IN THE NEWS

Appellate court affirms preliminary injunction against Napster in copyright suit filed by record companies and music publishers, though case remanded for narrowing of injunction's terms

Record companies and music publishers scored another victory in their copyright suit against Napster. The Ninth Circuit Court of Appeals has ruled that District Judge Marilyn Hall Patel was right when she issued a preliminary injunction against the online service (ELR 22:3:4).

In a 50-page opinion by Judge Robert Beezer, the appellate court rejected virtually every argument Napster made in an effort to upset that injunction. The only point made by Napster with which the appellate court agreed was its argument that the terms of the

injunction issued by Judge Patel were too broad. Thus, although the propriety of the injunction was affirmed, the case has been remanded to Judge Patel for the crafting of a narrower ban.

Since Napster is a "peer-to-peer" service that permits users to transmit MP3 files directly to one another, without passing them through Napster's own server, record companies and publishers did not sue it for direct infringement. Instead, they sued Napster for vicarious and contributory infringement - theories that nevertheless required record companies and publishers to establish that someone had infringed their copyrights.

Judge Beezer agreed that this was shown, because "Napster users who upload file names to the search index for others to copy violate plaintiffs' distribution rights. Napster users who download files

containing copyrighted music violate plaintiffs' reproduction rights."

Judge Beezer also agreed that the activities of Napster users were not fair use.

Among other things, he found that the evidence showed that "(1) the more music that sampling users download, the less likely they are to eventually purchase the recordings on audio CD; and (2) even if the audio CD market is not harmed, Napster has adverse effects on the developing digital download market."

Moreover, he held that even if CD sales increased (rather than decreased) as a result of Napster use (as the company argued), "increased sales of copyrighted material attributable to unauthorized use should not deprive the copyright holder of the right to license the material." Nor would increased CD sales "deprive the copyright holder of the right to develop

identified alternative markets, here the digital download market," he added.

Finally, Judge Beezer rejected Napster's argument that its users are simply engaged in a fair use "space-shifting" activity, similar to the space-shifting approved in RIAA v. Diamond Multimedia (ELR 21:7:5) and the time-shifting approved in Universal v. Sony (ELR 5:9:10). Judge Beezer observed that in those cases, copied materials were used only by the person who copied them. By contrast, with Napster, "once a user lists a copy of music he already owns on the Napster system in order to access the music from another location, the song becomes available to millions of other individuals."

Napster also argued that its users were not infringers because they were authorized to do what they were doing by the Audio Home Recording Act. One provision of that Act does permit consumers to make

certain types of non-commercial copies of recordings. That provision does not, however, permit consumers to make the types of copies they had to make in order to use Napster. "[T]he Audio Home Recording Act does not cover the downloading of MP3 files to computer hard drives," Judge Beezer explained, because "computers (and their hard drives) are not digital audio recording devices" and because "computers do not make 'digital music recordings' as defined by the Audio Home Recording Act."

Since Napster users are infringers, the record supported Judge Patel's finding that it was likely that Napster itself is a contributory infringer. This was so, Judge Beezer explained, because Judge Patel properly found that it was likely that "Napster knew or had reason to know of its users' infringement of plaintiffs' copyrights."

In so ruling, Judge Beezer was careful to note that an online service provider "cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material." In this case, however, the evidence supported Judge Patel's finding that "Napster has actual knowledge that specific infringing material is available using its system," Judge Beezer concluded.

The record also supported Judge Patel's finding that it was likely that Napster itself would be liable for vicarious infringement. This was so, because "Napster financially benefits from the availability of protected works on its system," and because Napster has the ability to determine what recordings are being distributed by its users and has the ability to deny service to those who distribute infringing recordings.

Finally, Napster argued that it was protected from liability by the "safe harbor" provisions of the

Digital Millennium Copyright Act. Judge Patel had rejected that argument in an early ruling in the case (ELR 21:12:4). On appeal, Judge Beezer dealt only lightly with the issue. He acknowledged that "this issue will be more fully developed at trial." But he added that "At this stage of the litigation, plaintiffs raise serious questions regarding Napster's ability to obtain shelter under § 512 [the safe harbor provision], and plaintiffs also demonstrate that the balance of hardships tips in their favor."

The preliminary injunction originally issued by Judge Patel had ordered Napster to assume the entire burden of preventing the distribution, over its service, of the record companies' and publishers' works. Judge Beezer ruled that this was overbroad. Though Napster "bears the burden of policing the system within the limits of the system," the judge said, "we place the burden on plaintiffs to provide notice to Napster of

copyrighted works and files containing such works available on the Napster system before Napster has the duty to disable access to the offending content."

The details of the modified injunction have been left for Judge Patel to work out, on remand. In the meantime, a stay of her earlier injunction remains in effect.

The record companies and music publishers were represented by Russell Frackman, Mitchell Silberberg & Knupp, Los Angeles. Napster was represented by David Boies, Boies Schiller & Flexner, New York City.

Editor's note: Although Judge Beezer rejected Napster's argument that it is entitled to the "safe harbor" protection of the Digital Millennium Copyright Act, his remand of the case for a narrower injunction gives Napster at least some of the safe harbor's protection, nonetheless. The "safe harbor" protects online service providers from potential contributory

and vicarious liability, if they have no knowledge their facilities are being used to infringe, unless they fail to remove - or delete links to - infringing material, after receiving notice from copyright owners to do so. It is unclear from Judge Beezer's decision whether the notice that must be provided to Napster by the modified injunction is similar to the one required by the "safe harbor." Even if it is, however, it may not be a difficult notice for the record companies and publishers to provide. Less than a week before the Ninth Circuit decided the Napster case, the Fourth Circuit decided ALS Scan v. RemarQ Communities, a case involving the required contents of "safe harbor" notice - and decided it in favor of the copyright owners. (See the report immediately below, ELR 22:9:5)

A&M Records, Inc. v. Napster, Inc., No. 00-16401, (9th Cir., Feb. 12, 2001), available at www.ca9.uscourts.gov [ELR 22:9:5]

Internet service provider not protected from copyright liability by "safe harbor" provision of DCMA, because owner of copyrights to illegally posted photographs sent service provider a notice that "substantially" complied with DCMA requirements

Once again, nude photographs are at the heart of a precedent-setting copyright case. It happened as long ago as 1914 in Gross v. Seligman, 212 Fed. 930 (2nd Cir. 1914). And it happened more recently in a trio of Internet-related cases brought by Playboy (ELR 16:4:10, 20:4:30, 20:2:19).

This latest nude photo case also involves the Internet. This time, the plaintiff is ALS Scan, Inc., a company that creates and markets digitized "adult" photos that it displays on the Internet to paying subscribers and also sells on CD-ROMs.

The defendant is RemarQ Communities, Inc., an online service provider that gives its subscribers access to more than 30,000 "newsgroups." Newsgroups are electronic bulletin boards that enable users to participate in online discussions, and that enable them to distribute all types of computer files.

ALS alleges that some of its customers have posted its digitized photographs in two newsgroups carried by RemarQ - and have done so without ALS's consent, even though the posted photos have ALS's copyright notice right on them. Indeed, the newsgroups even have the letters "als" in their titles.

In circumstances similar to these, Internet service providers have been held liable for copyright-infringing material posted by others (ELR 18:7:22). As a result, when Congress passed the Digital Millennium Copyright Act, it included a "safe harbor" provision that protects Internet and online service providers from liability, under certain conditions. One condition requires them to remove infringing material from their systems when notified by copyright owners to do so.

ALS sent RemarQ a notice of the kind required by the "safe harbor" provision; but RemarQ nevertheless refused to eliminate the offending "als" newsgroups. When ALS sued it for contributory infringement, RemarQ responded with a motion to dismiss, arguing that it was protected by the "safe harbor," because ALS's notice was defective.

Federal District Judge Frederick Motz agreed. ALS's notice identified the two offending newsgroups

by name; it also provided website addresses where RemarQ could find pictures of ALS's models and its copyright information. But Judge Motz concluded that ALS's notice was not sufficient, because not all of the material in the newsgroups infringed ALS's copyrights; and ALS's notice failed to include a list of the infringing photos and failed to identify them in sufficient detail to enable RemarQ to locate and disable them.

On appeal, ALS did better. In an opinion by Judge Paul Niemeyer, the Fourth Circuit Court of Appeals has held that ALS's notice was adequate to deprive RemarQ of "safe harbor" protection, because it "substantially complied" with the requirements of the DCMA.

Judge Niemeyer noted that the "safe harbor" provision of the DCMA (section 512 of the Copyright Act) merely requires copyright owners to send a notice

that "substantially" includes certain information. Also, when many works are infringed, the DCMA requires copyright owners to provide only a "representative" list. Moreover, information concerning the location of the infringing material only needs to be "reasonably sufficient" to permit the service provider to locate it.

The DCMA provision "specifying the requirements of notification does not seek to burden copyright holders with the responsibility of identifying every infringing work - or even most of them - when multiple copyrights are involved," Judge Niemeyer explained. "Instead, the requirements are written so as to reduce the burden of holders of multiple copyrights who face extensive infringement of their works. Thus, when a letter provides notice equivalent to a list of representative works that can be easily identified by the service provider, the notice substantially complies with the notification requirements."

Judge Niemeyer concluded that the notice sent by ALS satisfied these standards. As a result, the dismissal of its case was reversed, and the case was remanded to the District Court for further proceedings.

ALS was represented by Harry Brett Siegel, Law Office of Joel Marc Abramson, Columbia, Maryland. RemarQ was represented by Robert R. Vieth, Cooley Godward, Reston, Va.

ALS Scan, Inc. v. RemarQ Communities, Inc., No. 00-1351 (4th Cir. 2001), available at http://laws.findlaw.com/4th/001351.html [ELR 22:9:6]

INTERNATIONAL DEVELOPMENTS

United States must repeal Fairness in Music Licensing Act by July 27, 2001, WTO arbitrator rules

The United States began the new year by inaugurating a new President and a convening a new Congress. For these reasons alone, the agenda of the federal government is full for the next several months, and governmental priorities are a matter for debate.
President George Bush wants to begin with a tax cut, while Senator John McCain would like to start with campaign finance reform. But the World Trade Organization would like the United States to begin with copyright reform.

The WTO's pressing request has nothing to do with Napster, MP3.com or any other digital media,

Internet or 21st Century issue. It deals instead with an old media issue: the practice of many restaurants, bars and retail stores to play music, using radios and television sets, without obtaining public performance licenses or paying royalties. The WTO wants the United States to cut way back on the number of businesses that do so. And the WTO wants the U.S. to do this before the end of July.

Some background. For many years, some restaurants, bars and retail stores publicly performed music, using radios and television sets, without paying royalties, pursuant to the "homestyle receiver exemption" found in section 110(5) of the Copyright Act. In 1998, Congress broadened that exemption considerably by enacting the Fairness in Music Licensing Act (ELR 20:6:9). That Act had two consequences.

First, many more restaurants, bars and retail stores became eligible for the exemption. Second, so many became exempt, that the European Communities initiated a case against the United States before the WTO, alleging that the exemption is inconsistent with the Berne Convention and the TRIPS Agreement, and thus violates the obligations of the United States as a member of the WTO.

