COMMENTARY

What Everyone Should Know About Piracy
By Ann Chaitovitz

Piracy has devastated the music industry and now threatens other entertainment industries and all performers' livelihoods. For example, a pre-final cut of the movie "The Hulk" was on the Internet pre-release, and the "Harry Potter" movie landed on the Internet pre-US release (due to a screening in London).

The problems of piracy are not new. For example, manyost of us made cassettes of our dorm-mates' albums in college. But with taping, the album was only available to a limited number of people and there was degradation in quality from the vinyl record to the cassette.

While digital technology has created many opportunities for the industry and for performers, when a recording is posted on-line, it is:

* available to millions of people,
* who are able to copy it quickly,
* without any degradation of quality.

We must remember that tTechnology is not bad or the enemy. It has not caused these problems but merely created these new opportunities. We must harness the opportunities of technology and minimize the threats - something the music industry has been unable to do thus far.

Just as radio was the canary in the coal mine for media consolidation, music is the cautionary tale for Internet piracy. Because of limitations on bandwidth and compression technologies, music was one of first types of works to be vulnerable to Internet piracy, but as those limitations are disappearing, other types of works are now becoming vulnerable. Approximately, 400,000 to 600,000 films are downloaded illegally everyday.

How Did We Get Here?

Why have so many people turned to illegitimate music piracy? We must understand the causes of music piracy, so other industries can avoid makinglearn from them and not repeat the same mistakes.

Music Piracy is largely a reaction to the radio and music industry's inadequate servicing of fans that who want music. At the same time technology was developing, five other important things were happening in the record industry:

1. Cassettes and singles were being eliminated even though . Ssingles have been each generation's first experience in buying music. The single would bring young people into the stores, and introducing them to

the concept that music has value and should - like any other item of value - be purchasedintroduce them to purchasing music.

2. The record labels stopped or restricted new artist development.

3. The record labels focused on the 12 to 25 year-old demographic and mostly ignored those over 35.

4. The record industry tried to freeze the existing paradigm and keep control over distribution mechanisms. It did not take advantage of the opportunities presented by new technology. Until fairly recently, the record labels did not work with new technologies or offer good serious legitimate services. This forced people who wanted to take advantage of the opportunities presented by new technology to use illegitimate services and created an entire generation of people who think music is, and should be, free.

5. The consolidation of owners within the radio industry is one of the major causes of piracy. Consolidation resulted in homogenized and narrow repetitive playlists which forced music fans to try to find music in new ways. With no , and there weren't any legitimate alternatives available, so many music fans turned to illegitimate services.

Where We Are Now

Piracy now threatens the music industry. Here are some statistics evidencing the threat:

* The worldwide industry went from $40 billion in 2000 to $26 billion in 2002 (not all due to piracy; other factors include radio consolidation limiting public access to new music, the recession, competition from DVDs, etc.).

* Users now download more than 2.6 billion

copyrighted files, mostly songs, each month.

* Kazaa, a major peer-to-peer service, is adding new users at rate of 13 million a month, 270 new members a minute.

* Blank CDs outstrip sales of pre-recorded music CDs by more than a 2 to 1 margin.

Piracy hurts artists, songwriters, the music industry and the public. It makes it even more difficult for an artist to earn a livelihood and to continue honing his or her craft and hurts the artist's. It harms the ability of the artist to earn health and retirement benefits. If artists are unable to earn enough to qualify for health and retirement, they may then have to go on public assistance, hurting taxpayers. As the music industry suffers and finds it difficult to make a profit, there will be less investment in new music, one of the few U.S. exports with a positive balance of trade.

There also are also other economic and cultural repercussions: one needs broadband and computer access, which tend to to be more prevalent in the middle and upper classes, to download music files. As a result, poorer citizens, who still must have to purchase music to enjoy it, and, have to pay higher rates to subsidize the wealthier individualscitizens, who can afford to download. The obvious result will be investment in music that targets the demographic that still purchases recordings.

What We Must Do

We are now playing catch up, and we need a multi-pronged line of attack in order to recreate a successful U.S. music industry. We need to:

* Offer comprehensive and easy to use legitimate services. These services must offer more than the illegitimate services - e.g., access to artists, priority

tickets to live shows, a week of free streaming.

* Educate the public about the dangers of the illegitimate services (e.g., viruses, pornography, enabling public access to information contained on one's computer) and make the illegitimate services more unwieldy by practices like spoofing.

* Educate the public about intellectual property and its artistic, cultural and economic value.

* Undo the problems created by radio consolidation andto ensure that the public is exposed to a diverse array of music.

* Enact legislation to educate the public and clarify the law. There are two pieces of legislation now pending - HR 2517 and HR 2752 - which demonstrate that Congress has acknowledged, and is trying to address, the devastating impact on-line piracy has had on artists, the music industry and the public. The legislation would ensure that the law recognizes the

reality of the on-line environment and provide the government with the resources and authority needed to educate the public and develop deterrence programs.

* Music and recording owners must sue services that are making money by providing opportunities and encouraging people to infringe sound recordings and distributing software to enable such infringements.

* Music and recording owners may even need to sue individual infringers. The district court in Grokster case, currently on appeal, ruled that companies who that make money by creating and distributing the software enabling and encouraging copyright infringement are not liable for their customers' infringement and that copyright owners have to sue the individuals who commit the infringement. The goal of such cases shwould be to educate the public about the law and the value of intellectual property and to deter future infringements. The RIAA's announcement that it

was subpoenaing the identities of individuals who have uploaded copyrighted recordings has had a deterrent effect and reduced the number of downloads.

It may already be too late to significantly reduce significantly the amount of peer to peer on-line piracy. Should we now acknowledge that peer to peer piracy will continue to exist, try to lessen its pervasiveness and figure out how to monetize it? Perhaps the music industry can even turn peer to peer systems into a marketing tool to expose fans to new music by, for example, posting new artists' recordings that will time out after one week on the P2P services.

Other industries should pay attention to the reasons which underlie lessons to be learned from new technology's harmful impact on the music record industry.

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Recordings at the American Federation of Television and Radio Artists (AFTRA), the labor union representing 80,000 actors, broadcasters and recording singers. She holds degrees from Amherst College (BA, cum laude) and New York University School of Law and serves on the Boards of SoundExchange and the Alliance of Artists and Recording Companies (AARC). Prior to joining AFTRA, Chaitovitz worked as a labor associate at New York law firm Milgrim, Thomajan & Lee, and then as a staff attorney at the American Society of Composers, Authors and Publishers (ASCAP), where she practiced copyright law. At AFTRA, she works on copyright legislation and participates in intellectual property litigation and Copyright Office proceedings on behalf of recording artists. She also focuses on the rights of U.S. performers internationally and negotiates with foreign countries' collecting societies to ensure that U.S.

performers receive their share of royalties. [ELR 25:4:4]

INTERNATIONAL DEVELOPMENTS

British Chancery court rules that Warner Music UK did not infringe copyright to Confetti Records' "Burnin" by including it in rap compilation album "Crisp Biscuit," because Confetti's attempt to revoke signed deal memo was too late, even though deal memo was "subject to contract" and no long form was signed; nor did rap lyrics on Warner compilation violate moral rights of original artist

"Crisp Biscuit" is a rap compilation album released by Warner Music UK in May of 2002. One of its tracks is a rap over "Burnin," a recording whose copyright is owned by Confetti Records. Warner used "Burnin" only after getting a signed deal memo from Confetti, so on its face, this deal looks like any of thousands that are done every year, without subsequent dispute. This deal, though, resulted in two disputes: a copyright infringement claim filed by Confetti against Warner in the Chancery Division of the U.K. High Court of Justice; and a companion claim for violation of moral rights filed by Andrew Alcee of the "Ant'ill Mob," the artist who originally recorded "Burnin."

The infringement claim looks to have been the more serious of the two, and was made possible by two facts. First, the signed deal memo clearly recited that it was "Subject to Contract"; and before a long form contract was signed, Confetti attempted to revoke the deal memo. Under some circumstances, Warner may have allowed Confetti to do so, with little more than a shrug of its corporate shoulders. But in this case, by the time Warner received Confetti's attempted revocation, "Crisp Biscuit" had been mixed, pressed, and even distributed to retailers, in anticipation of its then-imminent release date. As a result, Warner stood on the deal memo, arguing - first to Confetti, and then to the Chancery Division's Mr. Justice Lewison - that the deal memo was a binding contract.

In an excellent opinion (that future generations of law students may well study in contracts as well as entertainment law classes), Justice Lewison held that the deal memo was a valid license, though not for all of the reasons urged by Warner. Some of the reasons involved facts unique to this case, so in the course of his decision, the Justice offered Warner (and by inference other record companies) some advice about what sort of language should be used in deal memos, to avoid disputes like this in the future.

Confetti had a reason for thinking it could revoke the deal memo after signing it: in the U.K. at least, the phrase "Subject to Contract" is a phrase commonly used to prevent writings from becoming binding, unless and until a formal contract is agreed to and signed. Warner argued that the phrase has a special meaning in the music business - or at least that part of the business that involves creating compilation albums - but Justice Lewison was not persuaded. One reason he wasn't persuaded is that evidence showed that other record companies use deal memos that do not contain the "Subject to Contract" phrase, and some deal memos include language reciting that they are binding, even though more formal contracts are expected to follow.

As a result, the Justice concluded that a binding contract was not created when Confetti signed the deal memo. Justice Lewison was unconcerned that this result would make music licensing uncertain. "The remedy for the future lies entirely in [Warner's] hands," he observed. "All it has to do is to change its standard form to include a statement that the deal memo is to be binding and/or to omit the 'subject to contract' heading, as many of its competitors do."

Warner also argued that even if a binding contract wasn't created when Confetti signed the deal memo, a unilateral contract was formed when Confetti returned the signed deal memo along with a master recording of "Burnin," and Warner then used the track. The Justice agreed that Confetti's actions - including the sending of the master - amounted to an offer; and he said that if Warner had paid the royalty advance specified in the deal memo, a binding license would have been created at that moment. In this case, though, Warner did not send Confetti the advance before Confetti attempted to revoke.

