WASHINGTON MONITOR

RIAA wins Copyright Office ruling that Internet transmissions of AM/FM radio broadcasts are not exempt from record companies' digital performance right; since radio stations are eligible for statutory digital performance licenses, Copyright Office reopens statutory license fee proceeding to permit radio stations to participate

The United States Copyright Office has ruled that Internet transmissions of AM and FM radio broadcasts are not exempt from the "digital performance right." This means that radio stations must pay royalties to those who own the copyrights in any sound recordings included in those transmissions.

The ruling was issued in response to a petition filed by the Recording Industry Association of

America. The RIAA is a trade association that represents those record companies that make and distribute the vast majority of all music recordings, and thus own the vast majority of sound recording copyrights.

The RIAA's petition was opposed by radio broadcasters. In fact, the National Association of Broadcasters has filed a lawsuit against the RIAA in federal court in New York, seeking a judicial declaration that radio broadcasters are exempt from the record companies' digital performance right, even when they transmit their broadcasts over the Internet. That case is still pending.

The Copyright Office proceeding (and the parallel lawsuit in New York) became necessary because more than 3500 radio stations around the world now transmit their broadcasts over the Internet, as well as by conventional AM or FM over-the-air signals.

Much of the programming carried during those broadcasts and Internet transmissions consists of music recordings.

Copyright law has long required radio stations to obtain public performance licenses from music publishers who are the owners of the copyrights to musical compositions stations broadcast. Radio stations obtain those licenses from the publishers' agents: ASCAP, BMI and SESAC. However, until 1995, United States copyright law did not give record companies (or recording artists) any copyright in their recordings; and thus radio stations did not need licenses from them.

Things changed slightly in 1995 with the enactment of the Digital Performance Right in Sound Recordings Act (ELR 17:6:3). That Act - often referred to by its acronym "DPRA" - amended the Copyright Act by adding a narrow "digital performance right" for sound recordings. By doing so, DPRA required those engaged in certain types of digital performances of sound recordings to obtain licenses to do so. However, at the behest of radio stations, DPRA made clear that radio stations were exempt from this new digital performance right - not only when they broadcast by analog AM or FM signals, but even if they eventually begin to broadcast digitally.

Though 1995 was not very long ago, it was before (long before, in Internet time) Internet transmissions of music and radio broadcasts became common. As a result, DPRA did not adequately deal with music on the Internet. In an effort to cure DPRA's inadequacies in the Internet area, Congress amended the Copyright Act once again in 1998, in Title IV of the Digital Millennium Copyright Act (ELR 20:6:6). That Act - commonly referred to by its acronym "DCMA" -

continued to exempt radio stations from the digital performance right, even if they broadcast digitally.

Unfortunately, even as amended by the DCMA, the law is not perfectly clear about whether the radio station exemption applies only to over-the-air digital broadcasts, or applies as well to Internet transmissions done by licensed radio stations. The RIAA argued that the exemption applies only to over-the-air digital broadcasts. Radio stations took the position that the exemption applies to all of their digital transmissions, including Internet transmissions.

The Copyright Office had to decide, first, whether it had authority to decide this dispute, as the RIAA contended, or whether instead it should be decided by the federal court in New York, as the broadcasters contended. The Copyright Office decided that it has the authority and should exercise it.

The merits of the dispute required an intricate job of statutory interpretation. The Copyright Office had to decide whether an exempt "broadcast transmission" included all transmissions by broadcasters, or only over-the-air broadcasts. To decide this, it was necessary to evaluate: definitions that are part of the Copyright Act; provisions that are outside the subsection dealing with "exempt" transmissions, but nevertheless related to it; and the legislative history of the exemption and related provisions.

Based on its careful evaluation of all of these factors, the Copyright Office concluded that the exemption relied on by radio stations applies only to over-the-air digital broadcasts, not Internet transmissions by radio stations. This ruling means that radio stations must have digital performance licenses to transmit their broadcasts over the Internet. But it does not mean they will have to negotiate such licenses with record companies directly.

As amended by the DPRA and DCMA, the Copyright Act contains a statutory license for certain types of digital transmissions. Most Internet transmissions of radio broadcasts are likely to qualify for this statutory license. Indeed, the Copyright Office gave effect to its digital performance ruling by amending its statutory license regulations to specifically provide that AM/FM broadcasters that transmit their signals over the Internet are eligible for the statutory license (so long as other requirements are satisfied as well).

As a result, the Copyright Office expects radio stations to be quite interested in the statutory license fee. The amount of that fee has not been determined yet, however. It is the subject of another, unrelated proceeding.

The deadline for filing Notices of Intent to Participate in that fee-setting proceeding has already passed. Since radio stations thought they were exempt entirely, and thus wouldn't need a statutory license, many radio stations apparently did not file those notices. When the Copyright Office ruled that radio stations are not exempt, it extended the deadline for filing the required Notice, in order to give radio stations a chance to participate in the fee-setting proceeding.

The Copyright Office also has published a schedule for the fee-setting proceeding. Written documents are to be filed by participating parties during February and March 2001, and hearings are scheduled to begin May 21, 2001.

Public Performance of Sound Recordings: Definition of a Service, Copyright Office, Library of Congress, 65 Federal Register 77292 (Dec. 11, 2000); *Digital*

Performance Right in Sound Recordings and Ephemeral Recordings, Copyright Office, Library of Congress, 65 Federal Register 77393 (Dec. 11, 2000)[ELR 22:7:5]

Copyright Office denies request of Digital Media Association for amendment to regulations that would have explicitly allowed webcasters to use statutory license for digital performances of sound recordings, even if visitors are able to influence music offered by website

The Copyright Office has disappointed the Digital Media Association by denying its petition for an amendment to Copyright Office regulations dealing with the statutory license for digital performances of sound recordings. The Digital Media Association -

commonly known as "DiMA" - is a trade association for website operators.

The digital public performance right for sound recordings was added to U.S. copyright law in 1995 by the Digital Performance Right in Sound Recordings Act (ELR 17:6:3) and was amended in 1998 by Title IV of the Digital Millennium Copyright Act (ELR 20:6:6).

As its name suggests, the digital performance right gives sound recording copyright owners the exclusive right to publicly perform their recordings digitally in certain ways. However, the law (found in section 114 of the Copyright Act): (1) exempts certain types of digital performances entirely (so that no licenses at all are necessary); (2) grants statutory licenses for certain other types of digital performances (so that the license fee is set by Copyright Office proceedings, rather than by private negotiations); and (3) requires licenses to be obtained directly from record companies, through negotiations, only for the remaining types of digital performances.

Some webcasters - those that own AM and FM radio stations - contend that they are exempt from the digital performance right entirely. Thus far, they have not been successful with that argument. (See prior article, ELR 22:7:5)

Other webcasters acknowledge that they need digital performance licenses, but contend that they are eligible for statutory licenses and thus do not have to negotiate directly with record companies. These are the webcasters on whose behalf DiMA filed its unsuccessful Copyright Office petition.

In order to be eligible for a statutory license, a webcast must satisfy a long and complicated set of conditions (set forth in section 114(d)(2) of the Copyright Act). One of these many conditions is that the webcast be "non-interactive." If a webcast is "interactive," it is not eligible for a statutory license, and thus requires the webcaster to privately negotiate a license directly with the record companies that own the copyrights to the recordings being webcast.

The Copyright Act (section 114(j)(7)) defines an "interactive" webcast as "one that enables a member of the public to receive . . . a transmission of a particular sound recording . . . which is selected by . . . the recipient." The definition goes on to say, however, that "The ability of individuals to request that particular sound recordings be performed for reception by the public at large . . . does not make a service interactive, if the programming . . does not substantially consist of sound recordings that are performed within 1 hour of the request or at a time designated by . . . the individual making such request."

Some websites, like those operated by LAUNCHcast and Radio SonicNet, do give visitors the ability to indicate their musical preferences in ways that make it unclear whether they are "interactive" or "non-interactive." DiMA's petition sought an amendment to Copyright Office regulations that might have made it clearer that these and similar websites are "non-interactive," and thus eligible for the statutory license.