The European Communities won that case; the United States lost. On July 27, 2000, the Dispute Settlement Body of the WTO adopted a Panel Report (the equivalent of a trial court ruling) that held that section 110(5)(B) of the Copyright Act - the subsection added by the Fairness in Music Licensing Act - does violate Berne and TRIPS. And it "request[ed] the United States to bring subparagraph (B) of Section 110(5) into conformity with its obligations under the TRIPS Agreement." (ELR 22:2:7)

Although the United States could have appealed the Panel Report to a WTO Appellate Body, it did not. Instead, the United States informed the WTO that it would implement the recommendations of the Dispute Settlement Body. But, pursuant to WTO procedural rules, the United States indicated that it would need a "reasonable period of time" within which to do so. Because the United States and the European Communities were not able to agree on how long a time would be "reasonable," that issue was referred to arbitration (as permitted by WTO procedural rules).

The European Communities argued that the Panel Report's recommendation could be implemented by May 27, 2001, which was 10 months from the date of adoption of the Panel Report. Ten months would be sufficient, the E.C. said, because doing so merely "requires a 'repeal' of Section 110(5)(B) of the

Copyright Act, as well as a 'modest adaptation' to Section 110(5)(A) of that Act."

The United States, on the other hand, argued that it needed "at least 15 months" from the adoption of the Panel Report, but added that it would be "even more prudent" to give it until the adjournment of the 107th Congress which may occur as late as December 31, 2001. The U.S. justified its request by explaining the multi-step legislative process that is required to enact legislation, and by noting that since the United States has a new President and the 107th Congress will spend its first few months getting organized and confirming the President's appointments, the process was unlikely to begin until March or April 2001.

The WTO Dispute Settlement Understanding provides that although "particular circumstances" may require shorter or longer times, 15 months from the adoption of a Panel Report is a "guideline" for

arbitrators to consider when deciding how much time would be "reasonable" for the implementation of recommendations.

Arbitrator Julio Lacarte-Muro agreed with the European Communities that "that the period of time proposed by the United States . . . is not justified by the 'particular circumstances' of this case." On the other hand, the Arbitrator agreed with the United States that "Given that the Congressional schedule for 2001 begins, at the earliest, in January, a 'reasonable period of time' of 10 months, ending on 27 May 2001, does not seem sufficient in the particular circumstances of this case."

The Arbitrator concluded that "that the 'reasonable period of time' for the United States to implement the recommendations and rulings of the [Dispute Settlement Body] in this case is 12 months from the date of adoption of the Panel Report by the

DSB on 27 July 2000. The 'reasonable period of time' will thus expire on 27 July 2001."

Editor's Note: If the United States does not repeal the Fairness in Music Licensing Act by July 27th, the European Communities will be eligible - under WTO rules - to seek "compensation" from the U.S. or even to suspend "obligations" it owes the U.S. under the WTO agreement. "Suspension of obligations" is a polite way of describing the initiation of a trade war. The WTO Dispute Settlement Understanding provides that "the general principle is that the complaining party" - in this case, the European Communities - "should first seek to suspend . . . obligations in the same sector(s) as that in which the panel . . . found a violation. . . ." This might mean, for example, that the European Communities would "suspend" payment of copyright royalties to the United States - royalties the E.C. otherwise would have paid, say, on account of public performances of

American music in Europe. However, American songwriters and music publishers are as upset as their European counterparts by the Fairness in Music Licensing Act, and American songwriters and music publishers actively lobbied against its enactment in 1998. The E.C. presumably knows this, and thus may chose to skip "the general principle" in favor of an alternate principle permitted by the WTO Dispute Settlement Understanding. The alternate principle would authorize the E.C. "to suspend . . . obligations in other sectors." It would, for example, permit the E.C. to impose tariffs on goods manufactured in the United States that are exported to Europe. In other words, what started as an international music licensing case could escalate into a full-blown hard-goods trade war. Under the circumstances, it looks as though Congress would be wise to turn its attention immediately to the repeal of the Fairness in Music Licensing Act.

United States - Section 110(5) of the US Copyright Act, Arbitration under Article 21.3(c) of the Understanding on Rules and Procedures Governing the Settlement of Disputes, WT/DS160/12 (15 January 2001), available at www.wto.org/english/tratop_e/dispu_e/distab_e.htm [ELR 22:9:8]

WASHINGTON MONITOR

AOL Time Warner now a single company; FTC and FCC approve merger, subject to conditions intended to protect competition in Internet services

"Convergence" is the entertainment industry's latest catchword. Nothing illustrates the meaning of that word more dramatically than the recent merger of

America Online and Time Warner. Now known as AOL Time Warner, the gargantuan entertainment, media and Internet company finally coalesced after legally-required approvals were received from the Federal Trade Commission and the Federal Communications Commission.

Before either agency gave the merger its blessing, both conducted lengthy investigations into the merger's likely impact on consumers and other competing companies. The FTC and FCC both imposed complicated conditions on the merger - conditions that are designed, the agencies said, to protect competition. The written reports issued by the two agencies, explaining their findings and their requirements, total more than 200 printed pages.

Federal Trade Commission

The FTC found that if the merger were allowed to proceed as originally proposed, it was likely to have anticompetitive effects, because AOL is the nation's largest Internet service provider, and Time Warner owns a cable television system serving some 20% of American cable households as well as several cable-programming networks, publishing and recording companies, and film libraries.

According to the FTC, the proposed transaction would have violated Section 7 of the Clayton Act and Section 5 of the Federal Trade Commission Act by: lessening competition in the residential broadband Internet access market; undermining AOL's incentive to promote DSL broadband Internet service as an emerging alternative to cable broadband; and restraining competition in the market for interactive television.

To avoid these anticompetitive effects, the FTC's approval order:

* requires the merged company to open its cable system to competitor ISPs;

* prohibits AOL Time Warner from interfering with content passed along the bandwidth contracted for by non-affiliated ISPs and from interfering with the ability of non-affiliated providers of interactive TV services to interact with interactive signals, triggers or content that AOL Time Warner has agreed to carry;

* prevents it from discriminating on the basis of affiliation in the transmission of content, or from entering into exclusive arrangements with other cable companies with respect to ISP services or interactive TV services; and

* requires it to market and offer AOL's digital subscriber line (DSL) services to subscribers in Time Warner cable areas where affiliated cable broadband

service is available in the same manner and at the same retail pricing as they do in those areas where affiliated cable broadband ISP service is not available.

Federal Communications Commission

The FCC also concluded that, as proposed, the merger would have given AOL Time Warner the ability and incentive to harm consumers in the residential high-speed Internet access services market by blocking unaffiliated ISPs' access to Time Warner cable facilities and by otherwise discriminating against unaffiliated ISPs in the rates, terms and conditions of access. "If left unremedied," the FCC said, "this would frustrate or impair objectives of the Communications Act, including 'the continued development of the Internet' and the deployment of advanced services to all Americans."

According to the FCC, the merger combines an essential feature of AOL's Instant Messaging (IM) service - namely, the names and presence directory ("NPD") - with assets of Time Warner including its cable facilities and Road Runner ISP. (An IM provider's NPD consists of a database of its users' unique IM names, their Internet addresses, as well as a "presence detection" function, which indicates to the provider that a certain user is online, and allows the provider to alert others to this information.)

The FCC found that AOL has the industry's largest NPD and has resisted making its IM services interoperable with other providers' services. From this, the FCC concluded that by bringing Time Warner's cable Internet platform and content library under AOL's control, the merger would have given AOL Time Warner a significant and anticompetitive first-mover

advantage in the market for IM-based high-speed services including those using streaming video.

As a result, the merger, as proposed, would have frustrated the objectives of the Communications Act by preventing the emergence of a competitive and innovative market for IM-based services, the FCC said. This would violate key Communications Act principles including the further development of and healthy competition in the Internet and interactive services.
To prevent these anticompetitive effects from occuring, the FCC imposed several merger conditions of its own on the merger.

The FCC noted that the FTC order requires AOL Time Warner to negotiate in good faith with unaffiliated ISPs seeking access to its cable systems, and the FCC added the following requirements to all agreements AOL Time Warner may enter into with unaffiliated ISPs:

* AOL Time Warner must allow all unaffiliated ISPs to control the content of their customers' first screen.
* AOL Time Warner may not require an unaffiliated ISP's customer to go through an affiliated ISP to reach the unaffiliated ISP.
* Participating ISPs must be allowed to directly bill the subscribers to whom they have sold their high-speed Internet access services, if they choose to do so.
* AOL Time Warner must offer the technical performance standards that it provides to its affiliated ISPs in a non-discriminatory manner to unaffiliated ISPs.

The FCC also ruled that AOL Time Warner may not offer any steaming video applications that use a Names and Presence Directory over the Internet via AOL Time Warner broadband facilities until the company demonstrates that it has satisfied one of three pro-competitive options.

* AOL Time Warner may show that it has implemented an industry-wide standard for server-to-server interoperability.
* AOL Time Warner may show that it has entered into a contract for server-to-server interoperability with at least one significant, unaffiliated provider of NPD-based services. Within 180 days of executing the first contract, AOL Time Warner must demonstrate that it has entered into two additional contracts with significant, unaffiliated, actual or potential competing providers.
* AOL Time Warner may seek relief by showing by clear and convincing evidence this condition no longer serves the public interest, convenience or necessity because there has been a material change in circumstances.

In addition, ?AOL Time Warner may not enter an agreement with AT&T that gives any AOL Time

Warner ISP exclusive access to any AT&T cable system. Nor may ?AOL Time Warner enter an agreement with AT&T that affects AT&T's ability to offer any rates, terms or conditions of access to ISPs that are not affiliated with AOL Time Warner.

America Online, Inc. and Time Warner Inc., FTC No. 001-0105 (2001), available at www.ftc.gov/opa/2000/12/aol.htm; *Applications for Consent to Transfer Control of Licenses by Time Warner Inc. and America Online, Inc. to AOL Time Warner, Inc.*, FCC CS Docket No. 00-30 (2001), available at www.fcc.gov/ aol_tw.html [ELR 22:9:10]

FCC orders satellite TV companies to delete certain network, syndicated and sports programs from signals retransmitted to satellite subscribers

The Federal Communications Commission has issued regulations that require satellite TV companies - such as DirecTV - to blackout certain network and syndicated programs and sporting events from signals retransmitted to satellite subscribers. The FCC adopted these new regulations pursuant to a provision of the Satellite Home Viewers Improvement Act of 1999 that required the Commission to do so. (See "Congress Gives Satellite TV Industry and Subscribers Big Benefits in Satellite Home Viewer Improvement Act of 1999," by Philip R. Hochberg (ELR 21:8:8))

Though legally mandated blackouts may sound controversial, they're not. Here's why.

Satellite TV companies have the ability to retransmit conventional television station broadcasts to satellite TV subscribers, literally from coast to coast. As a matter of technology, this is what many would call a "cool" thing. It would, for example, enable satellite TV subscribers in Los Angeles to watch programs broadcast by Chicago's WGN-TV or New York's WWOR-TV. And it would enable subscribers in Chicago and New York to watch programs broadcast by L.A.'s KTLA-TV.

