for 24 months to do so; and again, the FCC gave it 12 months.

Though Viacom's acquisition of CBS will result in Viacom's ownership of two television stations in several cities, a recent change in the FCC's television

station ownership rules makes that permissible in this case (ELR 21:4:7). In each of the affected cities - Philadelphia, Boston, Dallas-Fort Worth, Detroit, Miami, and Pittsburgh - at least one of the stations (that will be owned by Viacom) is not among the top four stations; and each of those cities is served by at least eight other stations.

The FCC's Radio-Television Cross Ownership Rule presented a more complicated situation for Viacom - one that it cannot satisfy without selling some stations. Again, as a result of a recent change in FCC rules, companies may now own television and radio stations in the same market (ELR 21:4:7). The exact number of cross-owned stations that are permissible depends on how many other radio and television stations, cable systems and newspapers exist in the market. Viacom's cross-ownership of multiple radio and television stations will not run afoul of the FCC's

new rule in many cities. But in order to comply with that Rule in Los Angeles, Chicago, Dallas-Fort Worth, Sacramento and Baltimore, Viacom will have to sell some stations. The FCC has given the company six months to do so.

In re Shareholders of CBS Corp. and Viacom, Inc., FCC 00-155 (May 3, 2000) (available at www.fcc.gov/cbs-viacom)[ELR 22:1:9]

FCC adopts new Equal Employment Opportunity Rules in response to 1998 court ruling that old rules were unconstitutional

The Federal Communications Commission has adopted new Equal Employment Opportunity rules in response to a federal Court of Appeals decision in 1998

in Lutheran Church Missouri Synod v. FCC that held that certain aspects of the FCC's previous broadcast EEO outreach requirements were unconstitutional. (ELR 20:5:29)

According to the FCC, its new EEO rules "reaffirm the Commission's long-standing anti-discrimination rule and emphasize broad outreach to all qualified job candidates for positions at radio, television and cable companies."

The new rules continue to prohibit discrimination on the basis of race, religion, color, national origin or gender by employers in the broadcast and cable industries. The new rules also require broadcasters to widely disseminate information about job openings to "all segments of the community" to ensure that all qualified applicants, including minorities and women, have sufficient opportunities to compete for jobs in the broadcast industry. However, the new rules do not

require broadcasters to hire any particular applicant, nor do they put any pressure on hiring decisions.

The FCC also has amended the EEO rules it applies to cable companies, including multichannel video programming distributors, to conform them, as much as possible, to the EEO rules applicable to broadcasters.

The FCC has given broadcasters "significant flexibility" in choosing their EEO programs. Broadcasters may implement two supplemental recruitment measures by sending job vacancy announcements to recruitment organizations that request them, or by selecting from a menu of non-vacancy specific outreach approaches, such as job fairs, internship programs, and interaction with educational and community groups. Alternatively, if broadcasters or cable companies believe they can accomplish broad outreach without these supplemental recruitment

measures, they may design their own outreach programs and must maintain records concerning the recruitment sources, race, ethnicity and gender of applicants so they can monitor the effectiveness of their outreach efforts.

The FCC continues to allow religious broadcasters to establish "religious belief or affiliation" as a job qualification for all station employees.

Broadcast stations with fewer than five full-time employees, and cable companies with fewer than six full-time employees, continue to be exempt from these EEO program requirements. However, all other broadcasters must place an annual EEO report in their public file detailing their outreach efforts and must file a Statement of Compliance every second, fourth and sixth year of the license term certifying their compliance with the EEO rule.

In addition, all television stations and radio stations with more than 10 full-time employees must submit their annual EEO reports to the FCC midway through the license term and at renewal. At these times, the FCC will review the station's outreach efforts. Cable companies will be required to submit their annual EEO public file reports as part of the supplemental information required by statute to be filed every five years.

The FCC also has reinstated the requirement that broadcasters file annual employment reports, which was suspended by the FCC following the Lutheran Church decision; and it has retained the requirement that cable companies file annual employment reports. The FCC will use the information in these annual employment reports to monitor industry employment trends and to prepare reports to Congress.

In the Matter of the Review of the Commission's Broadcast and Cable Equal Opportunity Rules and Policies, MM Docket 98-204, FCC Report and Order 00-20 (FCC 2000) (available at www.fcc.gov)[ELR 22:1:10]

RECENT CASES

Islamic technical consultant was not co-author of movie "Malcolm X," but he asserted valid claims for value of his services, and may even be entitled to recover for Warner Bros.' failure to give him screenwriting credit, federal appellate court decides

Jefri Aalmuhammed was hired by Denzel Washington to assist him in preparing for his starring and title role in the Warner Bros.' "Malcolm X," a

movie that was directed, co-produced and co-written by Spike Lee. Aalmuhammed is a devout Muslim who once wrote, directed and produced a documentary about Malcolm X.

Aalmuhammed was paid $125,000 for his work on "Malcolm X" - $100,000 by Washington and $25,000 by Lee. The movie also gave him an on-screen credit as an "Islamic Technical Consultant." But according to Aalmuhammed, he was more than that, and should have been credited and paid accordingly.

