BUSINESS AFFAIRS

Licensing Remake Rights
by Schuyler M. Moore

Hollywood has discovered a gold mine for source material - remakes of foreign films, with new deals being announced weekly. While some foreign films work on their own in the U.S. (e.g., "Crouching Tiger, Hidden Dragon"), it is still an uphill battle to release a foreign language film in the U.S. However, a commercially viable alternative is to make an English-language remake, perhaps best exemplified by the recent success of "The Ring" by DreamWorks, a remake of a successful Japanese language film produced by Asmik Ace. "The Ring" has sailed past $100 million at the U.S. box office, becoming one of the most successful remakes in history.

Foreign films constitute a huge pool of potential source material that has been mostly untapped by the U.S. studios, yet it has enormous advantages: First, if the film has played well in the foreign market, that alone demonstrates that the concept resonates with audiences. Second, the studio can watch the film and visualize what the remake will look like. Finally, the script has been written, although the studio will usually use it only as an outline for preparing its own script.

For all the advantages, remake licenses are a tricky business with a unique set of hurdles that relate to the existence of the original film and the underlying rights thereto. We have handled a number of remake licenses (including representing Asmik Ace on "The Ring"), so we have had to find ways to jump these hurdles, which are briefly discussed in this article.

The Original Film

Many of the challenges relate to the very existence of the original film: What to do with it? The owner of the original film (the "Foreign Distributor") and the studio will usually be at direct odds over this question. The Foreign Distributor typically wants the original film to be released in the U.S., since a U.S. release will increase the value of the original film worldwide. Thus, the Foreign Distributor usually attempts to include a U.S. release of the original film as part of quid pro quo for the remake license. However, the studio would rather go out to its back lot, dig a hole, and bury the original film than release it. This is for two reasons: If the original film works, it will be directly competitive with the remake. If the original film flops, it will taint the remake (in addition to costing the studio lost P &A expenses). Thus, to release the original film is a lose/lose proposition for the studio, and if the studio is forced to release it, you can pretty much guarantee that it will be released on one screen in Phoenix for a Wednesday matinee.

Even apart from the U.S. market, another significant problem is potential competition between the original film and the remake in foreign countries. By definition, the two films are similar and are targeted to the same audience. If the remake is successful, the original film could ride the shirttails of the remake in foreign countries and vice versa, so the Foreign Distributor and the studio may find themselves competing with each other in the foreign market. This problem is exacerbated if there is similarity between the titles of the two films or if local distributors have leeway to translate the titles into the local language; in a worst case, the original film and the remake could be going out under the same title at the same time. Even if the original film has already gone out theatrically, there can be competition in subsequent media, such as television. The competition problem will be particularly acute in the Foreign Distributor's home country, so the Foreign Distributor will typically insist on acquiring the rights to the remake in its home country, even if on an arm's-length license basis.

Derivative Works

The next difficult issue is carving up ownership of derivative works, such as sequels and prequels. The Foreign Distributor will only want to grant a single-picture license, permitting the studio to make only the remake, and no more. On the flip side, the studio will typically expect and demand to own all derivative works. In some cases, it is possible to parse out the separate elements of the original and the remake, and the Foreign Distributor will have the right to make derivative works based only on elements in the original film, not the remake, and the studio will have the right to make derivative works based only on elements that appear in the remake, not the original film. And if this brew isn't confusing enough, just stir in the fact that third parties often have some control over licensing of derivative works. In our experience, these have included: (a) the author of the original screenplay; (b) partners or investors in the original film; and (c) even the director of the original film, particularly in countries that provide moral rights (droit morale) to "authors" (which includes directors). Thus, a gaggle of third parties may be chiming in with respect to derivative works, resulting in a cacophony of competing interests.

Ancillary Rights

A related issue is the ownership and exploitation of ancillary rights, such as merchandising, sound track, and publishing rights. Once again, there is a huge potential for overlapping, competing exploitation of ancillary rights based on the original picture and the remake. Yet it would clearly be unfair to give either party all ancillary rights to both films. Thus, as with derivative works, it is often necessary to parse out the separate elements between the two films and to limit each party's ancillary rights to the exploitation of their separate, unique elements. Even then, some degree of overlap is unavoidable, particularly for merchandising.

Chain of Title

The chain of title on many foreign films is chaotic. Business transactions within many foreign countries are often based on trust, oral agreements, and handshakes, rather than the voluminous tomes that U.S. lawyers are used to. The documents have to be translated into English and the terminology squared with U.S. concepts. For example, if a translated foreign document states that the screenwriter "grants the Film Distributor film rights to the screenplay," does the grant include derivative works, such as sequels, prequels, and television spin-offs? Is it assignable? Does it include ancillary rights, such as merchandising? In the worst chain of title we reviewed, we were sent a box of Danish documents providing for twenty transfers (including several via mergers) going back over forty years, including several documents with language (once translated) similar to that quoted above. Argh!

Pricing and Withholding

Pricing is another difficult question; for purposes of deciding what pricing ballpark you are in, a remake license is analogous to the sale of film rights to a book or a script. The standard deal will have some fixed payment upfront and an ongoing participation in revenues from the remake and ancillary rights, with the actual amounts based on whatever the market will bear. If the license includes derivative works, a separate fixed payment and participation should apply to each derivative work, such as each sequel.

Because a U.S. studio is paying a foreign company, the payments may be subject to U.S. withholding depending on the tax treaty between the U.S. and the foreign country. If withholding does apply, it is possible to avoid withholding, at least on the fixed payments, by structuring the transaction as a "sale" instead of a license.

Conclusion

Notwithstanding the pitfalls and challenges, the advantages for remakes based on successful foreign films far outweigh the disadvantages. The original film has proven itself in the crucible of the darkened theater, albeit on foreign shores, and that alone puts it light years ahead of development gumbo.

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UCLA School of Law, teaching Entertainment Law. [ELR 24:6:4]

INTERNATIONAL DEVELOPMENTS

KaZaA did not violate Dutch copyright law by distributing software that permits users to exchange unlicensed copies of music recordings on Internet, Court of Appeal in the Netherlands rules

KaZaA - a company established in Amsterdam - has escaped liability for the copyright infringing activities of those who use its software to distribute unlicensed copies of music recordings on the Internet.

KaZaA's software enables users to connect with one another directly, through a peer-to-peer network that does not require a central server in order to work properly. In this sense, KaZaA differs from Napster, which did depend on a central server. And because KaZaA does not, it represents an even bigger threat to copyright owners than Napster did.

Vereniging Buma and Stichting Stemra - the performing and mechanical rights organizations that issue licenses on behalf of music publishers and record companies in the Netherlands - sued KaZaA. And at first, Buma/Stemra, as the organizations are commonly known, were successful. A lower court judge ordered KaZaA to take whatever measures were necessary to prevent its software from being used to infringe Buma/Stemra's copyrights. The penalty for failing to do so was stiff: 100,000 Guilders a day, to a maximum of 2 million Guilders, or about $45,000 a day to a maximum of $900,000. KaZaA asserted that it could not - as a matter of technology - comply with the lower court's order. Apparently that was so, because in response to the order, KaZaA shut down the website from which it had been distributing its software (or at least cut off access to it by those in the Netherlands).

KaZaA's shutdown was short-lived, however, because it won a complete victory from the Amsterdam Court of Appeal. In a short decision, the appellate court held that KaZaA did not violate Dutch copyright law, even if its users did.

The Court of Appeal noted that KaZaA's software was not used "exclusively" to download copyrighted works. Rather, KaZaA offered evidence showing that "a large number . . . of works" distributed by KaZaA users were distributed with the authors' consent, or were in the public domain, or were distributed legally under a "legal limitation" in Dutch copyright law.

Buma/Stemra argued that despite these legal uses of KaZaA's software, "the sole essential function" of KaZaA's software is to exchange copyrighted works; but the appellate court was not persuaded. "That these other uses lack true meaning," the court said, "may undoubtedly be true for Buma/Stemra, but that does not mean . . . that it holds true for these other users."

As a result, the appellate court concluded that KaZaA's distribution of its software "cannot be considered as unlawful."

Buma & Stemra v. KaZaA, Amsterdam Court of Appeal (2002), unofficial English translation available at www.eff.org/IP/P2P/BUMA_v_Kazaa/20020328_kazaa_appeal_judgment.html [ELR 24:6:6]

Canadian ISPs do not have to pay music copyright royalties for providing "normal core services," but they do have to pay royalties for caching music, perhaps even if it is transmitted to Canada from servers in other countries, Federal Court of Appeals of Canada rules

Canadian Internet service providers will have to pay music royalties, but the amounts they will have to pay are likely to be less than Canadian copyright owners sought. These are the conclusions to be drawn from a recent decision of the Federal Court of Appeals of Canada, in a proceeding initiated seven years ago by the Society of Composers, Authors and Music Publishers of Canada (commonly referred to as SOCAN).