What is technologically "cool," however, is not always compatible with the law or with long-established and critical business plans. Copyright owners, for example, have adopted licensing practices that are built on a foundation of regional exclusivity - that is, on licenses that give television stations the exclusive right to broadcast certain programs in their geographic region. In return for this exclusivity,

television stations pay copyright owners more for those rights than stations would pay if identical programming were being broadcast by several stations that could be viewed in the same geographic region.

For example, if a syndicated program were licensed to WSBK-TV for broadcast in Boston, and the same program were licensed to KWGN-TV for broadcast in Denver, any exclusivity promised to those stations would be worthless if, as a result of satellite technology, viewers in Denver could watch the program on WSBK-TV from Boston, or viewers in Boston could watch the program on KWGN-TV from Denver.

Likewise, if a sporting event were played in Seattle between teams from Seattle and Miami, and the game were licensed for broadcast in Miami but not in Seattle, the value of the team or league's rights in Seattle would be diminished if fans in Seattle could

watch the Miami station's broadcast of the game, rather than go to the stadium or arena to watch it live.

For these reasons, cable TV systems have long been required to blackout certain network, syndicated and sports programs, in order to protect the rights of those who own the copyrights to such programming and the rights of their exclusive licensees. The regulations that apply to cable systems are commonly known as the "Network Non-duplication Rule," the "Syndicated Program Exclusivity Rule" and the "Sports Blackout Rule." When Congress passed the Satellite Home Viewers Improvement Act of 1999, it directed the FCC to adopt similar rules applicable to satellite TV companies.

The new regulations require satellite companies to delete certain programs from retransmissions of broadcasts by six specific television stations: KTLA-TV in Los Angeles, KWGN-TV in Denver, WGN-TV

in Chicago, WPIX-TV in New York, WWOR-TV in New York, and WSBK-TV in Boston. What these six stations have in common is this: they are "superstations" - so called, because although their signals are broadcast (in the conventional fashion) in their local markets, their signals also are retransmitted nationally by cable systems and satellite companies.

The programs that must be deleted from superstation signals are these:

* Network programs broadcast by a local TV station pursuant to an exclusive license, if the local station requests that the program be deleted from signals retransmitted to satellite subscribers in the local station's market.

* Syndicated programs broadcast by a local TV station pursuant to an exclusive license, if the local station or the program syndicator requests that the program be

deleted from signals retransmitted to satellite subscribers in the local station's market.
* Local sporting events if a local TV station is not broadcasting the event.

The sports blackout rule also requires satellite companies to blackout local sporting events if they are broadcast by network stations (as well as by the six superstations).

Implementation of the Satellite Home Viewer Improvement Act of 1999: Application of Network Non-Duplication, Syndicated Exclusivity, and Sports Blackout Rules To Satellite Retransmissions of Broadcast Signals, Report and Order, CS Docket No. 00-2 (Nov. 2000), available at http://www.fcc.gov/Bureaus/Cable/Orders/2000/fcc00388.doc [ELR 22:9:11]

RECENT CASES

Court orders Twentieth Century Fox to give "Inspired by" - though not "Created by" - credit to authors of "Harsh Realm" comic books in opening credits for "Harsh Realm" television series; Fox had licensed television rights to comic books, but gave "Created by" credit to writer Chris Carter pursuant to WGA agreement

When WGA credit standards clash with the Lanham Act, the Lanham Act prevails. That at least is the message taught by federal District Judge John Martin, in a case involving the on-screen creative credits for the Twentieth Century Fox television series "Harsh Realm."

"Harsh Realm" began as a comic book series created by writer James Hudnall and artist Andrew

Paquette. Fox licensed the television rights to the comic books, but neither Hudnall nor Paquette were involved in writing the television series' scripts. Pursuant to the creative credit provisions of the WGA collective bargaining agreement, the opening credits of the TV series indicated that it was "Created by Chris Carter." According to Fox, this credit was necessary and proper, because although the TV series was "derived" from the comic books, Carter's characters and plot situations were "totally different" from those in the comic books.

The TV series did acknowledge the contributions of Hudnall and Paquette, but only with a brief "Special Thanks" credit to the comic books' publisher, far removed from Carter's "Created by" credit. That drew an objection from Hudnall and Paquette in the form of a Lanham Act lawsuit in federal District Court.

In response to the comic book authors' request for a preliminary injunction, Judge Martin found that

"While there are substantial differences between the comic books and the television series, a trier of fact could find that it is misleading to represent Chris Carter as the creator of 'Harsh Realm' without giving adequate recognition to the role [Hudnall and Paquette] played in its creation."

Fox argued - with the support of the WGA - that it could not give Hudnall and Paquette the credit they demanded, because of the WGA agreement. "The problem with this argument," Judge Martin responded, "is that [Hudnall and Paquette] are not members of the WGA and are not bound by its contract. If the listing of the credits violates [their] right under the Lanham Act, the fact that the violation is pursuant to a contract with a third party is no defense."

On the other hand, the judge did recognize that the term "Created by" has "taken on special meaning as the result of the application of the WGA contract to

hundreds of television productions. Thus, it could be as misleading to order [Fox] to give [Hudnall and Paquette] a credit to which they are not entitled under the WGA contract as it would be to deny recognition to their contribution to the finished product."

Fox offered to give Hudnall and Paquette an "Inspired by" credit, at the end of each episode. Judge Martin acknowledged that this would be an improvement, but would not solve the problem of consumer confusion. Instead, he ordered Fox to insert the "Inspired by" credit immediately following the "Written by" credit, in the series' opening credits.

Hudnall and Paquette were represented by Raymond A. Bragar, Bragar Wexler Eagel & Morgenstern, New York City. Fox was represented by Achilles M. Perry, O'Melveny & Myers, New York City.

Paquette v. Twentieth Century Fox Film Corp., 54 U.S.P.Q.2d 1286, 2000 U.S.Dist.LEXIS 2134 (S.D.N.Y. 2000)[ELR 22:9:13]

Actor William "Sonny" Landham loses right of publicity and false endorsement suit against toy company and Twentieth Century Fox, because court found that character portrayed by Landham in movie "Predator" was not intertwined with his own persona

Twentieth Century Fox and Lewis Galoob Toys have defeated a right of publicity and false endorsement lawsuit filed by "fringe actor" William "Sonny" Landham, in which Landham complained about the sale of a "Billy, the Native American

Tracker" action figure toy based on the character he had played in the movie Predator.

In connection with his employment, Landham and Fox signed a Standard Cast Deal Memo which indicated only Landham's salary, start date, and the fact that Landham would pay for his own bodyguard. A later Deal Player Employment Agreement between Landham and Fox, by which Landham would have assigned all of his merchandising rights in the "Billy" character to Fox, was never signed.

Fox later licensed Galoob the right to manufacture and sell a line of action figure toys based upon the film. One of the figures sold by Galoob was a "Billy" character. It was only 1.5 inches tall and had no discernable facial features. Nonetheless, Landham filed suit against Galoob and Fox alleging a violation of his rights of publicity under Kentucky law and false endorsement under the Lanham Act.

Federal District Judge Henry R. Wilhoit, Jr. entered summary judgment in favor of Galoob and Fox, and Landham appealed, without success. The Court of Appeals has affirmed Judge Wilhoit's ruling.

Writing on behalf of the appellate court, Judge Alice Batchelder noted that although it is not necessary to be a famous celebrity to assert a right of publicity claim, a plaintiff "must demonstrate that there is value in associating an item of commerce with his identity." Judge Batchelder also recognized that this case was not a typical right of publicity case where the defendant was using the plaintiff's real identity; rather, this was a case where Galoob and Fox were alleged to have misappropriated the identity of a character portrayed by Landham. Thus, the critical question was not only whether Galoob and Fox had gained "significant commercial value" by associating Landham's identity with the action figure toy, but also whether the

character portrayed by Landham had become so synonymous with Landham that he could challenge the character's exploitation.

Judge Batchelder recognized that "the majority - if not all" courts which have analyzed the issue have held that "the focus of any right of publicity analysis must always be on the actor's own persona and not the character's." Accordingly, Judge Batchelder held that in order for a plaintiff to be able to maintain an action based upon the misappropriation of a fictional character, it must be found that the personas of the plaintiff and the fictional character are inseparable in the minds of the public, and Landham had failed to prove that his persona and the "Billy" character were so intertwined.

Finding that Landham presented no evidence of his name recognition among children, Judge Batchelder agreed with Judge Wilhoit that there was no issue of

fact material to the strength of Landham's "mark." This finding was bolstered by "the general adult nature of Landham's past work" (adult films). Landham's "mark" therefore possessed no significance among the consumers relevant to the action, namely toy buyers.

Judge Batchelder also found other factors weighed against Landham, namely the similarity of the marks, Galoob and Fox's intent, and the expansion of product lines. Even though some factors weighed in Landham's favor (relatedness, marketing channels, and degree of purchaser care), Judge Batchelder recognized that the analysis is not simply a numeric tallying up of the factors. Rather, the factors "are simply objective aids for reaching a subjective conclusion as to whether the consuming public is likely to be genuinely confused about whether Landham endorsed the "Billy" toy.

Landham was represented by Jack Allen Wheat, Stites & Harbison, Louisville, Kentucky. Galoob and

Fox were represented by Richard E. Vimont, Vimont & Wills, Lexington, Kentucky.

Landham v. Lewis Galoob Toys, Inc., 227 F.3d 619, 2000 U.S.Dist.LEXIS 23386 (6th Cir. 2000)[ELR 22:9:13]

Golf club manufacturer may have infringed EMI's trademark in title of Louis Prima jazz song "Sing, Sing, Sing (With a Swing)" by using similar phrase in TV commercial along with swing style stock music, federal appellate court rules

EMI has won the right to pursue a trademark infringement action against Spaulding Sports, and its ad agency Hill Holliday Connors Cosmopulos, on account

of their use of the phrase "Swing Swing Swing" in a television commercial for Spaulding golf clubs.

Jazz fans will recall that "Sing, Sing, Sing (With a Swing)" is the title of a Louis Prima composition, a recording of which by Benny Goodman "was hailed as one of the best known records of the big band era." EMI owns the copyright to that song and licenses it, and its title, for advertising and other uses. (Indeed, EMI has earned $4.7 million from such licenses, over a 63-year period.)

Spaulding commissioned Hill Holliday to create a TV commercial for Spaulding golf clubs. The mockup of the commercial created by the ad agency featured the phrase "Swing Swing Swing" in text, and a recording of "Sing Sing Sing" in the temp track. Spaulding liked the concept, but the cost of licensing "Sing Sing Sing" from EMI exceeded Spaulding's budget. As a result, Hill Holliday asked a sound studio

to find stock swing music similar to a "Benny Goodman-type song. . . ." The sound studio did, and Hill Holliday licensed that stock music for the commercial.

EMI responded with a trademark infringement suit. That lawsuit didn't, at first, get very far. Federal District Judge Robert Sweet granted Spaulding and Hill Holliday's motion for summary judgment, ruling that their use of the phrase "Swing Swing Swing" was a "fair use." On appeal, however, EMI prevailed.