Eventually, Aalmuhammed's claims were formally stated in a federal court complaint in which he alleged he was the co-author of the entire movie and thus the co-owner of its copyright. His complaint sought an accounting for his claimed share of Warner Bros.' profits from its exploitation of the movie's copyright, as well as compensation for the value of the services he rendered during production and damages

for the studio's failure to credit him as one of the movie's screenwriters.

At first, Aalmuhammed's case went nowhere. His entire case was dismissed by federal District Judge Spencer Letts, in response to defense motions for summary judgment and dismissal for failure to state a claim. On appeal, however, Aalmuhammed has salvaged some of his case, even if not all of it.

Writing for the Court of Appeals, Judge Andrew Kleinfeld has affirmed the dismissal of Aalmuhammed's claim that he is a co-author of the entire movie. That ruling means that Aalmuhammed is not the co-owner of the movie's copyright and thus is not entitled to an accounting of its profits. On the other hand, Judge Kleinfeld reversed the dismissal of other claims, including those by which Aalmuhammed seeks compensation for the value of services he rendered (presumably in excess of the $125,000 he already was

paid), as well as damages for not being credited as one of the movie's screenwriters.

Aalmuhammed's claim that he is the co-author of the entire movie is the one to which Judge Kleinfeld devoted the bulk of his opinion. Apparently, Aalmuhammed's "involvement in making the movie was very extensive" and ultimately involved much more than helping Washington prepare for his role. According to Aalmuhammed, he made extensive script revisions, directed Washington and other actors on the set, created at least two entire scenes with new characters, translated Arabic into English for subtitles, did voice-overs, selected prayers and religious practices for the movie's characters, and edited parts of the movie during post-production.

Aalmuhammed argued that these activities made him the movie's co-author. In earlier cases involving "Rent," "Moms" and other plays (ELR 20:7:10,

13:7:11, 16:4:9), courts have held that to be a "joint work" (that is, one created by co-authors), each co-author must intend the other to be a joint author. In this case, Warner Bros. did not intend Aalmuhammed to be a co-author. Indeed, Warner Bros. required Spike Lee himself to sign a work for hire agreement so that even he would not be a co-author. Thus, since Warner Bros. did not intend Aalmuhammed to be a co-author, that by itself would have been a sufficient ground to find that he was not a co-author.

Judge Kleinfeld did not rest his decision on that ground alone, however. Instead, he conducted an almost philosophical inquiry into the nature of the authorship of movies. And he came to the conclusion, that "in the absence of a contract to the contrary," the author of a movie would generally be "someone at the top of the screen credits, sometimes the producer, sometimes the director, possibly the star, or the

screenwriter - someone who has artistic control." In this case, "Aalmuhammed lacked control over the work. . . . Warner Brothers and Spike Lee controlled it." That meant that Aalmuhammed was not a co-author.

Judge Kleinfeld explained that this was the right result, because "Progress would be retarded rather than promoted, if an author could not consult with others and adopt their useful suggestions without sacrificing sole ownership of the work. . . . Claimjumping by research assistants, editors, and former spouses, lovers and friends would endanger authors who talked with people about what they were doing, if creative copyrightable contribution were all that authorship required."

Aalmuhammed also alleged quasi-contract, quantum meruit and unjust enrichment claims for the value of the services he rendered. These claims had been dismissed on the grounds they were filed after

California's two-year statute of limitations had expired. Aalmuhammed argued, however, that New York's six-year statute of limitations should have been applied, because his services were performed there (and in Egypt), not in California. Judge Kleinfeld agreed, and thus reversed the dismissal of those claims.

Aalmuhammed also asserted "reverse palming off" claims - under the Lanham Act and a California unfair competition statute - because he was not given credit as one of the movie's screenwriters. In a surprisingly short portion of his opinion (one that was only two paragraphs in length), Judge Kleinfeld ruled that these claims should not have been dismissed.

Finally, claims (apparently based on copyright, but not described in Judge Kleinfeld's decision) against Largo Entertainment - the movie's foreign distributor - were reinstated, on the grounds that the complaint did not indicate whether Largo's (undescribed) conduct

took place entirely abroad or may have taken place in the United States too.

Aalmuhammed v. Lee, 202 F.3d 1227, 2000 U.S.App.LEXIS 1378 (9th Cir. 2000)[ELR 22:1:11]

Federal District Court dismisses right of publicity and other claims asserted by heirs of Temptations against mini-series producers, but allows defamation and false light privacy claim of Temptation's first agent to proceed

In 1998, NBC broadcast a four-hour mini-series that dramatized the story of the Temptations. The production was based on a book by Otis Williams who was one of the original Temptations. But the producers did not get releases from Otis Williams' first wife, or

from the daughter or other heirs of David Ruffin, another member of the group, or from Johnny Mae Mathews, the group's first agent.

Those whose permission was not obtained were not pleased with the mini-series. Indeed, they were so displeased, they filed state court lawsuits against its producers - lawsuits that were quickly consolidated into a single federal District Court proceeding.

David Ruffin's daughter even tried to get a preliminary injunction that would have blocked the series' broadcast altogether. However, her motion for an injunction was denied by Judge John Feikens, on the grounds that it would have been an unconstitutional prior restraint (ELR 20:10:7). After the broadcast, Ruffin's daughter and her fellow-plaintiffs pursued their claims for damages. But in response to defense motions, Judge Feikens has dismissed all but some of the claims of Johnny Mae Mathews.