The fact that ultimately won the case for Warner was that it used the master it had received from

Confetti, in reliance on the signed deal memo, before Warner received Confetti's revocation. This was significant, because Confetti knew what Warner intended to do with the master, and when Warner intended to do it. Once the album was mixed and manufactured, "it was then too late for [Confetti] to revoke the offer," because by then, "a contract came into existence," Justice Lewison held.

The Justice also agreed with Warner's alternative argument that copyright licenses may be unilateral, and that Confetti had granted a unilateral license by signing the deal memo and providing the master. Unilateral licenses also may be revoked, unless the licensor is estopped from doing so by the licensee's reliance on it. In this case, Justice Lewison found that Confetti was estopped, because Warner had relied, not merely on the signed deal memo, but more significantly, on Confetti's sending of the master along with an invoice for the agreed-upon advance.

Finally, Justice Lewison rejected Confetti's argument that the deal memo was not sufficiently certain to be a binding contract. He therefore concluded that Warner's use of the "Burnin" track on its "Crisp Biscuit" album was a licensed use, not an infringement of Confetti's copyright.

Andrew Alcee's moral rights claim objected to the rap lyrics that had been recorded over "Burnin" - lyrics that Alcee said referred to drugs and violence. The claim was based on a section of the U.K. Copyright Patents and Designs Act of 1988 that prohibits uses of a work that are "prejudicial to the honour or reputation of the author."

Justice Lewison observed that this claim resulted in "the faintly surreal experience of three gentlemen in horsehair wigs [the Justice and two lawyers] examining the meaning of such phrases as 'mish mish man' and ‘shizzle (or sizzle) my nizzle’.”

The claim failed, for two reasons. First, the evidence didn’t show that “mish mish man” or “shizzle (or sizzle) my nizzle” actually did refer to drugs or violence. Second, no evidence had been introduced concerning Alcee’s honour or reputation, and thus it wasn’t shown that the lyrics - whatever they mean - actually prejudiced his honor or reputation.

Confetti and Alcee were represented by Graham Shipley, instructed by Silverman Sherliker. Warner Music was represented by Robert Howe, instructed by Russells.

Confetti Records v. Warner Records UK Ltd., 2003 EWCH 1274 (CH), available at www.courtservice.gov.uk/judgmentsfiles/j1787/confetti_v_warner.htm [ELR 25:4:6]

WASHINGTON MONITOR

FTC rules that agreement between Polygram and Warner related to their joint distribution of 1998 "Three Tenors" album and video violated federal antitrust law; issues order prohibiting Polygram from fixing prices of, or restricting advertising for, recordings and videos

The Federal Trade Commission has ruled that Polygram violated federal antitrust law by entering into an agreement with Warner Music in connection with a joint venture the two companies formed for their shared distribution of recordings and videos of performances by the Three Tenors during the World Cup soccer finals in Paris in 1998.

The Three Tenors are opera singers Luciano Pavarotti, Placido Domingo and Jose Carreras. They had performed together during World Cup soccer finals in 1990 and 1994. Polygram distributes albums and videos of their 1990 performance, and Warner distributes albums and videos of their 1994 performance. In anticipation of their 1998 performance, Warner and Polygram formed a joint venture giving Warner the right to distribute albums and videos of it in the United States, while Polygram had the right to distribute them outside the U.S.

The FTC's recent ruling does not question the legality of the Polygram-Warner joint venture itself. Instead, it addresses a separate "moratorium" agreement by which Polygram agreed not to discount or advertise the 1990 album and video, and Warner agreed not to discount or advertise the 1994 album and video, for two and a half months shortly before and after the release of the 1998 album and video.

The FTC found that the "moratorium" agreement was prompted by the two companies' concerns that the 1998 album and video would not be as "commercially appealing" as the earlier Three Tenors releases, at least in part because in 1998, the Three Tenors performed some songs that were already on their earlier recordings. Thus, the FTC found that the "moratorium" was agreed to in order to reduce competition from those 1990 and 1994 releases.

Originally, the FTC initiated proceedings against both companies. But Warner settled the case in 2001 (ELR 23:5:6).

Polygram, on the other hand, chose to defend itself in a trial-like proceeding, before an Administrative Law Judge. That proceeding resulted in a ruling against Polygram (ELR 24:4:6), which the company then appealed to the full FTC, without success. The FTC's recent ruling, authored by FTC Chairman Timothy Muris, affirms the Administrative

Law Judge's decision.

In its appeal to the FTC, Polygram made five arguments, four of which took issue with the Administrative Law Judge's conclusion that the moratorium was "presumptively anticompetitive." On that issue, Polygram argued that the moratorium agreement should not have been considered illegal "per se," but instead should have been evaluated under the more lenient "rule of reason." It argued that the FTC had the burden of showing the agreement had actual anticompetitive effects, in order for Polygram to have to justify the agreement. It argued that since the moratorium was agreed to in the context of a legal joint venture agreement, the moratorium should not have been presumed to be anticompetitive. And it argued that it had offered plausible procompetitive justifications for the moratorium. Finally, Polygram also argued that a cease and desist order was inappropriate in this case, because there was no reason to suppose it would enter into similar agreements in the future.

Chairman Muris' opinion is a lengthy one - it runs 61 pages - and deals primarily, and in detail, with the standards to be applied in determining whether an agreement violates federal antitrust law. The Chairman concluded that Polygram's agreement with Warner not to discount or advertise their old Three Tenors albums was presumptively anticompetitive. And he concluded that Polygram's justification for the moratorium agreement was not one recognized by antitrust law.

Polygram attempted to justify the agreement by arguing that without it, the two companies would use the joint venture's promotional efforts for recordings of the Three Tenors 1998 performance in order to sell the companies' older Three Tenors recordings; sales of the older recordings would divert sales from the 1998 recording; and this would cause the joint venture to reduce promotional efforts for the 1998 recordings.

The FTC ruled that the law does not recognize this justification - even though the law sometimes tolerates agreements designed to prevent "free riding" - because in this case, the older recordings were not owned by the joint venture; they were owned by Polygram and Warner individually. Thus, the moratorium agreement affected the sales of products outside the joint venture, and could not be justified as part of the joint venture, Chairman Muris reasoned.

The FTC also found that the moratorium had harmed consumers and competition, as a matter of fact. This was so, the Chairman explained, because until the moratorium agreement was entered into, the two companies had planned to discount and advertise their old Three Tenors recordings, but because of the agreement, those albums were sold only at full price.

Moreover, the FTC found that the joint venture would not have reduced its promotion of the 1998 recordings, even if the moratorium had not been entered into. This meant that Polygram's "justification" defense failed as a matter of fact (as well as a matter of law).

Finally, the FTC rejected Polygram's argument that a cease and desist order was not appropriate. Chairman Muris wrote that Polygram did have incentives to enter into similar agreements in the future. It would, for example, if one of its former artists signed with another company and one of the other company's former artists signed with Polygram. In that case, both companies would be selling old albums by those artists, in competition with new albums by those same artists. This would give both companies an incentive to agree not to advertise or discount their old albums.

As a result, the FTC has issued a cease and desist order that prohibits Polygram - as well as its corporate siblings, Decca Music Group, UMG Recordings, and Universal Music & Video Distribution Corp. - from fixing the prices of, or restricting advertising for, recordings and videos.

In re Polygram Holding, Inc., FTC Docket No. 9298 (July 2003), available at http://www.ftc.gov/os/caselist/d9298.htm [ELR 25:4:8]

FCC rules that "Howard Stern Show" is "bona fide news interview program" and thus exempt from "equal opportunities" requirements of federal communications law

"The Howard Stern Show" has finally drawn a compliment from the Federal Communications

Commission. In a Declaratory Ruling issued in response to a request by Infinity Broadcasting, FCC Media Bureau Chief Kenneth Ferree has determined that Stern's program is a "bona fide news interview program."

The reason this mattered is that, as a general rule, if a candidate for public office appears on radio or television, the broadcaster must give other candidates for that office "equal opportunities" to appear as well. This requirement is codified in section 315(a) of the federal Communications Act. The purpose of the "equal opportunities" rule - which is an old one - is to prevent broadcasters from using their federal broadcasting licenses to give some candidates an advantage over their rivals.

In 1959, however, Congress amended the Communications Act to exempt from the "equal opportunities" requirement appearances by candidates on "bona fide news programming," including news interview shows. Congress specifically cited "Meet the Press" and "Face the Nation" as examples of exempt programs - programs, in other words, that could allow appearances by one candidate without being obligated to allow appearances by others.

The FCC has not limited the exemption to traditional news interview shows, like "Meet the Press" and "Face the Nation." In 1984, it ruled that the "Phil Donahue" show was a bona fide news program, and thus exempt from the equal opportunities requirement (ELR 6:2:21). The FCC has ruled that "The Ray Briem Program" (ELR 8:3:10) and others are exempt as well.

"The Howard Stern Show" and Infinity Broadcasting, the company that produces and airs Stern's show, are no strangers to the FCC. In the past, however, the FCC has had to consider whether "The Howard Stern Show" has been "indecent," in violation of the Communications Act. The FCC has found that it was, several times (ELR 8:12:19, 12:9:8, 16:3:36, 17:7:19). And Infinity has had to pay penalties - one as large as $600,000 - as a result (ELR 15:6:26).

Infinity's latest visit to the FCC on Howard Stern's behalf turned out much better. Infinity satisfied the Commission that the news interview segments of "The Howard Stern Show" satisfy the requirements for it to be considered an exempt bona fide news interview programming: the program is regularly scheduled; Infinity has control over all aspects of the show; Infinity's decisions on format, content, and participants are based on newsworthiness; and guests that happen to be political candidates are not selected to advance their candidacies.

According to news reports, Infinity asked the FCC to declare "The Howard Stern Show" to be a bona fide news interview program, because Stern would like to do on-air interviews with actor Arnold Schwarzenegger and adult film star Mary Carey. Schwarzenegger and Carey are candidates for governor in the California recall election. The FCC's Declaratory Ruling will allow Stern to interview the two of them, without obligating Infinity to give "equal opportunities" to the other 130 or so candidates in that election.

