IN THE NEWS

Entertainment industry wins significant victories in legal battles against MP3 file swapping and against software that circumvents DVD encryption: record companies and music publishers obtain preliminary injunction barring Napster from permitting others to use its service to exchange MP3 files without copyright owners' consent; movie studios get permanent injunction barring website from distributing DeCSS software or linking to other websites that do

The period from late July to mid-August was a glorious time for the entertainment industry. During that short span, the entertainment industry won two very significant legal battles in its ever-intensifying war with websites whose operations have encouraged millions of people to copy and distribute unauthorized digital versions of the industry's most valuable assets.

On July 26, 2000, a federal District Court in San Francisco granted a request by eighteen record companies and three music publishers for a preliminary injunction barring Napster from permitting others to use its online service to exchange MP3 files of copyrighted recordings without the consent of copyright owners.

Just three weeks later, in a separate case on the opposite coast, a federal District Court in New York City granted a request by eight movie studios for a permanent injunction barring the operators of the website 2600.com from distributing software that circumvents DVD encryption or linking to other websites that do.

Though the cases are unrelated to one another, they have many features in common. Both lawsuits were motivated by a real concern that music and movie fans are making and distributing unauthorized digital copies of the very products produced the companies that filed the cases. But neither case accuses its defendant of making or distributing unauthorized copies itself. The defendants in both cases have justified their own activities by arguing that they are authorized by the "safe harbor" provisions of the Digital Millennium Copyright Act. The defendants in both cases also have argued that those who use their websites are not themselves infringers, because their users' activities are permitted by the "fair use" doctrine.

On the other hand, despite these seemingly significant similarities, the two cases are based on quite different legal theories, and thus their outcomes complement - rather than overlap - one another. That is why, taken together, the two decisions represent such an important victory for the entertainment industry as a whole.

Napster case

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 artists' 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 and music publishers 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 lawsuit by seeking its outright dismissal, arguing that it is entitled to the protection of the safe harbor provisions of section 512. In an opinion issued in May 2000, Judge Marilyn Hall Patel held that Napster does not satisfy the "safe harbor" requirements, and thus, in her first ruling in this case, she denied a Napster motion for summary judgment (ELR 21:12:4).

The record companies and music publishers then went on the offensive, seeking the preliminary injunction that Judge Patel granted on July 26th. In her 45-page opinion, the judge explained that 70% of the MP3 files available to be downloaded by Napster users (at the time plaintiff's experts did their study) were of recordings whose copyrights are owned by the plaintiffs, and that barely more than 1% were of recordings for which Napster had obtained permissions. Moreover, the evidence showed that Napster's executives actually knew that users were exchanging copyrighted recordings without authorization; indeed one Napster document candidly stated that its users "are exchanging pirated music."

Though Napster acknowledged - in internal documents - that its users were changing "pirated" music, it took a different tack when defending the lawsuit. In opposition to the record companies' and music publishers' motion for a preliminary injunction, Napster argued that its users' exchange of MP3 files was a non-infringing "fair use." It was an argument that Judge Patel rejected.

Using the statutory four-factor test for fair use, the judge reasoned that a Napster "user sending a file cannot be said to engage in a personal use when distributing that file to an anonymous requester. . . . [C]opyrighted musical compositions and sound recordings are creative. . . . [D]ownloading or uploading MP3 music files involves copying the entirety of the copyrighted work . . . . [And] the effect on the potential market for the copyrighted work, also weighs against a finding of fair use."

Napster's effect on the market for legitimate CDs was a hotly contested issue. Judge Patel found that "Napster use is likely to reduce CD purchases by college students." She discounted an opinion to the contrary offered by Napster's expert witness, saying his report did "not provide credible evidence that music file-sharing on Napster stimulates more CD sales than it displaces." Moreover, the judge added, "Because plaintiffs entered the digital download market very recently, or plan to enter it in the next few months, they are especially vulnerable to direct competition from Napster."

Given that the activities of Napster users are not a fair use, Judge Patel had little difficulty concluding that Napster is liable for contributory and vicarious liability. She compared Napster to the swap meet operator who had been held liable for contributory and vicarious liability in the Fonovisa case (ELR 18:6:11), on account of sales of pirated recordings made by those who rented booths from the swap meet operator.

Just two days after Judge Patel issued her injunction, the Ninth Circuit Court of Appeals granted Napster's request for a stay. As a result, Napster will continue to operate as it has, at least until its appeal is heard in the fall and thereafter ruled upon.

DeCSS case

Movie DVDs 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. One of these was Eric Corley, and he did so in two ways: by posting DeCSS to his own website, 2600.com, and by posting links from his website to others that also had posted DeCSS. The studios' suit did not charge Corley with copyright infringement, nor even with contributory infringement. Instead, it alleged that he violated 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. Earlier in the case, Judge Lewis Kaplan found that it was likely that Corley had violated the anti-circumvention provision, and the judge issued a preliminary injunction requiring him to discontinue distributing DeCSS from his own site and from linking to other sites that also distributed it (ELR 22:1:14).

Though a judge's ruling on a request for a preliminary injunction is usually a good indication of how a case would come out if taken to trial, Corley did not capitulate. Instead, he required the movie studios to go to trial. They did, and they won.

Judge Kaplan found that CSS is a technological measure that controls access to copyrighted movies, and that DeCSS is designed to defeat CSS. Worse yet, the judge noted, once a DVD is de-encrypted using DeCSS, it can then be compressed - from a computer file that is 4.3 to 6 gigabytes in size to a file that is just 650 megabytes in size - using another rogue program called DivX. And once compressed, it can be recorded to an ordinary writeable CD-ROM, and transmitted over the Internet in as little as three to twenty minutes (between those who have fast Internet connections).

Corley argued that he should nevertheless not be prevented from distributing DeCSS, because doing so would prevent those who wish to gain access to technologically protected copyrighted works in order to make non-infringing fair uses of them from doing so. Corley argued that those who would make fair use of technologically protected copyrighted works need a means, such as DeCSS, of circumventing access control measures not for piracy, but to make lawful use of those works. Corley also argued that his activities are protected by the First Amendment, both because DeCSS code is itself protected speech, and because his website's links to other sites also is protected speech.

In an 89-page decision that is notable for its sound and methodical analysis as well as its literary polish, Judge Kaplan rejected both of Corley's arguments.

The judge acknowledged that "The use of technological means of controlling access to a copyrighted work may affect the ability to make fair uses of the work." However, he said, "Congress . . . clearly faced up to and dealt with this" when it enacted the anti-circumvention provision. Congress did so, the judge explained, by delaying for two years the effective date of the circumvention ban, pending the outcome of a Copyright Office investigation about how best to reconcile that ban with fair use concerns. The Copyright Office study is being conducted now. But as enacted, the anti-circumvention provision does not make exceptions for fair use circumventions.

Judge Kaplan also found that the circumvention ban not only prohibits Corley from distributing DeCSS himself, it also prohibits him from linking to other sites that distribute it. This is so, because the provision makes it unlawful to "offer," "provide" or "traffic in" anti-circumvention technology; and many of the linked-to sites automatically downloaded DeCSS, or did so after nothing more than a mouse-click. This was equivalent to Corley himself offering, providing or trafficking in DeCSS, the judge concluded.

Some of Corley's links were to sites that contain other material, in addition to DeCSS. Judge Kaplan ruled that if those sites had been linked to for their other content, mere linking might not have violated the anti-circumvention ban. In this case, however, Corley linked to such sites only because they offered DeCSS, not despite it, and only after Corley confirmed that they did offer DeCSS.

Judge Kaplan devoted much of his lengthy opinion to an analysis of Corley's First Amendment defense. The judge agreed that computer code and links are a form of speech. But that doesn't give them total immunity from government regulation, the judge said. He concluded that the provision "is a content neutral regulation in furtherance of important governmental interests that does not unduly restrict expressive activities."

He added that "it is important to emphasize that this is a very narrow holding. The restriction the Court here upholds . . . is limited (1) to programs that circumvent access controls to copyrighted works in digital form in circumstances in which (2) there is no other practical means of preventing infringement through use of the programs, and (3) the regulation is motivated by a desire to prevent performance of the function for which the programs exist rather than any message they might convey."

The judge also rejected Corley's First Amendment defense to the studio's request for an anti-linking injunction. Though the studios might be able to sue other U.S.-based websites that continue to distribute DeCSS, Judge Kaplan explained that "the real significance of an anti-linking injunction would not be with U.S. web sites subject to [U.S. law], but with foreign sites that arguably are not subject to it and not subject to suit here."

Nonetheless, he ruled that anti-linking injunctions may not be issued unless - as in this case - there is "clear and convincing evidence that those responsible for the link (a) know at the relevant time that the offending material is on the linked-to site, (b) know that it is circumvention technology that may not lawfully be offered, and (c) create or maintain the link for the purpose of disseminating that technology."