SOCAN is a performing rights organization - Canada's counterpart to ASCAP, BMI and SESAC.

Canadian copyright law requires those who "communicate" copyrighted works to the public by "telecommunication" - which includes the "transmission of . . . sounds . . . by wire" - to have a copyright license. Those who "authorize" others to communicate copyrighted works to the public must have a license too.

The required license is not acquired by private negotiations, however. Instead, the Canadian Copyright Act gives copyright owners or their representatives, such as SOCAN, the right to petition the Copyright Board of Canada to set a "tariff," or royalty rate, for a particular type of use, which then applies industry-wide.

In 1995, SOCAN petitioned the Copyright Board to set a tariff for Internet transmissions of music. No one seems to have disputed that royalties would have to be paid by website owners that provide music from their sites. But SOCAN went a step further, and argued that ISPs should have to pay royalties as well, because, SOCAN said, ISPs "communicate," and "authorize" others to communicate, music to the public.

The Copyright Board disagreed. Under a related section of the Canadian Copyright Act, merely "providing the means" that are "necessary" for communicating works to the public does not itself amount to communicating to the public. Thus those who merely provide the necessary means by which others communicate copyrighted works to the public do not need to pay copyright royalties themselves.

In 1999, the Copyright Board ruled that ISPs merely provide the means by which their customers communicate music to the public, and thus, while their customers have to pay music royalties, ISPs themselves do not. The Copyright Board also noted that royalties have to be paid only in connection with transmissions that take place in Canada. It concluded that music posted to the web from servers in the United States or other countries is not transmitted in Canada, and therefore tariffs do not have to be paid by anyone in Canada for that music.

SOCAN appealed, with some success. In an opinion by Judge John Evans, the Federal Court of Appeals of Canada agreed with the Copyright Board that ISPs do not have to pay music royalties in connection with their "normal core services" of providing Internet connections to customers, even if their customers download music. The appellate court also agreed that ISPs do not "authorize" their customers to communicate music, merely by providing their normal core services.

On the other hand - in the portion of its decision that favors SOCAN - the appellate court ruled that if Canadian ISPs cache music websites on their own servers, they will have to pay tariffs for doing so. Judge Evans reasoned that caching is not "necessary" for Internet communications, and thus by caching, ISPs do more than provide means that are necessary for such communication. In this, Judge Evans was influenced by the fact that ISPs themselves decide which websites to cache.

The appellate court also disagreed with the Copyright Board's conclusion that no transmission in Canada takes place when music is received by Canadian Internet users from web servers in the United States or other non-Canadian countries. The location of the originating web server is only one factor to be considered, Judge Evans held, and is not the controlling factor. He ruled that royalties should be paid in Canada in connection with any communication that has a "real and substantial connection with Canada" - something that will have to be determined by the Copyright Board "case-by-case." However, "since the policy of the Act is to protect copyright in the Canadian market, the location of the end user is a particularly important factor . . . ," the judge said.

The case has been remanded to the Copyright Board, for it to determine the amount of the royalties actually payable.

SOCAN was represented by Georges Hynna, Paul Spurgeon, Ashley Dent and solicitors Gowling Strathy & Henderson in Ottawa. The Canadian Association of Internet Providers was represented by Mark S. Hayes and solicitors Davies Ward Phillips & Vineberg in Toronto.

Society of Composers, Authors and Music Publishers of Canada v. Canadian Association of Internet Providers, 2002 FCA 166, available at http://decisions.fct-cf.gc.ca/fct/2002/2002fca166.html

[ELR 24:6:6]

Seller of computer chips that permitted Australians to play imported games on modified PlayStation consoles infringed Sony's trademark, but did not violate Australian Copyright Act's ban on "circumvention" devices, Federal Court of Australia decides

A victory on any grounds is still a victory, so in that sense, Sony won its lawsuit against a man who was selling computer chips that permitted Australians to play PlayStation games imported from other countries on their PlayStation consoles. Justice Ronald Sackville, of the Federal Court of Australia, ruled that the seller violated Sony's trademark rights, but not Sony's rights under the anti-circumvention provisions of the

Australian Copyright Act.

PlayStation games contain access codes; and PlayStation consoles are designed to play only those games that have access codes. What's more, these access codes differ from country to country, and PlayStation consoles will play only those games that have the proper access code for the country where the console was sold.

A man identified only as "Mr. Stevens" sold and installed computer chips in PlayStation consoles owned by his Australian customers; and those chips permitted the consoles to play games imported into Australia from other countries. Because those imported games did not have Australian access codes, Steven's customers would not have been able to play them on the customers' consoles, if Stevens had not installed those chips. Stevens also sold imported games.

Justice Sackville had little difficulty concluding that Stevens infringed Sony's trademark. Stevens did so, the Justice explained, by "selling unauthorized copies of PlayStation games" - meaning PlayStation games made outside of Australia and imported into that country without authorization - because those games contained Sony's trademark on each disc, on the paper insert inside the case, on the instruction manual, and on the splash screen that appeared when the disc is inserted in the console.

The copyright issue was a difficult one, however. Stevens apparently sold copies of authentic, imported games, not pirated copies, so Sony did not assert that Stevens infringed its copyrights by selling unauthorized reproductions.

Instead, Sony relied on a recent amendment to the Australian Copyright Act that prohibits the distribution of devices that can be used to circumvent technological measures that protect copyrighted works.

Sony argued that regional access codes are "technological measures" that protect its copyrighted PlayStation games; and the chips sold by Stevens are "devices" that are used to circumvent those technological measures.

One purpose of Sony's regional access codes is to ensure that its consoles can only play PlayStation games lawfully acquired in Australia (or Europe). The codes are, in other words, a technique for implementing Sony's world-wide marketing strategy. The codes have the effect of preventing Australians from importing games from other countries where they are less expensive than in Australia. For that reason, the Australian Competition and Consumer Commission intervened in the case, in support of Stevens.

Because pirated games do not have access codes, Sony's use of access codes does "deter or discourage" people from making and buying pirated games. But that, by itself, was not enough for Justice Sackville to conclude that access codes are "technological protection measures" within the meaning of the anti-circumvention provision of the Australian Copyright Act.

In a lengthy decision, Justice Sackville reasoned that Sony's access codes "cannot be regarded as technological protection measures if the only way in which they inhibit infringement of copyright in PlayStation games is by discouraging people from copying these games as a prelude to playing them on PlayStation consoles." Instead, the Justice ruled, Sony had to show that access codes "are designed to function, by their own processes or mechanisms, to prevent or hinder acts that might otherwise constitute an infringement of copyright."

Sony argued that its access codes satisfied the required standard, in a number of ways; but Justice

Sackville rejected all of them. What the access codes prevented was the playing of games that didn't have access codes, or had the wrong codes. But playing games - even pirated ones - does not infringe Sony's copyrights, the Justice held.

As a result, since the access codes were not "technological protection measures," Justice Sackville did not have to decide whether Stevens' chips were "circumvention devices"; and he didn't.

Sony was represented by A.J.L. Bannon SC and Solicitor Allens Arthur Robinson. Stevens represented himself. The Australian Competition and Consumer Commission was represented by M. White and the Australian Government Solicitor.

Kabushiki Kaisha Sony Computer Entertainment v. Stevens, [2002] FCA 906, available at www.austlii.edu.au/au/cases/cth/

federal_ct/2002/906.html
[ELR 24:6:7]

WASHINGTON MONITOR

FCC reconsidering media ownership rules that currently limit number of media outlets any one company may own

The Federal Communications Commission has initiated a massive review of several of its media ownership rules - rules that currently limit the number of media outlets that may be owned by any one company.

The FCC used to enforce many such rules. Some were abandoned by the FCC itself (ELR 1:17:4). Others were eliminated or loosened by Congress (ELR 17:11:14). And at least one was vacated by the Court of

Appeals (ELR 23:2:13). Nevertheless, at eight media ownership rules remain on the books:
* the Cable Subscriber Limit Rule
* the Cable Channel Ownership Rule
* the Local Television Station Ownership Rule
* the National Television Station Ownership Rule
* the Newspaper/Broadcast Cross-Ownership Rule
* the Local Radio Station Ownership Rule
* the Radio-Television Cross-Ownership Rule, and
* the Dual Network Rule.

Four of these rules have been the subject of FCC reconsideration for some time. The Cable Subscriber Limit Rule and the Cable Channel Ownership Rule were being studied as the result of a court order in a case brought by Time Warner (ELR 23:2:13). The Newspaper/Broadcast Cross-Ownership Rule and the Local Radio Station Ownership Rule have been under review since last year.

Now the FCC has announced it will review the other four rules as well: the National Television Station Ownership Rule; the Local Television Station Ownership Rule; the Radio-Television Cross-Ownership Rule; and the Dual Network Rule. Two of the four - the National Television Station Ownership Rule, and the Local Television Station Ownership Rule - are being reviewed as a result of court orders in cases brought by Sinclair Broadcast Group and Fox Television (ELR 24:2:8).