DiMA's petition was opposed by the Recording Industry Association of America, even though the RIAA acknowledges that website visitors "may express preferences for certain music genres, artists, or even sound recordings without the [website] necessarily becoming interactive." Both the law and its legislative history also make it clear that this is so, the Copyright Office observed.

For these reasons, the Copyright Office concluded that it was neither necessary nor even desirable to adopt a regulation clarifying this fact. It explained: "In light of rapidly changing business models emerging in today's digital marketplace, no rule can accurately draw the line demarcating the limits between an interactive service and a noninteractive service. Nor can one readily classify an entity which makes transmissions as exclusively interactive or noninteractive."

Public Performance of Sound Recordings: Definition of a Service, Copyright Office, Library of Congress, 65 Federal Register 77330 (Dec. 11, 2000)[ELR 22:7:6]

RECENT CASES

Court refuses to dismiss infringement claims against Shubert Organization brought by makeup designer for New York production of "Cats," though court does dismiss designer's further claims for sole copyright ownership, an accounting, antitrust violations and claims against British and some individual defendants

Under the producing banner of The Shubert Organization, Andrew Lloyd Webber's musical play "Cats" enjoyed a record-setting run of 7485 performances. The show finally closed on September 10, 2000, after almost 18 years on Broadway.

"Cats" hasn't left New York City entirely, however. In the midst of its 17th year, the makeup designer for "Cats'" New York production, Candace

Carell, filed a lawsuit in federal District Court in that city against The Schubert Organization and others. In her lawsuit, Carell alleged that she is the sole owner of the copyrights to the makeup designs for many of "Cats'" characters, and she alleged that her rights under copyright, trademark, and antitrust laws were violated, over a period of many years.

Indeed, Carell complained about things that happened so long ago, that The Shubert Organization and its co-defendants responded with a motion to dismiss, arguing that her claims were barred by the statute of limitations. Federal District Judge Allen Schwartz agreed - but only in part. As a result, Judge Schwartz has dismissed Carell's request for a judicial declaration that she is the sole owner of the copyrights to her makeup designs, and he has dismissed her claim for an accounting of profits. Judge Schwartz did so on the grounds that those claims were time barred.

Surprisingly, though, he did not dismiss Carell's copyright infringement claim, or her related trademark claim.

Carell's request to be declared sole owner of the copyrights to her makeup designs was barred by the Copyright Act's three-year statute of limitations, Judge Schwartz ruled, for three reasons: because she knew for seven years that she hadn't been paid royalties for their use; because seven years before she filed suit, she was warned that her use of her designs in a Cats coloring book would be "willful infringement"; and because the show's costume designer and co-producer registered copyright claims of their own that were adverse to Carell's, and Carell knew about those adverse registrations six years before she filed her lawsuit.

Since Carell's demand for an accounting was based on her time-barred copyright ownership claim, Judge Schwartz dismissed her accounting claim as well.

The judge also dismissed Carell's antitrust claim. She alleged that The Shubert Organization and its co-defendants had conspired to restrain trade in the licensing of products bearing her makeup designs. But Judge Schwartz ruled that makeup designs from "Cats" were not a relevant product market, because consumers would consider designs from other Broadway shows to be adequate substitutes. Moreover, the judge ruled that although Carell asserted that the alleged conspiracy had caused her harm personally, she had not shown that the alleged conspiracy had injured the market generally.

On the other hand, Carell's case will continue its run in Judge Schwartz's courtroom, because he refused to dismiss her copyright infringement claims. The judge ruled that Carell's copyright infringement claim was distinct from her copyright ownership claim. And he held that although the ownership claim was time-barred, her infringement claim was not.

Carell had registered her own claims to copyright with the Copyright Office back in 1990 - many years before she filed her infringement suit. Apparently for this reason, Judge Schwartz held that her infringement claims did not depend on her winning a declaratory relief claim for sole copyright ownership. In so ruling, the judge distinguished earlier cases - like Merchant v. Levy (ELR 19:1:6) and Zuill v. Shanahan (ELR 18:7:24) - where the plaintiffs' claims for damages were based solely on their time-barred claims of co-ownership, rather than on infringement claims.

Judge Schwartz also refused to dismiss Carell's allegations that her copyrights had been infringed in Australia, Canada, Japan and the United Kingdom. The judge acknowledged that U.S. copyright law does not reach those countries, and that the Berne Convention does not give Carell an independent basis for suing in United States courts. He nevertheless concluded that he has jurisdiction to hear Carell's foreign infringement claims, under the laws of those countries, for two reasons: because there is diversity of citizenship between Carell and at least some of those she has sued; and because he has "pendent jurisdiction" to hear the foreign claims along with her U.S. infringement claims.

Shubert and its co-defendants had hoped to defeat Carell's copyright infringement claims on their merits by arguing that her makeup designs were co-authored by Cats' set and costume designer, John Napier, and Napier had assigned all of his copyrights to them. In fact, Carell acknowledged that she had collaborated with Napier in creating her designs. Nevertheless, Judge Schwartz rejected this "joint work" defense, because there was no evidence that Carell or

Napier "intended their collaboration to be inseparable parts of a unitary whole."

Carell's trademark claim was one for "false designation of origin," based on her failure to receive credit as the creator of the show's makeup designs on such things as playbills, videos and licensed face painting sets. The judge found that this claim was time-barred with respect to the playbills, because Carell had known for years about the credits in those. But he refused to dismiss the trademark claims with respect to the other items.

Finally, Judge Schwartz ruled that he did not have personal jurisdiction over certain British defendants, because although they were credited on Cats videos, they didn't do business in New York, and being credited on a video sold there was not enough. The judge also dismissed Gerald Schoenfeld (Shubert's chairman), Cameron Macintosh (one of the show's producers) and David Geffen (another producer), because Carell's complaint had not alleged any actionable conduct committed by them.

Carell was represented by Russell Alexander Smith, New York City. The Shubert Organization was represented by David Rabinowitz and Moses I. Singer, New York City.

Carell v. Shubert Organization, Inc., 104 F.Supp.2d 236, 2000 U.S.Dist.LEXIS 8807 (S.D.N.Y. 2000)[ELR 22:7:8]

Author Robert Jackall and the Harvard University Press did not act with "gross irresponsibility" in republishing affidavits from the Congressional Record, New York appellate court holds, in ordering dismissal of defamation action against them

Altagracia Crucey owned a small grocery store in New York City and became part of an investigation dubbed "Operation Bodega" conducted by agent Joseph Occhipinti of the Immigration and Naturalization Service into undocumented aliens and illegal activities. In connection with Agent Occhipinti's investigation, Crucey was subjected to a warrantless search of her grocery store that uncovered a handgun and gambling records. Eventually, Agent Occhipinti was indicted and convicted of making false statements in his reports and of violating the civil rights of several small storeowners, including Crucey.

Subsequently, then-Staten Island borough President Guy Molinari, Ohio Congressman James A. Traficant, Jr. and then-New York Congresswoman Susan Molinari attempted to exonerate Occhipinti by conducting their own investigations and obtaining several witness affidavits. At the completion of the investigation, Congressman Traficant published the information they had uncovered together with the witness affidavits in the Congressional Record.

When Robert Jackall wrote a book about the activities of a gang known as the "Wild Cowboys," in which the matter of Agent Occhipinti was discussed, Jackall quoted from some of the affidavits that had been published in the Congressional Record. Crucey sued Jackall and his publisher, Harvard University Press, claiming that the affidavits that were republished in the book contained defamatory statements about her, namely, that she was a perjurer and heroin trafficker.

Judge Louise Gruner Gans of the Supreme Court of New York County, denied a motion by Jackall and Harvard University Press to dismiss Crucey's complaint. But in a very brief ruling, the Appellate Division reversed Judge Gans and ordered the action dismissed, finding that the defendants had not acted with "gross irresponsibility."