A & M Records, Inc. v. Napster, Inc., U.S.D.C., N.D.Cal., No. C 99-5183 MHP (July 26, 2000), available at http://www.cand.uscourts.gov; Universal City Studios, Inc. v. Reimerdes, U.S.D.C., S.D.N.Y., No. 00 Civ. 0277 (LAK) (August 17, 2000), available at http://www.nysd.uscourts.gov/courtweb and at http://www.mpaa.org/Press/default.HTM [ELR 22:3:4]

RECENT CASES

Copyright infringement suit alleging that Mariah Carey's "Hero" was copied from song entitled "Be Your Own Hero" is dismissed; court rules that plaintiff did not prove access or striking similarity, and finds that Carey proved independent creation

Mariah Carey's hit song "Hero" was written by someone, and so far, the evidence shows it was written by Carey and Walter Afanasieff. That, however, hasn't stopped at least two others from independently claiming to be its author - claims that have been made in separate copyright infringement lawsuits.

The first of these claims to reach the advance sheets was filed by a songwriter named Christopher Selletti. Federal District Denny Chin was not much impressed with Selletti's claim, calling it a "complete fabrication." Judge Chin came to this conclusion, in part, because Carey and Afanasieff had provided "extremely convincing" evidence that they had written "Hero" by themselves. Rather than dismiss Selletti's case on those grounds, however, Judge Chin dismissed it because Selletti failed to pay sanctions for violating discovery orders and for failing to post a bond. That ruling was reversed by the Court of Appeals, on the grounds that Judge Chin should have considered whether Selletti had the ability to pay sanctions before dismissing his case for failing to do so (ELR 21:4:19).

The second infringement case to reach the advance sheets is one filed by songwriter Rhonda Dee. She alleged that in 1990, she wrote a song entitled "Be Your Own Hero," a recording of which she mailed to Columbia Records before Carey's recording of "Hero" was released. According to Dee, her recording could have come to the attention of Columbia's president, Tommy Mattola, who could have given it to Carey and Afanasieff, who could have listened to and then copied it while writing "Hero."

Dee's case was assigned to Judge Richard Berman who has dismissed it, on the merits, in response to a defense motion for summary judgment, for three reasons.

First, he ruled that "It would be an unfair and legally impermissible 'stretch' to conclude . . . that by . . . mailing her song to Columbia, . . . Carey and Afanasieff had a reasonable opportunity to view or read

[Dee's] work and therefore had access. . . . Mailing cannot, on these facts, be equated with access."

Second, Carey and Afanasieff offered proof they had not received or listened to Dee's recording before Dee filed her lawsuit against them. Given their proof, the judge said, "mere allegations of corporate receipt, without more (even assuming corporate receipt had been established) do not create a prima facie case of access sufficient to defeat summary judgment."

This is as it should be, the judge explained. "Otherwise, authors, producers, writers, and their affiliated companies could, as here, be forced to defend against baseless accusations of misappropriating others' work which they never saw, heard or solicited."

Finally, Judge Berman rejected Dee's argument that evidence of "striking similarity" between her song and "Hero" was sufficient to overcome any weakness in her access evidence. He rejected it, because Dee had not provided evidence of "striking similarity." She had not, the judge explained, because her "own expert witness, Professor [John Andrew] Johnson, reviewed both songs and came to the conclusion that he did not 'possess sufficient evidence . . . to state without any doubt that "Hero" was based on "Be Your Own Hero."'"

In any event, even if Professor Johnson had testified otherwise, Carey and Afanasieff submitted "substantial evidence to show that 'Hero' was independently created," including "several working tapes which document the creative steps that Carey and Afanasieff took to produce 'Hero,' and a journal kept by Carey that shows the evolution of the lyrics for the song." This evidence would have rebutted whatever inference of copying "striking similarity" would have created, if "striking similarity" had been proved, Judge Berman ruled.

Dimmie v. Carey, 88 F.Supp.2d 142 (S.D.N.Y. 2000)[ELR 22:3:7]

Quilt designer wins copyright infringement suit against those involved in producing and merchandising movie "How to Make an American Quilt," but court awards only $14,053.35 in damages

After three and a half years of "vigorous" litigation, including a five-day trial, quilter Barbara Brown has won her copyright infringement suit against Universal City Studios, Amblin Entertainment, and others involved in producing and merchandising the movie "How to Make an American Quilt." Brown's victory, however, is more symbolic than rewarding, because federal District Judge Benson Legg has awarded her only $14,052.35 in damages. Moreover, the judge has specifically denied Brown's request for attorneys' fees.

Brown designed one of the quilts used in the movie, the one entitled "The Life Before." She did so at the request of Patricia McCormick, another quilter who had been hired by Universal as the movie's technical consultant. In her written agreement, Brown authorized Universal to make two copies of her quilt and to use them in the movie - permission that "extended to the use of 'The Life Before' for promotional and marketing purposes." However, Brown retained the quilt's copyright for herself. In return, Brown was paid $50 for each of the 15 blocks in her quilt, for a total of $750.

One part of Brown's case revolved around her complaint that her quilt was used without authorization by McCormick in displays of her own at quilting exhibitions and on cable television programs. Another part of Brown's case was based on the merchandising use of her quilt - in ways unrelated to the promotion and marketing of the movie - in a book and in a licensed artwork. Finally, Brown complained that part of her quilt - one block out of the 15 blocks that made up "The Life Before" - had been copied by McCormick for use in a second quilt entitled "Where Love Resides," a quilt that also appeared in the movie and a tie-in book and on t-shirts and tote bags.

Earlier in the case, in response to a motion for summary judgment, Judge Legg rejected several copyright-related defenses (ELR 20:11:9). Thus, when the case went to trial, it appears to have focused on three things: whether Brown's contract authorized the use of her design in the creation of the "Where Love Resides" quilt; if not, whether the block in "Where Love Resides" that was copied from a block in Brown's quilt was substantially similar to that block; and damages.

Judge Legg ruled that Brown's contract authorized Universal to make two copies of "The Life Before" - not one copy of that quilt and a second different quilt. Testimony showed that Brown had been told that two copies of her quilt would be needed, because in one scene, it would appear to be 80 years old and in another it would appear to be 120 to 140 years old. One of those scenes was deleted from the movie, however, so in fact, only one copy of her quilt was used. But that did not authorize the use of a block from that quilt as a block in a different quilt, the judge held.

Judge Legg also held that the block copied into the second quilt was substantially similar to the block Brown had created, despite some minor differences.

On the question of damages, Judge Legg awarded Brown $50 against McCormick for McCormick's copying a block from Brown's quilt "which is the amount she would have received for creating an additional pattern." The judge awarded Brown an additional $1 in "nominal damages" against McCormick on account of McCormick's display of Brown's quilt at exhibitions, and an additional $7,000 in statutory damages on account of McCormick's display of Brown's quilt on cable television.

Judge Legg awarded Brown $7,000 in statutory damages for the use of her quilt in a tie-in book. This award was entered against those involved in merchandising the movie and against the book's publisher.

Both of the judge's statutory damage awards were at the rate of $500 per block for 14 blocks of Brown's quilt. (For some reason, one block was not eligible for statutory damages.) The judge declined to award greater statutory damages because he found that "the defendants were careless in their use of Brown's designs, but not willful."

Finally, the judge awarded Brown $2.35 against Amblin for the use of McCormick's infringing quilt in the movie. The movie itself lost money. But Amblin earned a $2 million production fee. According to its expert witness, Brown's block in that quilt contributed .0001176% of the total value of the movie; and that percentage of $2 million amounts to $2.35.

Judge Legg ruled that Brown's copyright was not infringed by the depiction of her quilt in the licensed artwork, because the quilt was just a "de minimus" part of the artwork - only one square inch in size - and thus was recognizable "only upon close examination."

Brown v. McCormick, 87 F.Supp.2d 467, 2000 U.S.Dist.LEXIS 2628 (D.Md. 2000)[ELR 22:3:7]

Dismissal of copyright infringement suit against Prince by designer of guitar shaped like Prince's symbol is affirmed; designer's copyright is invalid because guitar is unauthorized derivative work based on Prince's symbol

Prince has triumphed again, in a long-running copyright infringement case with a guitar designer (and one-time Prince fan) named Ferdinand Pickett. A federal Court of Appeals has affirmed the dismissal of Pickett's action against Prince, and has reversed the dismissal of Prince's counterclaim against Pickett.

At first blush, Pickett's infringement claim against Prince seems strange. Prince once used a symbol to identify himself - a symbol in which he claimed (and eventually registered) a copyright. Pickett designed a guitar shaped like that symbol and did so without Prince's authorization. Pickett says he showed the guitar to Prince, hoping that Prince would buy and then use it in concert. Instead, however, Prince made his own symbol-shaped guitar and used that one in concert.

Pickett acknowledged that his guitar was a derivative work based on Prince's symbol, which is why Pickett's claim seems strange. Pickett justified his claim by arguing that he was entitled to copyright protection for features in his guitar that do not appear in Prince's symbol. But the argument didn't work. Federal District Judge Rebecca Pallmeyer dismissed Pickett's claim on the grounds that his entire guitar was an unauthorized derivative work, and thus Pickett could not claim copyright protection for any part of it (ELR 21:7:6).