The continued vitality of all of these rules was put in question by the Telecommunications Act of 1996 (ELR 17:11:14). Among other things, that Act directed the FCC to review its media ownership rules every two years, and to modify or even repeal any that are no longer in the public interest. Moreover, the Act has been interpreted by the courts to create a presumption that the media ownership rules should be modified or repealed - a presumption that the FCC must overcome, if it's inclined to do so, with a "solid factual record." To compile such a record - should the FCC decide to retain any of the rules - the FCC commissioned a dozen studies by staff members and outsiders. The FCC has made those studies the foundation for its review, and has invited the public to comment on them. The topics covered by the FCC studies include two of particular interest to Entertainment Law Reporter readers: "Radio Market Structure and Music Diversity" and "Program Diversity and the Program Selection Process on Broadcast Network Television."

The "Music Diversity" study concluded that from 1996 to 2001, the diversity of songs broadcast nationwide increased just slightly, but increased significantly within each local market within the same format. On the other hand, the study found a slight decrease in the diversity of songs within the same format across local markets.

The "Network Television" program study examined program diversity on broadcast network television in the years surrounding the implementation and repeal of the FCC's financial interest and syndication (or "fin-syn") rules (ELR 17:5:22). The study found that the fin-syn rules did not improve program diversity. The study also concluded that when making programming selection decisions, networks are significantly influenced by the financial incentives associated with the ownership of programming.

In re 2002 Biennial Regulatory Review - Review of the Commission's Broadcast Ownership Rules, FCC 02-249 (Sept. 23, 2002), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-02-249A1.pdf; FCC Media Ownership Working Group Studies, available at http://www.fcc.gov/ownership/studies.html [ELR 24:6:9]

RECENT CASES

MCA recording titled "Barbie Girl" did not violate Mattel's trademark rights, federal appeals court affirms

The Danish pop recording group Aqua has left its mark in the United States - though not exactly in the way it undoubtedly hoped. It hasn't yet achieved the super-success of the Beatles or even the Spice Girls. But it has become part of American entertainment law history, all because its 1997 album "Aquarium" featured a song titled "Barbie Girl."

The album was released by MCA Records. The

"Barbie Girl" song was a hit with many Barbie doll owners. But the song was not appreciated by Mattel, Inc., the company that manufactures Barbie dolls and owns the Barbie trademark. In fact, Mattel was so displeased that it filed a trademark and dilution lawsuit against MCA and said unkind things about MCA to the press. MCA responded with a counterclaim for defamation. But neither company's case got very far.

Federal District Judge Matthew Byrne granted cross-motions for summary judgment filed both by Mattel and MCA, and he dismissed the case entirely (ELR 21:1:12). On appeal, neither company did better. In an opinion by Judge Alex Kozinski, the Court of Appeals has affirmed.

The song offended Mattel, because the lyrics - sung, according to those lyrics, by "Barbie" and "Ken" - are sexually suggestive. Yet Judge Kozinski noted that "The song does not rely on the Barbie mark to poke fun at another subject but targets Barbie herself." This fact made this case different from Dr. Suess v. Penguin Books (ELR 19:5:11), where the parody defense was rejected because the book The Cat NOT in the Hat! had used Dr. Seuss trademarks to draw attention to itself rather than to mock Dr. Suess' own book The Cat in the Hat!

In deciding what test to use in cases like this, Judge Kozinski adopted the Second Circuit's test from Rogers v. Grimaldi (ELR 11:2:5). That case held that literary titles do not infringe the trademarks of others "unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or content of the work." In this case, Judge Kozinski easily concluded that the "Barbie Girl" song title passed the test, because the song's title does have artistic relevance to the song itself, and because the title does not mislead the public concerning the source or the content of the song.

For that reason, the song did not infringe the Barbie trademark.

Judge Kozinski also rejected Mattel's claim that the song diluted the distinctiveness of its trademark in violation of the Federal Trademark Dilution Act (ELR 17:10:12). The judge noted that the Dilution Act itself exempts "noncommercial" uses of trademarks, because Congress recognized that the Act's prohibitions could conflict with First Amendment free speech rights. "Barbie Girl is not purely commercial speech," the judge ruled, "and is therefore fully protected . . . [because the song] falls within the noncommercial use exemption. . . ."

Finally, Judge Kozinski affirmed the dismissal of MCA's defamation counterclaim. Mattel's offending statements were "In context, . . . non-actionable 'rhetorical hyperbole,'" the judge explained.

Mattel was represented by Adrian Mary Pruetz of Quinn Emanuel Urquhart Oliver & Hedges in Los Angeles. MCA was represented by Russell J. Frackman of Mitchell Silberberg & Knupp in Los Angeles.

Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 2002 U.S.App.LEXIS 14821 (9th Cir. 2002) [ELR 24:6:10]

Mattel entitled to proceed with malicious prosecution lawsuit against law firm that filed meritless lawsuit alleging "Cool Blue Barbie" infringed copyright to "Claudine" doll created by law firm's client

Losing a lawsuit is bad enough, for the unsuccessful law firm. Getting sued for doing so is even worse. That's what has happened to Luce Forward Hamilton & Scripps, the law firm that represented a fellow named Harry R. Christian in a copyright infringement suit against Mattel, Inc.

Entertainment Law Reporter readers may recall that Christian alleged that Mattel's "Cool Blue Barbie" doll infringed the copyright to his own USC cheerleader doll named "Claudine." Christian's lawsuit was meritless, because Mattel released "Cool Blue Barbie" five years before Christian designed "Claudine" - as the copyright notice on Mattel's dolls clearly indicated.

After granting Mattel's motion for summary judgment, federal District Judge Nora Manella sanctioned Christian's lawyer, James B. Hicks, more than $500,000. The Court of Appeals ruled that Judge Manella had adequate grounds for sanctioning Hicks, though the appellate court remanded the case for further proceedings related to the legal basis for the sanction (Rule 11 vs. "inherent authority") and its amount (ELR 24:3:13).

In addition to seeking sanctions against Hicks, Mattel also filed a malicious prosecution lawsuit, in California state court, against the Luce Forward - the law firm in which Hicks was a partner at the time he represented Christian.

Luce Forward responded with a motion to strike Mattel's complaint. The motion was based on California's "anti-SLAPP" law, a statute that is designed to protect public participation in First Amendment activity, including litigation. The trial court judge denied Luce Forward's motion, however. And the California Court of Appeal affirmed that ruling.

In an opinion by Justice Gary Hastings, the California appellate court ruled that the findings made by federal Judge Manella and affirmed on appeal "are evidence that the underlying [copyright] action [by Christian against Mattel] was filed without probable cause." Since "[m]alice may be inferred from lack of probable cause," Mattel "presented sufficient evidence to establish a probability of prevailing on [its] cause of action for malicious prosecution," Judge Hastings concluded.

Mattel was represented by Edith Ramirez of Quinn Emanuel Urquhart Oliver & Hedges. Luce Forward Hamilton & Scripps was represented by Marc Marmaro of Jeffer Mangels Butler & Marmaro.

Mattel, Inc. v. Luce, Forward, Hamilton & Scripps, 121 Cal.Rptr.2d 794, 2002 Cal.App.LEXIS 4351 (Cal.App. 2002) [ELR 24:6:10]

Screenwriters are entitled to trial on claim that Steven Bochco television series "City of Angels" infringed their copyrights in screenplays about inner-city hospital with mostly black staffs, federal appellate rules

Jerome and Laurie Metcalf claim the television series "City of Angels" infringed the copyrights to screenplays they once wrote about an inner-city hospital with a mostly black staff. They make this claim in a copyright infringement lawsuit they have filed against producer Steven Bochco and a number of others, including actor Michael Warren.

Warren was both a friend of the Metcalfs and had a starring role in "City of Angels." The Metcalfs gave Warren copies of their scripts so Warren could give them to Bochco, and Warren apparently did. Nonetheless, federal District Judge Robert Kelleher dismissed the Metcalf's lawsuit, in response to a defense motion for summary judgment, because he concluded that their scripts and the television series simply were not substantially similar. (Judge Kelleher also awarded the defendants more than $83,000 in attorneys' fees.)

The case is not over yet, however. In an opinion by Judge Alex Kozinski, the Court of Appeals held that there are sufficient similarities between the Metcalfs' scripts and "City of Angels" that the Metcalfs were entitled to "survive summary judgment." The appellate court therefore reversed the dismissal of the case (as well as the attorneys' fee award).

According to Judge Kozinski, the "similarities between the relevant works are 'striking,'" because each contains several similar elements including the fact that they are "set in overburdened county hospitals in inner-city Los Angeles with mostly black staffs" and each deals with issues of "poverty, race relations and urban blight." (Judge Kozinski detailed more similarities too, all in this same vain.)