The principal issue in the case was the claim made by all of the plaintiffs that their life-stories, names and likenesses had been misappropriated by the production and broadcast of the mini-series. The question raised by this claim, Judge Feikens said, was "whether depicting one's life-story without his or her consent constitutes a violation of the right of publicity under Michigan law." The answer, he concluded, is "no."

The Michigan Supreme Court had never addressed this question, so in order to reach his conclusion, Judge Feikens had to consult cases from other states. Matthews v. Wozencraft (ELR 16:6:22) held that the somewhat fictionalized depiction of events in the life of the ex-husband of the author of the book "Rush" did not violate his right of publicity under Texas law. And Seale v. Gramercy Pictures (ELR 19:5:12) held that the fictionalized account of the life of

Bobby Seale in the movie "Panther" did not violate his right of publicity under Pennsylvania law. Judge Feikens concluded that although these cases were "not controlling," they nevertheless "uniformly suggest that the right of publicity does not . . . prohibit depictions of a person's life-story."

In so ruling, the judge rejected the argument that the "fictionalized" and "untrue" nature of the Temptations mini-series made the right of publicity applicable. "The scope of the right of publicity does not depend . . . on the fictional or non-fictional character of the work," Judge Feikens said. He also rejected the argument that the use of scenes from the series to promote sales of videocassettes of it supports a right of publicity claim. He ruled that the "use of plaintiffs' names or likenesses in promoting a story about plaintiffs does not implicate the right of publicity."

Judge Feikens also dismissed false light privacy and defamation claims made by Otis Williams' first wife. She complained that the mini-series portrayed Williams as a better father and husband than he was. But the judge noted that even if this were so, that was neither a false nor defamatory statement about her. She also complained that the mini-series' portrayal of Williams made her seem "unchaste." But the judge said the series simply did not support that inference. Her claim for invasion of privacy by disclosure of private embarrassing facts also was dismissed, on the grounds that the facts in question - her premarital pregnancy - were not private because they were contained in Williams' book and in public marriage and birth records.

A defamation claim asserted by David Ruffin's stepmother was dismissed because she had died, and under the law of Mississippi, where she was domiciled,

"a cause of action for defamation does not survive the death of the plaintiff."

Claims for intentional infliction of emotional distress were dismissed because depicting life stories without consent does not constitute "extreme and outrageous conduct."

The only claims that survived were false light and defamation claims by the Temptations' first agent, Johnnie Mae Mathews, who alleges that one scene in the movie portrays her as taking money and a car that really belonged to the group. The defendants sought dismissal of those claims simply on the grounds they were not pled with "particularity" as required by Michigan law. But Mathews amended her complaint to be more particular, so Judge Feikens denied the defendants' motion to dismiss it.

Ruffin-Steinback v. dePasse, 82 F.Supp.2d 723, 2000 U.S.Dist.LEXIS 1044 (E.D.Mich. 2000)[ELR 22:1:12]

Disney agrees to change Go Network logo and pay $21.5 million to settle trademark infringement suit filed by GoTo.com, after federal appellate court affirmed preliminary injunction requiring Disney to stop using logo which was "remarkably similar" to GoTo's

In the spring of 1998, The Walt Disney Company hired a professional design firm to create a logo for Disney's Go Network. The Go Network is a portal that features links to Disney's several websites - including disney.com, abc.com, espn.com - and more. For its money, the design firm provided Disney with "thousands of pages" of logo designs. But the one

design that Disney decided to use turned out to be "remarkably similar" to a logo that already had been used for eight or nine months by GoTo.com - a competing website that has never been part of the Disney family.

Though GoTo complained to Disney shortly after Go Network's beta-launch, Disney refused to stop using its offending logo. Disney's refusal turned into an expensive mistake, one that has cost the company $21.5 million plus whatever expenses it will have to incur in order to change the Go Network logo after all. That's because Disney has agreed to change its Go Network logo and pay GoTo $21.5 million in order to settle the trademark infringement suit GoTo filed against it, when Disney refused to heed GoTo's cease-and-desist demands.

Disney didn't give up without a fight. It contested GoTo's motion for a preliminary injunction, though not

successfully. Federal District Judge Terry Hatter granted the motion, conditioned only on GoTo's posting a modest $25,000 bond. (Disney asked for a $20 million bond.)

Disney then took an appeal, and achieved an immediate success. The Court of Appeals granted Disney's motion for a stay of the preliminary injunction, pending the outcome of the appeal. Ultimately, however, that success turned out to be short-lived.

In an opinion by Judge Diarmuid O'Scannlain, the Court of Appeals reinstated and affirmed the preliminary injunction Judge Hatter had granted (as well as the $25,000 bond). The appellate court concluded that Judge Hatter had "correctly found that [GoTo's and Disney's] two remarkably similar marks displayed commercially on the Web were likely to cause consumer confusion."