In re Request of Infinity Broadcasting, FCC Mass Media Bureau (Sept. 2003), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-03-2865A1.pdf [ELR 25:4:9]

RECENT CASES

Disney shareholders' amended complaint adequately alleges claims in derivative suit triggered by Michael Ovitz's severance package, Delaware Chancery Court rules

Michael Ovitz hasn't been President of The Walt Disney Company for more than seven years, but all of the consequences of his departure haven't been fully felt yet. Far from it.

As a result of a recent decision by the Delaware Chancery Court, Ovitz and Disney's directors will have to defend themselves after all, in a derivative lawsuit filed by the company's shareholders. The case seeks compensation for damages Disney alleged sustained when Ovitz was hired and then terminated in the short span of 14 months, back in 1995 and 1996.

At first, it looked as though the shareholders' suit would amount to nothing more than a footnote in an unpleasant chapter of an otherwise quite satisfactory Disney corporate history. That's because early in the case, the Chancery Court dismissed it entirely, with prejudice, for failing to allege facts that would have entitled the shareholders to win (ELR 21:3:9).

The shareholders, however, successfully appealed. The Delaware Supreme Court held that the case should not have been dismissed "with prejudice." Instead, that court ruled that the shareholders should have been given the opportunity to amend their complaint, to allege - if they could - facts that might entitle them to win (ELR 22:2:11).

Following the Supreme Court's ruling, the shareholders requested "books and records" from Disney concerning the board's involvement in the decision to hire and then terminate Ovitz. "Using the information gained from that request, [the shareholders] drafted and filed [a] new complaint." Disney's directors and Ovitz sought dismissal of the new complaint too, but Chancellor William Chandler has denied their motions.

According to Chancellor Chandler, "The facts, as alleged in the new complaint, portray a markedly different picture of the corporate processes that resulted in the Ovitz employment agreement than that portrayed in the first . . . complaint."

The new complaint alleges that Michael Eisner "unilaterally made the decision to hire Ovitz," and that "Ovitz's employment agreement was signed . . . without any board input, beyond . . . limited discussion" that took place before the contract was prepared. Moreover, according to the shareholders' new complaint, the board allowed Eisner to negotiate Ovitz's agreement without board input, even though it knew the two men were long-time friends. "The new complaint . . . also charges the . . . Board with a similar ostrich-like approach regarding Ovitz's non-fault termination," the Chancellor said.

Chancellor Chandler emphasized that the facts to which he referred were "taken directly from the new complaint and, for the purposes of the . . . motions [to dismiss], are accepted as true." He added that "Of course," he has "no opinion as to the actual truth of any of the allegations set forth in the new complaint. . . ."

However, he concluded that "if" the facts alleged in the new complaint are true, they "do more than portray directors who, in a negligent . . . manner, merely failed to inform themselves or to deliberate adequately about an issue of material importance to their corporation. Instead, the facts alleged in the new complaint suggest that the . . . directors consciously and intentionally disregarded their responsibilities, adopting a 'we don't care about the risks' attitude concerning a material corporate decision."

Ovitz argued that the new complaint should be dismissed as to him, because he was legally entitled to seek the "best employment agreement" he could get for himself. Chancellor Chandler agreed, but only in part. The Chancellor noted that corporate officers may negotiate their own agreements "as long as the process involves negotiations performed in an adversarial and arms-length manner." The new complaint alleges that Ovitz "engag[ed] in a self-interested transaction in negotiating his employment agreement with his personal friend Eisner [and the] same is true regarding the non-fault termination."

For these reasons, Chancellor Chandler concluded that the claims in the new complaint "survive defendants' motions to dismiss."

The shareholders were represented by Joseph A.

Rosenthal of Rosenthal Monhait Gross & Goddess of Wilmington and by Steven G. Schulman of Milberg Weiss Bershad Hynes & Lerach in New York City. Michael Ovitz was represented by David C. McBride of Young Conaway Stargatt & Taylor of Wilmington and by Ronald L. Olson of Munger Tolles & Olson in Los Angeles. The Walt Disney Company was represented by Joel Friedlander of Bouchard Margules & Friedlander in Wilmington. Disney's directors were represented by R. Franklin Balotti of Richards Layton & Finger in Wilmington.

In re Walt Disney Derivative Litigation, 825 A.2d 275, 2003 Del.Ch.LEXIS 52 (Del.Ch. 2003) [ELR 25:4:10]

Mexican film production companies own restored U.S. copyrights to Mexican movies that once were in public domain in U.S., except those movies that are in public domain in Mexico too, federal appellate court affirms in infringement case filed against U.S. distributors

Back in 1995, Congress did a remarkable thing: it restored the U.S. copyrights to some - though not all - foreign works that had fallen into the public domain in the U.S. (ELR 17:3:3). Two dozen Mexican film production companies took advantage of this law to reclaim the U.S. copyrights to more than 80 movies they had produced between the late 1930s and the mid-1950s, a period known as the "golden age" of Mexican cinema.

While these movies were still in the public domain in the U.S., they were distributed here by people and companies that had no license to do so. Of course, since the movies were in the public domain in the U.S., the distributors didn't need a license to distribute them. But the distributors continued to distribute these Mexican movies in the U.S., even after their copyrights were restored on January 1, 1996. For at least some of the movies, the U.S. distributors obtained "rights" from screenwriters and composers; but the distributors did not seek rights from any of the companies that produced the movies.

As a result, the Mexican production companies sued the U.S. distributors for copyright infringement in the United States. And they won - with respect to 81 out of 88 of the movies at issue. A jury awarded the production companies $1,512,000 in copyright infringement damages, an additional $486,000 in unfair competition damages, and $984,000 in attorneys' fees and costs. The trial judge entered judgment in those amounts. And now, a federal Court of Appeals has affirmed everything except the amount of the attorneys' fees.

The distributors' primary defense on appeal was that the Mexican production companies didn't - and couldn't - own the restored copyrights in the movies they had produced. If the movies had been made in the U.S. by U.S. companies, such an argument would have been silly or worse. Virtually all U.S. movies are produced pursuant to work made for hire agreements that make production companies their "authors" and the owners of their copyrights.

Nevertheless, it was an argument the distributors could assert with a straight face, because the U.S. copyright restoration law - codified at section 104A of the Copyright Act - gives ownership of restored copyrights to the "author" of the restored work "as determined by the law of the source country of the work." This meant that Mexican law - not U.S. law - determined who the authors were of the movies at issue in the case. And the distributors argued that companies cannot be authors under the Mexican Civil Code, only natural persons can hold Mexican copyrights.

The problem with this argument, the Court of Appeals held, was that it "is simply wrong." The production companies, supported by an amicus brief from the Government of Mexico, showed that Mexican law does recognize producers, including companies, as the owners of the copyrights to the movies they produce. And thus section 104A of the U.S. Copyright Act made the Mexican production companies the owners of the U.S. copyrights to 81 of the movies at issue in the case.

The District Court had ruled that section 104A of the U.S. Copyright Act had not restored the copyrights to seven of the movies, because those movies were in the public domain even in Mexico. Section 104A requires foreign works to be protected in their country of origin, in order for their U.S. copyrights to be restored, so the status of the Mexican copyrights to those seven movies was in fact critical.

The seven movies in question were produced between 1938 and 1946 - a period during which Mexican law required works to be registered for copyright within three years of being "published." The seven movies were not registered in Mexico. Nonetheless, the production companies argued that this didn't matter, because in 1947, Mexican law was changed to eliminate the registration requirement. The 1947 law gave authors six months to register works that had gone into the public domain, but the seven movies were not registered during that grace period either.

The Court of Appeals rejected the production companies' argument that the 1947 law retroactively eliminated the registration requirement. It rejected the argument even for four movies that were released fewer than three years before the 1947 law took effect. The appellate court also rejected the production companies' argument that the movies didn't have to be registered, because they were "released" but never "published." As a result, the Court of Appeals affirmed the lower court's ruling that seven movies were in the public domain in Mexico, and thus remained in the public domain in the U.S. too.

Finally, the appellate court upheld the $486,000 "unfair competition" portion of the judgment. In a very short part of its decision, the court ruled that the production companies had asserted unfair competition claims under the federal Lanham Act, not under state law, and thus those claims were not preempted by federal copyright law.

The distributors did come away with one victory, though that may prove to be short-lived. The production companies had not introduced into evidence any time records to support the jury's verdict for attorneys' fees. The appellate court reversed that portion of the judgment, and remanded it to the District Court for its evaluation of the time spent and rates charged by the production companies' lawyers, the amounts involved and results obtained, and the experience, reputation and ability of those lawyers.

The production companies were represented by Peter Thompson of Thompson & Reilly and Robert Alan York of Holman & Keeling in Houston. The distributors were represented by David Frishman in Katy, Texas.

Alameda Films v. Authors Rights Restoration Corp., 331 F.3d 472, 2003 U.S.App.LEXIS 9594 (5th Cir. 2003) [ELR 25:4:11]

Judgment against Jello Biafra, won by his former Dead Kennedys bandmates, is affirmed; appellate court agrees that contract signed in 1991 effectively transferred music copyrights to partnership created ten years earlier

Jello Biafra is remembered by music fans as the lead singer of the Dead Kennedys, a punk rock band that performed from 1978 to 1986. The Dead Kennedys also were pretty good businessmen. In 1981, the band's members formed two partnerships: Decay Music and Alternative Tentacles Records. Decay owned and licensed the copyrights to songs written by the band's members, as well as the copyrights to their recordings. Alternative released recordings by other performers, and - beginning in 1984 - by the Dead Kennedys themselves.

Jello Biafra was, perhaps, the best businessmen in the group, because in the mid-1980s, he acquired his partners' interests in Alternative and became its sole owner. In fact, after the Dead Kennedys stopped performing together in 1986, Biafra embarked on a solo career, and released his own recordings on his Alternative label, while continuing to use Alternative to release the Dead Kennedys' back catalog.

Biafra and the other Dead Kennedys - East Bay Ray, Klaus Flouride and D.H. Peligro - were good businessmen; but they weren't perfect. For example, their 1981 agreement to form Decay Music was an oral agreement, and it wasn't put into a signed writing until ten years later, in 1991.