In an opinion by Judge Richard Cardamone, the Court of Appeals rejected EMI's boldest argument - the argument that it has an unregistered trademark in the Louis Prima song itself. "Because this would be tantamount to saying that a product itself - in this case, the song - can serve as a trademark, we decline to do so," the appellate court ruled. Judge Cardamone explained that trademark law "does not protect the

content of a creative work or artistic expression." And so there would be no further question about it, the judge wrote "We hold therefore that a musical composition cannot be protected as its own trademark under the Lanham Act."

On the other hand, the appellate court held, as EMI had urged, that disputed issues require further proceedings on whether Spaulding and Hill Holliday's use of the phrase "Swing Swing Swing" is a protected fair use. Under trademark law, a fair use is one in which a defendant uses another company's mark "(1) other than as a mark, (2) in a descriptive sense, and (3) in good faith."

Judge Cardamone acknowledged that the phrase "Swing Swing Swing" was used in the commercial "other than as a mark." Thus, the first requirement was satisfied. But the other two involved disputed issues.

The judge observed that "Had the single word 'Swing' appeared in the commercial, it could not be doubted that defendants' use was descriptive," because the word "'Swing' undoubtedly describes both the action of using a golf club and the style of music used in the soundtrack." However, he added, "Swing Swing Swing" is not necessarily descriptive, because golfers "swing" clubs, they do not "swing swing swing" them; and the music used in the commercial is "swing" music, not "swing swing swing" music.

The issue of Spaulding and Hill Holliday's good faith also was disputed, Judge Cardamone ruled. A reasonable jury could conclude that "the stock swing music adopted would sound similar to the Benny Goodman song in an ordinary consumer's ear," and if it did, the jury also could conclude that Spaulding and Hill Holliday "intended, in bad faith, to trade on EMI's

good will in the title of the song by using the phrase 'Swing Swing Swing' in the final commercial."

EMI was represented by Brendan J. O'Rourke, Proskauer Rose, New York City. Spaulding and Hill Holliday were represented by Marcia B. Paul, Kay Collyer & Boose, New York City.

EMI Catalog v. Hill, Holliday, Connors, Cosmopulos, 228 F.3d 56, 2000 U.S.App.LEXIS 23364 (2nd Cir. 2000)[ELR 22:9:14]

In movie studios' suit to stop distribution of "DeCSS" movie-DVD de-encryption software, judge refused to disqualify defendant's law firm, and also refused to recuse himself

On its face, a lawsuit brought by Universal and other movie studios against a website operator named Shawn Reimerdes appears to involve nothing more than an intellectual property dispute. It is, to be sure, a significant case, because it involves the application of the anti-circumvention provisions of the Digital Millennium Copyright Act.

In two previously published opinions, federal District Judge Lewis Kaplan granted the studios' request for a preliminary injunction and then a permanent injunction, barring Reimerdes from distributing "DeCSS" movie-DVD de-encryption software, or linking to other sites that do (ELR 22:1:13,

22:3:4). The permanent injunction is now on appeal to the Second Circuit.

Despite the seemingly "intellectual" nature of the parties' central dispute, the case has been litigated in a remarkably aggressive fashion. Indeed, after the preliminary injunction was issued, but before the permanent injunction, Judge Kaplan was required to rule on two additional motions that had nothing to do with the anti-circumvention issue itself. He was asked by Time Warner, one of the plaintiffs, to disqualify Reimerdes' law firm, Frankfurt Garbus Klein & Selz. And he was asked by Reimerdes to recuse himself from the case. Judge Kaplan denied both motions.

Time Warner asked the judge to disqualify Frankfurt Garbus, because that firm was then representing Time Warner in another case in the same court. The other case was one in which Time Warner had joined with Scholastic, Inc., in a declaratory relief

suit against a woman named Nancy Stouffer who claims that the Harry Potter books, and Warner Bros.' forthcoming movie based on one of them, infringe Stouffer's asserted copyright and trademark in "Muggles" characters.

Frankfurt Garbus is Scholastic's outside counsel and took on the representation of Time Warner in the Stouffer case simply as a result of an agreement between Scholastic and Time Warner that Scholastic would pay the costs of that case, because Time Warner was paying the costs of yet another Harry Potter case in which the two companies were co-plaintiffs.

According to Frankfurt Garbus, the "DeCSS" case, in which it is representing Reimerdes, and the Stouffer case, in which it is representing Time Warner, involve such different issues that it is not a conflict of interest for the firm to do so. The language of New York's Code of Professional Responsibility and its

companion Disciplinary Rule appear to support Frankfurt Garbus' view. But a 24-year-old Second Circuit decision held that it is improper per se for a lawyer to represent one client in a suit against another, if the "lawyer has traditional attorney-client relationships with both clients."

Judge Kaplan concluded that Frankfurt Garbus did have a traditional attorney-client relationship with Time Warner in the Stouffer case. And thus he concluded that Frankfurt Garbus did have a conflict of interest. "That, however, does not necessarily mean that it should be disqualified," he added.

The judge found "substantial reason to believe that the motion to disqualify the Frankfurt firm is motivated at least partly by tactical considerations." Moreover, the judge found "no suggestion that the Frankfurt firm is privy to any Time Warner secrets by virtue of the Stouffer representation that could be used

to its disadvantage here." Nor was there any reason to believe that Time Warner would suffer from Frankfurt's representation of it in the Stouffer case by virtue of the firm's representation of Reimerdes in the "DeCSS" case. "The proper place for this controversy is in the appropriate professional disciplinary body," Judge Kaplan said, in denying Time Warner's motion to disqualify the firm.

Shortly thereafter, Reimerdes made a motion asking that Judge Kaplan recuse himself from the case. The motion was based on several grounds, one of which made Time Warner's earlier attempt to disqualify Frankfurt Garbus seem quite ironic.

Reimerdes' lead lawyer from Frankfurt Garbus is name-partner Martin Garbus. One ground for the recusal motion was the contention that Judge Kaplan was personally biased against Garbus, as evidenced by a critical statement about Garbus that Judge Kaplan had

allegedly made to an associate 19 years ago, before he was appointed to the bench. Judge Kaplan rejected that incident as grounds for his recusal, ruling that it did not suggest even slightly any personal bias against Garbus.

Judge Kaplan also rejected, as grounds for his recusal, the fact that another lawyer at his old law firm had represented Time Warner years before, while the judge was still a partner there. He did so, even though one of those matters assertedly involved antitrust advice concerning DVD technology, because he concluded that such advice was not related to the "matter" then before him, which involved encryption technology that did not then exist, and the legality of de-encryption technology under a law that did not then exist.

Universal and the other movie studios were represented by Leon P. Gold, Proskauer Rose, New York City. Reimerdes was represented by Martin

Garbus, Frankfurt Garbus Klien & Selz, New York City. And Frankfurt Garbus was represented by Hal R. Lieberman, Beldock Levine & Hoffman, New York City.

Universal City Studios, Inc. v. Reimerdes, 98 F.Supp.2d 449, 2000 U.S.Dist.LEXIS 6970 (S.D.N.Y. 2000); *Universal City Studios, Inc. v. Reimerdes*, 104 F.Supp.2d 334, 2000 U.S.Dist.LEXIS 9936 (S.D.N.Y. 2000)[ELR 22:9:15]

ASCAP did not violate "most favored nations" clause in license agreement with CBS, despite making different deal with NBC

In a brief, three-paragraph decision, the Appellate Division of the New York Supreme Court

has affirmed the dismissal of a breach of contract lawsuit filed against ASCAP by CBS.

CBS alleged that ASCAP failed to comply with a "most favored nations" clause in their music licensing agreement, because - according to CBS's calculations - ASCAP gave NBC a better deal, in a later licensing agreement entered into with that network.

The "most favored nations" clause gave CBS the right to demand similar terms if a subsequently signed agreement with another network provided for lower "total price or payments." CBS said the NBC deal did provide for lower total price or payments, because it allowed NBC to make payments in 1992 for music it had broadcast between 1977 and 1990, while CBS made payments for music it broadcast during those years in 1981 and 1985. Thus, CBS argued that although the NBC agreement required NBC to pay ASCAP a greater "gross amount" than CBS, it actually

required NBC to pay less "due to the time value of the money."

In a Memorandum Decision, the Appellate Division found that the trial court had properly granted summary judgment to ASCAP, because the "plain language of the agreement indicates that the clause only encompassed absolute value, and was not intended to compensate for time value." The Appellate Division said that its conclusion was "buttressed by CBS's failure to demand interest or other economic benefits when it received a refund as a result of a similar agreement ASCAP signed with the American Broadcasting Company."

CBS was represented by Jonathan Weiss. ASCAP was represented by Carol A. Witschel.

CBS, Inc. v. American Society of Composers, Authors and Publishers, 714 N.Y.S.2d 44, 2000

N.Y.App.Div.LEXIS 10651 (App.Div. 2000)[ELR 22:9:16]

NFL did not violate antitrust laws by seeking to enforce trademark rights against unauthorized registrant of domain names "jets.com" and "dolphins.com"

In football, it is sometimes said that the best offense is a good defense. The reverse is true too of course; the best defense is a good offense. The offense-as-defense strategy is one that was attempted by Steven Weber, in his effort to retain ownership of his unauthorized registrations of the Internet domain names "jets.com" and "dolphins.com."

When Weber offered these domains for sale on his website "domainsale.com," the National Football

League responded by persuading Network Solutions to place "jets.com" and "dolphins.com" on hold. Weber in turn replied with a federal antitrust suit against the League, as well as against NFL Properties, and the New York Jets and Miami Dolphins.

In his suit, Weber alleged that the four NFL defendants had restrained and monopolized interstate trade in domain names, in violation of sections 1 and 2 of the Sherman Act. Federal District Judge James Carr made short shrift of both allegations.

In response to a defense motion for summary judgment, Judge Carr noted that "A trademark is not an unlawful monopoly." Moreover, the judge explained, "efforts to protect trademark rights, even those that go as far as bringing suit against a party who has allegedly infringed upon or diluted the trademark owner's rights, represent fair competition, further general trademark policies, and do not constitute violations of antitrust

laws." For that reason, the judge dismissed Weber's restraint of trade claim.

Judge Weber also dismissed Weber's monopolization claim. He did so on the grounds that Weber had not defined the proper market that the NFL allegedly monopolized. Weber argued that the proper market was one consisting of just the domain names "jets.com" and "dolphin.com." The judge, however, agreed with the NFL that the proper market "is defined in terms of domain names in general, not 'jets.com' and 'dolphins.com.'" Since the number of domain names in general is "essentially limitless," Judge Weber found that the NFL has not attempted to control the market. And that is why he dismissed Weber's monopolization claim too.

Weber was represented by Anthony J. DeGidio, Calamunci Groth Joelson & Walerius, Toledo. The

NFL and its co-defendants were represented by Craig Bloom, Debevoise & Plimpton, New York City.

Weber v. National Football League, 112 F.Supp.2d 667, 2000 U.S.Dist.LEXIS 13179 (N.D.Ohio 2000)[ELR 22:9:16]

Charles Atlas loses unfair competition and trademark dilution case against DC Comics, because comic book parodies are protected by First Amendment

One of this country's most well-known ad campaigns is perhaps that of Charles Atlas, Ltd. ("Atlas"). Atlas's comic strip type ads feature a skinny character known as Mac who has sand kicked in his face at the beach by a bully. After taking Atlas's

bodybuilding course, Mac reappears with extremely developed muscles, punches the bully on the beach, and wins the admiration of a pretty female.