The appellate court's brief ruling did not address the issue of whether the investigation at issue was an "official proceeding" under New York Civil Rights Law section 74, which would have made the "fair and accurate reporting" of it immune from claims of defamation. In a longer, concurring opinion, Judge David Saxe stated that the "hotly disputed issue" was of "importance to the publishing industry" and should be addressed. Accordingly, Judge Saxe discussed the implications of Civil Rights Law section 74 and concluded that the investigation conducted by the public officials and Congressional members was not an "official proceeding" within the meaning of that statute.

Judge Saxe reasoned that even though the results of the investigation into the attempt to exonerate Mr. Occhipinti were published in the Congressional Record, the officials conducting the investigation were acting on their own and not as part of their official duties. Judge Saxe noted that there was nothing in the New York City Charter which gave a borough president like Mr. Molinari the authority to conduct an investigation seeking to clear the name of a Federal agent, and the mere fact that a public official takes some action does not, in and of itself, render that action an "official proceeding."

Similarly, the mere fact that the results of the investigation were published in the Congressional

Record did not transform the investigation into an "official proceeding." Judge Saxe found this to be especially true where, as in this case, the same were published in the "Extensions of Remarks" section of the Congressional Record, which, by definition, made them "not germane to the proceedings."

Nonetheless, Judge Saxe concurred that Judge Gans erred in refusing to dismiss Crucey's complaint. Judge Saxe agreed that neither Jackall nor the Harvard University Press acted with "gross irresponsibility" in republishing the affidavits regarding the investigation from the Congressional Record. Judge Saxe pointed out that in his book, Jackall took no position regarding the truth or falsity of the content of the affidavits. He merely "reports, accurately, on the impetus for, the process of, and the evidence obtained by the Molinari investigation," the judge observed.

Crucey was represented by Deborah Sherman & Monica Connell. Jackall was represented by Edward H. Rosenthal.

Crucey v. Jackall, 713 N.Y.S.2d, 2000 N.Y.App.Div. LEXIS 8863 (1st Dept. 2000)[ELR 22:7:9]

Black activist C. Delores Tucker successfully overturns trial court's dismissal of her defamation claims against publications that wrote that she sued rapper Tupac Shakur because his lyrics diminished her sex life

Well-known black activist C. Delores Tucker and her husband William Tucker filed a defamation action against The Philadelphia Daily News, Knight-Ridder and The Legal Intelligencer based upon the publications' coverage of the Tuckers' various lawsuits against rapper Tupac Shakur and the record companies that distributed his recordings. Tucker, an outspoken opponent of "gangsta rap" who became engaged in a rather public battle with Shakur, was the object of at least two Shakur songs in which he "called Tucker a 'm- f-'" and "suggested that Tucker had 'sold out' to the white establishment and invoked images of prostitution."

In one of her Tupac Shakur related lawsuits, Tucker claimed emotional distress and defamation, and her husband joined in the action "claiming that his wife's injuries caused him to suffer a loss of advice, companionship and consortium." In covering this lawsuit, The Philadelphia Daily News and the other defendants reported that the Tuckers claimed that Tupac Shakur's lyrics had ruined their sex life.

The Tuckers alleged that these statements were defamatory and filed suit in the Philadelphia Court of Common Pleas. Judge Flora Barth Wolf dismissed the Tucker's complaint, finding that: (1) the Tuckers failed to show that they were injured; (2) the Tuckers failed to show actual malice; and (3) the articles in question, while containing "spiced up" statements, accurately reported content of the Tuckers' complaint.

The Tuckers appealed, and the Superior Court of Pennsylvania, in a decision written by Judge Joseph Hudock, reversed the trial court.

Judge Hudock first found that the articles in question were capable of a defamatory meaning. He indicated that a claim for loss of consortium includes much more than just a diminished sex life. The articles, however, focused only on that aspect of the claim. Because of the Tuckers' "advanced age" and "strong morals," Judge Hudock found that "the suggestion in the articles that the Tuckers are overly concerned with sexual matters could be capable of defamatory meaning."

Judge Hudock rejected Judge Wolf's finding that the Tuckers' complaint alleged only annoyance and embarrassment that did not rise to the level of actionable injury. Judge Hudock wrote that even though the Tuckers' complaint contained no allegations of monetary loss, the Tuckers alleged that they had become the objects of ridicule throughout the world. This type of injury, Judge Hudock reasoned, goes beyond simple embarrassment, and thus, Judge Wolf erred when he concluded otherwise.

The Tuckers also argued that Judge Wolf was incorrect when he found that they had not shown actual malice in their complaint. Judge Hudock agreed with the Tuckers, recognizing that while "malice" in a defamation claim goes beyond its simple definition, because it calls into question the state of mind of the person publishing the defamatory statements, the issues should not have been decided at the demurrer stage of a case.

Finally, Judge Hudock found that the articles in question did not, as a whole, accurately reflect the Tuckers' allegations regarding Tupac Shakur. In reversing Judge Wolf's finding on this issue, Judge Hudock noted that "the published headlines screamed to the public that Mrs. Tucker was suing the rap singer because her sex life had been adversely affected." Because a loss of consortium claim involves much more, the articles, at a minimum, created a false impression. Therefore, Judge Hudock wrote, the court could not find, as a matter of law, that the articles were "fair, accurate and complete."

Tucker was represented by Richard C. Angino, Harrisburg. The Philadelphia Daily News was represented by Amy B. Ginensky, Philadelphia. Legal Communications was represented by Jonathan F. Ball.

Tucker v. Philadelphia Daily News, 757 A.2d 938, 2000 Pa.Super. LEXIS 1500 (Sup.Ct.Pa. 2000)[ELR 22:7:10]

Federal appellate court affirms judgment against Republican lobbyist Robert Gray finding that allegedly defamatory comments about him in book "The Power House" were opinion and thus not actionable

Former Republican lobbyist, Robert K. Gray, sued St. Martin's Press and author Susan Trento for defamation based upon Trento's book entitled The Power House: Robert Keith Gray and the Selling of

Access and Influence in Washington. Judge Steven J. McAuliffe, U.S. District Court Judge for the District of New Hampshire, granted St. Martin's and Trento's motion for summary judgment with regard to a portion of Mr. Gray's claims, and a jury returned a verdict in favor of St. Martin's and Trento on the remaining claims.

Gray appealed. But Judge Michael Boudin, writing for the First Circuit, affirmed Judge McAuliffe's grant of summary judgment and upheld the jury verdict finding that the statements of which Gray complained were not defamatory and that Gray, a public figure, had failed to show actual malice in any event.

For decades, Gray was very active in Republican politics and was a major figure in public relations and lobbying in Washington. Gray served in the Eisenhower administration and worked on the 1980

Reagan presidential campaign. He also worked for, and was ultimately the vice chairman of, a major public relations and lobbying firm known as Hill and Knowlton. Gray later formed his own firm which he eventually sold to Hill and Knowlton. In 1992, St. Martin's published Trento's book, eight statements in which Gray claimed were defamatory.

There were four allegedly defamatory statements that Judge McAuliffe disposed of before trial on summary judgment. On appeal, Judge Boudin affirmed the grant of summary judgment as to these four statements. Judge Boudin reiterated that "only statements that present or imply the existence of facts that can be proven true or false are actionable under state defamation law," and that a subjective opinion is not actionable. Judge Boudin then affirmed Judge McAuliffe's finding that the four statements at issue were simply opinion and thus not defamatory.

The first statement dealt with Gray's "closeness" to President Reagan. Trento's book quoted an unnamed source who said that Gray "faked" this "closeness" to the President. Judge Boudin held that, in this context, whether or not Gray "faked" his "closeness" to the President was opinion and not a verifiable fact. Had the statements in the book claimed that Gray did not know President Reagan when in fact he did, this would have been defamatory since it would have been a fact whose truth or falsity was verifiable. Instead, Trento wrote only that a source claimed Gray exaggerated his closeness to the President, which was too subjective a statement to be considered anything but opinion.