Also, after the Dead Kennedys stopped performing and Biafra began his solo career, Biafra - in his capacity as the owner of Alternative - stopped promoting the Dead Kennedys back catalog, relying instead on his own solo performances and past association with the band to generate continuing sales of that catalog. This strategy wasn't a failure: Alternative sold more than 134,000 Dead Kennedys albums, in one year alone, as late as 1998. But an expert consulted by Ray, Flouride and Peligro concluded that if Alternative had spent some money promoting the Dead Kennedys' albums, Alternative would have sold a lot more of them - enough to generate more than $150,000 in additional recording royalties and another $50,000 in mechanical royalties.

In retrospect, Biafra made one further tactical mistake, as the owner of the record company that released the Dead Kennedys' catalog. Alternative paid Decay Music smaller royalties on the sale of Dead Kennedys albums than it paid other recording artists for their albums. Worse yet, according to Decay, Alternative didn't pay any royalties at all in connection with the sale of some Dead Kennedys albums in the

United Kingdom and Europe.

The inevitable dispute about all of this errupted into a lawsuit filed in California state court against Biafra by his former bandmates, and a cross-complaint by Biafra seeking dissolution of Decay Music (in which he was still a partner). The lawsuit resulted in a jury verdict and judgment against Biafra of almost $200,000, which the California Court of Appeal has affirmed (in an opinion marked "Not to be Published" or cited).

The jury found that Alternative breached its license agreement with Decay Music in three ways: by failing to promote the Dead Kennedys catalog; by failing to adjust the mechanical royalty rate it paid Decay; and by failing to pay royalties for sales in the United Kingdom and Europe. The jury also found that Alternative committed fraud by deceiving Decay concerning royalty rates being paid to other performers.

And it found that Biafra breached his fiduciary duty to Decay by failing to account for UK and European sales and misrepresenting the amount that was owed to Decay.

The amounts awarded in connection with the breach-of-license claims were apparently based on provisions contained in the 1991 written contract that confirmed the 1981 oral agreement by which Biafra, Ray, Klaus and Peligro formed Decay Music. This seems to be so, because on appeal, Biafra argued that the 1991 contract did not in fact allocate ownership interests in the Dead Kennedys' music, and in any event, did not effectively transfer the band's copyrights to Decay Music.

However, in an opinion written by Justice Maria Rivera, the Court of Appeal rejected both of these arguments. The appellate court held that the contract provided for an allocation of both recording artist and songwriting royalties. And the court held that the contract satisfied the Copyright Act's requirement that transfers be in writing, even though the contract wasn't signed until ten years after Decay Music was formed and until after the bands' copyrights were orally assigned to Decay. Quoting from Nimmer on Copyright, Justice Rivera wrote: "[I]f a prior oral grant is subsequently confirmed in writing, it validates the grant ab initio as of the time of the oral grant."

Justice Rivera also rejected Biafra's argument that Decay Music's royalty claims were barred by the two-year statute of limitations for oral contracts. The Justice held that Alternative "had a continuing obligation to pay artist and mechanical royalties to Decay Music; the statute of limitations hence did not begin to run on a cause of action for the recovery of an unpaid amount until it was payable. Thus, the trial court properly permitted the jury to determine contractual damages for those payments becoming due within the two-year period before this case was instituted."

The trial court did grant Biafra's request for an order dissolving Decay Music. It did so, because it found that "antagonistic feelings have developed between partners to the extent that the partners cannot continue the partnership to their mutual advantage." However, Ray, Klaus and Peligro did not want to dissolve Decay, so they appealed that order, successfully.

Justice Rivera noted that the value of the Dead Kennedys' catalog might be diminished if it had to be sold. Moreover, she added, "Biafra's fraudulent actions precipitated the rift in the partnership, and made it impossible for the partnership to carry on its business as it had in the past. . . . 'No serious contention may be made that [Biafra], himself at fault, may prevail on his application for a dissolution if it would cause loss to the partnership.'" As a result, the dissolution issue was remanded to the trial court for reconsideration. Justice Rivera concluding by saying that if the trial court "finds that dissolution of the partnership cannot be prevented, the court should also consider whether, on this record, the dissolution was 'wrongfully' engendered by Biafra and if so, whether [California law] give[s] the other three partners the right to continue the partnership business."

The Dead Kennedys were represented by David M. Given of Phillips Erlewine & Given in San Francisco. Jello Biafra was represented by Paul Raynor Keating of Caroll Burdic & McDonough in San Franciso.

Dead Kennedys v. Biafra, Cal.Ct.App., 1st App.Dist., Div. 4, No. A094272 (Cal.App. 2003), available at www.EntertainmentLawReporter.com/decisions/250412.pdf [ELR 25:4:12]

Fox TV specials about magic tricks did not infringe copyright in "Mystery Magician" video, and Fox promotional statements about series were not "false advertising," federal appeals court rules

With the stroke of a pen, a federal Court of Appeals has made a copyright infringement and false advertising lawsuit disappear - to the delight of Fox Broadcasting and several others.

The now-vanished lawsuit was one filed by Robert E. Rice, who is remembered by some magic fans as the producer and copyright owner of a 1986 video entitled "The Mystery Magician." Rice's video depicted - quite possibly for the first time ever - how magicians perform famous tricks and illusions. Some 17,000 copies, or more, of "The Mystery Magician" have now been sold worldwide, many of them, pursuant to a distribution agreement between Rice and a homevideo distribution company in which Fox owned an interest.

Fox liked the magic-trick-revealed concept so much that it developed and then aired a series of four television specials on that very subject in 1997 and 1998. However, Fox's specials were not produced by Rice, or even with his assistance or consent. That is what led Rice to sue Fox (and those who were involved in the series' development and production) for copyright infringement.

Moreover, at the outset of the Fox broadcasts, and on the packaging for homevideo versions of it, Fox asserted that the show would reveal "never before" disclosed magic secrets for the "first time," "at last" and "finally." Since Rice claimed that his video had already disclosed those magic secrets, Fox's claims for its specials prompted Rice to sue for false advertising as well.

Fox enjoyed a partial victory - but only a partial one - early in the case. Federal District Judge Audrey Collins granted Fox's motion for summary judgment, dismissing Rice's copyright infringement claim; but Judge Collins refused to dismiss his false advertising claim (ELR 23:8:10). Both sides appealed, and when the fog cleared from the judicial stage, Fox emerged the complete victor.

Writing for the Court of Appeals, Judge Diarmuid O'Scannlain held that the mystery magician character in Rice's video was not protected by copyright. It was not an especially distinct character, the judge concluded, because it appeared in only one video and was dressed "in standard magician garb" - unlike other characters, including Godzilla, James Bond and Rocky Balboa, who have been protected by copyright.

In addition, Judge O'Scannlain held that Rice's magician was not the "story being told," but instead was merely a "chessman in . . . telling the story. . . ."

Judge O'Scannlain also was unpersuaded by Rice's arguments that his video and Fox's specials had similar dialogue, settings, plots, sequences and moods.

For these reasons, the Court of Appeals affirmed the dismissal of Rice's copyright infringement claim. The appellate court also ruled in Fox's favor in connection with Rice's false advertising claim.

Fox's claims (that its show would reveal secrets for the "first time" and so forth) were made during the show itself, and not in connection with their marketing. As a result, those claims were not "advertising." Those claims also were made on video packaging, but there was no evidence that potential consumers saw the packaging before buying the videos (they weren't sold in retail stores). So even if the claims were false, they were "immaterial." For these reasons, Rice's false advertising claims should have been dismissed as well, Judge O'Scannlain concluded.

Rice was represented by Larry A. Sackey of the Law Offices of Herbert Hafif in Claremont. Fox and its co-defendants were represented by James H. Wynn and Jeffrey S. Kravitz of Lord Bissell & Brook in Los Angeles.

Rice v. Fox Broadcasting Co., 330 F.3d 1170, 2003 U.S.App.LEXIS 10668 (9th Cir. 2003) [ELR 25:4:13]

Screenwriter Nancey Silvers may bring lawsuit alleging that copyright to CBS movie "The Other Woman" was infringed by Sony movie "Stepmom," even though Silvers wrote "Other Woman" as work-made-for-hire, because production company assigned infringement claim to Silvers after "Stepmom" was released

Nancey Silvers thinks that the theatrical movie "Stepmom," released by Sony in 1998, infringes the copyright to the made-for-TV movie "The Other Woman," broadcast by CBS in 1995. Silvers wrote "The Other Woman," and she has expressed her views concerning the infringement of its copyright in a lawsuit she has filed against Sony in federal court in Los Angeles.

"The Other Woman" is about the relationship between a mother who has cancer and her ex-husband's new wife who will raise the mother's children when she dies. "Stepmom" is about the relationship between a mother who has cancer and her ex-husband's fiancé who will raise the children when she dies. The question of whether "Stepmom" actually infringes the copyright to "The Other Woman" hasn't been decided yet, because Sony raised a preliminary, some would say "procedural," question of importance, first.

That question was whether Silvers had standing to bring the infringement suit at all. She wrote "The Other Woman" as a work-made-for-hire, on behalf of the company that produced the movie, Frank and Bob Films II, aka Von Zerneck/Sertner Films. The production company owns the movie's copyright, even now. It did, however, assign to Silvers "all right, title and interest in and to any claims and causes of action against Sony . . . with respect to the screenplay 'The Other Woman' . . . and the motion picture 'Stepmom.'"

The assignment to Silvers was executed after Sony allegedly infringed the copyright to "The Other Woman," and it was that assignment that Silvers relied on to assert her infringement claim. Sony didn't dispute the authenticity of the assignment. It merely pointed out that the Copyright Act provides that "The legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for . . . infringement." And it argued that the assignment to Silvers didn't give her any "exclusive right under a copyright."

On those grounds, Sony sought dismissal of the case, unsuccessfully. Federal District Judge Stephen Wilson denied Sony's motion to dismiss, but did certify the question for interlocutory appeal. Sony has done no better before the Court of Appeals.