Pickett appealed, but not successfully. In an opinion by Judge Richard Posner, the appellate court reasoned that the Copyright Act gives Prince the "exclusive" right to make derivative works based on his symbol, and thus "Pickett could not make a derivative work based on the Prince symbol without Prince's authorization even if Pickett's guitar had a smidgen of originality." According to Judge Posner, "This is a sensible result. A derivative work is, by definition, bound to be very similar to the original. . . . Whether Prince's guitar is a copy of his copyrighted symbol or a copy of Pickett's guitar is . . . not a question that the methods of litigation can readily answer with confidence."

Because Pickett's guitar was unauthorized, Prince also asserted an infringement counterclaim against

Pickett. But Prince didn't get around to doing so until more than three years and two days after the statute of limitations on his counterclaim began running. Since the statute of limitations for copyright infringement claims is three years, it appeared at first as though Prince's counterclaim was two days too late; and it was dismissed for that reason.

Later, however, it was discovered that the three-year period expired on a Saturday, so the counterclaim was in fact timely because it was filed on the following Monday. Judge Posner quipped, "[T]he adage that a miss is as good as a mile applies in reverse here: a suit is timely whether filed the day after the claim accrues or the very last day before the suit would be time-barred." For this reason, Prince's counterclaim against Pickett has been remanded for further proceedings.

Pickett v. Prince, 207 F.3d 402, 2000 U.S.App.LEXIS 3768 (7th Cir. 2000)[ELR 22:3:8]

Lawsuit by successor of New Orleans rhythm-and-blues musician Henry Roeland Byrd to recover possession of master tapes from Bearsville Records was time-barred, appellate court rules in decision affirming suit's dismissal

Bearsville Records will be able to retain possession of master tapes recorded in the early 1970s by Henry Roeland Byrd - a New Orleans rhythm-and-blues musician known to his fans as "Professor Longhair" - though rulings by four federal courts in two different states were necessary to reach that result.

The tapes were made by Byrd, who was then a Louisiana resident, in a Baton Rouge recording studio.

They were then sent to Bearsville's president, Albert Grossman, who was then a resident of New York, apparently in the hope that Bearsville might want to press and release them.

Bearsville, however, did nothing with the tapes, until after Grossman died. According to the complaint filed years later by Byrd's successor - a company called Songbyrd, Inc. - Grossman's widow found Byrd's tapes clutched to her deceased husband's body when she claimed his corpse at Heathrow Airport following his sudden death in 1985.

Ten years before Grossman's death, Byrd asked Grossman to return the tapes. But Grossman never replied, and Byrd did no follow-up. After Grossman's death, however, Bearsville licensed Rounder Records and Rhino Records to release albums of Byrd's recordings. One of those albums even won Byrd a posthumous Grammy Award for Best Traditional Blues Album of 1987.

Years after that, Songbyrd, Inc., sued Bearsville in Louisiana to recover possession of the tapes. After litigation in two federal courts in that state (ELR 19:7:11), it was decided that Louisiana did not have personal jurisdiction over Bearsville; so the case was transferred to New York.

The transfer involved more than a matter of convenience, because the statute of limitations is arguably longer in Louisiana than it is in New York. And sure enough, when the District Court in New York was asked to dismiss Songbyrd's case on the grounds that the New York period of limitations barred the case, the court did just that (ELR 20:11:13).

Now, the Court of Appeals has affirmed that ruling. In a decision by Judge Jon Newman, the appellate court concluded that Louisiana courts did not have personal jurisdiction over Bearsville, because Grossman had never been there and had never done anything there that resulted in his obtaining possession of the tapes in New York.

Judge Newman also affirmed that Songbyrd's claim for possession of the tapes was time-barred by New York's three-year statute of limitations. Bearsville argued, and the judge agreed, that the period of limitations began to run in 1986 when Bearsville first licensed another company to make records of the tapes. Thus, by the time Songbyrd filed suit in 1995, nine years had already passed.

Songbyrd urged the appellate court to rule that the limitations period didn't begin until Songbyrd demanded that Bearsville return the tapes - something that didn't occur until shortly before the lawsuit was filed. There is in fact authority for that principle (ELR 13:1:11, 13:5:16). In this case, however, Byrd had always known that Bearsville had possession of his tapes and had not returned them when asked to do so back in 1975. Moreover, Judge Newman said, it "was clearly unreasonable" for Byrd's successors to delay making another demand, after the 1987 Grammy Award made Bearsville's licensing of the tapes "well known in the music world."

Songbyrd, Inc. v. Estate of Grossman, 206 F.3d 172, 2000 U.S.App.LEXIS 3779 (2nd Cir. 2000)[ELR 22:3:9]

Federal District Court affirms Special Master's decision that Arizona Cardinals did not violate NFL Collective Bargaining Agreement's ban on "undisclosed assurances" when it signed "franchise player" Rob Moore to a one-year contract two weeks before it gave him a four-year contract

In many ways, the NFL Collective Bargaining Agreement has become as complicated as federal tax law. A recent case involving the Arizona Cardinals and its wide receiver Rob Moore illustrates one. At issue in that case is the "designated franchise player" provision of the Collective Bargaining Agreement.

In an effort to reduce the impact of free agency on NFL teams, the Collective Bargaining Agreement permits each team to designate one player a "franchise player" (if it pays him a sufficient salary). The designated player is then barred from becoming a free agent; and for the duration of his contract, the team may not designate another "franchise player."

However, if the team and its franchise player sign a one-year contract, and then extend the term of that contract (on or after July 15th), that player's designation as the team's "franchise player" lasts only one year. The team may then designate another player as its "franchise player" for the following year, even though the first player is still under contract, as a result of the extension - unless the Collective Bargaining Agreement was violated in connection with that extension. (Got that?)

The Collective Bargaining Agreement prohibits teams from giving players "undisclosed assurances" (meaning, undisclosed in the contract itself) in order to circumvent the limitations on the "franchise player" provision of the Agreement. Thus, if a team persuades a "franchise player" to sign a one-year contract by giving him "undisclosed assurances" that it will then sign him to a multi-year contract - in order to limit that player's "franchise player" designation to just one year (rather than the full term of his muli-year contract) - that would violate the Collective Bargaining Agreement. In that case, the team would not be able to designate another "franchise player" until the first player's muli-year contract expired.

According to the National Football League Players Association, the Cardinals did just this, when it designated Moore as its franchise player on February 11, 1999, negotiated the terms of a multi-year contract with him until early September of that year, then signed him to a one-year contract on September 9th, and finally signed him to a four-year contract less than two weeks later on September 22nd.

In a Special Masters Proceeding initiated by the Players Association, it argued that the Cardinals gave

Moore undisclosed assurances that it would give him the multi-year contract he had been seeking, if only he would sign a one-year contract first. If this were so, the Cardinals would be unable to designate another "franchise player" until Moore's four-year contract expired.

The Cardinals, on the other hand, argued that they had simply assured Moore they would be willing to continue to discuss a multi-year contract with him, even if he signed a one-year contract on September 9th (by which time, the 1999 season had already begun). If this were so, then the Cardinals could designate another "franchise player" for the 2000 season, even though Moore would still be under contract for three more years.

The question of who was right was litigated before a Special Master. During that hearing, a lawyer for the NFL Players Association asked a "skillful series of leading questions" that got the Cardinal's negotiator, Rob Graves, to admit that on the day Moore signed his one-year contract, Graves had "assured" Moore's agent, Gary Wichard, of Moore's "intent to do a long-term deal." On the other hand, in response to questions from the Special Master, Graves explained that he meant that he and the Cardinals' owner Bill Bidwell merely assured Moore that "they would continue to negotiate in good faith to reach an agreement." (An assurance merely to negotiate in good faith does not violate the Collective Bargaining Agreement. Even the Players Association agreed to that.)

The Special Master concluded from the testimony that all the Cardinals had offered Moore was a permitted assurance it would continue to negotiate in good faith - not a prohibited assurance that it would give him a multi-year contract. The Special Master therefore ruled in favor of the Cardinals (who promptly designated defensive end Simeon Rice as the team's "franchise player" for the 2000 season).

The Players Association appealed to federal District Judge David Doty. The judge acknowledged that "Without question, the NFLPA has presented a strong circumstantial case that a violation . . . occurred here." Nonetheless, Judge Doty noted that the credibility of the witnesses was an important factor in deciding the case, and the Special Master - not he - had actually seen and heard those witnesses. As a result, the judge said that he had "no basis for concluding that the special master's ruling was clearly erroneous." And for that reason, Judge Doty affirmed it.

White v. National Football League, 88 F.Supp.2d 993, 2000 U.S.Dist.LEXIS 4396 (D.Minn. 2000)[ELR 22:3:10]

NFL Players Association wins dismissal of all but one claim alleged by player agent William Black in response to 3-year revocation of his "contract advisor certification"

Player agent William Black has lost most of his lawsuit against the National Football League Players Association - a lawsuit that was triggered by the NFLPA's revocation of his "contract advisor certification."