Judge Kozinski acknowledged that "the similarities proffered by the Metcalfs are not protectable when considered individually [because] they are either too generic or constitute 'scenes a faire.'" Nevertheless, Judge Kozinski said, "the presence of so many generic similarities and the common patterns in which they arise do help the Metcalfs . . . [because the] particular sequence in which an author strings a significant number of unprotectable elements can itself be a protectable element."

What's more, the judge added, "The Metcalfs' case is strengthened considerably by Bochco's concession of access to their works."

The Metcalfs were represented by Robert F. Helfing of Sedgwick Detert Moran & Arnold in Los

Angeles. Bochco and his co-defendants were represented by Edward A. Ruttenberg of Leopold Petrich & Smith in Los Angeles.

Editor's note: Judge Kozinski usually gets copyright cases right, but this opinion is not one of his finest. Indeed, it may be his worst. First of all, "striking similarity" is a term of art in copyright law. It means the sort of similarity that could exist only if actual copying occurred. "Striking similarity," in other words, allows a fact-finder to infer actual copying, even if the defendant denies having access to the plaintiff's work and even in the absence of evidence of access. In this case, however, Bochco did not deny having access to the Metcalfs' scripts, so "striking similarity" should have played no role in the decision. This is especially so in a case like this, because "striking similarity" - even when it exists - is not sufficient to find infringement. "Striking similarity" can be based on similarities of non-protected material, while infringement requires proof of substantial similarity of protected material. Moreover (and with respect), Judge Kozinski got it wrong when he reasoned that the Metcalfs' case was "strengthened considerably by Bochco's concession of access to their works." Access is relevant only to the question of whether some elements of "City of Angels" were in fact copied from the Metcalfs' scripts. If, however, the copied material was not protected by copyright, then copying it does not result in "substantial" similarity - or in copyright infringement liability.

Metcalf v. Bochco, 294 F.3d 1070, 2002 U.S.App.LEXIS 11278 (9th Cir. 2002) [ELR 24:6:11]

Freelancer is entitled to trial in copyright infringement lawsuit complaining that National Geographic included his articles and photographs in CD-ROM without his consent

National Geographic has failed in its effort to bring to an end, by summary judgment, a copyright infringement lawsuit filed against it by writer-photographer Fred Ward. Ward's lawsuit complains that the magazine included several of his articles and photographs in a CD-ROM collection of back issues of the magazine, without his consent.

The case is factually similar to one the National Geographic lost to photographer Jerry Greenberg (ELR 23:3:9). But Ward's case raises different legal issues.

National Geographic's principal defense was that it owns the copyrights to the freelance articles written by Ward and to the photographs he took to illustrate those articles. The magazine contended that it owned those copyrights, because Ward created all but one of them as works made for hire.

Though there were no written "work made for hire" agreements between Ward and the magazine - as current law requires for works created since 1978 - all of the articles and photos in question were created and published before 1978. Under the Copyright Act of 1909 (which was the law then in effect) a freelancer could be an "employee" for copyright purposes if his creations were made at a magazine's "instance and request" and the magazine had the right to exercise control over the way in which the freelancer did his work.

Ward's articles and photos were created at National Geographic's instance and request and subject to its supervision and control. That created a presumption - but only a presumption - that the articles and photos were works made for hire. Such a presumption can be overcome by evidence that the parties expressly or impliedly agreed otherwise. And Judge Lewis Kaplan found that Ward presented evidence of an implied agreement that he would retain ownership of the copyrights to all but one of his articles and photos.

Ward offered evidence of a magazine industry custom, followed by National Geographic, that freelancers licensed "first-time" publication rights only, and otherwise retained their copyrights, unless the magazine paid extra for "all rights." Since the magazine had not paid for "all rights," Judge Kaplan denied the magazine's motion for summary judgment with respect to all but one of Ward's articles.

With respect to one of Ward's articles, there was a written agreement. Though it wasn't a "work made for hire" agreement, it did clearly give the article's copyright to National Geographic, thus leaving intact the presumption that the article was a work made for hire. As a result, Judge Kaplan did grant the magazine's motion for summary judgment with respect to that article.

National Geographic also contended that even if the articles and photos were not works made for hire, Ward had licensed their use in the magazine, and the CD-ROM was nothing more than a reproduction of the magazine in electronic format. That argument may have been successful, if National Geographic had created and sold the CD-ROM itself; but it didn't. Instead, it sublicensed another company to manufacture and sell the CD-ROM, in return for royalties based on that company's sales. Under the 1909 Act, licensees could not sublicense their rights, without express authorization of the copyright owner. Thus, the magazine was not entitled to summary judgment on those grounds, Judge Kaplan ruled.

National Geographic did win the dismissal of one of Ward's claims - the claim that the magazine had violated the Digital Millennium Copyright Act by putting its own name, rather than Ward's, in the copyright notices on each page in the CD-ROM. However, to prevail on that claim, Ward had to show that National Geographic knew it didn't own the copyrights in question. And the judge concluded that the evidence was so ambiguous that a reasonable trier of fact could not find that the magazine knew Ward, rather than it, owned those copyrights. As a result, Judge Kaplan dismissed this claim.

Ward won one part of the case too. National Geographic acknowledged that one of his articles was not a work made for hire, nor did the magazine dispute that Ward owned its copyright. As to that article, Judge Kaplan granted summary judgment to Ward on the issue of liability.

Ward was represented by Andrew Berger of Tannenbaum Helpern Syracuse & Hirschtritt in New York City. National Geographic was represented by Robert G. Sugarman of Weil Gotshal & Manges in New York City and by Terrence B. Adamson of the National Geographic Society in Washington D.C.

Ward v. National Geographic Society, 208 F.Supp.2d 429, 2002 U.S.Dist.LEXIS 12940 (S.D.N.Y. 2002) [ELR 24:6:12]

Photographer not entitled to liquidated damages for infomercial producer's breach of credit provision of agreement by which photographer licensed use of photo of Victoria Principal, appellate court affirms

Photographer Gary Bernstein won his breach of contract and copyright infringement lawsuit against infomercial producer Guthy-Renker Corporation; but he didn't win as much money as he had hoped. On paper, Bernstein had reason to hope for $45 million or more. Instead, he was awarded something closer to $36,000, and didn't even recover his attorney's fees.

Bernstein took a photo of Victoria Principal which he licensed to Guthy-Renker pursuant to an agreement that had two key provisions. It required Guthy-Renker to give Bernstein a credit whenever it used his photo; and it provided for $5,000 in liquidated damages for "each" omission of a credit.

Guthy-Renker used the photo of Victoria Principal in an infomercial that aired more than 9,000 times, without giving Bernstein his contractually required credit.

In an opinion marked "not selected for publication," the Court of Appeals has affirmed a decision by District Judge Mariana Pfaelzer that the liquidated damages clause was an unenforceable penalty, because there was "no evidence demonstrating that $5,000 per airing was a reasonable estimate of the amount of potential business [Bernstein] would lose as a result of [the] failure to include a credit on the infomercial."

Instead, Judge Pfaelzer awarded Bernstein just $36,000 for breach of contract - an amount affirmed by the appellate court as "a reasonable approximation of the damages that Bernstein suffered on his breach of contract claim."

Bernstein also won a separate copyright infringement claim against Guthy-Renker. But Judge Pfaelzer awarded him just 0.5% of Guthy-Renker's profits; and in calculating those profits, the judge allowed it to deduct the amount it paid Victoria Principal pursuant to a percentage of profits deal it had with her. The appellate court affirmed this award too. It held that the evidence showed that Bernstein's photo "had no measurable effect on the sale of . . . products." It also held that the payments made to Principal were "akin to a royalty payment," and "royalties" are deductible expenses in determining an infringer's profits.

Finally, the appellate court affirmed Judge Pfaelzer's decision not to award Bernstein his attorney's fees, because he achieved only "limited success" with his claims.

Guthy-Renker Corp. v. Bernstein, 39 Fed.Appx. 584, 2002 U.S.App.LEXIS 8369 (9th Cir. 2002) [ELR 24:6:13]

Artist Jack Mackie was not entitled to any part of Seattle Symphony's profits, despite its infringing use of image of Mackie's "The Dance Steps" in promotional brochure; appellate court affirms Mackie's actual damage award of just $1,000

The Seattle Symphony Orchestra infringed artist Jack Mackie's copyright by using an image of his artwork "The Dance Steps" in a promotional brochure the Symphony mailed to 150,000 prospective patrons throughout the United States. That much, apparently, was "admitted."

Mackie and the Symphony could not agree, however, on how much Mackie should be paid in damages, for this admitted infringement. He said he'd suffered $100,000 in actual damages and would have demanded an $85,000 royalty, if the Symphony had negotiated with him before it used his work. The Symphony wasn't willing to pay anywhere near those amounts.