In a short opinion by Judge Melvin Brunetti, the appellate court has held that the assignment of the infringement claim to Silvers was valid, and does give her standing to sue Sony, because the assignment transferred a "past, prior accrued" infringement claim. In so ruling, Judge Brunetti quoted with approval Nimmer on Copyright's conclusion that an "assignee of an accrued infringement cause of action has standing to sue without the need to join his assignor, even if the latter retains ownership of all other rights under the copyright."

Judge Brunetti distinguished a case on which Sony had relied. In that case, the judge explained, the assignment was granted before any infringement had occurred. "No accrued causes of action for infringement were assigned," Judge Brunetti emphasized. The judge also rejected Sony's argument that the Copyright Act authorizes infringement suits only by legal or beneficial copyright owners. "Nothing in the statute prohibits the legal or beneficial owner of the exclusive right from assigning an accrued cause of action for infringement of that right," he concluded.

Silvers was represented by Steven Glaser of Gelfand Rappaport & Glaser in Los Angeles. Sony was represented by George P. Schiavelli of Crosby Heafey Roach & May in Los Angeles.

Silvers v. Sony Pictures Entertainment, Inc., 330 F.3d 1204, 2003 U.S.App.LEXIS 10948 (9th Cir. 2003) [ELR 25:4:14]

Detroit city officials alleged valid claim under Federal Wiretap Act for unauthorized use of video of their discussions with concert tour representatives, as "backstage footage" in "Gangster Rap Concert DVD"

Five officials of the City of Detroit have achieved what thousands, perhaps millions, of music fans would pay money for: they are featured on two tracks of a concert DVD - and not just any DVD either. They appear in the "exclusive backstage footage" tracks of "Gangster Rap Concert DVD," a multi-platinum video of the 2000 "Up in Smoke Tour" by Andre Young, Snoop Dogg, Ice Cube and Eminem.

The officials in question are the mayor's press secretary and members of the Detroit police department, and they were not happy about their DVD appearances. Indeed, they were so unhappy, they filed a massive lawsuit in federal court against the tour's promoters, sponsors and representatives, seeking compensation under a wide variety of federal and state law theories.

Among the officials' claims were those for invasion of privacy, misappropriation of likeness, violation of the right of publicity, unjust enrichment and restitution. The federal court declined to exercise "supplemental jurisdiction" over these state law claims, and it dismissed them without prejudice in an unpublished ruling. The case also included claims under the Federal Wiretap Act. And in due course, the concert promoters sought dismissal of those as well.

However, the promoters haven't been successful, so far. Judge Paul Gadola has denied their motion to dismiss, ruling that the city's officials have alleged facts that state a valid claim under the Federal Wiretap Act. That Act prohibits the interception, disclosure or use of oral communications in which at least one party had an expectation of privacy.

The "backstage footage" that triggered the lawsuit depicted meetings between Detroit officials and concert tour representatives. The meeting concerned the city's demand that a short video not be used to introduce headliners Andre Young and Snoop Dog, as it had been at earlier concerts in other cities on the "Up in Smoke Tour." Apparently, Detroit's officials considered the video obscene.

The meeting was an official one and took place in a public building. Nevertheless, the city's officials alleged that they insisted that cameras be excluded from the meeting room, that the meetings not be videotaped, and that they remain private. The city's officials also alleged that tour representatives agreed to this, and that the officials did not in fact know their meetings were being taped. Judge Gadola ruled that these allegations supported the officials' claim that they expected their conversations to remain "free from interception."

The tour's promoters argued that the officials' expectations were not reasonable. But the judge said there is "no persuasive authority for the broad proposition that . . . a public official acting in an official capacity in a public building cannot have an expectation that his or her words will be free from interception."

The Federal Wiretap Act contains an important exception. It does not prohibit the interception of communications, if one party to the communication consents. The tour representatives did consent, and they sought dismissal of the officials' claims on that ground. However, the Act also contains an exception to the "one party consent exception." If the consenting party consents for the purpose of committing a tort (or crime), the exception doesn't apply. The city officials alleged that the tour representatives had consented to the interception of their conversations for the purpose of committing the tort of "misappropriating" the officials' "likenesses." Judge Gadola agreed that this allegation was sufficient to defeat the "one party consent exception."

For these reasons, the judge refused to dismiss the officials' Federal Wiretap Act claims.

The Detroit officials were represented by David K. Tillman of Tillman & Tillman, in Detroit. The tour's promoters, sponsors and representatives were represented by Herschel P. Fink of Honigman Miller in Detroit, and several other firms.

Bowens v. Aftermath Entertainment, 254 F.Supp.2d 629, 2003 U.S.Dist.LEXIS 4844 (E.D.Mich. 2003) [ELR 25:4:14]

Aspiring TV commercial director cannot claim copyright in spec Jack-in-the-Box commercials submitted to company that then produced similar commercial, because spec commercials were unauthorized derivative works, federal District Court rules

Babak Sobhani wants to direct television commercials, and someday he may. He certainly has professional-quality ideas. He showed that much with a series of five Jack-in-the-Box restaurant commercials he conceived directed and produced - on spec - in order to promote himself to prospective employers.

Sobhani's spec commercials contained elements from the Tom Hanks movie Cast Away. They featured a man stranded on an island who talks to a "Jack head" antenna ball about Jack-in-the-Box products. Sobhani's commercials ended with actual footage from previously-aired Jack-in-the-Box commercials.

Sobhani sent his spec commercials to several companies, including @radical.media. Radical is a company that produces Jack-in-the-Box commercials. A few months after receiving and viewing Sobhani's spec commercials, Radical produced a Jack-in-the-Box commercial that contained elements from the Tom Hanks movie Cast Away, and was similar to Sobhani's commercials in other more specific ways too.

Convinced that Radical copied his commercials, Sobhani filed a copyright infringement lawsuit. But he hasn't been successful. Federal District Judge Stephen Wilson has granted Radical's motion for summary judgment, for one - but not both - of the reasons Radical advanced.

Radical argued, first, that it had not copied Sobhani's commercials at all, as a matter of fact. It said that its commercial had been independently created, written and directed by an advertising agency. Radical submitted declarations to support its contention that Radical had not contributed to the commercial's creative content, that it had simply produced the commercial, and that Radical employees who worked on the commercial had not been exposed to Sobhani's commercials. But Judge Wilson held that Radical's declarations were not sufficient to rebut the inference of copying that was raised by Radical's access to Sobhani's commercials.

The judge explained that summary judgment "might" have been appropriate if Radical's commercial had been created "prior" to its receipt of Sobhani's submission. But in this case, Radical's commercial was created after it received Sobhani's commercials, and Radical's "mere denial" of copying was not sufficient to rebut "the strong inference raised by a combination of access and substantial similarity."

On the other hand, Judge Wilson did agree with Radical that Sobhani was not entitled to copyrights in his spec commercials. Sobhani's commercials used the copyrighted Jack-in-the-Box head and actual footage from Jack-in-the-Box commercials, without authorization. This made them unauthorized derivative works. And under cases like Anderson v. Stallone (ELR 11:2:8) and Pickett v. Prince (ELR 22:3:8), unauthorized derivative works are not eligible for copyright protection.

Judge Wilson rejected Sobhani's argument that his use of the "Jack head" and commercial footage was a fair use, for two reasons. First, the judge held that "it is relatively clear that Congress did not contemplate" that the fair use doctrine could be used "as a 'sword' in order to vest copyright in an unauthorized derivative work." Second, he held that the question was whether Sobhani's commercials were unauthorized derivative works, not whether Sobhani could avoid liability if he had been sued for infringement.

Sobhani also argued that he was entitled to copyright protection for those elements of his commercials that were "new." But this argument too was unsuccessful, again for two reasons. First, the copyrighted Jack-in-the-Box commercial footage used by Sobhani, and especially the "Jack head," were "integrated" into Sobhani's spec commercials. Second, even if those copyrighted materials could be ignored, the only thing that would remain in Sobhani's spec commercials would be "the mere idea of placing Jack-in-the-Box characters and footage in a Cast Away context" into commercials. That, "of course," is not copyrightable, Judge Wilson said, and thus there would be no similarity of copyrighted material between Sobhani's spec commercials and Radical's commercial.

Sobhani was represented by Jay M. Coggan in

Los Angeles. Radical was represented by Henry J. Silberberg of Brown Raysman Millstein Felder & Steiner in Los Angeles.

Sobhani v. @radical.media Inc., 257 F.Supp.2d 1234, 2003 U.S.Dist.LEXIS 2619 (C.D.Cal. 2003) [ELR 25:4:15]

All Pro Sports Camps' claim that Disney stole ideas for Wide World of Sports complex comes within "basic scope" of insurance policy issued to Disney by American Casualty, federal appellate court rules

In 1997, the Walt Disney Company opened a sports complex in Florida called the Wide World of Sports. It's the pre-season training facility for the Atlanta Braves and the Tampa Bay Buccaneers, and is used for a wide variety of other sporting events too. According to Disney, the complex was conceived and designed by its own in-house architects. But a company called All Pro Sports Camps claimed otherwise. In a lawsuit alleging breach of implied contract, theft of trade secrets and related theories, All Pro claimed that it had provided Disney with the ideas and concepts that became Wide World of Sports. In August 2000, a Florida jury agreed with All Pro, and awarded it a verdict of $240 million.

Disney wasn't pleased with jury's verdict, of course. But it thought the financial sting would be absorbed, at least in part, by an insurance policy it had obtained from American Casualty Company. That policy provided coverage for claims arising out of any "utterance or dissemination" of "Matter" in "any medium of expression." According to Disney, All Pro's lawsuit was a claim that arose out of Disney's utterance and dissemination of All Pro's ideas in the medium of architectural plans and buildings. But American Casualty didn't agree.

Disney therefore sued the insurance company in federal court in Los Angeles, seeking a judicial declaration that its interpretation of the insurance policy was right. Instead, District Court Judge William Rea agreed with American Casualty, and granted the insurance company's motion for summary judgment, dismissing Disney's case.

On appeal, however, Disney has finally done better. In a Memorandum opinion marked "not appropriate for publication and may not be cited," the Court of Appeals has held that "All Pro's claim comes 'within the basic scope' of the Policy's coverage." As a result, the appellate court reversed the dismissal of Disney's case and remanded it to the District Court "for further proceedings on the question of whether

[American Casualty] can show that the claim falls within one of the Policy's specific exclusions."