Gray next challenged the statements in the book that said his public relations company had "failed" and offered "little real substance." Judge Boudin disposed of the "little real substance" aspect of the statement quickly, finding that when one is describing the quality of such intangible services, it is surely nothing but opinion. Therefore, Judge Boudin focused on whether the "failed" aspect of the statement was actionable and concluded that it was not. In making this finding, Judge Boudin explained that in the context in which "failed" was used, it meant that Gray's firm "failed" because Gray never realized his dream of owning the world's largest public relations firm. Accordingly, even though Gray's firm was financially profitable, what is "success" or "failure" in the context in which it was presented in the book was subjective opinion.

Judge Boudin found the third disputed statement to be one of opinion as well. Trento quoted a source as claiming that former CIA head William Casey may have asked Gray to take on some controversial clients in order to spy on them. The statement goes on to say that "[i]f that were so it would explain why Gray considered countries like Libya, and took clients like

Angola." Judge Boudin agreed with Judge McAuliffe's conclusion that this statement was simply speculation. It does not claim that Gray did act as a spy on behalf of the CIA. The passage in the book merely states that "if" he did, it would explain some of Gray's choices of clients.

The final statement dealt with the comments of a former senior vice president of Gray's company who said that Gray had a lack of integrity and had overcharged some of his clients. As to this statement, Judge Boudin held that Gray, a limited purpose public figure, had failed to show actual malice. Gray argued that the statements of a former disgruntled employee could not be trusted, and thus, Trento knew or should have known that those statements were false or, at a minimum, Trento displayed a reckless disregard for their truth or falsity by failing to investigate them further. In response, Trento showed that she relied on more than just the statement of one former employee. Judge Boudin indicated that "[p]rejudice or limited knowledge on the part of a source may suggest caution but does not preclude reliance."

Gray's other challenge in the appeal was Judge McAuliffe's ruling on a privilege issue. Under New Hampshire law, reporters have a qualified confidential source privilege. Although Judge Boudin stated that the New Hampshire law on point is not a "model of clarity," Judge Boudin recognized that Gray would have been entitled to a presumption that no source existed if he had exhausted all reasonable means of identifying the source and Trento still refused to divulge the same. Judge Boudin found that even if Gray had exhausted all reasonable means to identify the source and the jury had been instructed on the presumption, because the jury ultimately found that the statement in question was not defamatory and that there was no actual malice, it would not have made a difference in the outcome.

Gray was represented by James E. Higgins. St. Martin's Press was represented by John C. Lankenau.

Gray v. St. Martin's Press, Inc., 221 F.3d 243, 2000 U.S.App.LEXIS 18543(1st Cir. 2000)[ELR 22:7:10]

Nolan Ryan's authorization for the distribution of memorabilia did not continue past the date Ryan terminated his license to Volpone Stamp Company, federal District Court rules in granting preliminary injunction

Nolan Ryan still pitches a perfect game. Ryan - who currently derives substantial revenue from endorsements, commercials and the licensing of his name and image - recently filed a lawsuit in which he alleged trademark infringement against Volpone Stamp Company. Volpone moved to dismiss the action and how they reached home plate is very interesting.

Matt Merola, the president of Mattgo Enterprises, represents Ryan. Bernie Neumark runs Volpone Stamp Company, which is in the business of selling sports-related merchandise. In 1998, Volpone, Mattgo and Ryan entered into three agreements, each for a term of two years, including a Master Licensing Agreement, a Train Set Agreement and a Teddy Bear Agreement. The agreements granted Volpone exclusive rights to manufacture, sell and sub-license many Nolan Ryan products, including, of course, train sets and teddy bears. Ryan was to be paid royalties, which were guaranteed at a minimum for the first two years.

This lawsuit arose out of a dispute that began in the summer of 1999. Volpone delivered checks for minimum guarantee payments, in accordance with the Master and Teddy Bear Agreements. However, when Merola deposited the checks, they bounced. Volpone claimed that the payments were deliberately stopped and justified its actions based on the belief that Ryan had either breached the Agreement or other companies were selling unauthorized merchandise. Despite Merola's effort to obtain further information, Neumark refused and simply demanded all licensing agreements Mattgo had made for Ryan products.

In August 1999, counsel for Ryan wrote a letter to Volpone stating that it was no longer authorized to manufacture, distribute or promote any products bearing Nolan Ryan's "name, photography, signature and image." The letter served as notice that the licensing agreements were terminated. But Volpone continued to manufacture and distribute Nolan Ryan merchandise.

In October 1999, Ryan brought an action in federal District Court, primarily based on claims under the Lanham Act and New York Civil Rights Law - and moved for a preliminary injunction restraining Volpone from exploiting any products bearing his name. Volpone cross-moved to dismiss the action in its entirety.

Based on his claim under the Lanham Act, Ryan contended that Volpone's continued unauthorized production and sale of his products was likely to cause consumer confusion and constituted trademark infringement. Volpone asserted that its production of goods was prior to the termination of the contract, so there was no likelihood of confusion.

In his opinion Judge Charles Haight agreed with Ryan, ruling that Volpone "conveniently ignore[d] the statute." The judge reasoned that Ryan's authorization of the use of his name, signature and likeness in connection with Volpone's products in the past did not make his endorsement irrevocable for all time - especially after the Agreement had been terminated. Volpone's actions, Judge Haight ruled, constituted trademark infringement.

Volpone also moved to dismiss Ryan's causes of action for violations of a N.Y. Civil Rights Law. Ryan argued that he was entitled to bring an equitable action based on Volpone' failure to obtain his written consent prior to selling Nolan Ryan merchandise and that the law created a statutory right of privacy. Volpone argued that Ryan's alleged injury was not to his privacy, but to his purse. It also argued that, even if Ryan turned to the right of publicity for relief, New York has not created a statutory right of publicity.

Judge Haight agreed somewhat with Volpone that "Ryan's right to privacy, as that concept is generally understood, had not been violated." He confirmed, however, that in New York, Ryan's right of publicity is "simply a misnomer for the privacy interest protected by the Civil Rights Law, as applied to public figures." Consequently, Judge Haight ruled, the "right of privacy" is applicable, because Ryan's name was used without his consent.

Ryan also moved for a preliminary injunction. Volpone argued Ryan breached the agreements by licensing his name to others, justifying its refusal to continue to pay royalties. But Volpone was not "batting 1000." Judge Haight reminded Volpone that it failed to make its minimum guarantee payments, thereby forfeiting its right to sell Nolan Ryan products. He ruled that Ryan suffered irreparable harm and "[i]f companies such as Volpone can exploit [Ryan's] celebrity without his consent, his years of accomplishments on the baseball field will quickly lose their commercial value off the field."

Judge Haight then granted the motion for a preliminary injunction. Once again, Ryan pitches a "no-hitter."

Nolan Ryan was represented by Martin S. Hyman, Golenbock Eiseman Assor & Bell, New York City. Volpone Stamp was represented by Ezio Scaldaferri, Feder Kaszovitz Isaacson Weber Skala & Bass, New York City.

Ryan v. Volpone Stamp Co., Inc. 107 F.Supp.2d 369, 2000 U.S.Dist.LEXIS 10657 (S.D.N.Y. 2000)[ELR 22:7:12]

International Management Group wins dismissal of most counterclaims filed by sports memorabilia retailer Gotta Have It Golf Collectibles in trademark infringement suit brought by IMG clients Arnold Palmer and Tiger Woods and by Jack Nicklaus

When you "gotta have it" it's best to check with those who "had it" to begin with - especially if "it" is a celebrity name or likeness.

Due to its unauthorized sale of images and signatures of Arnold Palmer, Tiger Woods and Jack Nicklaus, Gotta Have It Golf Collectibles, Inc., became entangled in a federal court battle with the three world famous golfers and International Management Group, the agent for Palmer and Woods. As a result of the recent ruling by District Judge Patricia Seitz, Gotta

Have It now "gets" the difficulty in proving antitrust violations, civil theft and negligence.

It all started in 1996 when sales of their unauthorized photographs and signatures were "driving" Palmer, Woods and Nicklaus crazy. Both Palmer and Woods own registered trademarks. Palmer, Woods and Nicklaus soon hired attorney Jeffrey Laytin to make a concerted effort to prevent third parties from selling the "fakes." Laytin would identify those engaged in unauthorized sales and would then send them "cease and desist" letters.