In so ruling, the appellate court used a multi-factor test. Among other things, it found that:

* the two marks were strikingly similar, because "Both logos consist of white capital letters in an almost identical sans serif font rendered on a green circle . . . [which] in turn is matted by a square yellow background";

* "the use of remarkably similar trademarks on different web sites creates a likelihood of confusion amongst Web users"; and

* the services offered by GoTo and Disney's Go Network "are very similar" because both sites offer web search engines.

Disney made a valiant attempt to persuade the appellate court that its logo had been designed without copying GoTo's. It did so by showing the court the thousands of pages of alternative logos its design firm

had created. Judge O'Scannlain was unmoved, however, for two reasons.

First, he said, "Those documents . . . have done little more than persuade us that Disney has many options on which to fall back should it need to find itself a new logo." Second, he said that "even if . . . Disney was as innocent as a fawn with no intent to copy or appropriate GoTo's logo, it would prove nothing since no such intent is necessary to demonstrate a likelihood of confusion."

Disney settled with GoTo after the Court of Appeals reinstated and affirmed the preliminary injunction.

GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 2000 U.S.App.LEXIS 1608 (9th Cir. 2000) [ELR 22:1:13]

Movie studios win preliminary injunction barring website operators from distributing software that permits users to decrypt and copy movie DVDs

Universal and seven other movie studios have won an important legal victory in a case that tests a provision of the Digital Millennium Copyright Act that prohibits the circumvention of technological measures designed to protect copyrighted works. Federal District Judge Lewis Kaplan has enjoined three website operators from continuing to distribute software that enables users to decrypt and copy movie DVDs.

Movie DVDs (like music CDs) are digital recordings, so copies would be nearly perfect (unlike copies of videotapes which degrade in quality). To prevent unauthorized copies of DVDs, the movie industry encrypts them using the Content Scramble System, commonly called "CSS," which has been

licensed to DVD player manufacturers as well as to DVD makers.

A Norwegian hacker developed software - which he smugly called "DeCSS" and distributed over the Internet - that decrypts CSS-encrypted DVDs and permits them to be copied. Relying on a provision of the Digital Millennium Copyright Act that gives service providers immunity from contributory copyright infringement liability if they remove allegedly infringing material at the request of the copyright owner (ELR 20:6:5), the MPAA quickly demanded that Internet service providers remove DeCSS from their servers; and most did.

In response, hackers stepped up their efforts to distribute DeCSS, thus triggering the movie studios' lawsuit against three operators whose websites had not been blocked. The studios' suit does not charge the website operators with copyright infringement, nor

even with contributory infringement. Instead, it charges them with violating the anti-circumvention provision of the Digital Millennium Copyright Act (ELR 20:6:4).

That provision of the Act prohibits the distribution of technology primarily designed to circumvent technological measures that control access to copyrighted works.

Judge Kaplan had no difficulty concluding that CSS is a technological measure that controls access to copyrighted movies, that DeCSS is designed to defeat CSS, and thus DeCSS is technology whose distribution would be prohibited. The more interesting question was whether the website operators' distribution of DeCSS was legally permissible anyway. They of course argued that it was. But Judge Kaplan disagreed.

The anti-circumvention provision of the Act itself contains several exceptions. Among these are exceptions for service providers, reverse engineering,

encryption research, and security testing. However, none of these exceptions applied to the website operators, the judge concluded.

The website operators also argued that they were protected by the fair use doctrine. But Judge Kaplan noted that the fair use doctrine is a defense to copyright infringement, and that the studios had not sued the website operators for that. They had been sued for violating the anti-circumvention provisions of the Act, as to which the fair use doctrine is not a defense. "If Congress had meant the fair use defense to apply to such actions," the judge reasoned, "it would have said so."

Finally, the website operators challenged the constitutionality of the anti-circumvention provision, arguing that it violated their First Amendment free speech rights for several reasons. Judge Kaplan was not persuaded. He devoted more than half his opinion to an

analysis of the website operators' First Amendment arguments. But ultimately he ruled that none of those arguments had merit and that the anti-circumvention provision is constitutional.

Universal City Studios, Inc. v. Reimerdes, 82 F.Supp.2d 211, 2000 U.S.Dist.LEXIS 906 (S.D.N.Y. 2000)[ELR 22:1:13]

Connectix did not infringe Sony's PlayStation copyright in the process of creating Connectix's Virtual Play Station software; copying for purpose of reverse engineering is fair use, federal Court of Appeals rules

Sony Computer Entertainment has suffered a setback in its efforts to prevent Connectix Corp. from

making and selling "emulator" software that permits Sony PlayStation game disks to be played on personal computers as well as on Sony PlayStation consoles.

In opinion by Judge William Canby, a federal Court of Appeals has held that although Connectix made unauthorized copies of the copyrighted software that operates Sony's PlayStation console, Connectix's copying was a non-infringing "fair use," because Connectix had done so solely in order to "reverse engineer" Sony's software to see how it works.

Connectix's "Virtual Play Station" emulator software does not itself infringe Sony's PlayStation software, and Sony did not contend that it does.

As a result of its decision that Connectix's copying was a fair use, the appellate court reversed a preliminary injunction Sony had earlier won against Connectix in a federal District Court.