The appellate court reasoned that "As modified by the phrase 'any medium of expression,' the terms 'utterance' and 'dissemination' can reasonably be understood to include the reproduction or architectural plans or the construction of buildings, and, by extension, the reproduction of a concept for a sports complex."

The appellate court observed that American Casualty had not established that "theme park idea misappropriation claims were not intended to be included" under the policy, especially because the insurance company's underwriter testified that at the time the policy was written, she "would have believed such a claim was covered." This meant there was a reasonable doubt as to whether All Pro's claims were covered, and "this reasonable doubt must be construed against [American Casualty]," the Court of Appeals held.

Walt Disney Co. v. American Casualty Co., 65 Fed.Appx. 147, 2003 U.S.App.LEXIS 9417 (9th Cir. 2003) [ELR 25:4:16]

Florida Attorney General may not investigate antitrust legality of Major League Baseball's decision to eliminate two teams, because league contraction is exempt from federal and state antitrust law, and investigation would be baseless, federal appellate court affirms

Robert Butterworth is a baseball fan. Lots of people are, of course. But Butterworth is a special case, because for many years, he was the Attorney General of the State of Florida; and Butterworth wants Florida to have professional baseball franchises. Today, Florida has two: the Florida Marlins, and the Tampa Bay Devil Rays. But it wasn't always thus. And in his zeal to get professional teams for Florida, Butterworth initiated antitrust investigations of Major League Baseball, acting as the state's chief lawyer.

Since decisions about where teams should be located is one made by agreement among members of the Major Leagues, antitrust law was a seemingly logical weapon for Butterworth to use. Its only weakness is that the United States Supreme Court has repeatedly held that baseball is exempt from antitrust law. Butterworth, however, was not deterred. And in a case decided in 1994, Butterworth won a surprising ruling by the Florida Supreme Court that baseball's exemption covered only its reserve clause, not other aspects of its business (ELR 16:9:8).

Seven years later, in 2001, Major League Baseball voted to eliminate two of its teams; and it looked as though the Marlins and Devil Rays were leading candidates. Armed with his 1994 Florida Supreme Court victory, Butterworth opened a new investigation. He did so by serving “civil investigative demands” - known as CIDs for short - on the League, its Commissioner, and on the Marlins and Devil Rays. These CIDs “were broad in scope” and required each of their recipients to answer several interrogatories and produce voluminous documents.

Major League Baseball (and the others) could have responded to Butterworth’s CIDs, of course; but they didn’t want to. They also could have gone to Florida state court to have them withdrawn; but in light of the state Supreme Court’s 1994 ruling, that wasn’t likely to be successful. So Baseball did the only other thing it could: it sued Butterworth in federal court in

Florida, on the theory that since baseball is exempt from antitrust law, Butterworth had nothing to investigate and couldn't.

Baseball's strategy was successful. Federal District Judge Robert Hinkle granted a preliminary injunction, barring Butterworth from enforcing his CIDs (ELR 24:1:13). Soon thereafter, Butterworth himself left the Attorney General's office; but his successor, Charlie Crist, pursued an appeal. Major League Baseball has won that too.

In an opinion by Judge Gerald Tjoflat, the Court of Appeals has held that "a good faith reading of Supreme Court precedent" left it "with no choice but to reach" these conclusions:

"[C]ontraction is a matter that falls within the 'business of baseball' and therefore cannot be the subject of prosecution based upon federal . . . [or] state antitrust law."

"[B]ecause . . . contraction . . . cannot possibly violate state or federal antitrust laws, an investigation based solely upon contraction is baseless and therefore violates the Fourth Amendment and Florida law - both of which limit the scope of the Attorney General's authority to issue investigative subpoenas."

Judge Tjoflat wasn't necessarily pleased with this result. But, he said, his court is only "an intermediate appellate court." Thus he concluded that "It is up to the Supreme Court or Congress to overrule" Baseball's exemption "or perhaps devise a more cabined" version of it.

Major League Baseball was represented by John Phillips Cole of Folely & Lardner in Jacksonville. Crist was represented by Patricia Ann Conners of the Florida Attorney General's Office in Tallahassee.

Major League Baseball v. Crist, 331 F.3d 1177, 203 U.S.App.LEXIS 10487 (11th Cir. 2003)[ELR 25:4:17]

Boxing promoter didn't breach contract with former heavyweight champion Tim Witherspoon, even though promoter was not licensed in New York, appellate court affirms

Former heavyweight champion Tim Witherspoon persuaded a jury - but not a single judge - that boxing promoter Dennis Rappaport breached their contract, because Rapport wasn't licensed to promote fights in the state of New York. Following a trial in federal court in Brooklyn, a jury returned a verdict in favor of Witherspoon in a lawsuit the fighter had filed against his former promoter. The jury found Rappaport liable for breach of contract, and it awarded Witherspoon damages for breach of the contract's covenant of good faith and fair dealing.

However, the trial judge set aside the jury's verdict, and the Court of Appeals has affirmed that ruling.

The contract Rappaport allegedly breached was one he entered into with Witherspoon in the mid-1990s. The contract called for Rappaport to promote fights for Witherspoon; and Rappaport did, four times during 1995 and 1996. Technically, Rappaport assigned his rights to another promoter, but the contract expressly permitted him to do so.

The exact nature of the dispute that eventually erupted between the two men isn't explained in the Court of Appeals' opinion. The appellate court merely reveals that Witherspoon argued that Rappaport breached the contract, because Rappaport wasn't licensed to promote fights in the state of New York.

In an opinion marked "May Not be Cited as Precedential Authority," the Court of Appeals noted that "there was no express requirement in the contract that [Rappaport] be licensed by New York or promote fights in New York."

Witherspoon argued that Rappaport's need to have a New York license was implied by a clause that provided that the contract "shall in all respects be governed . . . in accordance with the laws of the State of New York applicable to contracts to be fully performed therein." But earlier New York cases, including one involving boxing promoter Don King (ELR 22:4:23), had held that the New York choice-of-law provision applies to the interpretation of the contract, but does not mean that the state's licensing requirements apply to all fights.

The appellate court also rejected Witherspoon's argument that New York law requires licenses, even of those who promote fights "indirectly." There was no authority for this reading of the statute, the court said, perhaps because "it is an unconvincing reading."

Finally, the appellate court noted that

Witherspoon's good faith and fair dealing claim was based on the premise that Rappaport was obligated by contract to be licensed in New York. "As no such obligation exists, no breach of the covenant of good faith and fair dealing exists either," the court concluded.

Witherspoon was represented by Richard D. Emery of Emery Cuti Brinckerhoff & Abady in New York City. Rappaport was represented by Jethro M. Eisenstein of Profeta & Eisenstein in New York City.

Witherspoon v. Rappaport, 65 Fed.Appx. 356, 2003 U.S.App.LEXIS 9437 (2nd Cir. 2003) [ELR 25:4:17]

Louisiana appellate court reinstates whistleblower's lawsuit seeking compensation for reporting Louisiana Ice Gators' alleged salary cap violations to East Coast Hockey League

The Louisiana Ice Gators is professional team in the East Coast Hockey League. Like other professional sports leagues, the East Coast Hockey League has a salary cap. And just to be certain that teams comply with the cap, the League has a "Whistleblower Program."

The program is set forth right in the League's By-Laws. "In order to encourage the reporting of salary cap violations," the By-Laws state, "the President shall have the authority, in the exercise of his sole discretion, to award a portion of any fine levied under the provisions of this Article to any person(s) who provide(s) accurate information which proximately results in a final decision against any Member, employee, or Related Entity for a salary cap violation. . . ."

Billi'Jo Guidry claims that the Ice Gators violated the League's salary cap, and she reported it to the League. Now she wants the League to levy fines against the violators and to pay her a portion, all as provided in the League's By-Laws. The League's president, however, refused to investigate Guidry's report, so he hasn't levied any fines, from which he could have paid Guidry a portion.

Being ignored like that frustrated Guidry enough to file a lawsuit against the League, the Ice Gators and some others who she said participated in the salary cap violation. Her lawsuit alleged that those she had sued either breached a contract with her, or interfered with a contract to which she was a party or third-party beneficiary. The contract in question was, of course, the

"Whistleblower Program" set forth in the League's By-Laws. And with the exception of a few phrases in the By-Laws, it looked as though Guidry might have had a pretty good case.

The trial court didn't think so, though. It noted that the By-Laws give the League's president the "sole discretion" to decide whether to award anything to a whistleblower. What's more, later paragraphs of the By-Laws specifically state that the president is to determine "what amount, if any, the Whistleblower shall be paid," and that Whistleblowers have "no entitlement" to compensation. As a result, the trial court dismissed the case, without trial or even discovery.

Lawsuits, like hockey games, last more than one period. So although it looked as though Guidry was out of the case at the end of the first period, she did well enough in the second period - the appeal - to get back in the case and put the League and the Ice Gators on the defensive.

Writing for the Louisiana Court of Appeal, Judge Billie Woodward ruled that while the League's president is not automatically obligated to pay Guidry anything, he does have an "implied obligation" to "determine what amount, if any, she should receive, and this determination must be made in good faith." The judge added, "We do not see how the President could make this determination in good faith without thoroughly investigating her allegations."

As a result, Judge Woodward reversed the dismissal of the case, and sent it back to the trial court for further proceedings.

Guidry was represented by Warren D. Rush of Rush Rush & Calogero in Lafayette. The East Coast Hockey League was represented by Henry C. Perret, Jr., of Perret Doies in Lafayette. The Ice Gators were represented by Charles M. Pisano of Barkely & Thompson in New Orleans. Additional co-defendants were represented by Leslie J. Schiff of the Schiff Law Corporation in Opelousas.

Guidry v. East Coast Hockey League, 844 So.2d 100, 2003 La.App.LEXIS 567 (La.App. 2003) [ELR 25:4:18]

Trial required to determine whether Pontiac High School football coach used "undue influence" to persuade quarterback to transfer from Streator Woodland High to play at Pontiac during senior year, in violation of rules of Illinois High School Association

Isaac Monts was a "renowned quarterback" while playing for Streator Woodland High School in Illinois. Even as a junior, he set school and state-wide records. So it's not surprising that when Monts decided to transfer to Pontiac High School for his senior year, Streator Woodland High complained that Pontiac had recruited Monts, in violation of rules of Illinois High School Association.