Between 1996 and 1998, approximately seventy-five dealers were targeted, and all of them except Gotta Have It agreed to discontinue selling the merchandise. Laytin sent Gotta Have It a letter in March 1997 and repeatedly attempted to contact the company by phone and follow-up correspondence. But Gotta Have It never responded.

In April 1997, Laytin hired private investigator Wayne Grooms. Acting on the instructions of International Management Group, Grooms would order merchandise to determine whether or not signatures had been forged.

Palmer, Woods and Nicklaus soon discovered that Gotta Have It would be selling merchandise at the upcoming Masters Tournament in Augusta, Georgia. At the Tournament, Grooms purchased an autographed photograph of Palmer, Nicklaus and Woods from Gotta Have It for $1,250. Laytin completed an affidavit confirming that the signatures were probable forgeries, and Grooms immediately presented it to the Richmond Police.

The police subsequently seized sixty items of Gotta Have It's merchandise (all of which contained photographs and/or autographs of Palmer and Woods) and arrested two employees, charging them with felony forgery and/or counterfeiting of trademarks or registered designs. The next day the Gotta Have It employees returned to the Tournament and "set up business as usual." But no indictment was ever issued.

In April 1997, Palmer, Nicklaus and Woods filed a complaint against Gotta Have It for the allegedly unauthorized sale of their images and signatures.

In response, Gotta Have It filed a counterclaim asserting that its business relationships had suffered from the "smear campaign" (the press reports named Gotta Have It employees as "con artists" and "counterfeiters") and, in a separate claim, sought declaratory relief and actual damages. Gotta Have It also filed a third-party complaint, adding IMG as a defendant. IMG responded with a motion for summary judgment. And, but for the defamation claim, IMG prevailed.

Judge Seitz ruled that IMG could not have conspired with Palmer, Nicklaus and Woods because their agency relationship meant that two or more distinct entities did not agree to take action against Gotta Have it; and there was no evidence that IMG committed civil theft or negligent acts. This wiped out the restraint of trade, tortious interference, civil theft and negligence claims. However, the judge ruled, fact issues exist as to whether IMG's defamatory statements were true regarding the fake signatures and whether the expert was speaking as IMG's agent.

Stay tuned and we'll be sure to get a "round" to reporting Judge Seitz's completion of "eighteen holes" with respect to the summary judgment filed by Palmer, Nicklaus and Woods.

Arnold Palmer and Tiger Woods were represented by James Miller Kaplan, Wilson Elser Moskowitz Edelman & Dicker, Miami. Jack Nicklaus was represented by Robert George Haile Jr., Fleming Haile & Shaw, North Palm Beach. IMG was represented by Michael C. Rotunno, Marlow Connell Valerius Abrams Adler & Newman, Miami. Gotta Have It Golf Collectibles was represented by Teresa Ragatz, Isicoff & Ragatz, Miami.

Palmer v. Gotta Have It Golf Collectibles, Inc., 106 F.Supp.2d 1289, 2000 U.S.Dist.LEXIS 11674 (S.D. Fla. 2000)[ELR 22:7:13]

University of Nebraska's common-law use of "Husker Authentics" trade name makes local merchant's later registration of that name invalid, Supreme Court of Nebraska rules

Timing and attention to detail mean everything when it comes to trademark registration and Brent White learned those facts the hard way. From 1989 to 1998 White owned and operated two Lincoln, Nebraska businesses engaged in selling items related to the University of Nebraska-Lincoln Athletic Department's theme. Despite his having obtained a license from The Collegiate Licensing Company (CLC) - which grants rights to third parties allowing specified uses of the indicia associated with the University - White still ended up in hot water.

The litigation between the Department and White arose following a battle for the trade name "Husker

Authentics." By the time the litigation reached the Nebraska Supreme Court, Judge Kenneth Stephan concluded that "the common-law right in a trade name by its use invalidates a subsequent registration of the same name with the Secretary of State."

However, Judge Stephan's conclusion was preceded by a truly "authentic" battle, which unfolded as follows. In 1995 the University of Nebraska Athletic Department decided to sell apparel and equipment used by its teams and staff ("Authentics") and items such as footballs and videos ("hard goods"). The University entered into an agreement with Eastbay, a mail-order catalogue business, which provided that the University would receive 4 percent of the gross sales for the products in the catalog. Although minimal, that 4 percent profit later turned out to be a valuable return on investment for the University.

In 1996, catalogs, on which the words "Husker" and "Authentics" were written, were distributed to thousands of Husker football fans. Judge Stephan later concluded that, given its 4 percent interest, the University did in fact conduct mail-order business under the name "Husker Authentics" and, in turn, the University established common-law rights by its use of that trade name. Judge Stephan explained, "Persons ordering merchandise from either catalog could reasonably assume that they were purchasing products from a business named Husker Authentics."

On July 11, 1996 the University filed an application with the Nebraska Secretary of State to register the trade name "Husker Authentics." The application stated that the first use of the name in Nebraska was in June 1996. However, because the University did not file the required proof of publication of the name, the Secretary of State subsequently cancelled the registration. That "detail" would later come back to haunt the University.

In February 1997, White became aware of the "detail" and seized the opportunity to eliminate his potential competition by registering the name "Husker Authentics." Upon discovering the error, the University went straight to the CLC for assistance. Consequently, White received two letters during the summer of 1997 from CLC's counsel, informing him that failure to transfer his registration to the University within 15 days would subject his license agreement to "immediate termination."

White did not honor CLC's request. In fact, when the University opened a store called "Husker Authentics" in August 1997, White sued the University for infringing what he claimed what his trademark. The University counterclaimed, seeking - among other things - a ruling that White's registration was invalid. The University won.

At trial, White admitted that he never used the trade name at any time other than on his application for registration, because he did not want to "invest a dime" of his money until the situation was settled in the courts. Based on White's statement, Judge Stephan concluded that "actual use and adoption of the trade name is required before a registration can be enforced" and ruled White's registration was invalid for that reason, as well as because the University had used "Husker Authentics" first.

White was represented by Jefferson Downing, Keating O'Gara Davis & Nedved. The University was represented by John C. Wiltse.

White v. Board of Regents of the University of Nebraska, 614 N.W.2d 330, 2000 Neb.LEXIS 174 (Neb. 2000)[ELR 22:7:14]

National Association of Professional Baseball Leagues loses trademark infringement action against "Very Minor Leagues," but doesn't have to pay attorneys fees and defeats counterclaims for tortious interference, prima facie tort and abuse of process

A company known as "Very Minor Leagues" manufactures, markets and sells baseball caps and t-shirts featuring the names and logos of humorous, fictitious baseball teams. (The Pryor, Montana team is known as the "Pryor Convictions.") The National Association of Professional Baseball Leagues owns the trademarks "The Minor Leagues," "Minor League Baseball" and "Professional Baseball The Minor Leagues" and its accompanying logo. Given their similar trademarks, it was "Very" likely that they would become entangled in trademark litigation, and they did.

In June 1994, Very Minor Leagues applied to the U.S. Patent and Trademark Office for registration of the mark "Very Minor Leagues" and it was published for opposition in April 1995. In August, Professional Baseball Leagues filed a Notice of Opposition, contending that Very Minor League's mark would create confusion and dilute its marks. In September, Professional Baseball Leagues filed an application to register the trademarks "Minor League Baseball" and "The Minor Leagues" in several classes including clothing. The marks were refused because of the potential confusion "if Very Minor Leagues' request ripened into a trademark."

In 1996, King Features Syndicates contacted Very Minor Leagues about entering into a licensing agreement. Upon learning of the pending trademark dispute, King Features withdrew its offer. Very Minor Leagues blamed the loss on Professional Baseball Leagues. Very Minor Leagues then filed a motion for summary judgment with the Trademark Trial and Appeal Board, asking that Professional Baseball Leagues' opposition to its mark be dismissed. Professional Baseball Leagues filed a motion seeking an extension for its response which was granted by the TTAB and brought an action in federal District Court in Florida alleging, among other claims, trademark infringement.