In 1991, DC Comics, Inc. ("DC") distributed a comic book entitled Doom Patrol No. 42. The comic book involved the exploits of a character named Flex Mentallo who was an obvious parody of Atlas's Mac character and comic strip ad. Thereafter, DC included the Flex Mentallo character in other publications and published a four-part series of comic books devoted solely to the Flex Mentallo character.

Atlas filed an action in federal court in June 1999 claiming that DC violated the U.S. and New York State laws of unfair competition and trademark dilution. DC responded with a motion for summary judgment, and Judge Naomi Buchwald granted its motion.

Judge Buchwald first noted that Atlas's claims were barred by the six-year statute of limitations.

Although the Lanham Act has no statute of limitations of its own, Judge Buchwald followed the teachings of a long line of cases by borrowing the applicable fraud statute of limitations in the jurisdiction in which the suit was filed. Here, New York's six year statute of limitations was applied.

Rejecting Altas's argument that the statute should begin to run from the date a plaintiff discovers the allegedly offending conduct, Judge Buchwald held that since DC's comic books were "openly and notoriously" published since 1991, Atlas's eight year delay in filing suit barred its claims. Even assuming the claims were not time-barred, Judge Buchwald also found DC's actions to be protected by the First Amendment as parody.

DC advanced two main arguments. First, it argued that its use of Atlas's ad was not use "in commerce" as defined by the Lanham Act. Second, DC

claimed that its use was a parody and thus protected by the First Amendment. Judge Buchwald found that both of these defenses warranted a likelihood of confusion analysis.

In arguing that its use was not "in commerce," DC relied upon several cases holding that "parody, satire, editorial and other forms of expression" were a "noncommercial use" even if they increased sales for the alleged infringer. Judge Buchwald noted, however, that there are circumstances where parodies are found to be actionable under the Lanham Act, such as when they are used to sell a product or service. Judge Buchwald relied on the Second Circuit's broad interpretation of "in commerce" under the Lanham Act as "all commerce which may lawfully be regulated by Congress," and used the Second Circuit's approach by evaluating whether DC's challenged use of Atlas's comic strip ad was likely to cause confusion.

Before engaging in that analysis, however, Judge Buchwald found that DC's use of Atlas's comic strip ad was protected by the First Amendment as a parody, because DC had not used Atlas's comic strip ad to sell a competing product, but rather to convey an idea through a literary or artistic work. Judge Buchwald described her duty as "weaving First Amendment analysis into the traditional trademark rights analysis applicable in purely commercial cases" and balancing "the public interest in free expression against the public interest in avoiding consumer confusion."

Even though DC's use of Atlas's ad was a parody, Judge Buchwald recognized that she must also engage in a likelihood of confusion analysis. After conducting this analysis, Judge Buchwald found likelihood of confusion to be minimal. The facts which led to Judge Buchwald's conclusion included: (1) distinctly different merchandising markets; (2) no

direct competition; (3) the sophistication of comic book readers who are extremely knowledgeable about the histories and origins of characters; (4) no likelihood that Atlas would "bridge the gap"; (5) no evidence of actual confusion; and (6) no evidence of bad faith. Although two likelihood of confusion factors did favor Atlas (strength of the mark and degree of similarity of characters), Judge Buchwald noted that a parody is allowed to conjure up the original.

In sum, Judge Buchwald found that DC's use of the Mac character and the parody of Atlas's comic strip ads was not likely to cause confusion and was protected by the First Amendment.

Atlas was represented by Segal N. Magori, Akabas & Cohen, New York City. DC Comics was represented by Glenn Mitchell, Fross Zelnick Lehrman & Zissu, P.C., New York City.

Charles Atlas, Ltd. v. DC Comics, Inc., 112 F.Supp.2d 330, 2000 U.S.Dist.LEXIS 12337 (S.D.N.Y. 2000)[ELR 22:9:17]

Photographs of Skyy Vodka bottle are not derivative works and thus are sufficiently original to be protected by copyright, federal appellate court rules; photographer's infringement case is remanded for decision on whether his photos' copyrights were infringed by unauthorized advertising use or by separately shot but similar photos

San Francisco photographer Joshua Ets-Hokin has valid copyrights in photographs he took for Skyy Spirits, Inc. - the maker of Skyy Vodka - a federal Court of Appeals has held. As a result, Ets-Hokin is

entitled to pursue an infringement suit he filed against Skyy Spirits in the aftermath of the vodka company's decision not to use his photographs because the company found them to be "unsatisfactory."

Ets-Hokin was commissioned by Skyy to take the photos at issue in the case, and he granted Skyy a license to use them in certain ways. According to the photographer, Skyy's license did not include authorization for his photos' use in advertisements, but Skyy did anyway, thereby infringing his copyrights. Because Skyy found Ets-Hokin's photos to be unsatisfactory, it hired other photographers to take additional photos - photos that Ets-Hokin alleges mimicked his own so that their photos infringed his copyrights too.

In response to Skyy's motion for summary judgment, District Judge Susan Yvonne Illston found that Ets-Hokin's photos were not eligible for copyright

protection. She held that the photos were derivative works based on Skyy's vodka bottle. To be copyrightable, derivative works must be different, in a "more than trivial" way, from the works on which they are based; and Judge Illston concluded that the differences between Ets-Hokin's photos and Skyy's vodka bottle were not more than trivial. She also concluded that allowing Ets-Hokin to claim a copyright in his photos would interfere with Skyy's right to create its own derivative works based on the bottle. For these reasons, Judge Illston granted Skyy's summary judgment motion, without reaching the question of infringement.

On appeal, Ets-Hokin did better, though he hasn't won the case yet. Writing for a 2-1 majority, Judge Margaret McKeown held that Ets-Hokin's photos are not derivative works, and thus the derivative-work

standard for copyrightability should not have been used.

In an opinion that will have special appeal to photographers because it includes a lengthy "historical treatment of photographs both as artistic expression and as the proper subject of copyright protection," Judge McKeown ruled that a "derivative work" must be based on a copyrightable preexisting work. She also ruled that Skyy's bottle is not a copyrightable work, because it is a "useful article" whose design cannot be separated from its utilitarian function.

Since Ets-Hokin's photos are not derivative works, their copyrightability should have been evaluated under the "low threshold" test for originality used for non-derivative works. Judge McKeown explained that "given . . . the types of decisions Ets-Hokin made about lighting, shading, angle, background, and so forth," she had "no difficulty"

concluding that his photos are "sufficiently original to merit copyright protection."

"Although Ets-Hokin has won the battle of copyrightability," Judge McKeown added, "the winner of the infringement war has yet to be determined." Skyy had asserted the "merger doctrine" and "scenes a faire" as affirmative defenses. And Judge McKeown ruled that these defenses should be considered first by the District Court, to which the case was remanded for further proceedings.

Judge Dorothy Nelson dissented. While she agreed that Ets-Hokin's photos are sufficiently original to be protected by copyright, she would have held that the subsequently taken photos that "mimicked" Ets-Hokin's photos were taken from slightly different angles, and had different shadows and highlights, and thus did not infringe Ets-Hokin's copyrights. Judge Nelson also would have held "as a matter of law" that

Skyy's affirmative defenses prevent Ets-Hokin from prevailing.

Ets-Hokin was represented by Charles D. Ossola, Arnold & Porter, Washington D.C. Skyy Spirits was represented by James Wesley Kinnear, Makoff Kinnear Counsel, San Francisco. The American Society of Media Photographers, as amicus, was represented by Victor S. Perlman, Princeton Junction N.J.

Ets-Hokin v. Skyy Spirits, Inc., 225 F.3d 1068, 2000 U.S.App.LEXIS 20916 (9th Cir. 2000)[ELR 22:9:18]

Infringement claim by widow of writer-producer Woody Kling, complaining about allegedly unlicensed "Rainbow Brite" and "Robotman" homevideos, is not barred by laches, federal appellate court rules, even though her copyright co-ownership claim was barred by statute of limitations

Disputes over copyright ownership sometimes degenerate into lawsuits involving two related but distinct issues: ownership of the copyright, and its infringement. One such case is a lawsuit filed by Mary Kling, the widow of writer-producer Woody Kling who wrote the initial episodes of the "Rainbow Brite" and "Robotman" television specials in the early 1980s.

In 1994, six years after her husband's death, Mary Kling discovered that Blockbuster Video was renting videocassettes of "Rainbow Brite" and "Robotman" shows her husband had written a decade

or more before. Until that discovery, she didn't know that videos of those programs had been made. And the result was a lawsuit in which she sought a judicial declaration that she (as Woody Kling's successor) was a co-owner of the videos' copyrights or, alternatively, that distribution of the videos infringed her copyrights.

The defendants - Hallmark, DIC, Mattel and United Feature Syndicate - moved for summary judgment, arguing that Kling's claims were barred by the statute of limitations, because the videos had been on the market since 1985, twelve years before Kling filed her lawsuit. Kling acknowledged that her co-ownership claim was barred, but successfully argued that her infringement claim was not, because she did not know or have reason to know of the infringement more than three years before suing.

The defendants then made a second motion for summary judgment, asserting that Kling's infringement

claim was barred by laches - a motion that was granted by District Judge Edward Rafeedie. He ruled that Woody Kling should have sued for a declaration of co-ownership back in 1985 when he learned that the companies for which he wrote the "Rainbow Brite" and "Robotman" scripts claimed they were works-made-for-hire, and that those companies owned their copyrights rather than he. Judge Rafeedie held that Woody Kling's failure to sue in 1985 barred his widow's claim of co-ownership and her infringement claim as well, on the grounds of laches.

In an opinion by Judge Stephen Reinhardt, the Court of Appeals has reversed. Judge Reinhardt held that a claim of co-ownership may be barred, while a claim for infringement is not, because an infringement claim has two elements: ownership and unauthorized use. In this case, Woody Kling had reason to know that his co-ownership claim was disputed long before he or

his widow had reason to know that videos were distributed without his authorization.

Since infringement requires unauthorized use, the time within which Mary Kling had to file her claim for infringement began to run only when she knew or should have known that videocassettes had been released - not when her husband learned that his co-ownership claim was disputed.

Judge Reinhardt also rejected the defendants' contention that Woody Kling should have known that he had a potential infringement claim when his co-ownership claim was rejected in 1985. The judge reviewed the correspondence that had been exchanged at that time, and the defendants never indicated that they were distributing videocassettes of the television specials he had written.

Kling was represented by Michael H. Bierman, Tuttle & Taylor, Los Angeles. Hallmark and the other

defendants were represented by Adrian Mary Pruetz, Quinn Emanuel Urquhart Oliver & Hedges, Los Angeles.