Illinois High School Association rules prohibit the recruitment of students for "athletic purposes." The rules also provide that students whose decisions about where to go to school have been "affected by undue influence . . . shall be permanently ineligible at that school." And "undue influence" is defined as "any influence exerted by school personnel upon a prospective student or . . . family related to athletic participation, potential, or accomplishment." The rules specifically prohibit the use of videotape presentations suggesting that one school's program is better than another's, or would be better for a student-athlete than another school's program.

Before Monts transferred to Pontiac, he and his parents had dinner with Pontiac's coach, and the coach showed them a videotape entitled "The Perfect Fan." As a result, the Association responded to Streator Woodland's complaint by declaring Monts permanently ineligible to play for Pontiac. After unsuccessfully appealing within the Association, Monts filed a lawsuit in Illinois state court, but he was unsuccessful there too. A trial court granted the Association's motion for summary judgment.

Just the way football games have four quarters, not just one or two, legal disputes have several parts too. Monts took his case to the Illinois Appellate Court, where he has won the right to "further proceedings."

Writing for a two-judge majority, Justice Thomas Appleton noted that the meeting with Pontiac's coach was scheduled at the request of Monts' parents - not at the behest of the coach. What's more, material facts were in dispute concerning "when and how" Monts decided to attend Pontiac for his senior year. In Justice Appleton's opinion, the videotape "did not portray Pontiac's football program as superior to that of any other school . . . [and] had nothing to do with Pontiac's success in football."

Under the Association's rules, the question was whether Monts had been recruited using undue influence. Justice Appleton held that "The fact that the Montses attended a dinner and watched a videotape were not sufficient to determine that Isaac's transfer to Pontiac was influenced by Coach Peterson and was premised on football," Justice Appleton held. "Obviously, football was a very important aspect in Isaac's life; however, that fact alone does not mean he was recruited or influenced," the Justice concluded.

Justice Robert Cook dissented.

Monts was represented by John L. Morel in Bloomington. The Illinois High School Association was represented by David J. Bressler of Rooks Pitts in Lisle.

Monts ex rel. Monts v. Illinois High School Association, 789 N.E.2d 413, 2003 Ill.App.LEXIS 534 (Ill.App. 2003) [ELR 25:4:19]

High school not liable for mistaken advice given to student-athlete regarding courses necessary to qualify for NCAA athletic scholarship, Wisconsin Supreme Court rules

Ryan Scott played hockey for Stevens Point high school in Wisconsin, and he must have played it well.

According to court records, Scott would have received an athletic scholarship from the University of Alaska, but for a negligent mistake made by his high school guidance counselor.

The counselor, it seems, advised Scott that the high school's Broadcast Communication course was approved by the NCAA to fulfill the NCAA's core English requirement; but it wasn't. As a result, Scott didn't fulfill that requirement, and the University of Alaska - an NCAA member - withdrew its scholarship offer.

The reason there are court records concerning all this is that after the University of Alaska withdrew its scholarship offer, Scott sued the Stevens Point School District, alleging claims for negligence, breach of contract and promissory estoppel. He wasn't, however, successful.

A trial court dismissed Scott's lawsuit. A

Wisconsin court of appeals affirmed (in an unpublished ruling). And the Wisconsin Supreme Court has affirmed again, in an opinion by Chief Justice Shirley Abrahamson. The only things Scott came away with were: dissenting opinions by two Supreme Court justices; a concurring opinion by a justice whose "sentiments" were with the dissenters but who was "compelled by stare decisis" to agree with the majority; and an admission by the Chief Justice that "The outcome of this case is harsh, and the harshness of our holding is especially palpable because the negligence is so clear."

Though the negligence of the guidance counselor was "clear," Chief Justice Abrahamson upheld the dismissal of Scott's negligence claim, because a Wisconsin state statute grants immunity to political subdivisions and officials for torts committed while performing their government functions. Wisconsin law does recognize certain exceptions to this immunity; and much of Chief Justice Abrahamson's opinion analyzed whether any of these exceptions applied to the guidance counselor's advice to Scott. The Chief Justice concluded that the exceptions didn't apply, which meant that the Stevens Point School District was immune from Scott's negligence claims.

Scott's breach of contract claim failed, because the Chief Justice held that no contract existed between the student and his school. The school district had a statutory obligation to provide guidance counseling services. But that duty was not converted into a contract when Scott asked for or used the guidance counselor's advice.

Finally, the Chief Justice upheld the dismissal of Scott's promissory estoppel claim too. It was based on the same allegations as the student's negligence claim, and thus that claim too was barred by Wisconsin's immunity statute.

Scott was represented by Russell T. Golla of Anderson O'Brien Bertz Skrenes & Golla in Stevens Point. The Stevens Point School District was represented by Cari L. Westerhof of Ruder Ware & Michler in Wausau.

Scott v. Savers Property and Casualty Insurance Co., 663 N.W.2d 715, 2003 Wis.LEXIS 428 (Wis. 2003) [ELR 25:4:19]

MP3.com barred from asserting defenses of fair use, innocent intent, advice of counsel, express authority, and res judicata, in copyright infringement cases that are similar to earlier-decided Universal Music and TeeVee Tunes cases

In a short opinion that will be of greater interest to civil procedure buffs than copyright or entertainment lawyers generally, federal District Judge Jed Rakoff has held that MP3.com is barred from asserting a wide variety of affirmative defenses in a copyright infringement lawsuit that is similar to but separate from earlier-decided cases filed against it by Universal Music and TeeVee Tunes.

Judge Rakoff's opinion was rendered in connection with a lawsuit filed against MP3.com by Copyright.Net Music Publishing and about 50 other music publishers and songwriters. MP3.com ran a service that permitted users to listen to MP3 files of copyrighted recordings over the Internet, if they already had possession of a CD version of the recording they wanted to listen to, or if they purchased a CD of the recording from one of MP3.com's cooperating online retailers. In order to provide this service, MP3.com bought tens of thousands of CDs, converted them to MP3 files, and stored those files on MP3.com's own servers, without the authorization of record companies or music publishers that then sued MP3.com for doing so. Music publishers and songwriters sued MP3.com, because it did not obtain mechanical licenses from them.

In response to the lawsuit filed by Copyright.Net and its co-plaintiffs, MP3.com asserted affirmative defenses of fair use, innocent intent, advice of counsel, express authority, res judicata and failure to join necessary parties.

The plaintiffs made a motion to strike those affirmative defenses, and Judge Rakoff granted their motion, with just one exception. The case then settled, but the judge wrote and published his decision anyway, because there are still more infringement lawsuits pending against MP3.com, and the judge thought his opinion "may also bear on the related litigation."

Judge Rakoff held that MP3.com is "collaterally estopped" from asserting the defenses of fair use and innocent intent, because the judge had ruled against MP3.com on those defenses in the Universal Music and TeeVee Tunes cases (ELR 21:12:4, 22:4:4, 23:7:18). MP3.com also was collaterally estopped from raising the advice of counsel defense, because it expressly chose not to do so in the Universal Music case (ELR 22:4:4).

MP3.com's defense of express authority - based on its argument that it had received performance licenses from ASCAP, BMI and SESAC that authorized it to make server copies of recordings - was rejected, because that "novel theory" was not raised in the Universal Music case, though it could have been.

On the other hand, Judge Rakoff refused to strike MP3.com's affirmative defense based on licenses it obtained from the Harry Fox Agency. Those licenses were contained in a settlement agreement with the Fox Agency that expressly provided that MP3.com's pre-settlement copying "shall be deemed to have been copied with . . . the [Fox Agency's] . . . consent."

However, the judge refused to allow MP3.com to parlay the Fox settlement into a defense that would have required the plaintiffs to sue all of the music publishers that Fox represented. That defense - that the plaintiffs failed to join all necessary parties - was invalid, Judge Rakoff held, because it was MP3.com, not the plaintiffs, who claimed that the Fox settlement entitled it to indemnity from Fox's clients.

Copyright.Net Music Publishing and its co-plaintiffs were represented by Craig Albert of Reitler Brown in New York City. MP3.com was represented by Robert Juman of Quinn Emanuel Urauhart Oliver & Hedges in New York City.

Copyright.Net Music Publishing LLC v. MP3.com, 256 F.Supp.2d 214, 2003 U.S.Dist.LEXIS 5911 (S.D.N.Y. 2003) [ELR 25:4:20]

New stadium-style movie theaters operated by Hoyts Cinemas and National Amusements must provide wheelchair seating in stadium section, federal District Court rules in Americans with Disabilities Act case filed by government

In the beginning, when the movie business was new, the design of theaters involved nothing more than the arrangement of benches and a screen in an otherwise open area. Later, movie theater design became the province of architects. Now, since the advent of stadium-style theaters in 1995 or so, it has become the domain of federal judges.

So far, a half-dozen federal judges have taken a stab at determining how theaters should be designed, and they haven't agreed with one another. These judges have not changed professions; their design work has been done in the course of interpreting the requirements of the Americans with Disabilities Act, and Justice Department regulations called "ADA Accessibility Guidelines."

The most contentious issue involving stadium-style theaters has been the placement of areas to be used for wheelchair-bound movie patrons. Most stadium-style theaters have steeply-rising "stadium" areas which offer the best lines of sight, and relatively flat "traditional" areas near the front with poorer lines of sight. Also, the wheelchair accessible areas in most stadium-style theaters are in the flat, traditional areas. This, of course, is why there has been so much litigation over the design of stadium-style theaters.

Wheelchair-bound patrons, and the Justice Department acting on their behalf, have argued that the ADA requires theater operators to provide wheelchair access to areas within the stadium section of theaters, even if elevators must be installed to do so.

The most recently-decided of these cases was litigated in Boston, before federal District Judge William Young, in a case brought by the United States government against Hoyts Cinemas and National Amusements. Early in the case, Judge Young dismissed an especially broad claim asserted by the government (ELR 24:1:16), leaving intact the government's more specific claim that the two companies violated the ADA and its Accessibility Guidelines by operating theaters that provide space to wheelchair-bound patrons only in their traditional areas.