Unfortunately for Mackie, he had not registered his copyright before it was infringed; so he wasn't entitled to seek statutory damages (which could have amounted to as much as $30,000). Instead, he was limited to recovering his actual damages and, perhaps, a portion of the Symphony's profits as well.

As things turned out, Mackie did not recover any part of the Symphony's profits; and he was awarded only $1,000 in actual damages. Federal District Judge Marsha Pechman granted the Symphony's motion for summary judgment on the profits issue, and rejected

Mackie's subjective sense that he had suffered $100,000 in actual damages.

On appeal, Mackie has done no better. Writing for the Court of Appeals, Judge Margaret McKeown held that since Mackie had provided only speculative evidence suggesting a link between the Symphony's profits and the use of his artwork in its brochure, summary judgment had properly been granted on that issue. To avoid dismissal of a claim for an infringer's indirect profits, the judge held, the copyright owner must offer non-speculative evidence supporting a causal relationship between the infringement and the profits indirectly generated by that infringement.

Judge McKeown also upheld the award of just $1,000 in actual damages. Mackie's assertion that he'd suffered $100,000 in actual damages was actually a claim for "hurt feelings," the judge concluded. Mackie and his experts acknowledged that the infringement did not affect the market value of his artwork. The Copyright Act requires the use of an objective market value test, Judge McKeown ruled, not a subjective test.

Mackie was represented by Thomas W. Hayton of Cutler & Nylander in Seattle. The Seattle Symphony, and the graphic designer who created its brochure, were represented by Steven P. Fricke of Christensen O'Connor Johnson Kindness, and by Mark M. Hough of Riddell Williams, in Seattle.

Mackie v. Rieser, 296 F.3d 909, 2002 U.S.App.LEXIS 14891 (9th Cir. 2002) [ELR 24:6:13]

Federal court in California dismisses, for lack of personal jurisdiction, lawsuit by Kevin Spacey against Canadian resident who operated "kevinspacey.com" website without actor's authorization; but in subsequent proceeding before National Arbitration Forum, Panelists order domain transferred to Spacey

Kevin Spacey has won an order requiring the website domain name "kevinspacey.com" to be transferred to him. But he had to bring two separate legal proceedings to achieve that seemingly obvious result.

The "kevinspacey.com" domain was registered in 1996 by Canadian resident Jeffrey Burgar, without Spacey's consent. It was, indeed, one of many celebrity names Burgar registered without consent, all of which pointed to his main site "celebrity1000.com."

Spacey sued Burgar in federal District Court in California, complaining that Burgar's use of the "kevinspacey.com" domain name violated Spacey's intellectual property rights under federal and state law.

At first, Spacey was not successful. District Judge Gary Feess dismissed the case on the grounds that "the Due Process Clause of the Constitution precludes the exercise of personal jurisdiction over . . . nonresident [Burgar] in the instant action." Though Burgar's website contained advertising for California businesses, Burgar had not selected those ads and had no control over them. Instead, Burgar had sold advertising space to another company which in turn sold the California-related ads.

After the federal lawsuit was dismissed, Spacey brought a proceeding before the National Arbitration Forum, pursuant to the Uniform Domain Name Dispute Resolution Policy. (See, "Entertaining New Options in the Fight Against Cybersquatters: Choosing Between Internet Administrative Proceedings and Federal Court Lawsuits" by Matt Railo (ELR 22:1:4)) There, he was successful. The National Arbitration Forum Panelists ruled that Spacey satisfied all three of the Policy's requirements for transferring a domain name.

First, they held that "a celebrity's name can serve as a trademark when used to identify the celebrity's performance services," and they agreed with Spacey that the public associates his name with his acting services. Second, the Panelists found that Burgar had no right or legitimate interest in Spacey's name and was not making a fair use of it. Finally, the Panelists ruled that Burgar had registered the domain in bad faith, because he had no permission to use Spacey's name.

As a result, the Panelists ordered the "kevinspacey.com" domain to be transferred to Spacey.

Spacey was represented in the federal court case and in the National Arbitration Forum proceeding by Seth A. Gold, Susan Elaine Hollander and Jennifer S. Fryhling of Manatt Phelps & Phillips in Los Angeles and Palo Alto. Burgar was represented in the federal court case by Jeff Call Katofsky in Los Angeles and Eric Christopher Grimm in Ann Arbor. Burgar's company was represented in the National Arbitration Forum proceeding by Ari Goldberger of ESQwire.com Law Firm.

Editor's note: Spacey's victory was especially significant, because one of the three Panelists who ruled in his favor had earlier been the presiding Panelist in a similar proceeding brought - without success - by Bruce Springsteen against Burgar (ELR 22:10:14). In that case, the Panel ruled that Burgar had made a fair use of Springsteen's name and had not registered it in bad faith. In deciding Kevin Spacey's case, the Panelist who earlier had voted against Springsteen attempted to distinguish the Springsteen case on the "bad faith" issue; but it now appears as though the Springsteen decision is simply out-of-step with subsequent as well as prior rulings.

Spacey v. Burgar, 207 F.Supp.2d 1037, 2002 U.S.Dist.LEXIS 24555 (C.D.Cal. 2002); Spacey v. Alberta Hot Rods, Claim No. FA 0205000114437 (2002), available at www.arbforum.com/domains/decisions/114437.htm [ELR 24:6:14]

Actress Chase Masterson fails in bid to hold Matchmaker.com liable for bogus profile posted by someone else

Matchmaker.com is a website for people who want to meet others. "Members" post profiles of themselves, hoping to find others with similar interests and desires.

In 1999, a profile for actress Chase Masterson showed up on Matchmaker.com. But she wasn't the one who posted it, nor was the information the type she would have posted. The bogus profile included her actual home address, and revealed that she lived alone with her young son. What's more, it said she was "looking for a one-night stand" with someone who has a "strong sexual appetite."

Masterson never learned who posted the phony profile, and so couldn't sue him or her. She was, however, able to sue the owner of Matchmaker.com, and she did, for invasion of privacy, defamation, misappropriation of right of publicity, and negligence. Her lawsuit has not been successful, though. Federal District Judge Dickran Tevrizian has dismissed it, in response to a defense motion for summary judgment.

Judge Tevrizian agreed with Masterson that Matchmaker.com was not insulated from liability by the Communications Decency Act of 1996. One section of that Act makes computer service providers immune from liability for information provided by others. That much of the law would have helped Matchmaker.com, not Masterson, because the judge found that Matchmaker.com is a computer service provider. However, another section of the Act takes away that immunity if the service provider also provides "information content" itself. In this case, Judge Tevrizian concluded that Matchmaker.com is an "information content provider," because the profiles posted by others respond to more than five dozen questions written by Matchmaker.com. As a result, Matchmaker.com was not entitled to immunity, the judge ruled.

On the other hand, Judge Tevrizian ruled in Matchmaker.com's favor, on the merits of Masterson's claims.

He held that Matchmaker.com was not liable for invading Masterson's privacy, because her home address was not a "private matter." Moreover, since Matchmaker.com did not know the offending posting was phony until notified by Masterson, Matchmaker.com did not publish her address with reckless disregard for the fact that reasonable men would find the invasion highly offensive, the judge ruled.

Also, since Matchmaker.com did not know the offending posting was phony, it did not publish the defamatory material with reckless disregard. And since the posting was not commercial speech, Masterson's right of publicity claim failed for lack of actual malice too. Finally, the judge dismissed Masterson's negligence claim, because it could not succeed in the absence of a valid defamation claim.

Masterson was represented by Gregory J. Aldisert of Greenberg Glusker Fields Claman Machtinger & Kinsella in Los Angeles. Matchmaker.com was represented by Peter Sullivan of Gibson Dunn & Crutcher in Los Angeles.

Carafano v. Metrosplash.com Inc., 207 F.Supp.2d 1055, 2002 U.S.Dist.LEXIS 10614 (C.D.Cal. 2002) [ELR 24:6:14]

Orion's right of first negotiation for "Terminator" sequel rights survived Orion's bankruptcy, Court of Appeals affirms, so MGM may now own those rights as a result of its post-bankruptcy acquisition of Orion

The question of who owns the sequel rights to the movie "Terminator" is a surprisingly complex question. AGV Productions - producer Andy Vajna's company - claims to own them free and clear, but MGM claims at least a right of first negotiation.

MGM's claims are based on its acquisition of Orion, after Orion emerged from bankruptcy, because before it went bankrupt, Orion acquired a right of first negotiation for "Terminator" sequel rights, or so Orion claimed.

In a declaratory relief lawsuit in federal court, AGV challenged MGM's claims, arguing that the plan by which Orion emerged from bankruptcy cut off Orion's rights in "Terminator" and thus MGM did not acquire any. Federal District Judge Allen Schwartz disagreed. He interpreted the extremely obtuse bankruptcy plan in a way that preserved Orion's rights in "Terminator," whatever they may have been as a matter of state contract law (ELR 22:10:18). And thus Judge Schwartz entered judgment in MGM's favor.