Kling v. Hallmark Cards Inc., 225 F.3d 1030, 2000 U.S.App.LEXIS 22487 (9th Cir. 2000) [ELR 22:9:19]

Unlicensed republication of "Mystery of the Ages" infringed Worldwide Church of God's copyright, appellate court holds; neither fair use doctrine nor Religious Freedom Restoration Act permit Philadelphia Church of God to reproduce and distribute the book

Federal courts have become the battleground for two competing churches, both of which trace their lineage to the late Herbert Armstrong. The battle swirls

around the copyright to Armstrong's final work - a 380-page book entitled Mystery of the Ages.

Before his death, the Worldwide Church of God - founded by Armstrong in 1934 - had put more than nine million copies of the book into circulation, free. Two years after his death, however, the Worldwide Church decided to stop distributing the book, for several reasons. Those reasons were charitably described (by Court of Appeals Judge Melvin Brunetti) as the Worldwide Church's belief that book "contains historical, doctrinal and social errors." The Worldwide Church itself reportedly concluded that the book "conveyed outdated views that were racist in nature."

Shortly after the Worldwide Church stopped distributing Mystery of the Ages, two of its former ministers founded a new religious organization called the Philadelphia Church of God. Their organization continued to use the book, and eventually republished it

verbatim, without seeking or obtaining permission from the Worldwide Church, the owner of the book's copyright.

A copyright infringement suit followed, and the Philadelphia Church won the first round.
District Judge Spencer Letts granted the Philadelphia Church's motion for summary judgment, ruling that Armstrong - rather than the Worldwide Church - was the owner of the book's copyright, and that in any event, the Philadelphia Church's use of the book was a fair use.

On appeal, the Worldwide Church won the second round, in a split decision. Writing for the majority, Judge William Schwarzer found that even if Armstrong once owned the book's copyright, he bequeathed it to the Worldwide Church at this death, so the Worldwide Church is now its owner.

More significantly, Schwarzer ruled that the Philadelphia Church's unauthorized use of Mystery of the Ages is not permitted by law.

He held that the Worldwide Church's exclusive right to reproduce and distribute the book "is not affected by the religious nature of its activity." The judge noted that the Copyright Act does contain a provision authorizing the "performance" and "display" copyrighted literary and musical works "in the course of services at a place of worship or other religious assembly." But, the judge said, the Philadelphia Church's "unauthorized copying and distribution of [the book] falls outside of that narrow exception to copyright protection."

Moreover, Judge Schwarzer concluded that neither the First Amendment nor the statutory factors set forth in section 107 of the Copyright Act support

the Philadelphia Church's argument that its use of the book is protected by the fair use doctrine.

Finally, Judge Schwarzer rejected the argument that the Religious Freedom Restoration Act permits the Philadelphia Church to reproduce and distribute Mystery of the Ages. That Act provides that the "Government shall not substantially burden a person's exercise of religion even if the burden results from a rule of general applicability . . . ." In this case, the judge held that the Philadelphia Church "failed to demonstrate that the copyright laws subject it to a substantial burden in the exercise of its religion." He explained that "Having to ask for permission, and presumably pay for the right to use an owner's copyrighted work may be an inconvenience, and perhaps costly, but it cannot be assumed to be as a matter of law a substantial burden on the exercise of religion."

For these reasons, the Court of Appeals reversed the dismissal of the Worldwide Church's infringement suit and remanded the case to the District Court for the entry of a preliminary injunction pending a trial on damages.

Judge Melvin Brunetti dissented. In his opinion, the Philadelphia Church's use of the book was a fair use.

Worldwide Church of God was represented by Allan Browne, Browne & Woods, Beverly Hills. Philadelphia Church of God was represented by Mark B. Helm, Munger Tolles & Olson, Los Angeles.

Worldwide Church of God v. Philadelphia Church of God, 227 F.3d 1110, 2000 U.S.App.LEXIS 23390 (9th Cir. 2000)[ELR 22:9:19]

Gennifer Flowers's defamation and other claims against James Carville, George Stephanopoulos, and Hillary Clinton are dismissed by federal court, because they were untimely and were simply opinion and hyperbole

In the continuing saga of former President Clinton, Gennifer Flowers has lost her defamation and conspiracy claims against James Carville, George Stephanopoulos, Hillary Rodham Clinton, and Little, Brown & Company (the publisher of Stephanopoulos's book).

Flowers alleged that during the 1992 presidential campaign, Clinton organized an attack and smear campaign against Flowers after Flowers claimed that she had had an affair with him while he was the Governor of Arkansas. Flowers named Clinton,

Carville and Stephanopoulos as co-conspirators in these alleged efforts.

Flowers further alleged that Carville and Stephanopoulos had, since 1992, continuously defamed her and portrayed her in a false light, and she pointed specifically to their respective books and to various appearances each had made on Larry King Live and CNBC. Clinton, according to Flowers, had invaded her right of privacy by disclosing private facts and was also responsible for orchestrating numerous break-ins at Flowers's home.

The defendants filed motions to dismiss Flowers's claims, and Flowers filed motions for leave to file amended pleadings. Judge Philip Pro granted the defendants' motions, denied Flowers's motions, and entered judgment against Flowers.

Judge Pro held that the portion of Flowers's defamation claim against Stephanopoulos which was

based on his comments during a Larry King Live interview in February 1998 was barred by the statute of limitations.

With regard to the statements made in Carville's book, published in 1994, Judge Pro found that Flowers's defamation claims also were barred by the statute of limitations.

In order to overcome her statute of limitations problems, Flowers advanced a theory of continuing violations. Judge Pro rejected this theory, relying upon the long line of cases which applied the single publication rule for defamation - the cause of action accrues immediately upon the first publication of the defamatory statement, and each republication of the same material does not start the clock running anew.

Judge Pro next analyzed whether the disputed statements were defamatory as a matter of law, ultimately finding the statements to be protected

opinions and rhetorical hyperbole rather than statements of purported fact and thus, not defamatory. To determine whether the statements included factual assertions, Judge Pro looked at three factors: the general tenor of the entire work; whether the defendant used "figurative or hyperbolic language"; and whether the statement is one which is capable of being proven true or false.

Carville's statement on Larry King Live in which he stated that the taped conversations between Bill Clinton and Flowers were believed to have been altered was found to be an expression of opinion. Judge Pro also noted that, in making his statement, Carville mentioned the fact that CNN had found the tapes to be edited (a finding which Flowers did not dispute). Thus, Judge Pro rationalized, Carville also had a legitimate basis for his opnion.

Similarly, Judge Pro found that statements made in Stephanopoulos's book were either opinion or hyperbole. Flowers had alleged that Stephanopoulos's characterization of the incident involving Flowers as "trash," "crap," and "garbage" was defamatory. Judge Pro found these statements not actionable, noting that "exaggerated statements are permissible in contexts in which the statements would be interpreted by a reasonable person as mere rhetorical hyperbole." Judge Pro also held that since these statements were directed at the Star magazine and not at Flowers personally, Flowers could not base any claims upon these statements.

Judge Pro found Stephanopolos's remaining disputed statements regarding the altering of the taped conversations to be opinions, noting that throughout the book, Stephanopoulos used italics, question marks, and

other punctuation which would lead the reader to know that the statements made were based on opinion.

Similarly, Judge Pro dismissed Flowers's claims for false light invasion of privacy. Since none of the disputed statements was false, Judge Pro reasoned, these claims must fail as well.

Also lost were Flowers's claims for public disclosure of private facts and invasion into seclusion. Since Flowers never specified which facts were allegedly disclosed, Judge Pro dismissed the claim. Additionally, these claims were time-barred since they were alleged to have occurred in 1991, and Judge Pro rejected Flowers's continuing violation theory.

Finally, since none of Flowers's other claims withstood scrutiny, the civil conspiracy claim, which was based mainly on Flowers's defamation claims, was also dismissed.

Flowers was represented by Rex Bell, Bell Lukens Marshall & Kent, Las Vegas. Defendants were represented by Paul Hejmanowski, Lionel, Sawyer & Collins, Las Vegas.

Flowers v. Carville, 112 F.Supp.2d 1202, 2000 U.S.Dist.LEXIS 14744 (D.Nev. 2000)[ELR 22:9:20]

New York City enjoined from arresting photographer Spencer Tunick for photographing 75 to 100 nude models arranged in abstract formation on residential street

After extensive litigation, internationally renowned photographer Spencer Tunick won an injunction that barred the City of New York from arresting him for photographing 75 to 100 nude models

arranged in an abstract formation on a residential street. To get the injunction, Tunick had to go to a federal District Court twice, the Second Circuit Court of Appeals twice, and the New York Court of Appeals once.

A New York Penal Code provision makes public nudity and the promotion thereof criminal offenses. So Tunick's courtroom victory was a notable accomplishment. On the other hand, though Tunick got the injunction he wanted, he did so only barely. The New York Court of Appeals wanted no part of the case. Three questions concerning the proper interpretation of the Penal Code provision were certified to that court by the Second Circuit; but New York's highest court declined to accept certification, and thus declined to answer the questions the Second Circuit had asked.

This meant the Second Circuit had to respond, on its own, to Tunick's request for an injunction. And

when it did, the three-judge panel split two ways on how the case ought to come out, and three ways on why it ought to come out that way.

Judge Guido Calabresi decided that Tunick had a "clear likelihood" of establishing that the Penal Code provision in question did not prohibit what he wanted to do, because the Penal Code itself provides that it doesn't apply to "any . . . exhibition . . . ," and that's what he thought Tunick's photo shoot would be. On the other hand, the injunction he supported - and the one that was issued - only barred the City from arresting Tunick before the photo shoot, not after it. Judge Calabresi said that his interpretation of the Penal Code would not be binding on a New York state criminal court judge; and he left the City free to arrest Tunick and his models after the photo shoot, thus permitting a re-interpretation of the Penal Code by such a judge.

Judge Robert Sack concurred that an injunction was proper. "I have little doubt that the City of New York can stop a large group of men and women from undressing on a public street in a residential neighborhood, even if the members of the group do so for the purpose and in the course of creating artistic expression," he said. "But governmental prevention of expression before it takes place is a prior restraint." The flaw in the Penal Code, according to Judge Sack, is that it is unclear as applied to Tunick, and it does not contain a permit procedure.

Judge Ellsworth Van Graafeiland dissented on the grounds that the case had become moot, because the preliminary injunction from which the City appealed referred to a particular date - one that had already passed.

Tunick v. Safir, 209 F.3d 67, 2000 U.S.App.LEXIS 5048 (2nd Cir. 2000); 228 F.3d 135, 2000 U.S.App.LEXIS 11088 (2nd Cir. 2000)[ELR 22:9:21]

Supreme Court to decide whether boxing promoter Cedric Kushner Promotions stated valid RICO claim against rival promoter Don King

Boxing is a tough sport, so it's not surprising that when disputes arise between those involved in the sport, tough allegations are made. This principle is illustrated in a lawsuit filed by boxing promoter Cedric Kushner Promotions against rival promoter Don King.

In its complaint, Kushner alleged that King was engaged in a "pattern of racketeering activity" - a criminal offense that also provides the basis for civil liability. Commonly referred to as a "RICO" violation,

Kushner's allegation didn't get far, at first. It was dismissed for failing to state a claim by federal District Judge William Pauley. And the dismissal was upheld on appeal, in a Per Curiam ruling of the Second Circuit Court of Appeals.