This is at least the second time this Court of Appeals has held that copying electronic game console software, for the purpose of reverse engineering, is a fair use. It first did so in 1992 in Sega v. Accolade (ELR 14:8:15).

Judge Canby also rejected Sony's argument that Connectix had tarnished Sony's trademark by selling its Virtual Play Station software.

Sony Computer Entertainment v. Connectix Corp., 203 F.3d 596, 2000 U.S.App.LEXIS 1744 (9th Cir. 2000)[ELR 22:1:14]

Product designs are protectible as unregistered trade dress only if they have acquired secondary meaning, U.S. Supreme Court holds

In order to be protectible as "trade dress" under the Lanham Act, unregistered product designs must have acquired secondary meaning, because product designs are not inherently distinctive, the United States Supreme Court has held.

The case in which this seemingly obvious ruling was issued had nothing to do with the entertainment business. It involved instead a dispute between a children's clothing manufacturer named Samara Brothers, Inc., and Wal-Mart Stores - a dispute that arose because Wal-Mart was selling "knockoffs" of Samara's 1996 spring/summer line. The case is nonetheless of interest to readers of these pages,

because trade dress claims are so frequently asserted in entertainment industry cases.

In an opinion by Justice Antonin Scalia, the Supreme Court reversed a $1.6 million judgment Samara had obtained against Wal-Mart, despite what Wal-Mart had argued was insufficient evidence to support the conclusion that Samara's designs were distinctive.

The Lanham Act requires that marks be distinctive in order to be protectible. Some marks are inherently distinctive; others become distinctive only by acquiring secondary meaning.
Justice Scalia noted that some words - like "Camel" for cigarettes, "Kodak" for film, and "Tide" for detergent - are inherently distinctive, and thus protectible without proof they have acquired secondary meaning.

On the other hand, the result in the Wal-Mart case seems (at first) obvious, because even though

product colors are protectible, the Supreme Court held in Qualitex v. Jacobson Products that colors are protectible only if they have acquired secondary meaning (ELR 16:12:19). Product designs are far more akin to colors than to names; and while "Camel" is completely fanciful when used with cigarettes, and while a product's packaging may be fanciful too, it's difficult to imagine a product design that's completely fanciful.

The reason that lower courts rejected Wal-Mart's argument that Samara had to prove secondary meaning is that Qualitex was not the only Supreme Court precedent on point. In Two Pesos v. Taco Cabana, the Supreme Court had surprisingly held that the design for a chain of Mexican restaurants could be protected as trade dress without a showing of secondary meaning (ELR 14:4:13).

Samara Brothers in fact argued that the Two Pesos case showed that product designs could be inherently distinctive. And Justice Scalia agreed that "Two Pesos unquestionably establishes the legal principle that trade dress can be inherently distinctive." Nevertheless, Justice Scalia added, Two Pesos "does not establish that product-design trade dress can be." And that made Two Pesos inapplicable, he said, because the décor of a restaurant does not constitute a product design; it is instead akin to product packaging which can be inherently distinctive.

In other words, Justice Scalia drew a distinction between product designs and product packaging - a distinction that Samara Brothers said would be difficult to draw in many cases. The design of a Coke bottle, for example, could be both, Justice Scalia acknowledged. "To the extent there are close cases," he explained, "we believe that courts should err on the side of caution and

classify ambiguous trade dress as product design, thereby requiring secondary meaning."

Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 120 S.Ct. 1339, 2000 U.S.LEXIS 2197 (2000)[ELR 22:1:15]

Pennsylvania ordinance requiring erotic dancers to wear pasties and G-strings is constitutional, U.S. Supreme Court rules

In 1994, the city of Erie, Pennsylvania, enacted an ordinance that prohibits public nudity. Erie's problem wasn't with "streakers, sunbathers or [nude] hotdog vendors." According to the preamble of the ordinance, the city's problem was with an "increase in nude live entertainment."

As a practical matter, the ordinance requires erotic dancers to wear pasties and G-strings. The Erie city council no doubt thought that its new law would pass constitutional muster, because the ordinance was "self-consciously modeled" on an Indiana public-nudity statute whose constitutionality had been upheld by the U.S. Supreme Court just a few years before in Barnes v. Glen Theatre (ELR 13:4:8).

The Pennsylvania Supreme Court surprised and disappointed Erie, however. The constitutionality of the ordinance was successfully challenged by the operator of an erotic dancing "establishment" known as Kandyland. The Pennsylvania Supreme Court noted that the Justices of the U.S. Supreme Court had "splintered" in Barnes and had "produced four separate, non-harmonious opinions." As a result, the Pennsylvania Court did its own constitutional analysis

of Erie's ordinance and concluded that it was not constitutional (ELR 20:10:17).

Erie then took the case to the U.S. Supreme Court, which has rewarded the city's persistence by declaring that the ordinance is constitutional after all.

In an opinion by Justice Sandra Day O'Connor, which was joined by Chief Justice William Rehnquist and Justices Anthony Kennedy and Stephen Breyer, those four Justices ruled that "government restrictions on public nudity such as the ordinance at issue here should be evaluated under the framework set forth in O'Brien for content-neutral restrictions on symbolic speech" - not under the strict scrutiny standard that had been used by the Pennsylvania Supreme Court.