Moreover, the part of the case that remains appears to be hanging by a thread, because federal District Judge James Robertson has already observed that it is "questionable whether Mr. Black's [remaining] claim can succeed." The only the reason this claim does remain is that Black requested an opportunity to conduct discovery before responding to the NFLPA's motion to dismiss it; and Judge Robertson has granted that request.

The NFLPA - like the labor organizations that represent players in other league sports - has long had a player agent certification plan (ELR 8:2:3). NFLPA members must be represented by certified "contract advisors"; it is not possible for uncertified agents to represent NFL players in contract negotiations.

Black has been an NFLPA certified contract advisor since 1995, so for several years at least, the certification requirement was not itself a sore point between the two. In 1999, however, the NFLPA commenced a disciplinary proceeding against Black. The disciplinary complaint alleged that he had done such prohibited things as make cash payments to college football players before their NCAA eligibility expired; had offered to bribe an LSU coach to encourage an LSU player to hire Black as his agent;

and had operated a bill-paying service for his clients, even though Black had indicated, on his contract advisor application, that he did not handle funds for NFL players "in any . . . manner."

In due course, the NFLPA disciplinary proceeding resulted in Black's certification being revoked for three years. According to NFLPA regulations - regulations to which Black had agreed when he applied for certification - Black could have challenged the revocation of his certification before an arbitrator designated by the NFLPA. Instead, Black filed suit against the NFLPA, asserting claims for racial discrimination, tortious interference with business relations, violation of the Federal Arbitration Act, and defamation and trade disparagement.

In response to an NFLPA motion for summary judgment, Judge Robertson has dismissed all but the racial discrimination claim.

The judge has held that the tortious interference claim is preempted by the Labor Management Relations Act, because that claim would require an interpretation of the NFLPA contract advisor regulations, which are part of a labor contract.

Black's Federal Arbitration Act claim complained that the arbitrator for his appeal would not be neutral, because he was designated by the NFLPA. That Act, however, makes arbitration agreements binding. And, Judge Robertson observed, Black had agreed to be bound by NFLPA regulations that permit it to designate arbitrators.

Black's defamation and trade disparagement claims failed, because the only offending statement identified by Black was one in which the president of the NFLPA responded "no comment" when asked by Street & Smith's Sports Business Journal for a statement about the "Black investigation." Judge

Robertson ruled that "No reasonable juror could determine that 'no comment' is defamatory."

The remaining claim for racial discrimination is based on Black's allegation that three other white agents were treated "more favorably than he" in NFLPA disciplinary proceedings. To win that claim, the judge explained that Black will have to show that the others "were similarly situated to him in all material respects." Black has been given an opportunity to conduct discovery to show that, if he can, even though the judge noted that the charges against one of the other agents "appear to be quite different from those against Mr. Black."

Black v. National Football League Players Association, 87 F.Supp.2d 1, 2000 U.S.Dist.LEXIS 2729 (D.D.C. 2000)[ELR 22:3:11]

Judgment against William Morris Agency is reversed by Tennessee appellate court in interference with contract lawsuit brought by Buddy Lee Attractions when booking agent Joe Harris continued to represent Trisha Yearwood after leaving Buddy Lee and joining William Morris

The William Morris Agency has won the reversal of a $750,000 judgment entered against it by a Tennessee trial court in an interference with contract case filed against it by a competing agency named Buddy Lee Attractions.

The Nashville office of William Morris hired booking agent Joe Harris in 1993. Harris was already experienced and successful at the time. He had represented Trisha Yearwood, Garth Brooks and Mark Chestnut while working for Buddy Lee. When Harris joined William Morris, Yearwood terminated her relationship with Buddy Lee and became a William Morris client.

It's not unusual for agents and clients to change agencies. But Buddy Lee felt it could win its suit against William Morris for this reason. Back in 1987, Harris signed an employment agreement with Buddy Lee that contained a non-compete clause. It provided that if Harris left Buddy Lee, Harris would not represent any of Buddy Lee's clients for two years. Yearwood signed with William Morris just two days after Harris went to work there.

The trial judge decided that the non-compete clause in Harris' 1987 agreement was valid and enforceable, and the judge so instructed the jury. That may have been why the jury ruled in Buddy Lee's favor and returned a $250,000 verdict against William Morris - a verdict that the trial judge trebled pursuant to a

Tennessee statute designed to discourage contract tampering.

Harris passed away before the trial took place. But while he was alive, neither he nor the William Morris Agency was so foolish as to simply ignore the non-compete clause in Harris' 1987 agreement. Rather, they concluded that the 1987 agreement no longer applied, because in 1991, Harris negotiated a new contract with Buddy Lee - one that did not contain a non-compete clause.

According to an affidavit Harris signed before he died, the 1991 agreement was prompted by Garth Brooks' desire to have Harris represent him, by Brooks' willingness to pay Harris more than Buddy Lee was, and by Brooks' wish that Harris be his agent even if Brooks left Buddy Lee Attractions. Unfortunately, although Harris signed the 1991 agreement, it turned out that Buddy Lee never did. However, from 1991 until Harris left Buddy Lee to go to William Morris in 1993, Harris was compensated and otherwise treated by Buddy Lee in accordance with the terms of the 1991 agreement.

It is a principle of Tennessee law that "When a contract between two parties which is contemplated to be signed by both is reduced to writing and signed only by one of them, but accepted by the other, it becomes in contemplation of the law, a written binding contract on both."

For this reason, in an opinion by Judge William Cain, the Tennessee Court of Appeal held that the trial court should not have ruled that the 1987 agreement was applicable, as a matter of law. Instead, Judge Cain held, the jury should have been asked to decide whether evidence of how Buddy Lee treated Harris after 1991 showed that Buddy Lee had accepted the terms of the

1991 contract - the one without a non-compete clause. The case has therefore been remanded for a new trial.

Buddy Lee Attractions, Inc. v. William Morris Agency, Inc., 13 S.W.3d 343, 1999 Tenn.App.LEXIS 638 (Tenn.App. 1999), permission to appeal denied (Tenn. Sup. Ct. 2000)[ELR 22:3:11]

New York State Crime Victims Board did not have authority to sue for payments that may have been made to Salvatore Gravano in connection with book "Underboss," because New York Son of Sam Law only gives Board authority to act on behalf of victims who have sought financial assistance or filed their own lawsuits, and no victim has done so in Gravano's case, appellate court holds

The New York State Crime Victims Board has aggressively sought to do what it sees as its duty, in the case of former La Cosa Nostra member Salvatore Gravano, known to many as "Sammy the Bull." The Board, however, has been rewarded with nothing but two judicial rulings that severely curtail its authority, in this and future cases.

The Board has taken an interest in Sammy the Bull because in 1997, HarperCollins published Peter

Maas' book Underboss, to which Twentieth Century Fox has acquired the movie rights. Underboss tells Gravano's story, and the Board suspects that Gravano has been paid by HarperCollins and Fox for his cooperation.

If Gravano was paid, this might have been legally significant, because New York has a "Son of Sam Law" that "is designed to assist crime victims . . . recover . . . from criminals who caused them harm." This case is not the first in which the Board has sought to enforce New York's Son of Sam Law (ELR 13:3:7, 11:12:11). But in 1991, the United States Supreme Court declared the original version of the law to be an unconstitutional infringement of First Amendment free speech rights (ELR 13:8:3), so New York enacted a new and narrower version in 1992 (ELR 14:11:18).

When all of those involved with Underboss responded to a Board inquiry by saying that their activities did not fall under the revised Son of Sam Law, the Board sued them. The Board lost the first round. New York Supreme Court Justice Leland DeGrasse dismissed the case, on the grounds that the revised law applies only to New York state law crimes, while Gravano was convicted on federal charges (ELR 20:6:15).

The Board appealed but has lost the second round too. Writing for the Appellate Division, Justice Israel Rubin has affirmed the dismissal of the Board's case, for a different reason.

The revised Son of Sam Law does not give the Board power to file lawsuits of its own against criminals or those who pay them for their stories, in all cases. Instead, the Board is given authority to file lawsuits of its own in just two situations: if it has provided financial assistance to an actual victim (or has been asked to do so); or to seek provisional remedies on behalf of victims if and when actual victims file lawsuits of their own (or are about to) and provide the Board with copies of their summons and complaints.

"Conspicuously absent" from this case, Justice Rubin noted, was any lawsuit by "a crime victim for whom the Board purports to act or any suggestion that the Board is pursuing subrogation rights to recover compensation paid to such a crime victim. . . ."
Justice Rubin therefore concluded that the Board did not have any authority to file this lawsuit at all, and he affirmed its dismissal on those grounds.

New York State Crime Victims Board v. T.J.M. Productions, Inc., 705 N.Y.S.2d 320, 2000 N.Y.App.Div.LEXIS 2582 (App.Div. 2000)[ELR 22:3:12]

Independent bookseller's Robinson-Patman Act complaint alleges valid claims against Barnes & Noble, Borders and Waldenbooks, federal District Court rules

The battle for survival now being fought by independent booksellers against their big-chain competitors Barnes & Noble, Borders and Waldenbooks, will take place in a federal courtroom in New York City, unless something dramatic happens before trial.