That ruling has now been affirmed by the Court of Appeals, in a short decision marked "Will Not Be Published" and "May Not Be Cited." The appellate court agreed that Orion's rights in "Terminator" survived its bankruptcy. But this is not the end of the case, because the appellate court also agreed with Judge Schwartz that AGV is free to pursue - in California state court - its argument that Orion never acquired rights in "Terminator" before it went bankrupt, as a matter of state contract law.

AGV was represented by Robert S. Churchill of McLaughlin & Stern in New York City. MGM was represented by Francis J. Menton, Jr., of Wilkie Farr & Gallagher in New York City.

AGV Productions, Inc. v. Metro-Goldwyn-Mayer Inc., 37 Fed.Appx. 555, 2002 U.S.App.LEXIS 22106 (2nd Cir. 2002) [ELR 24:6:15]

Telephone screening process for selecting contestants for "Who Wants to Marry a Millionaire" may violate Americans with Disabilities Act, federal appellate court rules

The producers of the television series "Who Wants to Marry a Millionaire" use a procedure for selecting contestants that begins with an automated telephone screening process. The process prompts aspiring contestants to answer a series of recorded questions by rapidly pressing keys on their telephone keypads. At least four of those who tried to do so, could not, because they are disabled and could not hear the questions or press the buttons fast enough. As a result, they sued Valleycrest Productions and ABC for violating the Americans with Disabilities Act. And though at first, their case was dismissed by a federal District Court, the Court of Appeals has reversed and has held they have the right to proceed.

Valleycrest and ABC sought dismissal of the case on the grounds that the ADA only prohibits discrimination at "public accommodations," and they argued that their telephone screening process was not a public accommodation. The District Court agreed and dismissed the complaint.

However, in an opinion by Judge Rosemary

Barkett, the Court of Appeals has ruled that the ADA not only prohibits discrimination against the disabled caused by physical barriers, it also prohibits discrimination by "intangible barriers, such as eligibility requirements and screening rules or . . . procedures that restrict a disabled person's ability to enjoy . . . goods, services and privileges." In this case, Judge Barkett concluded, the "fast finger telephone selection process" deprived the disabled of "the opportunity to compete for the privilege of being a contestant on the Millionaire program."

The case isn't over yet, though. Valleycrest and ABC may yet prevail, on the grounds that proposed alternative screening methods would be unreasonable or an undue burden. Those questions have not been litigated yet.

The disabled aspiring contestants were represented by Michael F. Lanham in Miami.

Valleycrest and ABC were represented by Robert Stewart Fine in Miami, and Ronald M. Rosengarten of Greenberg Traurig in Miami.

Rendon v. Valleycrest Productions, Ltd., 294 F.3d 1279, 2002 U.S.App.LEXIS 11941 (11th Cir. 2002) [ELR 24:6:15]

eBay defeats lawsuit filed by buyers of fake autographed sports memorabilia

The California Court of Appeal has affirmed the dismissal of a lawsuit filed against eBay by buyers of fake autographed sports memorabilia. The phony merchandise was sold by dealers who were unrelated to eBay. The sellers merely used eBay's website, the way thousands of other sellers do.

Several buyers who were stung by the scam sued eBay, asserting two types of claims. One alleged that eBay violated California's Autographed Sports Memorabilia statue - a law that requires sports memorabilia "dealers" to provide buyers with certificates of authenticity. The other claim alleged that eBay violated California's Unfair Competition Law by permitting false representations to be placed on its website.

The trial court dismissed the buyers' lawsuit entirely, ruling that their complaint failed to state a claim on which relief could be granted. And in an opinion by Justice Terry O'Rourke, the appellate court has affirmed.

The appellate court held that eBay is not a sports memorabilia "dealer," and therefore the California Autographed Sports Memorabilia statute did not apply to its activities.

The appellate court also held that federal law makes eBay immune from liability under California law in cases like this one. eBay is immune, Justice O'Rourke explained, because the federal Communications Decency Act provides that an "interactive computer service" (like eBay) is not to be treated as though it were the publisher of information provided by others.

The defrauded memorabilia buyers were represented by James C. Krause of Krause & Kalfayan in San Diego. eBay was represented by Michael G. Rhodes of Cooley Godward in San Diego.

Gentry v. eBay, Inc., 121 Cal.Rtpr.2d 703, 2002 Cal.App.LEXIS 4329 (Cal.App. 2002) [ELR 24:6:16]

Destruction of mural did not violate Visual Artists Rights Act, because mural was not a "work of recognized stature" nor was it a "work of visual art," federal District Court rules after trial

Artist Joanne Pollara has lost her lawsuit against the manager of the Empire State Plaza in Albany, New York - a lawsuit she filed when Plaza employees tore down and damaged a mural she had painted and installed there. Federal District Judge David Hurd has dismissed Pollara's complaint entirely, following a one-day bench trial.

Pollara's lawsuit alleged that the Plaza manager had violated her rights under the Visual Artists Rights Act - a 1990 amendment to the Copyright Act that provides certain moral rights to those who create works of visual art of recognized stature (ELR 12:10:19).

Early in the case, it looked as though it might never get to trial, because Pollara had installed her mural on public property without a necessary permit, and because the mural was torn down before it was ever seen by the public and thus seemingly could not be a "work of recognized stature." The Plaza manager made a motion for summary judgment on both of those grounds. But Judge Hurd denied the motion (ELR 23:8:16).

After trial, however, Judge Hurd found that Pollara's mural was not a "work of recognized stature," because it was created solely to publicize a particular event, and even if it had not been damaged, it would not have been preserved or displayed again.

In addition, Judge Hurd held that the mural was not a "work of visual art" - as that term is defined by the Act - even though it was "visually appealing and demonstrated a great deal of artistic ability and creativity." The judge explained that the Act does not protect advertising or promotional art works. And he ruled that Pollara's mural was created solely to promote an event.

Pollara was represented by Paul C. Rapp of Cohen Dax & Koenig in Albany. The Plaza manager was represented by Charles J. Quackenbush, Assistant Attorney General of the State of New York, in Albany.

Pollara v. Seymour, 206 F.Supp.2d 333, 2002 U.S.Dist.LEXIS 10125 (N.D.N.Y. 2002) [ELR 24:6:16]

Unlicensed Beanie Babies books may not infringe Ty, Inc.'s copyrights to Beanie Babies dolls, appellate court rules in decision reversing summary judgment won by Ty in suit against books' publisher

Beanie Babies are popular beanbag dolls, desired by children for their play value and desired by adults for their collector value. Indeed, Beanie Babies are so popular that a market exists not only for the dolls themselves, but also for books about Beanie Babies.

Ty, Inc. - the maker of Beanie Babies dolls, and the owners of their copyrights - licenses some of the companies that publish Beanie Babies books. It doesn't, however, license all of them. Publications International publishes an entire series of books about Beanie Babies without a license from Ty. And for doing so, Ty has sued Publications International for copyright infringement.

The central point made in Ty's lawsuit is that Publications International's books feature photographs of Beanie Babies dolls, and those photographs are derivative works based on the dolls, and thus may not be published without a license from Ty. Federal District Judge James Zagel agreed with this point, and so granted Ty's motion for summary judgment. As remedies, Judge Zagel permanently enjoined Publications International's further publication of its Beanie Babies books and awarded Ty all of Publications International's profits (plus interest) from the sale of its books, an amount that came to more than $1.5 million.

On appeal, however, Ty suffered a serious setback - though Publications International is not out of the woods yet. In an opinion by Judge Richard Posner, the Court of Appeals has reversed the judgment, ruling that Publications International's books may be insulated from liability by the fair use doctrine, even though the photos in its books are derivative works based on Ty's copyrighted dolls.

In an opinion laced with economic analysis, Judge Posner noted that at least some of Publications International's books are collectors' guides. As such, they are complementary - "in the sense that nails are complements to hammers" - to Beanie Babies dolls, because they reinforce Ty's marketing strategy of using artificial scarcity to create a collectors' market. Collectors' guides without photographs simply could not compete for buyers against guides that do have photos. This is why, Judge Posner explained, the fair use doctrine may have given Publications International the right to use photos of Beanie Babies in its collectors guides, even without a license from Ty.

On the other hand, some of Publications International's books appear to be nothing more than children's books, featuring Beanie Babies photos. Those books may not be protected from infringement liability by the fair use doctrine, the judge acknowledged. However, since Ty's arguments had not distinguished between the collectors' guides and the other books, Judge Posner reversed the entire summary judgment, saying that on remand, a partial summary judgment may be proper.

Judge Posner also faulted the $1.5 million judgment, because it represented all of Publications International's profits, without any allocation being made to the portion of those profits that may have been attributable to the book publisher's own text. On remand, the judge said, Ty would be entitled to recover only Publications International's profits attributable to the photos, though the publisher would have the burden of proving how much smaller an award that would be.