These four Justices also found that the ordinance was "justified" under the four-part O'Brien test. Erie's efforts to protect public health and safety were within the city's police powers. The city's interest in

combating the harmful secondary effects associated with nude dancing were "undeniably important." The city's interest was not related to the suppression of free expression. And the restriction on expression - requiring dancers to wear pasties and G-strings - was a minimal one that left "ample capacity to convey the dancer's erotic message."

Justices Antonin Scalia and Clarence Thomas concurred in the result, but for a different reason. In their view, the ordinance regulated conduct, not speech, and is constitutional for that reason. "The traditional power of government to foster good morals . . . , and the acceptability of the traditional judgment . . . that nude public dancing itself is immoral, have not been repealed by the First Amendment," they opined in a opinion by Justice Scalia.

Justice David Souter agreed that the O'Brien test, rather than the strict scrutiny test, should be applied.

But he did not think that Erie had made a sufficient showing even under that test. Thus Justice Souter concurred in part and dissented in part.

Justice John Paul Stevens and Ruth Bader Ginsburg dissented. They would have concluded that the ordinance is "patently invalid."

City of Erie v. Pap's A.M., 120 S.Ct. 1382, 2000 U.S.LEXIS 2347 (2000)[ELR 22:1:15]

Because 1963 recording agreement was silent about record company's right to issue synchronization licenses, recording artists are entitled to offer evidence of industry custom and practice supporting their claim that synch licenses could be issued only with their participation, New York appellate court rules

In 1963, Stephen J. Caldwell, Sr., and other members of his band entered into a recording contract with ABKCO Music & Records (or perhaps one of its predecessors). This contract still mattered, more than 35 years later, because Caldwell and the others thought that ABKCO owed them some money for unpaid record royalties and synchronization licenses issued by ABKCO without their consent. They expressed these thoughts in a lawsuit filed in New York state court,

where both sides have enjoyed some success and have suffered some disappointment already.

ABKCO won the dismissal of the unpaid royalties claim with just a motion for summary judgment. Judge Beverly Cohen was satisfied that no royalties were actually due, and she rejected the argument that ABKCO might breach the contract in the future. That ruling has been affirmed by the Appellate Department of the New York Supreme Court, in a short Memorandum Decision.

On the other hand - and of greater significance to others in the record business - Judge Cohen denied ABKCO's motion seeking dismissal of the synch license claim. The 1963 contract did not specifically give ABKCO the right to issue synch licenses. But it did give the company the right "to make records and other reproductions of the performances embodied in

such recordings by any method now or hereafter known, and to license . . . the same."

Judge Cohen ruled, and the Appellate Division has affirmed, that this language "cannot, as a matter of law, be construed as entitling [ABKCO] to engage in synchronization licensing without plaintiffs' participation," because "Rights not specifically granted by an artist in an agreement are reserved to the artist and the owner of such property, absent the clearest language, is not free to do with it whatever the owner wishes."

The Appellate Division also affirmed Judge Cohen's ruling that evidence concerning industry custom and practice pertaining to synchronization licenses is admissible at trial.

Caldwell v. ABKCO Music & Records, Inc., 703 N.Y.S.2d 97, 2000 N.Y.App.Div.LEXIS 1309 (2000)[ELR 22:1:16]

Boxer Graciano Rocchigiani fails in bid to disqualify former lawyer from representing promoter in dispute between Rocchigiani and promoter

Boxing and litigation have a lot in common. Both require aggressive posturing. So it is not entirely surprising that German boxer Graciano Rocchigiani became entangled in a dispute with his former lawyer, Scott N. Gelfand, over whether Gelfand could represent Rocchigiani's promoter, Cedric Kushner Promotions (CKP), in a dispute between Rocchigiani and CKP.

After close analysis, federal District Judge Sidney Stein decided not to disqualify Gelfand. Thus

Gelfand (and his firm, Meister Seelig & Fein) will represent CKP in an arbitration proceeding in which Rocchigiani seeks to terminate CKP as his promoter, and in which CKP seeks a ruling that would bar Rocchigiani from agreeing to fight other boxers without CKP's involvement.

The dispute between Rocchigiani and CKP - including the question of whether Gelfand could represent CKP in that dispute - must have been a source of at least some amusement to the World Boxing Council (WBC), because Rocchigiani's representation by CKP and Gelfand was itself an outgrowth of an earlier dispute between Rocchigiani and the WBC over whether Rocchigiani is the WBC's Light Heavyweight Champion. Rocchigiani says that he is, as a result of his victory over former WBC Light Heavyweight Champion Michael Nunn in 1998. The WBC, on the other hand, took the position that Rocchigiani's 1998

victory merely made him the WBC "Interim" Light Heavyweight Champion.

The difference between "Interim" and full-fledged champion status apparently affected the size of the purse Rocchigiani would be entitled to receive for his next fight. Rocchigiani entered into an agreement with CKP because it agreed to front the costs of a lawsuit against the WBC seeking a court order that Rocchigiani was the full-fledged WBC Light Heavyweight Champion. CKP retained Gelfand to represent Rocchigiani and it in such a lawsuit, which is how Gelfand became Rocchigiani's lawyer in the first place.