The lead warrior on behalf of the independents is The Intimate Bookshop, Inc., an owner of thirteen stores located in North Carolina, Georgia and Washington, D.C. According to Intimate, its annual sales have plunged from $11,500,000 to $500,000 in just three years, from 1995 to 1998. The reason, again according to Intimate, is that its business, and those of other independent booksellers, has been siphoned away by the "unnecessary expansion" of Barnes & Noble et al.

Competition of course is the lifeblood American business, and Independent does not attack competition as a concept. Rather, Intimate complains about the methods the big chains have used to compete with their smaller brethren.

Intimate alleges that while book publishers give it and other independents only a 41% to 46% discount (from suggested retail price), publishers give Barnes & Noble, Borders and Waldenbooks a whopping 60% to 65% discount. Moreover, Intimate alleges, publishers also give the big chains "secret" rebates and deductions in the form of volume discounts in excess of published schedules, drop shipping, advertising allowances, promotional payments and brokerage fees.

Intimate has made all these allegations in a complaint asserting that these practices violate the Robinson-Patman Act. Barnes & Noble et al. disagree, and are defending themselves aggressively. The chains responded to Intimate's complaint with a motion to dismiss for failure to state a claim. In ruling on that motion, Judge William Pauley has granted each side a partial victory.

The big chains sought dismissal of Intimate's complaints concerning promotional payments and advertising allowances, because those were alleged under sections 2(a) and (f) of the Robinson-Patman Act - sections that on their face prohibit retailers from receiving "a discrimination in price" from suppliers. Discriminatory promotional payments and advertising allowances are prohibited by the Robinson-Patman Act, but they are prohibited under different sections, namely, 2(d) and (e), not 2(a) and (f). The reason that the chains made a motion to dismiss out of the difference between Intimate's reliance on 2(a) and (f) rather than 2(d) and (e) is that 2(d) and (e) do not create a private cause of action or buyer liability, the way 2(a) and (f) do.

Judge Pauley was not persuaded however. Earlier cases, as well as Federal Trade Commission Guides and Rules, have interpreted sections 2(a) and (f) to prohibit indirect (as well as direct) price discrimination; and they have construed discriminatory promotional payments and advertising allowances to be indirect price discrimination. Thus, the judge denied the chains' motion to dismiss Intimate's promotional payment and advertising allowance claims.

On the other hand, Judge Pauley has dismissed Intimate's claims alleging that the chains received "brokerage fees" from publishers. Section 2(c) of the Robinson-Patman Act does make it illegal to pay or receive brokerage commissions unless actual services are rendered in return. But Intimate merely alleged that brokerage fees were one of more than a dozen different ways the chains received secret discounts; it did not allege "a single specific fact regarding a brokerage arrangement."

Thus, Judge Pauley ruled that to the extent Intimate intended to allege actual illegal brokerage commissions, that claim was dismissed without prejudice, so Intimate could allege specific facts supporting the claim. However, to the extent Intimate intended to allege that secret brokerage commissions were a form of discriminatory price discounts, the judge dismissed its section 2(c) claim with prejudice, because section 2(c) does not apply outside of the brokerage context.

Intimate Bookshop, Inc. v. Barnes & Noble, Inc., 88 F.Supp.2d 133 (S.D.N.Y. 2000)[ELR 22:3:13]

First Amendment protects "Beardstown Ladies" publisher from liability for erroneous rate-of-return statements on cover of investment advice book, New York court rules

Hyperion has been sued on both coasts - once in California and again in New York - in separate class actions on behalf of all buyers of The Beardstown Ladies Common-Sense Investment Guide. The plaintiffs don't complain about the advice the books gives. Instead, they complain that the hardcover version of that best-selling book reported that its authors' investment club had enjoyed a "23.4% annual return" - an assertion that was repeated on the book's cover, along with other performance claims printed on its flyleaf.

It turned out that the authors had miscalculated their actual returns. Instead of 23.4%, their actual return was only 9.1%. That's not bad, but they didn't outperform the S&P 500, as the flyleaf of their book claimed.

As a result of these erroneous statements, Cheryl Lacoff and others sued Hyperion, the book's publisher, in New York state court, alleging claims for that state's deceptive practices, false advertising, fraud and unjust enrichment laws. Lacoff and her co-plaintiffs sought the repayment of the purchase price of the book, punitive damages, costs and (perhaps most telling) attorneys' fees. They will not, however, get any of that, as the case now stands.

Judge Herman Cahn has granted Hyperion's motion to dismiss the case. He did so on the grounds that the erroneous statements are not purely commercial speech. They are instead protected by the First Amendment. And Hyperion did not have a duty to investigate whether the statements were accurate before publishing them on the book's cover and flyleaf.

Judge Cahn explained that although the erroneous statements "have a commercial element - to entice readers to buy the Book, they also have artistic or content-related expression, which is entitled to full First Amendment protection." Moreover, the 23.4% rate-of-return statement came from within the book itself, something which clearly was not commercial speech. And Judge Cahn ruled, the statement "cannot be transformed into purely commercial speech simply because of its change in location." Finally, he said, "advertising that promotes noncommercial speech, such as a book, is accorded the same constitutional protection as the speech it advertises."

Judge Cahn acknowledged that his ruling is at odds with an earlier ruling in the California case against Hyperion. That case too was dismissed by a trial court. But a California Court of Appeal reversed the dismissal, ruling that the statements on the book's cover and flyleaf are commercial speech and as such are not protected by the First Amendment because they are erroneous (ELR 21:9:13).

Judge Cahn could not distinguish the California ruling; it involved the very same statements. Instead, he simply said that he found "otherwise" and that he "differs" with the approach taken by the California court.

Lacoff v. Buena Vista Publishing, Inc., 705 N.Y.S.2d 183, 2000 N.Y.Misc.LEXIS 25 (2000)[ELR 22:3:14]

To win defamation suit against Daily News and columnist Linda Stasi, former husband of singer Melba Moore must prove they were "grossly irresponsible" in publishing alleged falsehoods about Moore's plight, New York Court of Appeals holds

The Daily News and gossip columnist Linda Stasi have become ensnared in the aftermath of the acrimonious divorce of singer Melba Moore from personal manager Charles Huggins. As a result of three columns Stasi wrote about their divorce, Huggins sued Stasi and the newspaper for defamation. The case was dismissed early on by a New York trial judge, in response to a defense motion for summary judgment. But the Appellate Division then reversed, ruling that Huggins only had to prove that the columns contained false statements as a result of negligence - not malice -

because he was not a public figure and divorces are not a matter of public concern (ELR 21:5:20).

The case has taken another turn, however, this time in favor of Stasi and the Daily News. It has, because the New York Court of Appeals has held that in order to win, Huggins will have to prove that Stasi and the newspaper were "grossly irresponsible" - not merely negligent - in publishing the falsehoods about which he complains.

Writing for the Court of Appeals, Judge Howard Levine reasoned that although the "core" of the dispute between Huggins and Moore was their divorce, that did not conclusively establish that articles about their divorce were not of public concern. Judge Levine explained that Stasi's offending columns "also portrayed Moore's alleged victimization by her financial as well as marital partner to the point of economic and career ruination. It is this episode of human interest that reflected a matter of genuine social concern."

Judge Levine said that his court would "not second-guess Stasi's editorial determination that Moore's 'personal saga' was reasonably related to this matter of social concern to the community." Though writers and publishers could abuse their editorial discretion in making such determinations, in this case "the allegedly defamatory text . . . was not so remote from the matter of public concern as to constitute an abuse of editorial discretion," the judge concluded.

The case was therefore remitted to the trial court for further proceedings.

Huggins v. Moore, 704 N.Y.S.2d 904, 726 N.E.2d 456, 94 N.Y.2d 296, 1999 N.Y.LEXIS 3930 (N.Y. 1999)[ELR 22:3:14]

Pepsi TV commercial was not an offer to deliver a Harrier fighter jet in return for 7,000,000 Pepsi Points, federal District Court rules in dismissing contract and fraud action filed by "young, adventurous member of Pepsi Generation"

Harrier fighter jets are designed to "attack and destroy surface targets" using 9200 pounds of bombs and missiles. They were used by the United States Marines in Operation Desert Storm and are not the sort of thing most people would expect to be given in return for buying soft drinks.

John D. R. Leonard is not most people however. A self-described "young" and "adventurous" "member of the Pepsi Generation," Leonard thought PepsiCo had in fact offered him - and millions of others - a Harrier jet, in return for 7,000,000 "Pepsi Points." Leonard thought so, because a Pepsi television commercial -

promoting a then-new "Pepsi Stuff" catalog - advised viewers they could get a T-Shirt for 75 Pepsi Points, sun glasses for 175 points, a leather jacket for 1450 points, and a "Harrier Fighter" for "7,000,000 Pepsi Points."