In April 1997, the TTAB granted a request by Professional Baseball Leagues to suspend the opposition proceedings pending the outcome of the judicial proceedings. When the litigation was transferred to Oklahoma in July, Very Minor Leagues filed four counterclaims against Professional Baseball Leagues. In response, Professional Baseball Leagues filed a motion for summary judgment as to Very Minor Leagues' counterclaims for tortious interference, prima facie tort and abuse of process. The court granted the motion, finding Very Minor Leagues' evidence insufficient.

The rest of the case went to trial and Professional Baseball Leagues lost: a jury returned a verdict in favor of Very Minor Leagues on Professional Baseball's trademark infringement claims. But Very Minor Leagues' request for attorneys fees was denied by the District Court

Very Minor Leagues then appealed, arguing that Professional Baseball Leagues brought an "unfounded" suit "only to avoid an unfavorable ruling at the TTAB," and claimed it should have been awarded attorneys fees.

Judge David Ebel emphasized that attorneys fees are awarded only in "exceptional cases" and there was "nothing inappropriate about Professional Baseball Leagues' seeking a judicial rather than administrative determination of rights." Judge Ebel ruled that Professional Baseball Leagues' suit was not "unfounded" or "brought for harassment" and that it "did not act in bad faith." Thus, Judge Ebel affirmed the District Court's decision to deny attorneys fees to Very Minor Leagues.

Very Minor Leagues also asserted that Professional Baseball Leagues' opposition to Very Minor Leagues' attempt to register its trademark constituted a tortious interference with its negotiations with King Features. Judge Ebel also ruled that Very Minor Leagues could not claim tortious interference - it did not show that Professional Baseball Leagues' request for extension of time in the TTAB proceeding and filing suit in federal court were "unlawful or unfair acts."

Judge Ebel also affirmed the dismissal of Very Minor Leagues' counterclaim for prima facie tort. Very Minor Leagues offered no evidence that it was damaged. Professional Baseball Leagues' actions were not "unfounded," and it was "well within its rights." The judge also held that summary judgment in connection with Very Minor Leagues' counterclaim for abuse of process was inappropriate.

The National Association of Professional Baseball Leagues was represented by Douglas E. Hart, Front & Jacobs, Cincinnati. Very Minor Leagues was represented by James W. Tilley, Tulsa.

National. Association of Professional Baseball Leagues v. Very Minor Leagues, 223 F.3d 1143, 2000 U.S.App.LEXIS 18198 (10th Cir. 2000)[ELR 22:7:14]

Former NFL player Steve Courson loses claim against Player Retirement Plan for additional disability benefits; federal appeals court affirms ruling that Courson's alcohol-related disability was not covered by Plan

Retired football player Stephen Courson has lost his bid to increase his disability benefits under the Employee Retirement Income Security Act (commonly known as "ERISA"). Courson played for the Pittsburgh Steelers from 1977 until he was traded to the Tampa Bay Buccaneers Football Club in 1984 where he played until his retirement in 1986. He also was an alcoholic who, by 1988, was broke due to some bad investments. His financial ruin, Courson claimed, was a factor in his decision to pursue a short-lived career in professional wrestling.

In the fall of 1988, Courson was diagnosed with a heart condition known as "dilated cardiomyopathy" and was placed on a waiting list for a heart transplant. In 1992, Courson applied for disability benefits under the Bert Bell NFL Player Retirement Plan which provided for a monthly pension of "no less than $4,000 if the disability results from a football injury incurred while an Active Player," or "no less than $750" if the disability is from "other than a football injury." (A subsequent plan increased $750 to $1500.) In the doctor's report which accompanied Courson's application for disability, Courson's cardiologist indicated that Courson's disability was caused by his excessive drinking and did not arise from a football-related activity.

Courson's disability was classified as "Inactive" under which he was entitled to receive $1500 per month. Courson sought to be reclassified in order to obtain the higher benefits, and after his reclassification request was denied, he filed an action in U.S. District Court for the Western District of Pennsylvania. The District Court granted summary judgment against Courson (ELR 21:11:16), and he filed an appeal with the Third Circuit.

Courson attempted to convince the court that his disability, although caused by his excessive drinking, should be deemed to be a "Football Injury" - an injury which arose "out of League football activities." Courson argued that the NFL was responsible for his alcoholism since (1) the NFL encouraged its players to drink by providing alcohol to players after games; (2)

the NFL placed enormous pressure on its players; and (3) he drank to ease the pain from football injuries.

The appellate court was not persuaded by Courson's argument that his alcoholism arose "out of League football activities." In an opinion by Judge Carol Mannsmann, the court found that the evidence heard by the District Court supported its conclusions that: (1) the NLF had a strict policy prohibiting the excessive use of alcohol; (2) although the Steelers provided alcohol to players after games, it was limited to only two cans of beer per player; (3) the Steeler's coach, Chuck Nolls, stated that Courson had no signs of alcoholism; and (4) in Courson's book, False Glory, he described his heavy drinking occurring in bars or elsewhere and not at NFL facilities.

Judge Manssmann therefore concluded that Courson's use of alcohol was completely self-induced, and thus, he was not entitled to a reclassification of his disability benefits.

Courson was represented by Philip J. Murray III, Reed & Armstrong, in Pittsburgh. The Bert Bell NFL Player Retirement plan was represented by Thomas S. Gigot, Groom Law Group, Washington D.C.

Courson v. Bert Bell NFL Player Retirement Plan, 214 F.3d 136, 2000 U.S.App.LEXIS 11972 (3rd Cir. 2000)[ELR 22:7:15]

Though federal government lawyers assumed lead role in Americans with Disabilities Act action against New York Yankees, law firm representing individual plaintiffs are awarded 75% of its fees and all costs

With 26 world championship trophies, the New York Yankees believe they are "the most successful team in the history of professional sports." However, the Yankees recently "struck out" in the courtroom.

In November 1994, the United States Government sent a letter to the Yankees indicating it had received a complaint that Yankee Stadium was not in compliance with the Americans with Disabilities Act. After spending four years investigating the Stadium, in April 1998, the Government sent both the Yankees and New York City a letter alleging a number of specific ADA violations and attached a report documenting its investigation.

That year, the law firm Kopelson & Westreich informed the Yankees that it represented a group of disabled individuals, including James Pascuiti, who wanted to attend games and requested that the Yankees make an effort to comply with current ADA standards. The Yankees and K & W exchanged letters and, although the Yankees claimed that the "matter [was] in litigation instituted by the Justice Department," the Government had yet to file a claim.

In November 1998, K & W sued the Yankees on behalf of the plaintiffs in a federal District Court in New York, alleging that the Yankees' premises, practices and policies violated both the ADA and applicable New York law, because there were only two costly, undesirable locations where wheelchair users could watch a game in Yankee Stadium. Conditioned on the dismissal of the complaint, the Yankees and the City invited K & W to meet and resolve the issues; however, K & W refused and continued to litigate. In January 1999, the Government moved to intervene, added the City as a defendant and became fully involved in the litigation.

Eventually, the parties engaged in intense settlement negotiations that led to a comprehensive Settlement Order. Three of the parties - the Government, the Yankees and the City - were to bear their own costs and attorneys fees. If they could not agree on the fee proposed by K & W, it was to submit a fee application to the court. K & W ultimately submitted that application and the Yankees opposed it, arguing that K & W was not entitled to fees and that the amount was excessive and unreasonable. Judge Shira Scheindlin concluded that K & W was entitled to recover "some amount of attorneys fees and costs."

However, she took the operative word "some" literally and by the time the case closed, K & W found Judge Scheindlin's ruling to be way out in "left field."

It all began with determining an hourly rate. The parties agreed that the best way to calculate K & W's fees was the lodestar method - multiply the number of hours reasonably expended on litigation by a reasonable hourly rate. K & W argued that, based on their experience, $325/hr was a reasonable billing rate. But Judge Scheindlin concluded the "reasonable" going rate for partners in "smaller firms" in New York City was $250/hr.