The fatal flaw with Kushner's complaint, according to the two courts that have reviewed it so far, is that it alleged that Don King engaged in racketeering activities with his own company DKP Corporation. To violate RICO, a "person" must engage in racketeering activities with an "enterprise." And in the Second Circuit, the person and the enterprise must be distinct. An employee, acting within the scope of his employment, does not violate RICO by engaging in activities (even racketeering activities) on behalf of his employer, because the employee and the employer are not distinct.

The Second Circuit's rule requiring distinctness "is in tension, if not in conflict" with the rule in several other circuits. In Kushner's case against King, the Second Circuit acknowledged this tension and possible conflict, but held that it was required to follow the rule of its own circuit rather than the others, until its rule "is overruled . . . by the Supreme Court or this court en banc."

Kushner petitioned the Supreme Court to resolve the conflicts among the circuits, and the Supreme Court has agreed to do so.

Cedric Kushner Promotions is represented by Richard A. Edlin, Solovay Edlin & Eiseman, New York City. King is represented by Peter E. Fleming, Jr., Curtis Mallet-Prevost, Colt & Mosle, New York City.

Cedric Kushner Promotions, Ltd. v. King, 219 F.3d 115, 2000 U.S.App.LEXIS 15954 (2nd Cir. 2000), cert.

granted, 121 S.Ct. 653, 2000 U.S.LEXIS 8315 (2000)[ELR 22:9:22]

Olympic and Amateur Sports Act does not authorize arbitrations to resolve disputes about earlier arbitration decisions, federal appellate court rules in its third decision giving wrestler Matt Lindland a place on U.S. Olympic team

Shortly before Greco-Roman wrestler Matt Lindland went to Sydney, he spent a frantic few weeks in arbitrations and federal courts in an ultimately successful effort to secure his place on the U.S. Olympic team. Lindland won a Silver medal. But to do that, he first had to win an arbitration and then three rulings from a federal Court of Appeals.

In the first two of those decisions, Judge Frank Easterbrook confirmed an arbitrator's decision, reached pursuant to the Olympic and Amateur Sports Act, that Lindland was entitled to re-wrestle his pre-Sydney qualifying match against Keith Sieracki, because referees had erred in scoring their original match; and Judge Easterbrook ruled that as the winner of the rematch, Lindland was entitled to a position on the U.S. team (ELR 22:5:6).

Sieracki attempted a collateral attack on the arbitration decision favoring Lindland. He did so by initiating an arbitration of his own. At first, it seemed a successful move. The arbitrator in Sieracki's case ruled that Sieracki should be named to the team, and that the first arbitrator's decision should be ignored.

Sieracki's apparent victory was short-lived, however. When he attempted to have it confirmed, a District Court refused to do so. And when Sieracki's

appeal reached the Court of Appeals, Judge Easterbrook affirmed Sieracki's loss (and thus Lindland's victory, for the third time).

Judge Easterbrook noted that Sieracki had initiated his arbitration to "protest" the earlier arbitration award in Lindland's favor. The judge ruled that the Olympic and Amateur Sports Act "does not authorize arbitration about the propriety of another arbitrator's decision." As a result, the second arbitrator - the one who ruled in Sieracki's favor - had simply "exceeded his powers," and for that reason, "his award cannot be confirmed," Judge Easterbrook held.

Moreover, the judge added, even if the second arbitration had been authorized, its outcome was "forbidden." This is so, Judge Easterbrook explained, because the arbitration rules designated by the Olympic and Amateur Sports Act provide that an "arbitrator is not empowered to redetermine the merits of any claim

already decided." That is exactly what the second arbitrator purported to do, when he decided that the first arbitrator's decision in favor of Lindland should be ignored.

Lindland v. United States Wrestling Ass'n, 227 F.3d 1000, 2000 U.S.App.LEXIS 22692 (7th Cir. 2000); previously reported decisions: 228 F.3d 782, 2000 U.S.App.LEXIS 22213 (7th Cir. 2000), and 230 F.3d 1036, 2000 U.S.App.LEXIS 21754 (7th Cir. 2000)[ELR 22:9:22]

When competitors seek rights to same minor league baseball franchise, the loser does not have valid antitrust claim even if those who prevented it from obtaining desired franchise conspired with each other and committed business torts, federal court rules

Competing efforts to bring a minor league baseball team to Dayton, Ohio, eventually resulted in a federal antitrust lawsuit. The plaintiffs in the case were Baseball at Trotwood, LLC, Rock Newman, Inc. ("RNI"), and Sports Spectrum, Inc. ("SSI"). They sued numerous defendants, including the Dayton Professional Baseball Club, LLC, the Midwest League, the National Association of Professional Baseball Leagues, Inc. ("NAPBL"), the Cincinnati Reds ("Reds"), the Dayton Professional Baseball Club, LLC, the Downtown Dayton Partnership ("DDP"), the City

of Dayton ("Dayton"), Mandalay Sports Entertainment, LLC, ("Mandalay"), and MSE Dayton Baseball, LLC. The plaintiffs also sued the individuals who were competing with them for the rights to obtain a Dayton minor league baseball franchise, Sherrie Myers ("Myers") and Tom Dickson ("Dickson").

The plaintiffs alleged that the defendants violated Sections 1 and 2 of the Sherman Act as well as Ohio's antitrust statute, the Valentine Act. In response to the defendants' motion to dismiss, Judge Walter Rice found that while the defendants may be liable for various business torts, the plaintiffs had not and could not plead an antitrust injury. He therefore granted the defendants' motion to dismiss the plaintiffs' antitrust claims.

Judge Rice recounted the history of the events leading up to the filing of the action starting in late 1996 with SSI's initial interest in buying a minor league baseball team, the Michigan Battle Cats, and moving

the team to Dayton. In order to do so, SSI needed approval from the Reds for a territorial rights waiver, and in January 1997, SSI obtained this waiver. In reliance thereon, SSI entered into an agreement with a company, Hara Complex, Inc., to start building a stadium to house the team. SSI also sold a portion of its interest in the Battle Cats to RNI. At the same time, and apparently unbeknownst to SSI and RNI, Myers and Dickson had reached a memo of understanding with DDP to bring a team to Dayton. This memo was later approved by Dayton.

By May of 1997, the Reds had issued a conditional territorial exclusivity waiver in favor of DDP despite the previous assurances to SSI by the Reds' Managing Executive John Allen ("Allen") that the Reds would grant the waiver to SSI. Since they now had the waiver, Myers and Dickson contracted to buy the Rockford Cubbies, and in August and September

1997, Myers and Dickson had gained the necessary approvals from the Midwest League and the NAPBL. Major League Baseball ("MLB"), however, refused to grant its approval to Myers and Dickson. The Reds then terminated the conditional waiver it had granted to Myers and Dickson; and Myers soon after announced that she was terminating her efforts to purchase the Cubbies and intended to sue MLB.

In November of 1997, the Reds granted a conditional waiver to SSI which would expire on January 26, 1998. Because of Myers's announcement that she was no longer in the running for a Dayton franchise, SSI now believed that it was the only player. SSI ran into trouble with DDP and Dayton, however, when these defendants demanded a significantly greater financial contribution from SSI than they had requested from Myers and also informed SSI that they did not want RNI involved. Due to these problems with

Dayton, SSI decided to move the team to Trotwood and renegotiated its previous contract with Hara to do so.

Meanwhile, defendants Hank Stickney (a Trustee of defendant NAPBL), Ken Stickney, Mandalay, and MSE Dayton Baseball, LLC (the "Mandalay Defendants"), started negotiations with Myers to purchase her interest in the Cubbies and to relocate the team to Dayton. Because Myers's previous applications with the Midwest League and NAPBL had not been withdrawn, these defendants would not review SSI's application. Thus, SSI's exclusivity period expired before it could obtain permission from the proper organizations, and the Mandalay Defendants ultimately secured the necessary approvals and waiver, meaning that they, rather than SSI would bring the minor league baseball team to Dayton.

In granting the defendants' motion, Judge Rice observed that the plaintiffs did not claim that the

defendants had violated the antitrust laws by allowing only one team in Dayton. Rather, the plaintiffs argued that the antitrust laws were violated because the Mandalay Defendants rather than they were granted a monopoly. Judge Rice also noted that the competition which formed the basis of the claims was the competition over the rights to acquire the monopoly, and had SSI been allowed to join the league, SSI would not be in competition with the defendants.

Judge Rice relied heavily upon several cases in which other courts had held that there is no antitrust injury in situations where a plaintiff seeks to join a sports league rather than compete with it, even if there are actual injuries to the plaintiff caused by the defendants' conduct. Although Judge Rice recognized those cases involved parties who were seeking to move a franchise from one city to another or to expand a franchise and did not involve parties competing for the

same franchise, Judge Rice found those factual differences to be without legal significance.

Judge Rice explained that while the defendants' actions "may constitute business torts, [they] did not harm economic competition, insofar as the consumer is concerned, since they did not prevent the Plaintiffs from being one of two or more groups representing minor league baseball in the Dayton market." Since there could only be one party owning a franchise in the Dayton area, Judge Rice found that antitrust injury could not exist since there was no reduction of competition in the relevant market.

Additionally, the plaintiffs' injuries were the kind of injuries suffered by a competitor rather than injuries to competition in the relevant market. For example, there were no allegations that any of the defendants' actions had changed the number of franchises allowed in the Dayton area, increased or fixed prices, or altered

the market structure in any way. The only allegations were that the defendants' had harmed SSI's ability to obtain the monopoly which was given (albeit allegedly improperly) to the Mandalay Defendants.

Judge Rice concluded, "where two groups compete for one right, the losing group does not have a valid antitrust claim, merely because the winning side conspired with those who would make the award and acted tortiously." SSI and the other plaintiffs, held Judge Rice, had shown only business torts and not antitrust injury.

The plaintiffs were represented by Anne Marie Frayne, Myers & Frayne, Dayton. The defendants were represented by Kevin Lee Lennen, John H. Rion and Associates, Dayton.

Baseball At Trotwood, LLC v. Dayton Professional Baseball Club, LLC, 113 F.Supp.2d 1164, 1999 U.S.Dist.LEXIS 22151 (S.D. Ohio 1999)[ELR 22:9:23]

Suit by spectator injured by flying puck at hockey game should not have been dismissed

A lawsuit filed by a spectator injured by a flying puck at a roller hockey game in Colorado should not have been dismissed, the Colorado Court of Appeals has held.

A trial court had dismissed the spectator's lawsuit, based on the "no duty" rule applied in cases like this in some other states (see, e.g., ELR 12:9:16). Colorado, however, has a "premises liability" statute, which the Court of Appeals held was applicable to the spectator's case.

The appellate court noted that Colorado has another statute that provides that spectators at "baseball" games assume the risk of being injured. But that statute applies only to baseball spectators. From this, the court concluded that if the Colorado assembly had wanted to provide exemptions from liability for other sports, "it could have done so," but didn't.

The appellate court therefore reversed the dismissal of the spectator's lawsuit, and remanded it for further proceedings, during which the trial court was instructed to apply liability standards found in Colorado's premises liability statute.

The injured spectator was represented by John A. Purvis, Pruvis Gray & Gordon, Boulder. The hockey team was represented by Peter W. Burg, Burg Simpson Eldredge & Hersh, Englewood.