Pepsi Points came with Pepsis, but to amass 7 million of them, one would have to drink (or at least buy) 190 Pepsis a day for a hundred years. Pepsi also offered to sell Pepsi Points for 10 cents each, and that is what Leonard tried to do. He (actually, his lawyer) sent Pepsi a check for $700,000 along with an order form requesting a Harrier.

Harriers cost $23 million apiece, so Pepsi wasn't willing to call Leonard's bluff by trying to cash his lawyer's check. Instead, it sent Leonard a couple of nice letters explaining that a Harrier was included in the television commercial "to create a humorous and entertaining ad" and as "a joke." It also sent him some free product coupons, but Leonard wasn't satisfied with those. Instead, he filed a clever but unsuccessful breach of contract and fraud suit against PepsiCo.

In a scholarly opinion (that should eventually find its way into law school casebooks), federal District Judge Kimba Wood has dismissed Leonard's lawsuit, for three reasons. First, she concluded that the television commercial was "merely an advertisement, not a unilateral offer," so Leonard's purported acceptance did not create a contract. Second, she found that the "tongue-in-cheek attitude" of the commercial would not have led a "reasonable person" to think that PepsiCo would be giving away fighter jets as part of a soft drink promotion. And third, she found that there was no writing between PepsiCo and Leonard as required by New York's Statute of Frauds in order for agreements for the sale of $500 or more of merchandise to be binding.

Leonard v. PepsiCo, Inc., 88 F.Supp.2d 116, 1999 U.S.Dist.LEXIS 11987 (S.D.N.Y. 1999)[ELR 22:3:15]

Producer of "Great Minds of Science" and similarly titled series shown on public television and the History Channel, and sold as audio and videotapes, infringed competitor's trademark in title "Great Minds of the Western Intellectual Tradition"

Great minds, it is said, often think alike. And this was certainly true in the early and mid-1990s when The Teaching Company and Unapix Entertainment thought of titles for their respective audio and videotape series. Unfortunately for Unapix, the similarity between the two companies' titles has resulted in a trademark infringement judgment against it, and in favor of The

Teaching Company, for $837,416.89 plus attorneys' fees.

Both companies' titles begin with and feature the words "Great Minds." The Teaching Company began using those words in 1992 for its audio and videotapes of leading college professors lecturing about renowned philosophers - a series that the company titled "Great Minds of the Western Intellectual Tradition."

Unapix's predecessor began using those words in 1995 for a documentary titled "Discovering the Great Minds of Science" - a title that Unapix changed in 1997 to "Great Minds of Science." Unapix made this change in connection with its release of two companion documentaries for broadcast on public television titled "Great Minds of Medicine" and "Great Minds of Business." The following year, Unapix produced "Great Minds of History" for broadcast on the History Channel.

All of Unapix's documentaries were also sold as audio and videotapes, sometimes with the help of advertisements published in the same periodicals used by The Learning Company to advertise its "Great Minds of the Western Intellectual Tradition."

Following a five-day, non-jury trial, federal District Judge Gerald Lee has held that The Learning Company owns a valid trademark in the words "Great Minds . . .," even though it never attempted to register its trademark, because as used for audio and videotapes, those words are suggestive (rather than generic or descriptive). Moreover, the judge ruled, The Learning Company would have been entitled to trademark protection for those words even if they were descriptive, because they have acquired secondary meaning.

Judge Lee's multi-factor analysis for the likelihood of confusion led him to conclude that there is a likelihood of confusion.

After closely scrutinizing Unapix's claimed production and distribution costs, Judge Lee disallowed many of them and concluded that Unapix had earned profits from its "Great Minds . . ." series totaling $837,416.98 - all of which he awarded to The Learning Company.

Finally, Judge Lee ruled that he would award attorneys' fees to The Learning Company, because its trademark had been "intentionally and willfully" infringed by Unapix. It had, the judge reasoned, because Unapix had been told about The Learning Company's "Great Minds of the Western Intellectual Tradition" series by public station WGBH in 1996, before Unapix changed the title of its "Great Minds of

Science" series; yet, Unapix then began using "Great Minds . . ." anyway.

Editor's note: The judge was not favorably impressed by the fact that before Unapix changed the title of its science series in 1997, it obtained a trademark search report showing that another company - not The Learning Company - had filed a trademark application for a title that included the words "Great Minds," and that Unapix then acquired the pending application from that company for $6,000. Apparently this was not significant - even with respect to Unapix's good faith - because that application was not filed until 1996, four years after The Learning Company began to use, and thus acquired trademark rights to, its "Great Minds . . ." title.

The Learning Company Limited Partnership v. Unapix Entertainment, Inc., 87 F.Supp.2d 567, 2000 U.S.Dist.LEXIS 3051 (E.D.Va. 2000)[ELR 22:3:15]

Sony wins preliminary injunction barring sale of "Game Enhancer" device that enables users to play imported games on Sony PlayStation consoles; device violates anti-circumvention provision of Digital Millennium Copyright Act, federal District Court holds

Sony Computer Entertainment has won a preliminary injunction barring Gamemasters - a San Leandro, California, retail store - from selling a device called a "Game Enhancer" that enables users to do things with their PlayStations that Sony did not intend.

Game Enhancers allow users to make PlayStation games easier or harder, by giving them an advantage like infinite character life or unlimited ammunition, or some sort of handicap. Game Enhancers also allow users to play games sold in Japan or Europe, which Sony designed to be played only on Japanese or European consoles. This second feature is particularly objectionable to Sony, because it licenses PlayStation games for sale on a territory-by-territory basis, and this feature defeats the territorial exclusivity Sony desires.

Federal District Judge Thelton Henderson has ruled that Gamemasters' sale of Game Enhancers violates the anti-circumvention provision of the Digital Millennium Copyright Act. That provision prohibits the distribution of technology primarily designed to circumvent technological measures that control access to copyrighted works (ELR 20:6:4).

Judge Henderson explained that Sony "specifically designed the Play Station console to access only those games with data codes that match the geographical location of the game console itself. The Game Enhancer circumvents the mechanism on the PlayStation console that ensures the console operates only when encrypted data is read from an authorized CD-ROM. . . . Thus, at this stage, the Game Enhancer appears to be a device whose primary function is to circumvent 'a technological measure . . . that effectively controls access to a system protected by a registered copyright. . . .'"

Sony Computer Entertainment America, Inc. v. Gamemasters, 87 F.Supp.2d 976, 1999 U.S.Dist.LEXIS 21719 (N.D.Cal. 1999)[ELR 22:3:16]

"Loss of mobility" payments made to former San Francisco Giants players in settlement of Player Association collusion claims were wages for which Giants had to pay Social Security and Federal Unemployment taxes, though payments should have been allocated to 1986 and 1987 when collusion occurred rather than to 1995 when payments were made, so federal court awards Giants a refund

In tax litigation, as in baseball, you win some and you lose some. That is the lesson learned by the IRS and the San Francisco Giants, both, in a recent case whose origins date back to 1985. That was the year that Major League Baseball teams began colluding with one another to hamper their players' mobility and bargaining power, in violation of the League's collective bargaining agreement. Baseball fans and long-time readers of these pages will remember that the players' claims were eventually settled for $280 million (ERL 12:8:21, 12:12:19), an amount that was then distributed among individual players pursuant to an elaborate formula and procedure (ELR 22:1:17).

Most of the settlement funds were categorized as compensation for "salary related" claims. But some were categorized as compensation for "non-salary related" claims, including claims for "loss of mobility."

In 1995, former Giants players were paid a total of $90,000 on account of lost mobility claims they had made for the years 1986 and 1987. The Giants paid $6,885 in Social Security taxes and $336 in Federal Unemployment taxes on these payments in 1995, and then filed a claim for a refund with the IRS. The IRS of course denied the claim, and a lawsuit ensued.

Once they got to federal court, the Giants and IRS were able to agree on one thing: no facts were in dispute, and the case was ripe for decision in response to motions for summary judgment, which each side promptly filed. Judge Samuel Conti has rendered (what in boxing would be called) a split decision.

He has agreed with the IRS that the payments were "wages" that were subject to Social Security and Federal Unemployment taxes. The Giants made some clever arguments that they were not wages at all, or at least not wages paid by the Giants, but Judge Conti rejected them.

On the other hand, Judge Conti agreed with the Giants that the payments should have been allocated to 1986 and 1987 when the players actually lost mobility, rather than to 1995 when the payments were finally made. That saved the Giants a lot of money, because the team had already paid almost all the Social Security and Federal Unemployment taxes the law required for those players for those years.

As a result, Judge Conti ordered the IRS to refund $5,426.40 (plus interest) to the Giants - some 75% of the amount the team had sought.

San Francisco Baseball Associates v. United States, 88 F.Supp.2d 1087, 2000 U.S.Dist.LEXIS 4259 (N.D.Cal. 2000)[ELR 22:3:16]

Big Ten Conference wins property tax exemption for its administration building in Park Ridge, Illinois

The Big Ten Conference has won a property tax exemption for its building in Park Ridge, Illinois - an exemption that an Illinois statute gives to "property . . . used for . . . educational purposes."