The dispute between Rocchigiani and CKP arose while the case against the WBC was pending. That dispute resulted in Gelfand's filing a supplemental complaint on behalf of CKP against Rocchigiani in the WBC case. This is what prompted Rocchigiani's

motion to disqualify Gelfand (and his firm), on four separate legal grounds: improper "successive representation"; improper "concurrent representation"; failure to disclose and obtain consent for joint representation; and the appearance of impropriety.

Judge Stein acknowledged that Gelfand's actions were not "a model of professional conduct," and that a "caustic letter" Gelfand wrote to Rocchigiani's German lawyers came "close" to justifying his disqualification. In the end, however, the judge determined that there were no grounds requiring Gelfand's disqualification, in part because Gelfand's alleged conflicts were brought about by Rocchigiani himself.

Gelfand's representation of CKP against Rocchigiani was not improper "successive representation," the judge decided, because Gelfand had a continuous and unbroken relationship with CKP, which Rocchigiani (or at least his German lawyers)

knew about. Gelfand had not changed sides from Rocchigiani to CKP; instead, it was Rocchigiani, not Gelfand, who had changed his position.

Gelfand had written a "caustic letter" threatening litigation against Rocchigiani while Gelfand was still counsel of record for Rocchigiani in the case against the WBC; but no improper "concurrent representation" actually occurred, Judge Stein determined. This was so, the judge explained, because the letter had been mere "posturing," and Gelfand had not done any actual preparation for litigation against Rocchigiani until after the boxer had retained a new law firm to represent him in the WBC case, and that new firm had been formally substituted as the boxer's counsel.

The judge also decided that Gelfand had not violated the rule requiring lawyers to disclose potential conflicts and obtain consent to joint representation, because the conflict had not existed at the outset of the

case against the WBC, and had not in fact arisen until Rocchigiani had repudiated his agreement with CKP.

Finally, the judge ruled that the appearance of impropriety was not sufficient to warrant Gelfand's disqualification on that ground, because the underlying litigation against the WBC had not been tainted.

Rocchigiani v. World Boxing Council, 82 F.Supp.2d 182, 2000 U.S.Dist.LEXIS 755 (S.D.N.Y. 2000)[ELR 22:1:16]

Appellate court vacates arbitrator's decision denying Steve Garvey's claim for compensation from settlement fund for damages resulting from collusion by owners of Major League Baseball teams

Tom Roberts is an extremely experienced and highly respected arbitrator. His stature, however, was not enough to protect him from remarkably caustic criticism, as a result of a decision he reached in a case brought by former San Diego Padres player Steve Garvey.

Surprisingly, the criticism did not come from owners of Major League Baseball teams - folks against whom Roberts has ruled on several occasions, to their considerable expense. It came instead from two federal appellate court judges in an opinion that explains their decision to do a most unusual thing: they vacated Roberts' arbitration decision against Garvey, because

they disagreed with a factual conclusion Roberts reached after rejecting disputed evidence offered by Ballard Smith, the Padres' former CEO - testimony in which Smith confessed that he was a liar.

Apparently, in an effort to justify his unusual ruling, Judge Stephen Reinhardt called one of Roberts' factual findings "completely inexplicable," "border[ing] on the irrational," and "bizarre." In a concurring opinion that was somewhat more restrained, Judge Michael Hawkins characterized Roberts' finding as "a pitch so far outside the strike zone that it is unworthy of deference. . . . "

The finding that provoked this abuse was Roberts' conclusion that Garvey had failed to present credible evidence to corroborate his contention that he had received a contract extension offer from the Padres in 1985 which was thereafter withdrawn as a result of the Padres' collusion with other Major League Baseball

clubs. Smith's arbitration testimony supported Garvey's contention that Smith had made Garvey such an offer, and then withdrew it because the Padres had decided to collude with other clubs to hold down player salaries.

Roberts found Smith's testimony to be not credible, because years before - in another arbitration presided over by Roberts - Smith had testified under oath that he had not made Garvey a contract extension offer and the Padres had not colluded with other Major League Baseball clubs to depress player salaries. In order to explain his conflicting stories, Smith asserted - during the second arbitration - that he had not told the truth during the earlier arbitration hearing, and that he was offering evidence in the second arbitration to "right what I feel was a wrong I participated in against Steve."

Judges Reinhardt and Hawkins slammed Roberts' rejection of Smith's mea culpa in support of Garvey, because in the earlier arbitration, Roberts found that

Major League Baseball clubs, including the Padres, had colluded (ELR 9:5:19) - thus implicitly finding that Smith had lied during the first arbitration. As far as Judges Reinhardt and Hawkins were concerned, this meant that Smith had to be telling the truth during the second arbitration, and thus Roberts had improperly rejected Smith's second-arbitration testimony in order, in their opinion, to "dispense[] his own brand of industrial justice."

Judges Reinhardt and Hawkins do not explain how, exactly, Roberts' would be dispensing "justice" by rejecting Smith's testimony and ruling against Garvey. Garvey's loss would not have cost Smith, the Padres or Major League Baseball a penny. Indeed, a Garvey victory in the second arbitration wouldn't have cost them anything either.