Ty, Inc., was represented by James P. White and

Laurie A. Haynie of Welsh & Katz in Chicago. Publications International was represented by William Patry of Skadden Arps Slate Meagher & Flom in New York City.

Ty, Inc. v. Publications International, Ltd., 292 F.3d 512, 2002 U.S.App.LEXIS 10191 (7th Cir. 2002) [ELR 24:6:17]

Copyright infringement lawsuit by lyricist Angel Luis Rivera against composer Pascual Castillo-Paredes is dismissed, because song "Nuestro Amor es Veneno" was jointly authored, and Rivera's real complaint was for breach of royalty agreement

Lyricist Angel Luis Rivera claims that he's owed royalties by composer Pascual Castillo-Paredes in connection with recordings of the song "Nuestro Amor es Veneno." Rivera may be right, but if he is, he'll have to prove it in a different lawsuit than the copyright infringement case he filed against Castillo-Paredes in federal District Court In Puerto Rico. Judge Carmen Consuelo Cerezo has so held, in response to a motion for summary judgment filed by Castillo-Paredes.

The evidence showed that Rivera gave his lyrics to Castillo-Paredes for the express purpose of having Castillo-Paredes compose bachata music and recording the resulting song in an album. Under these circumstances, the resulting song was jointly authored by Rivera and Castillo-Paredes, Judge Cerezo held. And thus Castillo-Paredes did not infringe the song's copyright.

Rivera asserted that he and Castillo-Paredes agreed that Rivera would receive royalties for his lyrics, but Rivera alleged that he wasn't paid. Judge

Cerezo concluded that Rivera's "sole remedy for a breach of a royalty agreement . . . would be an action for monetary damages . . . a state law claim which was not even asserted in the complaint."

As a result, the judge granted Castillo-Paredes' summary judgment motion.

Rivera was represented by Carlos Colon-Marchand in Hato Rey, Puerto Rico. Castillo-Paredes was represented by Alberto N. Balzac-Colom in Caguas and Alfredo Castellano-Bayouth in Rio Piedras.

C & C Entertainment, Inc. v. Rios-Sanchez, 208 F.Supp.2d 139, 2002 U.S.Dist.LEXIS 11603 (D.P.R. 2002) [ELR 24:6:17]

New Orleans Saints defeat class action lawsuit filed by fan who complained that unwanted "extra ticket" was included in his season ticket

The New Orleans Saints have defeated a lawsuit filed by season ticket holder Gilbert Andry III who complained that his ticket for the 2000 season included an unwanted "extra ticket" for a terrace seat to the Saints' first home game.

Andry wanted a $37 refund - the price he calculated he was forced to pay for the unwanted ticket, in order to get his reserved seat tickets for the other nine home games of the season. He also wanted to pursue his lawsuit as a class action, on behalf of other season ticket holders as well as himself. Finally, and most significantly, Andry wanted to recover the Saints' television revenues for the game - revenues he claimed the team received only because the "extra ticket device" made the game a sell-out so it could be shown on local TV.

The Saints made it perfectly clear to fans, in advance, that an extra ticket would be included in the 2000 season ticket package; and Andry didn't claim he was misled. Instead, he alleged that his purchase of the extra ticket was the result of a contract of adhesion, and unenforceable for that reason. The trial judge disagreed, however, and dismissed the case, in response to the Saints' motion for summary judgment.

In an opinion by Judge Marion McManus, the Louisiana Court of Appeal has affirmed. Louisiana doesn't "generally" recognize the "contracts of adhesion" doctrine, Judge McManus noted. But, he added, even if it did, it wouldn't help Andry in this case. It wouldn't, the judge explained, because there was no small print in the season ticket contract, Andry knew (or should have) about the extra ticket before he bought his season ticket. And the extra ticket provision was not burdensome or harsh, the judge concluded.

Andry was represented by Henry L. Klein in New Orleans. The Saints were represented by Thomas P. Anzelmo in Metairie.

Andry v. New Orleans Saints, 820 So.2d 602, 2002 La.App.LEXIS 1744 (La.App. 2002) [ELR 24:6:18]

Federal court dismisses New York Yankees fans' lawsuit against Cablevision filed when it stopped showing all Yankees games as a result of contract dispute with Yankees Entertainment and Sports Network

At the beginning of the 2002 baseball season, a dispute broke out between Yankees Entertainment and

Sports Network - the channel commonly known as "YES" that owns the cable TV rights to Yankees' games - and Cablevision Systems, the cable TV system that until that year had been showing all of the Yankees' games. The dispute concerned whether Cablevision would make the YES channel available to cable subscribers as part of Cablevision's basic package, or whether Cablevision would offer YES as a premium channel only to those subscribers who paid extra for it. That dispute is ongoing; indeed it has degenerated into litigation between Cablevision and YES in federal court in Manhattan.

Since Yankee games are televised for the enjoyment of the team's many fans, it is not surprising that some of those fans were very upset when, as a result of the Cablevision-YES dispute, Cablevision didn't show all of the Yankees' 2002 season games, as it had in past seasons. Some of these fans were so upset that they filed a lawsuit of their own against Cablevision, in federal court on Long Island.

The fans' lawsuit alleged RICO violations, a variety of antitrust violations including claims of tying, monopolization, attempted monopolization and group boycott, and a number of state law claims including misleading sales and marketing tactics, breach of contract, and tortious interference with contract.

Though the main case between Cablevision and YES remains active, the fans' case is not. Federal District Judge Thomas Platt has granted Cablevision's motion to dismiss the lawsuit for failing to adequately allege facts that would be necessary for the fans to prevail.

The judge reviewed the essential elements of each of the fans' federal law claims, and he concluded that they failed to allege facts supporting one or more of those elements with respect to each claim. He therefore dismissed all of the federal claims. And, having dismissed those, he dismissed the fans' state law claims too, apparently for lack of jurisdiction.

Cablevision had asked the judge to award it sanctions against the fans' lawyers, but Judge Platt denied that request.

The fans were represented by Lenard Leeds of Leeds Morelli & Brown in Carle Place. Cablevision was represented by Dolores Fredrich of Farrell Fritz in Uniondale.

Moccio v. Cablevision Systems Corp., 208 F.Supp.2d 361, 2002 U.S.Dist.LEXIS 11178 (E.D.N.Y. 2002) [ELR 24:6:18]

New York Stock Exchange entitled to trial on dilution and tarnishment claims against New York, New York Hotel & Casino, federal appellate court rules

The New York, New York Hotel & Casino will have to defend itself at trial, after all, against dilution and tarnishment claims brought against it by the New York Stock Exchange. A federal Court of Appeals has so held, in an opinion by Judge Ralph Winter. The appellate court reversed part of a District Court ruling by which Judge Miriam Cederbaum had dismissed the NYSE's entire case, in response to the Casino's motion for summary judgment (ELR 21:11:12).

The NYSE objects, among other things, to the Casino's use of a reproduction of the facade of the New York Stock Exchange Building, even though the Casino replaced the words "New York Stock

Exchange" that appear on the NYSE building with the words "New York New York Slot Exchange."

The Court of Appeals held that the NYSE's Lanham Act claim for trademark infringement was properly dismissed, because the appellate court agreed that "the 'obvious pun' would not cause any confusion among consumers."

The Court of Appeals also ruled that most of the NYSE's Lanham Act dilution claims were properly dismissed, because it agreed that most of its marks were not inherently distinctive, and thus were not eligible for protection against dilution under federal law. On the other hand, Judge Winter concluded that a trier of fact might find that one of its marks - the architectural fa‡ade on its building combined with its name - is inherently distinctive. So the Court of Appeals reversed the dismissal of that claim, and remanded it to the District Court for trial.

The NYSE also asserted "blurring" and "tarnishment" claims under New York state law, all of which were dismissed by Judge Cederbaum. The Court of Appeals agreed that the blurring claims were properly dismissed, because the Casino's use of modified NYSE marks did not diminish the capacity of those marks to serve as a unique identifier of NYSE products and services.

On the other hand, Judge Winter reinstated the NYSE's "tarnishment" claim. He was persuaded that "A reasonable trier of fact might . . . find that the Casino's humorous analogy to its activities - deemed by many to involve odds stacked heavily in favor of the house - would injure NYSE's reputation."

The New York Stock Exchange was represented by William R. Golden, Jr., of Kelley Drye & Warren in New York City, and Joseph D. Garon of Baker & Botts in New York City. New York, New York Hotel &

Casino was represented by Kenneth A. Plevan of Skadden Arps Slate Meagher & Flom in New York City, and Mark G. Tratos of Quirk & Tratos in Las Vegas.