Then came the number of hours submitted. K & W sought reimbursement for 1008.9 hours of work; however, by the time Judge Scheindlin made her decision, it was definitely not "batting 1000." The Yankees objected to the hours claimed by K & W, arguing that the work could have been completed by paralegals and associates and the bills should be reduced by 66%. The judge found that, upon reviewing the "tasks" listed, K & W's bills "did not reveal any obvious inefficiencies" and reminded the Yankees that the fees had been cut to $250. However, the judge still considered K & W's fees to be a cut above average.

The Yankees argued that K & W's time spent on summary judgment motions, burden of proof issues, "miscellaneous other tasks," and attending depositions should be completely eliminated. K & W had already admitted that all billable hours spent attending depositions conducted by the Government should have been cut by 50% since the time spent "could have been avoided." The judge agreed halfway with the Yankees and ruled that the time spent by K & W was either "unreasonable" or should not have been billed at a partner rate and then reduced the hours by 50%.

Despite Judge Scheindlin's refusal to compare K & W's list of the 180 hours it had billed for correspondence, telephone conferences and "miscellaneous vague entries" against the timesheet (she doubted that the Yankees had done so, either), no time was deducted, since the "vast majority of the entries" were one hour or less. The judge also agreed that no time should be deducted from the hours K & W spent researching issues involving the City and sports stadiums and reduced K & W's internal conference hours by only 25%. However, when K & W associated a "reasonable estimate" of 2.5 hours travel time for each trip, Judge Scheindlin cut those 85 hours down to 56, ruling that the "estimate approach" was wrong.

Upon calculating the total hours as reduced, Judge Scheindlin remained dissatisfied with K & W's compensation of $198,475. Although she had ruled that K & W's efforts "contributed to the eventual resolution of the case," the key question was "whether K & W's time was reasonably spent." To make this determination, Judge Scheindlin divided the litigation into two stages - before and after the Government's intervention. The judge concluded that during the first stage K & W should be "fully compensated for its efforts," but, after that, as K & W admitted, the Government served as "lead counsel." So, although Judge Scheindlin awarded K & W's costs in full, in addition to the reductions already made, all hours billed by K & W after the Government intervened were reduced by 25%.

K & W had originally requested close to $320,000 in fees and costs and ended up with just under $160,000. You can't say the lawyers struck out, but it's certainly not the home run they anticipated.

Pascuiti was represented by Edward Kopelson, Kopelson & Westreich, Morristown NJ. The Yankees were represented by Richard M. Goldstein, Proskauer Rose, New York City.

Pascuiti v. New York Yankees, 108 F.Supp.2d 258, 2000 U.S.Dist.LEXIS 9753 (S.D.N.Y. 2000)[ELR 22:7:16]

West Virginia court awards music publishing companies $10,000 in statutory copyright damages, attorneys' fees, and an injunction against nightclub owners who refused to obtain ASCAP license

Since 1996, the American Society of Composers, Authors and Publishers had been attempting to obtain a license from a nightclub in West Virginia known as the Cheetah Lounge which was owned by Kimble, Incorporated and John Hewitt. Despite at least 38 requests and warnings from ASCAP during the four-year period leading up to the filing of the lawsuit, the Cheetah Lounge refused to agree to enter into a license. Finally, five ASCAP member music publishing companies, M.L.E Music, J. Albert & Sons (USA), Inc., Guns & Roses Music, Hamstein Music Company & Miss Bessie Music, filed suit in U.S. District Court for the Southern District of West Virginia against Kimble and Hewitt for copyright infringement.

Judge Elizabeth Hallanan has granted M.L.E. Music and the other publishing companies' motion for summary judgment and awarded them $10,000 in statutory damages ($2,000 for each work infringed) pursuant to 17 U.S.C. section 504(c)(2). Judge Hallanan reached her decision based on the fact that had Kimble and Hewitt entered into the ASCAP license as requested in 1996, they would have paid $3,545 in licensing fees. Recognizing that the Copyright Act provided her with discretion in formulating an award of statutory damages, Judge Hallanan awarded the $10,000 which was requested by the publishing companies, finding that a damage award should not only compensate the injured party but should also deter infringement.

Judge Hallanan was not persuaded by Kimble and Hewitt's argument that ASCAP had a duty to provide them with a list of licensed compositions so they would not be played at the Cheetah Lounge. Judge Hallanan found that this argument had no merit and was not a defense to a copyright infringement action. Rather, Judge Hallanan held that the evidence showed a long pattern of intentional infringement and refusal to enter into ASCAP's license.

In addition, Kimble and Hewitt were permanently enjoined from performing any ASCAP compositions until they entered into a license with

ASCAP and paid the required license fees. Judge Hallanan found that a threat of continuing infringement existed based upon Kimball and Hewitt's refusal to comply with ASCAP's repeated requests for a license.

Finally, Judge Hallanan awarded M.L.E. Music and the other publishing companies their reasonable attorneys' fees under 17 U.S.C. section 505, finding that Kimble and Hewitt "deliberately, willfully and knowingly violated United States Copyright laws" and that they "could have substantially reduced the attorneys' fees and costs incurred had they accepted any of ASCAP's repeated offers to settle this matter."

M.L.E. Music was represented by Daniel R. Schuda, Charleston WV. Kimble was represented by James M. Pierson, Charleston WV.

M.L.E. Music v. Kimble, Inc., 109 F.Supp.2d 469, 2000 U.S.Dist.LEXIS. LEXIS 12159 (S.D.W.Va. 2000)[ELR 22:7:17]

High school student's First and Fourteenth Amendment rights were not violated by school board's ban of t-shirts depicting "ghoulish and creepy" rock star Marilyn Manson, federal appellate court affirms

Describing rock star Marilyn Manson as "ghoulish and creepy," federal Court of Appeals Judge Harry Wellford upheld the right of an Ohio school board to prohibit students from wearing Marilyn Manson t-shirts to school because, he said, the band "promotes destructive conduct and demoralizing values that are contrary to the educational mission of the school."

The dispute began when a Van Wert High School senior, Nicholas Boroff, repeatedly wore t-shirts depicting Marilyn Manson to school despite the fact that the school has explicitly forbidden him from doing so. After the fifth day of being banned from school because he refused to turn the t-shirts inside out or wear other attire, Boroff's mother filed suit in the U.S. District Court for the Northern District of Ohio claiming that the school board's refusal to allow her son to wear the shirts violated his First Amendment right to free expression and his Fourteenth Amendment right to due process. District Court Judge David Katz granted summary judgment in favor of the Van Wert City school board, and Boroff appealed to the Sixth Circuit.

In a non-unanimous opinion, Judge Wellford wrote for the majority finding that Boroff's constitutional rights had not been violated. Judge Wellford recognized that the constitutional rights of students are not always coextensive with the constitutional rights of adults. While a school cannot ban student expression simply because it disagrees with the content of the expression, a school can forbid student expression which is "vulgar, offensive, or contrary to the educational mission of the school." Judge Wellford found that the Marilyn Manson t-shirts in question fell within that definition.

Specifically, Judge Wellford found that Marilyn Manson's music and public statements condoned drug taking and violence and were not in keeping with the school's educational policies. Additionally, the judge found that one of the t-shirts, which depicted a three-headed Jesus, mocked religion and was contrary to the school's "educational mission which is to be respectful of others and others' beliefs." Thus, Judge Wellford affirmed Judge Katz's grant of summary judgment on Boroff's First Amendment Claim.

Judge Wellford also rejected Boroff's argument that his Fourteenth Amendment due process rights had been violated. Aside from finding that Boroff waived this argument by failing to adequately address it in his appeal brief, Judge Wellford held that where another Constitutional provision or amendment directly addresses the subject of the matter, the Fourteenth Amendment cannot be used as a fallback position. Judge Wellford reasoned that since Boroff made no argument with regard to procedural due process (there was no argument that the school board used unfair procedures against him), the inquiry must focus on substantive due process. Since the First Amendment was directly implicated, however, Boroff could not use the Fourteenth Amendment in support of his claims.