None of the earlier cases on this issue was litigated in the First Circuit (where Boston is located), so Judge William was not bound by the decisions in any of them. Two of those earlier decisions held that the ADA and the Accessibility Guidelines merely require wheelchair-bound patrons to have unobstructed views from areas "among" the general seating, and that views comparable to those from the stadium-area seats are not required (ELR 22:4:22, 23:6:23). Hoyts and National Amusements relied on those cases, of course. But Judge William agreed with the government that they "are flawed," and so he declined to follow them.

Instead, Judge William concurred with two other cases that held that wheelchair-bound patrons are entitled to lines of sight that are comparable to those from stadium-area seats (ELR 24:8:15, 24:11:17). As a result, the judge ruled that in order to comply with the ADA and the Accessibility Guidelines, "there must be wheelchair accessible seats somewhere in the stadium section." Space in the traditional section, or even in the access-aisle, is not sufficient, the judge held, though "the rear of the stadium section is acceptable so long as it is a truly integrated part of the stadium section."

Despite this ruling, Hoyts and National Amusements did not lose the case entirely, nor did the government win entirely. The government had asked Judge William to issue an order that would have required Hoyts and National Amusements to remodel their existing theaters so that wheelchair-bound patrons could sit in the stadium areas of those. Hoyts and National Amusements argued that "due process" requires that the court's ruling apply "only prospectively." To that argument, Judge William responded: "They are right."

Thus, the judge has declared that all stadium-style theaters operated by Hoyts and National Amusements, the construction or refurbishment of which started after the lawsuit was filed, must provide wheelchair-accessible seating in the stadium section.

The government was represented by Michael J. Pineault of the United States Attorney's Office in Boston. Hoyts and National Amusements were represented by John T. Haggerty in Charlestown, Michael J. Malone of King & Spaulding in New York City, and James R. Carroll of Skadden Arps Slate Meagher & Flom in Boston.

United States v. Hoyts Cinemas Corp., 256 F.Supp.2d 73, 2003 U.S.Dist.LEXIS 5839 (D.Mass. 2003) [ELR 25:4:21]

Appellate courts in Georgia and New York affirm dismissal of lawsuits filed by spectators injured at Atlanta Braves and New York Rangers games

In two separate but similar cases, appellate courts in Georgia and New York have ruled - in essence - that spectators at major league sporting events have to look out for their own safety, because teams and arenas are unlikely to be held liable for spectator injuries. By coincidence, the Court of Appeals of Georgia and the Appellate Term of the Supreme Court of New York issued rulings just a few weeks apart, both of which affirmed the dismissal, without trial, of negligence lawsuits filed by spectators who were injured while attending an Atlanta Braves baseball game and a New York Rangers hockey game.

The Georgia case was filed by Jacqueline Dalton who alleged that she was hit in the face by a baseball thrown into the stands by Braves outfielder Andruw Jones. The Georgia Court of Appeals held that Dalton had assumed the risk of being hit by a thrown baseball when she bought a ticket for a seat in an unprotected area at Turner Field. The appellate court rejected

Dalton's argument that Jones should have warned her and other spectators before throwing a ball into the stands. "No Georgia case has ever held that a warning is required before a baseball player throws a ball," the appellate court said.

The New York case was brought by David Napolitano who alleged that he was injured "during an altercation with another spectator" while attending a New York Rangers hockey game at Madison Square Garden. He apparently argued that the Garden was responsible for his injuries, because it failed to provide adequate security and because it had served too much alcohol to the other spectator prior to the injury-causing altercation. The Appellate Term ruled that the Garden had taken adequate security measures by deploying more than 80 patrolling guards in the arena. This was particularly so, the court said, because there was no evidence that the security guards had reason to know an altercation was imminent or that Napolitano was faced with any foreseeable risk of danger. The appellate court also noted that there was no evidence that the Garden had served any alcoholic beverages to Napolitano's assailant.

In the Georgia case, Dalton was represented by Edward W. Gadrix Jr. in Atlanta; and the Braves and Jones were represented by Bradley S. Wolff of Swift Currie McGhee & Hiers in Atlanta. In the New York case, Napolitano was represented by Irwin R. Kaplan in Brooklyn; and Madison Square Garden was represented by Curtis B. Gilfillan of Wilson Elser Moskowitz Edelman & Dicker of New York City.

Dalton v. Jones, 581 S.E.2d 360, 2003 Ga.App.LEXIS 485 (Ga.App. 2003); *Napolitano v. Madison Square Garden Center*, 760 N.Y.S.2d 807, 2003 N.Y.Misc.LEXIS 564 (Sup.App.Term 2003) [ELR 25:4:22]

Previously Reported:

FCC's new media ownership rules are stayed pending appeal. A federal Court of Appeals has stayed the effective date of the media ownership rules adopted by the Federal Communications Commission earlier this year. The rules in dispute are those that generally permit companies to own more media businesses than they could before (ELR 25:2:4); and they have been controversial and objected to by some, for that very reason. The court's brief order does not address the merits of the objections to the FCC's rule changes. The appellate court merely determined that unless it issued a stay, there would be no adequate remedy for the harm suffered by the challengers, if the rules are eventually declared invalid. *Prometheus Radio Project v. Federal Communications Commission*, Case No. 03-3388 (3rd Cir., Sept. 2003), available at www.ca3.uscourts.gov/

staymotion/e59o090303.pdf.

TVT Records vs. Def Jam procedural rulings and jury's liability verdict are published. Earlier this year, TVT Records won a $132 million jury verdict in a lawsuit against Island Def Jam Music (ELR 24:11:6). As was befitting a case with so much at stake, both parties filed several motions concerning many procedural issues, both before and during trial. Most of these motions dealt with the admissibility of specific items of evidence. Others dealt with whether the trial should be bifurcated or even trifurcated. Federal District Judge Victor Marrero responded to these motions with detailed written opinions, three more of which have now been published. In one, Judge Marrero granted parts and denied parts of pre-trial motions in limine (dealing with the admissibility of evidence) filed by both parties. In another, the judge ruled on the admissibility of further items of evidence, and ordered the liability phase of the case bifurcated from the damages phase. This opinion "recorded" and "clarified" some rulings made by the judge from the bench before the liability phase began, though it was written after the jury returned its liability verdict; and the opinion includes a reproduction of the Jury Verdict Sheet by which the jury answered "Yes" or "No" to 26 separate liability questions. In a third opinion, written after the jury's liability verdict, Judge Marrero ruled on the admissibility, during the damages phase of the case, of specific items of evidence and related issues; in this opinion, the judge also denied Def Jam's motion to divide the damages phase into two phases, one dealing with actual damages and the other with punitive damages. *TVT Records v. Island Def Jam Music Group*, 250 F.Supp.2d 341, 2003 U.S.Dist.LEXIS 3768 (S.D.N.Y. 2003); *TVT Records v. Island Def Jam Music*

Group, 254 F.Supp.2d 322, 2003 U.S.Dist.LEXIS 4451 (S.D.N.Y. 2003); *TVT Records v. Island Def Jam Music Group*, 257 F.Supp.2d 737, 2003 U.S.Dist.LEXIS 6853 (S.D.N.Y. 2003).

Appeal from order to arbitrate "9 1/2 Weeks" prequel case is dismissed. The question of whether a grant of "sequel" rights includes the right to make a "prequel" appears to be at the heart of a trademark infringement case filed by Jonesfilm against Lions Gate Films and others. Resolution of that question, however, has been deferred while other, procedural, issues are being aggressively litigated. Earlier in the case, a federal Court of Appeals ruling gave Jonesfilm - the company that produced "9 1/2 Weeks" - the right to sue Lions Gate, without suing the British company to which Jonesfilm had assigned sequel rights, and from which Lions Gate had acquired them (ELR 24:7:23).

Following remand, District Judge Loretta Preska ordered Jonesfilm to arbitrate its trademark infringement claims against Lions Gate, despite Jonesfilm's objection that it had no arbitration agreement with Lions Gate. Jonesfilm appealed again, but this time, without success. The appellate court did not rule on the merits of Jonesfilm's argument that it couldn't be ordered to arbitrate because it had no agreement with Lions Gate. Instead, in a short opinion marked "May Not be Cited as Precedential Authority," the Court of Appeals dismissed the appeal "for lack of jurisdiction," because Judge Preska's order to arbitrate "did not dismiss the action or Jonesfilm's underlying claims." It was merely an "interlocutory order," from which an appeal could not be taken, under the Federal Arbitration Act. *Jonesfilm v. Lions Gate Films, Inc.*, 65 Fed.Appx. 361, 2003 U.S.App.LEXIS 10915 (2nd Cir. 2003).

Amendment to adult business ordinance makes it constitutional. As originally enacted, a city ordinance that prohibits the sale and consumption of alcohol on the premises of an adult-oriented business was an unconstitutional prior restraint, because it did not guarantee the adult business owners the "right to begin expressive activities within a brief, fixed time frame." A federal Court of Appeals so held, in a case filed against the Georgia city of Warner Robins by Artistic Entertainment, Inc., the operator of a nightclub called Teasers (ELR 22:9:25). Following the appellate court's decision, the city amended the ordinance to correct what the appellate court said was its defect. The amendment gives the City Clerk 45 days to approve or disapprove an application for a license; and requires the Clerk to "immediately issue the license" after the 45th day, if it hasn't already disallowed the application by then. Artistic Entertainment appealed again. But the

Court of Appeals has held that as amended, the ordinance is constitutional. *Artistic Entertainment, Inc. v. City of Warner Robins*, 331 F.3d 1196, 2003 U.S.App.LEXIS 10654 (11th Cir. 2003).

Opinion published. The opinion in the RIAA/Verizon subpoena case, previously reported in the "In the News" column of the Entertainment Law Reporter, has now been published in print: *In re Verizon Internet Services*, 257 F.Supp.2d 244, 2003 U.S.Dist.LEXIS 6778 (D.D.C. 2003) (ELR 24:11:5). [ELR 25:4:22]

DEPARTMENTS

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