Teneyck v. Roller Hockey Colorado, Ltd., 10 P.3d 707, 2000 Colo.App.LEXIS 1360 (Colo.App. 2000)[ELR 22:9:24]

Settlements of antitrust class action against NASCAR merchandise vendors are approved by federal court

Federal District Judge Thomas Thrash has approved a settlement of a class action lawsuit filed against numerous defendants who allegedly fixed the prices of merchandise they sold at professional stock car races sanctioned by the National Association for Stock Car Auto Racing, Inc. ("NASCAR").

The suit alleged that the sellers had conspired to fix prices in violation of the Sherman and Clayton Acts by: (1) entering into oral and written agreements to fix

minimum prices for souvenir merchandise sold at the events; (2) distributing price lists fixing the minimum prices; (3) having secret meetings before NASCAR events for the purpose of setting minimum prices; (4) monitoring the prices charged by the vendors at the events; and (5) punishing vendors who violated the price-fixing agreements.

The parties reached four separate settlement agreements. Although the settlement agreements differ in the amounts agreed to be paid by the defendants, each agreement provides for the payment of substantial cash and the issuance of coupons redeemable for merchandise at NASCAR events. The defendants' settlement obligations do not end with the mere issuance of coupons. Instead, the defendants' obligations terminate when 93.7% of the coupons are redeemed.

While noting that Rule 23(e) of the Federal Rules of Civil Procedure requires judicial approval of class action settlements, Judge Thrash also noted that Rule 23(e) provides no standards. Judge Thrash therefore used a well-established six-part test to determine whether the settlement agreements were "fair, adequate, reasonable and free of fraud or collusion."

First, Judge Thrash looked at the likelihood of success at trial and recognized the problems the class plaintiff may face if the action were to proceed. The main difficulty facing the plaintiffs, according to Judge Thrash, was whether a class could be certified. With respect to Rule 23(b)(3), Judge Thrash had his doubts as to whether the "predominance" requirement would be met, finding that plaintiffs would likely have difficulty in establishing antitrust impact as to each member of the class without having to resort to lengthy individual examinations of each plaintiff. The fact that

most plaintiffs had no record of purchases and the change of vendors and merchandise sold over time would require that each plaintiff's situation be viewed separately, making class certification, in Judge's Thrash's opinion, very difficult. This, coupled with the general complexity of the case even if a class was to be certified, added to Judge Thrash's feeling that the settlements should be approved.

Judge Thrash next analyzed the range of possible recoveries for the plaintiffs should the case be tried. Noting again the difficulties in class certification as well as the difficulty in proving damages, Judge Thrash found that the settlement proposed was certainly within the range of what plaintiffs could expect to receive.

The third factor, the point on or below the range of possible recovery at which a settlement is fair, adequate, and reasonable, also weighed in favor of Judge Thrash approving the settlements. Although

settlements of class actions involving coupons had been severely criticized, Judge Thrash found that the coupon aspect of the settlements in this case did not suffer from the same maladies as had been found in other circumstances. Some of the facts which led Judge Thrash to this conclusion included the facts that the coupons were fully transferable, the defendants would continue to issue coupons until the face value had been fully redeemed, the defendants would make charitable donations after a certain time period if the coupons were not fully redeemed, and the coupons were combinable. Also important to Judge Thrash was that the face value of the coupons in relation to the items to be purchased was reasonable.

Fourth, Judge Thrash recognized the complexity, expense and duration of the litigation in relation to the settlement agreements. He noted that over 70 depositions had been taken, and the parties had engaged

in extensive discovery. When viewed in light of the complex litigation and the time and costs involved, Judge Thrash found the settlements to be reasonable.
The fifth factor - the substance and degree of opposition to the settlements - was easily disposed of. While there had been only two objections filed, both objections had been withdrawn.

Finally, Judge Thrash found that the parties were fully aware of the merits and problems of each of their respective positions, having taken expert and other depositions and reviewed numerous volumes of documents. Thus, Judge Thrash found that the settlement was reached after an arms-length negotiation where each party was apprised of the "facts, risks and obstacles involved with the possibility of continued litigation."

The parties moving to confirm the settlements were represented by Mark E. Kraynak, Atlanta. The

plaintiffs were represented by Martin D. Chitwood, Chitwood & Harley, Atlanta. The defendants were represented by Emmet J. Bondurant, II, Bondurant Mixon & Elmore, Atlanta.

In re Motorsports Merchandise Antitrust Litigation, 112 F.Supp.2d 1329 (N.D.Ga. 2000)[ELR 22:9:24]

Warner Robins adult business ordinance is not unconstitutionally vague, yet violates the First Amendment because it is prior restraint

A Warner Robins city ordinance that prohibits the sale and consumption of alcohol on the premises of an adult-oriented business is not unconstitutionally vague. It does, however, operate as a prior restraint in

violation of the First Amendment, a federal Court of Appeals has held.

The owners of a nude dancing establishment and the holder of the establishment's liquor license challenged the constitutionality of the ordinance. Federal District Judge Hugh Lawson granted the city summary judgment, agreeing that the ordinance was not unconstitutionally vague and that it did not impose an unconstitutional prior restraint on expression.

On appeal, in a per curiam decision by the Eleventh Circuit, the Court held that the city adequately concluded that proscribing the sale and consumption of alcohol would reduce the crime and other costs associated with adult businesses. The Court further concluded that the ordinance provided adequate notice to business operators.

However, the Court disagreed with Judge Lawson on the prior restraint issue. The appellate court

ruled that the ordinance violated the First Amendment, because it did not guarantee the adult business owners the "right to begin expressive activities within a brief, fixed time frame."

The adult business owners were represented by Cary Steven Wiggins, Atlanta. The city was represented by Charles E. Cox Jr., Cole & Cox, Macon.

Artistic Entertainment, Inc. v. City of Warner Robins, 223 F.3d 1306, 2000 U.S.App.LEXIS 21279 (11th Cir. 2000)[ELR 22:9:25]

New York town ordinance regulating the location of adult entertainment establishments is unconstitutional

A Town of Ramapo ordinance regulating the location of adult entertainment establishments violated the First Amendment, federal District Judge Barrington Parker, Jr. has ruled.

The Ordinance mandated that no adult entertainment establishments may be located within 1,000 feet of a school. As a result, T & A's, Inc. - Ramapo's only bar featuring nude dancing women - which is located 800 feet from a school, was required to relocate. T & A's commenced an action against the Town Board of the Town of Ramapo, alleging that the Ordinance violated its First Amendment right to freedom of expression. Judge Parker agreed.

He held that the Town may not impose regulations based on the content of T & A's non-obscene nude dancing, expressive conduct entitled to First Amendment protection. The Judge ruled that the Ordinance was an invalid prior restraint. He reasoned that Town officials were given overly broad, unrestrained discretion in approving or denying permit applications for future applicants and the standards failed to adequately advise applicants of whether their constitutionally protected activities may be pursued.

The Ordinance, Judge Parker ruled, was also unconstitutional because it did not provide reasonable alternative avenues of expression. The Town failed to meet this burden in light of the numerous restrictions and the inability to develop the sites proposed by the Town. T & A's proved the Ordinance allocated less than 6% of the available land for adult entertainment. As drafted, Judge Parker concluded, it effectively

prohibits a constitutionally protected activity in the Town of Ramapo.

T & A's, Inc. was represented by Rory Kiernan P. Clark, Dorfman Lynch & Knoebel, Nyack, NY. The Town of Ramapo was represented by Michael Klein, Suffern, NY.

T & A's, Inc. v. Town Bd. of Town of Ramapo, 109 F.Supp.2d 161, 2000 U.S.Dist.LEXIS 11420 (S.D.N.Y. 2000)[ELR 22:9:26]

Previously Reported:

The United States Supreme Court has denied petitions for certiorari in: Grigson v. Creative Artists Agency, 121 S.Ct. 570, 2000 U.S.LEXIS 7835 (2000), which held that CAA, Matthew McConaughey and

Renee Zellweger are entitled to arbitrate a claim that they tortiously persuaded Columbia TriStar to limit release of "Return of the Texas Chain Saw Massacre" - in which McConaughey and Zellweger appeared before they became stars - even though they were not parties to the arbitration agreement between Columbia TriStar and movie's producers (ELR 22:4:12); ABKCO Music, Inc. v. LaVere, 121 S.Ct. 655, 2000 U.S.LEXIS 8326 (2000), which held that the distribution of recordings before 1978 does not publish the recorded songs, because the Copyright Act amendment making this clear applies retroactively, even to cases pending when amendment was passed in 1997 (ELR 22:6:19); and Las Vegas Sports News v. Times Mirror Magazines, 121 S.Ct. 760, 2001 U.S.LEXIS 135 (2001), which upheld a preliminary injunction granted under the Federal Trademark Dilution Act to the publisher of

"The Sporting News" against publisher of the "Las Vegas Sporting News" (ELR 22:5:22).

The following previously reported case has been published: Cairns v. Franklin Mint Co., 120 F.Supp.2d 880, 2000 U.S.Dist.LEXIS 8739 (C.D.Cal. 2000) (ELR 22:5:5).
[ELR 22:9:26]

DEPARTMENTS

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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)

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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 Pollack, 22 Comm/Ent, Hastings Communications and Entertainment Law Journal 265 (2000)

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Statutory Interpretation, Property Rights, and Boundaries: The Nature and Limits of Protection in Trademark Dilution, Trade Dress, and Product Configuration Cases by Gary Myers, 23 Columbia/VLA Journal of Law & the Arts 241 (2000)

Essay: The Integration of International and Domestic Intellectual Property Lawmaking by Graeme B. Dinwoodie, 23 Columbia/VLA Journal of Law & the Arts 307 (2000)

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The Right to Spam? Regulating Electronic Junk Mail by Michael A. Fisher, 23 Columbia/VLA Journal of Law & the Arts 357 (2000)

Links, Liability, and the Law: The Strange Case of Ticketmaster v. Microsoft by Joshua M. Masur, 23 Columbia/VLA Journal of Law & the Arts 415 (2000)

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First Amendment - Tenth Circuit Holds That Petition Clause Protection Cannot Extend to Nonpetitioners - Cardtoons, L.C. v. Major League Baseball Players Ass'n, 114 Harvard Law Review 654 (2000)

Grabbing Them by the Balls: Legislatures, Courts, and Team Owners Bar Non-Elite Professional Athletes from Workers Compensation by Rachel Schaffer, 8 American University Journal of Gender, Social Policy & the Law 623 (2000)

From the Gridiron to the United States Supreme Court: Defining the Boundaries of the First Amendment's

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The Appearance of Impropriety and Conflicts of Interest Within Athletics Departments by Robin Chandler, 10 Journal of Legal Aspects of Sports 138 (2000) (www.ithaca.edu/SSLASPA)

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Rethinking Cyberspace Jurisdiction in Intellectual Property Disputes by Ian C. Ballon, 21 University of Pennsylvania Journal of International Economic Law 481 (2000)

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Staking a Claim in Cyberspace: An Overview of Domain Name Disputes by Sung Yang, 36 Willamette Law Review 115 (2000)

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