The building in question is one that the Big Ten uses for the administration of intercollegiate sports programs, including the negotiation of television contracts for broadcasts of some intercollegiate games. The Big Ten does not, however, use the building to teach classes. For that reason, the Illinois Department of Revenue refused to give the Big Ten the property exemption it had requested, even though it had exempted the Conference from state sales and use taxes, and even though the IRS had exempted it from federal income taxes.

The Big Ten finally got its property exemption from the courts. An Illinois trial court reversed the Department of Revenue's decision to deny the exemption, and the Appellate Court of Illinois has affirmed that ruling.

In an opinion by Justice Jill McNulty, the Appellate Court noted that "the Big Ten reduces the administrative costs for its members," whose activities clearly are educational. Justice McNulty acknowledged that athletic events "raise considerable revenue for the schools. . . ." But she added, "this revenue does not alter the underlying educational character of the activity."

"Because the Big Ten used its property solely for educational purposes," Justice McNulty concluded, "we affirm the trial court's decision requiring the Department to grant the Big Ten the property tax exemption."

Big Ten Conference v. Department of Revenue, 726 N.E.2d 114, 2000 Ill.App.LEXIS 96 (Ill.App. 2000)[ELR 22:3:17]

Texas school district's "Prayer at Football Games" policy violates Establishment Clause, United States Supreme Court affirms

Football and religion are both very important to the people of Texas. But like water and oil, the two do not mix - not, at least, not when football is played by public high school teams. That is one lesson taught by the decision of the United States Supreme Court in a case filed against the Santa Fe Independent School District, on account of a controversial policy the District adopted in 1995.

The policy at issue was titled, by the District itself, the "Prayer at Football Games" policy. It authorized the students at Santa Fe High School to decide, by elections, whether "invocations" should be delivered at the high school's football games and if so who would deliver them.

Santa Fe High School is located in a part of Texas that is mostly Baptist, and the policy was challenged by Mormon and Catholic families who alleged that it violated the Establishment Clause. Federal trial and appellate courts agreed, and the Supreme Court has affirmed those rulings.

In an opinion by Justice John Paul Stevens, the Supreme Court has held that the District's policy of having students decide by majority vote whether prayers should be delivered at football games, and by whom, meant that "by definition" minority views would never be heard. Moreover, the policy amounted to both a perceived and actual endorsement of religion - something the Establishment Clause does not permit.

Justice Stevens rejected the District's argument that prayers at football games would involve no coercion, because football game attendance is entirely voluntary. This was not factually accurate. "For some students, such as cheerleaders, members of the band, and the team members themselves," the Justice explained, "attendance at football games is mandated, sometimes for class credit."

Justice Stevens also noted that the District's argument minimized "the immense social pressure, or truly genuine desire, felt by many students to be involved in the extracurricular event that is American high school." He ruled that the "Constitution demands that schools not force on students the difficult choice between whether to attend these games or to risk facing a personally offensive religious ritual."

Santa Fe Independent School District v. Doe, 120 S.Ct. 2266, 2000 U.S.LEXIS 4154 (2000)[ELR 22:3:17]

Refusal of Kentucky High School Athletic Association to sponsor fast-pitch softball for high school girls - until required to do so by Kentucky statute - was not shown to violate Title IX, federal appellate court rules

The Kentucky High School Athletic Association has finally prevailed in a discrimination lawsuit brought against it eight years ago on behalf of a group of high school girls who wanted to play interscholastic fast-pitch softball, but couldn't.

The reason they wanted to play fast-pitch, rather than slow-pitch, softball is that NCAA colleges offer scholarships to fast-pitch softball players, but not to slow-pitch players. The reason the girls couldn't play the fast-pitch version of the game was that the Kentucky High School Athletic Association refused to sponsor fast-pitch softball, at the time the lawsuit was originally filed.

The Association had a reason for refusing to sponsor fast-pitch softball. When it was asked to do so, it polled the state's high schools, twice, and learned that only 9% were interested in fielding fast-pitch teams in 1988 and only 17% were interested in 1992. The Association sponsored new sports only if 25% or more of its members were interested in participating.

Nevertheless, since the Association sponsored fast-pitch baseball for boys, the girls argued that the Association's failure to sponsor fast-pitch softball for them amounted to a denial of Equal Protection and a violation of Title IX. A federal District Court disagreed, granted the Association's motion for summary judgment, and dismissed the case. On appeal, however, the girls got half a victory. Though the Court of Appeals affirmed the dismissal of their Equal

Protection claim, it reversed the dismissal of their Title IX claim and remanded the case to the District Court for further proceedings (ELR 16:12:12).

Those further proceedings were of no benefit to the girls, however. The District Court again granted the Association's motion for summary judgment. The District Court did so, because while the case was pending, the Kentucky legislature had enacted a statute requiring schools to offer fast-pitch, rather than slow-pitch softball, so that Kentucky's high school girls would be eligible to receive NCAA athletic scholarships. As far as the District Court was concerned, this meant that the girls' case had become moot. Moreover, the District Court denied their claims for monetary damages and attorneys' fees, because they had not presented evidence that the Association had discriminated against them "intentionally" and because they were not the prevailing party in the case.

The girls appealed again, but this time the Court of Appeals affirmed their loss, thus bringing the case to an end.

Writing for the appellate court's majority, Judge Richard Suhrheinrich has held that the girls failed to prove that the Association had intentionally violated Title IX. This was so, he reasoned, because Title IX does "not" require that "an institution always sponsor separate teams for all sanctioned sports. . . . Thus it would be impossible for [the Association] to be on notice that [it was] in violation of Title IX simply because [it] sponsored only boys' fast-pitch softball."

Judge Suhrheinrichq q also affirmed the denial of the girls' request for attorneys' fees. Though they lost the case, they argued that they were responsible for the enactment of the Kentucky statute that now requires fast-pitch softball to be offered, and thus they were the prevailing party. However, the

District Court found that they had offered no "record evidence" to support this argument, and Judge Suhrheinrich affirmed that finding.
Judge Nathaniel Jones dissented.

Horner v. Kentucky High School Athletic Association, 206 F.3d 685, 2000 U.S.App.LEXIS 4282 (6th Cir. 2000)[ELR 22:3:18]

Dismissal of defamation lawsuit against America Online, complaining of statements made about stock price of plaintiff company in its Quotes and Portfolios section, is affirmed; AOL is immune under Communications Decency Privacy Act, appellate court holds

America Online has escaped, without a trial, from a defamation lawsuit filed against it by Ben Ezra, Weinstein, and Company, Inc., a publicly traded corporation whose share price and trading volume were allegedly misreported in AOL's Quotes & Portfolios area. AOL's motion for summary judgment was granted by federal District Judge C. Leroy Hansen, and that ruling has been affirmed by the Court of Appeals.

Unlike most other defamation cases reported in these pages, the courts in this case never had to reach the question of whether the offending statements were false, whether they injured the plaintiff's reputation, or even whether AOL was in some way at fault in publishing them.

Instead, the Court of Appeals only had to look at one thing: whether AOL received the offending information from "another content provider" and was acting as an "interactive computer service" when it posted the information to its Quotes & Portfolios section. This was the only relevant inquiry, because a section of the Communications Decency Privacy Act of 1996 provides that "No . . . interactive computer service shall be treated as the publisher . . . of any information provided by another information content provider."

At least once before, AOL had successfully relied on this section of the Act to win dismissal of a defamation lawsuit filed in response to information posted by "another information content provider." The earlier, more newsworthy case was one filed by White

House aides Sidney and Jacqueline Blumenthal on account of statements made by Matt Drudge in his online "Drudge Report" (ELR 20:4:29). The section worked for AOL in that case and it has again.

Ben Ezra, Weinstein and Company acknowledged that AOL is an interactive computer service. It also wasn't disputed that the offending statements were provided to AOL by two other companies, S&P ComStock and Townsend Analytics. Insofar as the Court of Appeals was concerned, this meant that the case against AOL could not proceed.

Writing for the appellate court, Judge Bobby Baldock explained that there was "no evidence to contradict [AOL's] evidence that ComStock and Townsend alone created the stock information at issue." Nor was there any evidence to suggest that AOL was "'responsible . . . for the creation and development of information' published in its Quotes & Portfolios area."