New York Stock Exchange, Inc. v. New York, New York Hotel, 293 F.3d 550, 2002 U.S.App.LEXIS 5370 (2nd Cir. 2002) [ELR 24:6:19]

Children's Internet Protection Act - requiring public libraries to use filtering software to block pornography - is unconstitutional, three-judge district court rules

Congress enacted the Children's Internet Protection Act in response to three facts. First, while only 1% to 2% of the content of the World Wide Web is pornographic, the absolute number of websites offering sexually explicit material for free is huge, perhaps as many as 100,000 sites. Second, about 95% of public libraries in the United States provide public access to the Web. And third, many library patrons - some just 11 to 15 years of age - have used library computers to access pornography on the Web.

To prevent children from accessing sexually explicit websites using library computers, the Act - commonly referred to as "CIPA" - requires public libraries to use filtering software in order to be eligible for federal financial grants.

The problem with filtering software is that it doesn't work perfectly: it filters out some websites that are not sexually explicit and are perfectly acceptable, even for children; and it fails to filter out some pornographic sites, even though that's what filtering software is supposed to do.

Libraries, however, could not ignore CIPA, because their operating budgets depend on federal grants. As a result, a number of libraries, library associations and library patrons, joined by several website publishers, filed a lawsuit against the United States, seeking a ruling that CIPA is unconstitutional, and an injunction against its enforcement.

Their efforts have been successful. Following an eight-day trial, a specially-convened three-judge federal District Court has held that CIPA requires libraries to violate their patrons' First Amendment rights and thus is invalid on its face. This is so, Judge Edward Becker explained in a 96-page decision, because the imperfections inherent in filtering software restrict library users' access to protected speech, the suppression of which serves no governmental interest. Moreover, Judge Becker said, there are other less restrictive ways that libraries can protect their patrons from sexually explicit material.

For this reason, the court permanently enjoined enforcement of CIPA.

The libraries, their patrons and the website operators were represented by Robert A. Nicholas of Reed Smith Shaw & McClay in Philadelphia, and by Theresa A. Chmara of Jenner & Block in Washington D.C. The United States was represented by Rupa Bhattacharyya of the Civil Division of the U.S. Department of Justice in Washington D.C., and by Scott A. Coffina of the U.S. Attorney's Office in Philadelphia.

American Libraries Association v. United States, 201 F.Supp.2d 401, 2002 U.S.Dist.LEXIS 9537 (E.D.Pa. 2002) [ELR 24:6:19]

St. Louis ordinance making it unlawful to allow minors to play violent video games without parent's consent is constitutional

An association of video game makers has lost its bid to have a St. Louis ordinance declared unconstitutional. The ordinance makes it unlawful to allow minors to play violent video games, without parental consent. In its lawsuit against St. Louis County, the Interactive Digital Software Association argued that the ordinance violated the First Amendment. But federal District Judge Stephen Limbaugh disagreed.

Judge Limbaugh ruled that video games simply are not "speech," and because they are not, laws that regulate video games do not run afoul of the First Amendment's protection of freedom of speech.

Moreover, Judge Limbaugh added, even if video games were speech, laws regulating video games would not necessarily violate the First Amendment. Such laws would have to survive "strict [judicial] scrutiny." But in this case, the judge concluded that the St. Louis ordinance does survive strict scrutiny.

He ruled that St. Louis had a compelling reason for the ordinance: the protection of children. And he held that the ordinance was narrowly drawn to satisfy that compelling reason. Finally, the judge ruled that the ordinance is not vague.

The Interactive Digital Software Association was represented by Paul J. Puricelli of Stone & Leyton in Clayton, Missouri, and Paul M. Smith of Jenner & Block in Washington D.C. St. Louis County was represented by Michael A. Shuman of the St. Louis County Counsel's Office in Clayton, Missouri.

Interactive Digital Software Association v. St. Louis

County, 200 F.Supp.2d 1126, 2002 U.S.Dist.LEXIS 13602 (E.D.Mo. 2002) [ELR 24:6:20]

Vermont statute making it a crime to distribute electronic material "harmful to minors" over the Internet, even from outside of Vermont, is unconstitutional

Vermont was the first state in the United States to enact obscenity legislation. It has kept that legislation up-to-date with amendments, the most recent of which, passed in 2001, makes it a crime to distribute electronic material "harmful to minors," even if done over the Internet and even if done from, say, a website outside of Vermont.

Though the state of Vermont has a compelling interest in protecting its minors, its most recent statute is unconstitutional on two grounds, federal District Judge Garvan Murtha has held.

The statute is unconstitutional, first, because it is overly broad. Judge Murtha explained that the statute "broadly restricts indecent - though constitutionally protected - speech by adults in an attempt to restrict that speech from reaching minors." As a result, it violates the First Amendment.

The statute also violates the Commerce Clause, the judge concluded. It does, he reasoned, because it applies to those who distribute material over the Internet from outside Vermont, and it applies Vermont standards of "harm" when determining whether that material is harmful to minors. Since, however, website operators outside of Vermont have no way to prevent their material from being viewed in Vermont, the statute would require all website operators to conform their materials to Vermont standards, even if it wouldn't be considered "harmful" anywhere else in the nation.

For these reasons, Judge Murtha has enjoined the Governor of Vermont from enforcing the statute.

The plaintiffs in the lawsuit were represented by Michael A. Bamberger of Sonnenschein Nath & Rosenthal in New York City. The Governor of Vermont was represented by Joseph Leon Winn of the Vermont Attorney General's Office in Montpelier.

American Booksellers Foundation v. Dean, 202 F.Supp.2d 300, 2002 U.S.Dist.LEXIS 8901 (D.Vt. 2002) [ELR 24:6:20]

DEPARTMENTS

To the editor:

We read with interest the article entitled "Royalties from Abroad" in the March issue (ELR 23:10:4).

As our economy becomes global and as entertainment is the US leading export, accessing monies collected overseas for US produced entertainment becomes increasingly important. The entertainment labor unions have been active on this front.

AFTRA and the AFM (together with AARC) have entered agreements with the Japanese performers' society to collect and distribute the performers' rental and home taping royalties collected in Japan for US produced sound recordings.

AFTRA and the AFM have also entered an agreement with a Dutch performers' organization in an effort to collect and distribute the US sound recording performers' royalties collected in the Netherlands.

Ann Chaitovitz
AFTRA National Director of Sound Recordings

Patricia Polach, Esq.
Bredhoff & Kaiser, P.L.L.C.
Counsel for the AFM
[ELR 24:6:21]

In the Law Reviews:

Comm/Ent, Hastings Communications and Entertainment Law Journal has published Volume 24, Number 2 with the following articles:

Hung Out to Dry: Clothing Design Protection Pitfalls in the United States by Anne Theodore Briggs, 24 Comm/Ent, Hastings Communications and Entertainment Law Journal 169 (2002)

The Irony of News Coverage: How the Media Harm Their Own First Amendment Rights by Clay Calvert and Robert D. Richards, 24 Comm/Ent, Hastings Communications and Entertainment Law Journal 215 (2002)

The Domain Name Registration.BIZness: Are We

Being "Pulled Over" on the Information Super Highway? by Navin Katyal, 24 Comm/Ent, Hastings Communications and Entertainment Law Journal 241 (2002)

International Copyright Infringement and the Internet: An Analysis of the Existing Means of Enforcement by Matthew V. Pietsch, 24 Comm/Ent, Hastings Communications and Entertainment Law Journal 273 (2002)

The Berkeley Technology Law Journal has published Volume 17, Number 3 with the following articles:

The Empirical Case Against Asymmetric Regulation of Broadband Internet Access by Robert W. Crandall, J. Gregory Sidak and Hal J. Singer, 17 Berkeley Technology Law Journal 953 (2002)

Realspace Sovereigns in Cyberspace: Problems with the Anticybersquatting Consumer Protection Act by Catherine T. Struve and R. Polk Wagner, 17 Berkeley Technology Law Journal 989 (2002)

Inventions, Industry Standards, and Intellectual Property by Mark R. Patterson, 17 Berkeley Technology Law Journal 1043 (2002)

Prioritizing Privacy: A Constitutional Response to the Internet by Elbert Lin, 17 Berkeley Technology Law Journal 1085 (2002)

The Columbia Journal of Law and the Arts has published Volume 25, Number 1 with the following articles:

Copyright Courts and Aesthetic Judgments: Abuse or Necessity? by Robert A. Gorman, 25 The Columbia Journal of Law and the Arts 1 (2001)

Internet Domain Names and the Lanham Act: Broadening Trademark Definitions and Their Implications for Speech on the Web by Daniel T. Janis, 25 The Columbia Journal of Law and the Arts 21 (2001)

Case Comment: New York Times v. Tasini by Alice Haemmerli, 25 The Columbia Journal of Law and the Arts 57 (2001)

Can Copyright Become User Friendly? Review: Jessica Litman, Digital Copyright (2001) by Jane C. Ginsburg, 25 The Columbia Journal of Law and the Arts 71 (2001)

[ELR 24:6:21]