Dedicated baseball fans (and longtime readers of these pages) may recall that in the late 1980s, the Major

League Baseball Players Association accused club owners of colluding to depress the salaries of free agent players, in violation of their collective bargaining agreement. In a series of arbitrations, some of which were heard and decided by Roberts, the Players Association proved its allegations and began to recover damages for specific players (ELR 9:5:19, 10:5:19, 10:8:9, 11:5:20, 12:3:19, 12:5:20).

Eventually, the club owners settled with the Players Association for $280 million (ELR 12:8:21, 12:12:21). That money was placed in a fund to compensate injured players, pursuant to a process administered by the Players Association. In a nutshell, players who believed they were injured by the owners' collusion were permitted to submit claims that were then evaluated by the Players Association. Players who objected to the Association's decisions could have their claims heard by an arbitrator.

Garvey sought $3 million in damages, claiming that he would have earned that much more than he actually did, if the Padres had not colluded against him. The Players Association rejected his claim, so Garvey took it to arbitration. To prevail, he had to prove he had received a contract-extension offer - something he had not mentioned in his original claim. That was the arbitration in which Smith testified he had made Garvey such an offer.

Thus, Roberts' decision to reject Smith's testimony didn't cost - or save - the owners anything. It simply meant that $3 million more was available to be distributed to other injured players.

Judge Ronald Whyte dissented from the decision of Judges Reinhardt and Hawkins to vacate Roberts' arbitration award. Though he said he "can understand why the majority believes the award is wrong and

should be vacated," he nevertheless believed "it has over-stepped our deferential review role in doing so."

Garvey v. Roberts, 203 F.3d 580, 2000 U.S.App.LEXIS 1743 (9th Cir. 2000)[ELR 22:1:17]

Previously Reported:

The Second Circuit Court of Appeals has remanded Fort Knox Music Inc. v. Baptiste (ELR 21:6:24) to the District Court for "supplementation of the record with respect to the basis for its ruling on the [personal] jurisdiction [over defendant Philip Baptiste] issue." District Judge John Sprizzo had ruled that songwriter Philip Baptiste is barred by the copyright statute of limitations from asserting that he is sole author of "Sea of Love," because Baptiste did not file

suit within three years of learning that George Khoury has been credited as co-author since song was first published. Despite ruling in their favor, Judge Sprizzo did not award attorneys' fees to Fort Knox Music or Trio Music Company, the current owners of the copyright to "Sea of Love." At the outset of the case, Baptiste sought its dismissal on the grounds that, as a resident of Louisiana, Judge Sprizzo, who sits in the Southern District of New York, did not have personal jurisdiction over him. Judge Sprizzo ruled that he did have personal jurisdiction over Baptiste. Both sides appealed, but the record on appeal did not reflect the basis for Judge Sprizzo's personal jurisdiction ruling. Therefore, in an opinion by Judge Amalya Kearse, the Court of Appeals decided that the personal jurisdiction issue had to be resolved before it could reach the merits of Baptiste's appeal or the music publishers' cross-appeal from the denial of their request for attorneys'

fees. That is why the appellate court remanded the case to Judge Sprizzo for supplementation of the record. Fort Knox Music Inc. v. Baptiste, 203 F.3d 193, 2000 U.S.App.LEXIS 1604 (2nd Cir. 2000)[ELR 22:1:18]

DEPARTMENTS

Book Review:
The Biz: The Basic Business, Legal and Financial Aspects of the Film Industry, by Schuyler M. Moore

Reviewed by Don Biederman*

If you buy only one book on the film business (actually, you should buy two, but we'll get to that later), it should be Schuyler M. Moore's The Biz: The

Basic Business, Legal and Financial Aspects of the Film Industry (Los Angeles: Silman-James Press 2000).

Moore set out to do for the film business what Don Passman did for the music/record industries in the indispensable Everything You Need To Know About The Music Business (New, Revised and Updated Edition) (New York: Simon & Schuster 1997), and he has delivered handsomely.

This is a very, very sharply written book, a sort of combination of Pilgrim's Progress and Ship of Fools, in which Moore provides a lucid (and often hilariously funny) overview of an insane business and a raft of do's and don'ts. He explains how films get financed, how films get made, and how films get distributed, and then he explains how the money is divided. It's not a pretty picture.

He also provides handy summaries of the laws concerning idea submissions, copyright, publicity, and

trademark, and includes chapters on Internet distribution and taxation. Finally, he provides sample forms. Unlike some other books, however, he makes frequent reference to the forms in his text, so it's easy to see what he's talking about.

This is an excellent book, especially for those without much experience in the area. However, even old pros should find it useful. The other book you should buy, if you haven't already: Movie Money: Understanding Hollywood's (Creative) Accounting Practices by Bill Daniels, David Leedy and Steven D. Sills (Los Angeles: Silman-James Press 1998). Once you've read The Biz and Movie Money, you are ready to "do lunch."

*Don Biederman is a Professor at Southwestern Law School, the Director of Southwestern's Entertainment and Media Law Center, and co-author of Law and

Business of the Entertainment Industries (Third Edition) (Westport, CT: Praeger Publishers 1996) [ELR 22:1:19]

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