Ben Ezra, Weinstein & Co. v. America Online Inc., 206 F.3d 980, 2000 U.S.App.LEXIS 3831 (10th Cir. 2000)[ELR 22:3:18]

Previously Reported:

Tasini v. N.Y. Times opinion amended. The Second Circuit Court of Appeals has filed an amended opinion in Tasini v. New York Times (ELR 21:9:10). That was the case in which it had held that the electronic republication of newspapers and magazines on NEXIS and CD-ROMs infringes the copyrights to individual articles owned by freelance writers. Though the court withdrew its earlier opinion, its amended opinion reaches the same conclusion for the same reasons. The appellate court has since denied the Times' petition for a rehearing in banc. Tasini v. New

York Times, 206 F.3d 161, 2000 U.S.App.LEXIS 36241 (2nd Cir. 2000)

Settlement reached between Martin Luther King Jr. Estate and CBS. A copyright infringement lawsuit filed by the Estate of Martin Luther King Jr. against CBS, complaining about the network's unlicensed use of film of King's "I Have a Dream" speech, has been settled, according to a news release issued jointly by King's son, Dexter Scott King, and CBS. At one point in the case, it looked as though CBS would walk away with a complete victory: a federal District Court ruled that King's speech went into the public domain because it had been widely distributed without a copyright notice as then required by the Copyright Act of 1909 (ELR 20:9:5). That ruling, however, was reversed on appeal (ELR 21:10:10). As a result of the recent settlement, CBS will retain the right to use its own film of the speech and the right to license its footage to

others. In return, CBS has agreed to make a contribution - the amount of which is confidential - to The Martin Luther King Jr. Center for Non-Violent Social Change to further the work done by the Center to educate the public. The network also agreed to provide footage to the Estate for its use in producing works of its own about King.
[ELR 22:3:19]

DEPARTMENTS

In the Law Reviews:

Loyola of Los Angeles Entertainment Law Review has published Volume 20, Number 1 with the following articles:

Catchin' the Heat of the Beat: First Amendment Analysis of Music Claimed to Incite Violent Behavior by Robert Firester and Kendall T. Jones, 20 Loyola of Los Angeles Entertainment Law Review 1 (2000)

Wyler Summit Partnership v. Turner Broadcasting System, Inc. and the Contractual Waiver Doctrine: Transforming the Shield into a Sword? By Shannon C. Hensley, 20 Loyola of Los Angeles Entertainment Law Review 33 (2000)

Avery Dennison v. Sumpton: The Ninth Circuit Raises the Bar for Successful Dilution Claims in Domain Name Cases by Kimberly A. O'Meara, 20 Loyola of Los Angeles Entertainment Law Review 61 (2000)

Copyright Protection and Internet Fan Sites: Entertainment Industry Finds Solace in Traditional Copyright Law by Lauren Yamamoto, 20 Loyola of Los Angeles Entertainment Law Review 95 (2000)

Comm/Ent, Hastings Communications and Entertainment Law Journal, has published Volume 22, Number 1 with the following articles:

Preparing Your Music Client for Web Distribution by Stephanie Brauner, 22 Comm/Ent, Hastings

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International Copyright Law and the Electronic Media Rights of Authors and Publishers by Irene Segal Ayers, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 29 (1999)

Choice of Entity and Securities Aspects of Independent Film Offerings by First-Time Filmmakers by Michael L. Maddren, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 65 (1999)

When Cyberspace Meets Main Street: A Primer for Internet Business Modeling in an Evolving Legal Environment by Christopher Paul Boam, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 97 (1999)

You've Got Mud on Your Face: Have MP3s Turned the Middleman into Roadkill? By Jessica Trivellini Toney, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 127 (1999)

The Transferability of Non-Exclusive Copyright Licenses: A New Default Rule for Software in the Ninth Circuit? by

Brandon M. Villery, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 153 (1999)

Cardozo Arts & Entertainment Law Journal has published Volume 18, Number 1 with the following articles:

Star Quality and Job Security: The Role of the Performers' Unions in Controlling Access to the Acting Profession by Emily C. Chi, 18 Cardozo Arts & Entertainment Law Journal 1 (2000)

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Complexity and Copyright in Contradiction by Michael J. Madison, 18 Cardozo Arts & Entertainment Law Journal 125 (2000)

Recovering Collectivity: Group Rights to Intellectual Property in Indigenous Communities by Angela R.

Riley, 18 Cardozo Arts & Entertainment Law Journal 175 (2000)

Rap Music and De Minimus Copying: Applying the Ringgold and Sandoval Approach to Digital Samples by Brett I. Kaplicer, 18 Cardozo Arts & Entertainment Law Journal 227 (2000)

When Is a CD Factory Not Like a Dance Hall?: The Difficulty of Establishing Third-Party Liability for Infringing Digital Music Samples by Rebecca Morris, 18 Cardozo Arts & Entertainment Law Journal 257 (2000)

Fordham Intellectual Property, Media & Entertainment Law Journal has published Volume 10, Number 2 with the following articles:

Trademark Practice in a Dynamic Economy: More Deals, More Laws, More Resources Than Ever for the Trademark Practitioner, a discussion by Jill Greenwald, Richard Buchband, Brian Mudge, Susan Douglass, and Neil Greenfield, 10 Fordham Intellectual Property, Media & Entertainment Law Journal 331 (2000)

The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context by Mathias Strasser, 10 Fordham Intellectual Property, Media & Entertainment Law Journal 375 (2000)

Rio Grande: The MP3 Showdown at Highnoon in Cyperspace by Paul Veravanich, 10 Fordham Intellectual Property, Media & Entertainment Law Journal 433 (2000)

Tort Vision for the New Millennium: Strenghtening News Industry Standards as a Defense Tool in Law Suits Over Newsgathering Techniques by Michael W. Richards, 10 Fordham Intellectual Property, Media & Entertainment Law Journal 501 (2000)

The NBA's Deal with the Devil: The Antitrust Implications of the 1999 NBA-NBPA Collective Bargaining Agreement by Dan Messeloff, 10 Fordham Intellectual Property, Media & Entertainment Law Journal 521 (2000)

Recording Industry Association of America v. Diamond Multimedia Systems, Inc.: The RIAA Could Not Stop the Rio-MP3 Files and the Audio Home Recording Act by Elizabeth R. Gosse, 34 University of San Francisco Law Review 575 (2000)

Hastings Law Journal has published Volume 50 with an analysis of the Telecommunications Act of 1996: Past and Future including the following articles:

Economic and Political Consequences of the 1996 Telecommunications Act by Thomas W. Hazlett, 50 Hastings Law Journal 1359 (1998-1999)

From the Fall of the Bell System to the Telecommunications Act: Regulation of Telecommunications Under Judge Greene by Joseph D. Kearney, 50 Hastings Law Journal 1395 (1998-1999)

The Future of Telecommunications, the Future of Telcommunications Regulation by Eli M. Noam, 50 Hastings Law Journal 1473 (1998-1999)

Caught in the Web: Websites and Classic Principles of Long Arm Jurisdiction in Trademark Infringement Cases by Roger J. Johns and Anne Keaty, 10 Albany Law Journal of Science and Technology 65 (1999)

Tasini v. New York Times: What the Second Circuit Didn't Say by Matthew Hoff, 10 Albany Law Journal of Science & Technology 125 (1999)

The Politics of Art and the Irony of Politics: How the Supreme Court, Congress, the NEA, and Karen Finley Misunderstand Art and Law in National Endowment for the Arts v. Finley by Neil C. Patten, 37 Houston Law Review 559 (2000)

Silver Tongues on the Silver Screen: Legal Ethics in Movies by Tonja Haddad, 24 Nova Law Review 673 (2000)

Legal Ethics: Lawyer's Duties to Clients and Client's Rights and the Media-Teaching Legal Ethics Using a Media Studies Lesson Plan by Elaine Papas, 24 Nova Law Review 701 (2000)

Heroes or Villains? Moral Struggles vs. Ethical Dilemmas: An Examination of Dramatic Portrayals of Lawyers and the Legal Profession in Popular Culture by David M. Spitz, 24 Nova Law Review 725 (2000)

Trademarks and Internet Domain Names in the Digital Millennium by Michael V. LiRocchi, Stephen J. Kepler and Robert C. O'Brien, 4 UCLA Journal of International Law and Foreign Affairs 377 (1999-2000)
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Cyberspace, 5 Roger Williams University Law Review 563 (2000)

The Casey Martin Case: Its Possible Effects on Professional Sports by Sean Baker, 34 Tulsa Law Journal 745 (1999)

Equal Athletic Opportunity: An Analysis of Mercer v. Duke University and a Proposal to Amend the Contact Sport Exception to Title IX by Abigail Crouse, 84 Minnesota Law Review 1655 (2000)

Tort Liability for Sports and Recreational Activities: Expanding Statutory Immunity for Protected Classes and Activities by Terrence J. Centner, Notre Dame Law School Journal of Legislation 1 (2000)

Illegalizing the NCAA's Eligibility Rules: Did Cureton v. NCAA Go Too Far, or Not Far Enough? by Tyler J. Murray, Notre Dame Law School Journal of Legislation 101 (2000)

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Unsportsmanlike Conduct, Constitutional Guarantees and the Student-Athlete: A Policy Recommendation by Lori K. Miller and Ted D. Ayres, 10 Journal of Legal Aspects of Sports 111 (2000) (published by the Society of the Legal Aspects of Sport and Physical Activity, 5840 S. Ernest Street, Terre Haute, Indiana 47802, 812-237-2186)

"Taking Sports Out of the Courts": Alternative Dispute Resolution and the International Court of Arbitration for Sport by C. J. Burger, 10 Journal of Legal Aspects of Sport 123 (2000) (for address, see above)
[ELR 22:3:20]