In a dissenting opinion, Judge Ronald Lee Gilman stated that the summary judgment should not have been affirmed since there were disputed material factual questions remaining. Judge Gilman believed that a jury could have concluded that the school board banned the t-shirts simply because the board did not like the religious views expressed. This, Judge Gilman wrote, would be considered "viewpoint discrimination, which is accompanied by an all-but-irrebuttable presumption of unconstitutionality."

Judge Gilman also indicated that the majority had misapprehended the meaning of the terms "vulgar" and "offensive." Had certain of Marilyn Manson's offensive lyrics been depicted on the shirts, for example, Judge Gilman agreed that the school board could have forbidden students from wearing them. Instead, Judge Gilman believed that the three-headed Jesus t-shirt merely "express[ed] a viewpoint that many people personally find repellant, not because it is vulgar." Under such circumstances, Judge Gilman wrote, the school board could not forbid students to wear the shirts absent a showing of a reasonable prediction of substantial disruption of or material interference with school activities.

Boroff was represented by Chris K. Starkey, Fort Wayne. Van Wert City Board of Education was represented by Gregory Bradford Scott, Scott Scriven & Wahoff, Columbus.

Boroff v. Van Wert City Board of Education, 220 F.3d 465, 2000 U.S.App.LEXIS 18023 (6th Cir. 2000)[ELR 22:7:18]

PrimeTime 24 wins reinstatement of its antitrust suit against television networks complaining about their refusal to issue satellite retransmission licenses and their signal-strength challenges under old Satellite Home Viewer Act

The television networks will have to defend themselves after all, in an antitrust lawsuit filed against them by PrimeTime 24, a company that provides subscribers with satellite retransmissions of network television signals.

This lawsuit is just one of several between PrimeTime 24 and the networks. All of them were triggered by disputes over the application of the original version of the Satellite Home Viewer Act - a federal statute that permitted PrimeTime to retransmit copyrighted network programming only to "unserved households" that could not receive strong enough network signals to give them clear images. The networks accused PrimeTime of improperly providing satellite retransmissions to adequately served homes; and the networks won copyright infringement lawsuits against PrimeTime, on those very grounds (ELR 20:8:13, 20:11:14, 21:10:10).

PrimeTime did take the offensive in one case. It accused the networks of violating federal antitrust law by refusing to issue satellite retransmission licenses and by making bogus signal-strength challenges under the original Satellite Home Viewer Act.

At first, PrimeTime lost that case too. Federal District Judge Lawrence McKenna granted the networks' motion for summary judgment, on the grounds that the actions about which PrimeTime complained were immune from antitrust liability under the "Noer-Pennington doctrine." (ELR 20:11:14) That doctrine arose out of a 1961 Supreme Court decision that held that efforts to influence government action do not violate the antitrust laws, even if they are taken jointly and are intended to eliminate competition.

On appeal, PrimeTime has achieved its first judicial success on this issue. Writing for the Court of Appeals, Judge Ralph Winter held that PrimeTime's antitrust suit should not have been dismissed on summary judgment, for two reasons.

He held that PrimeTime had adequately alleged that the networks had engaged in a "concerted" refusal to issue satellite retransmission licenses. If that were true, the judge explained, it would violate antitrust law, even though each network, acting alone, could have refused to grant PrimeTime a license, without antitrust liability.

PrimeTime also alleged that the networks filed coordinated signal-strength challenges to PrimeTime's subscribers, even in cases where the challenges had no merit, merely for the purpose of making it too expensive for PrimeTime to carry on it business. Judge Winter held that Congress did not intend to permit coordinated challenges of this kind, and that such conduct would have been in "bad faith." As such, the networks' conduct would have fallen within the "sham" exception to protection otherwise provided by the "Noer-Pennington doctrine."

Editor's note: Even before PrimeTime won this appellate court ruling, it won another battle in Congress. In the Satellite Home Viewer Improvement Act of 1999, Congress gave PrimeTime and other satellite retransmission companies a statutory license authorizing them to provide subscribers with local station signals, including network signals (regardless of signal strength) (ELR 21:8:8). This new statutory license is the very one that PrimeTime had earlier sought to negotiate directly with the networks, without success - thus triggering the antitrust suit that PrimeTime now has won the right to pursue.

PrimeTime 24 was represented by Harry Frischer, Solomon Zauderer Ellenhorn Frischer & Sharp, New York City. NBC was represented by Charles F. Rule, Covington & Burling, Washington D.C.

PrimeTime 24 Joint Venture v. National Broadcasting Company, 219 F.3d 92, 2000 U.S.App.LEXIS 15916 (2nd Cir. 2000)[ELR 22:7:19]

DEPARTMENTS

In the Law Reviews:

The Entertainment and Sports Lawyer, published by the American Bar Association Forum on the Entertainment and Sports Industries 750 North Lake Shore Drive, Chicago, IL 60611-4497 (800) 285-2221, has published Volume 18, Number 3 with the following articles:

Online Music Comparisons: A Practical Guide by David M. Given and Elizabeth L. Musser, 18 Entertainment and Sports Lawyer 1 (2000) (for address, see above)

A Professional Responsibility Primer for Today's Entertainment Lawyer by Kenneth J. Abdo and Jack P.

Sahl, 18 Entertainment and Sports Lawyer 3 (2000) (for address, see above)

What a Short Strange Trip It's Been: Sound Recordings and the Work Made for Hire Doctrine by Peter J. Strand, 18 Entertainment and Sports Lawyer 12 (2000) (for address, see above)

Book Review: The Entertainment Economy by Michael J. Wolf, reviewed by Daniel M. Satorius, 18 Entertainment and Sports Lawyer 14 (2000) (for address, see above)

Book Review: This Business of Music: The Definitive Guide to the Music Industry by M. William Krasilovsky and Sidney Shemel, reviewed by Edward M. Cramer, 18 Entertainment and Sports Lawyer 15 (2000) (for address, see above)

Comm/Ent, Hastings Communications and Entertainment Law Journal, has published Volume 22, Number 2 as a symposium Twelfth Annual Computer Law Symposium: Business and Legal Challenges Facing Electronic Commerce with the following articles:

Tales of an E-Commerce Lawyer: When Every Decision You Make Is a "You Bet Your Company" Decision by Michael Scott, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 179 (2000)

Legal Recognition of Digital Signatures: A Global Status Report by Richard Allan Horning, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 191 (2000)

Business and Patents and Business Patents by Michael A. Glenn, 18 Comm/Ent, Hastings Communications and Entertainment Law Journal 203 (2000)

Doing Internet Co-Branding Agreements by Eric Goldman, 18 Comm/Ent, Hastings Communications and Entertainment Law Journal 221 (2000)

To Bot or Not to Bot: The Implications of Spidering by David Kramer and Jay Monahan, 18 Comm/Ent, Hastings Communications and Entertainment Law Journal 241 (2000)

The Owned Public Domain: The Constitutional Right Not to be Excluded-Or the Supreme Court Chose the Right Breakfast Cereal in Kellogg v. National Biscuit Co. by Malla Pollock, 18 Comm/Ent, Hastings

Communications and Entertainment Law Journal 265 (2000)

Cyberspace Charities: Fundraising Tax Issues for Nonprofit Organizations in an Internet World by Hans Famularo, 18 Comm/Ent, Hastings Communications and Entertainment Law Journal 301 (2000)

Taxation of International Computer Software Transactions under Regulation 1.861-18 by Jonathan Purcell, 18 Comm/Ent, Hastings Communications and Entertainment Law Journal 325 (2000)

The Texas Review of Entertainment & Sports Law has published Volume 1, Number 1 with the following articles:

Truth in Advertising: A Look at One Right of Publicity Case Gone Terribly Wrong by Edwin F. McPherson, 1 Texas Review of Entertainment & Sports Law 1 (2000)

Practical Considerations for Attorneys Assisting Foreign Athletes to Play Professional Sports in the United States by Michael J. O'Connor, Jr., 1 Texas Review of Entertainment & Sports Law 13 (2000)

Trade Dress for Success: Fashion Designs as Distinctive Product Configurations by Inga Munsinger, 1 Texas Review of Entertainment & Sports Law 47 (2000)
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