WASHINGTON MONITOR

FCC adopts "broadcast flag" rule to protect digital TV broadcasts against unauthorized Internet redistribution; rule will not prevent consumers from copying broadcasts for personal use, and existing equipment will continue to function

The "digital age" is coming to over-the-air television. The Federal Communications Commission knows it and has done something about it. Indeed, the reason TV's digital age will be here soon is that the FCC itself mandated nationwide digital television broadcasting, not later than 2006 (ELR 18:11:15).

As Seinfeld used to say, there's nothing wrong with that; but there could have been. When television programs are broadcast digitally, over-the-air signals will arrive in a digital format, ready for immediate redistribution over the Internet. Today, television broadcasts arrive in analog rather than digital form. So although they can be redistributed over the Internet - and have been - they first must be converted from analog to digital form. That takes special computer equipment, as well as some time and technical skill.

In anticipation of the day when TV broadcasts arrive pre-digitized, studios and others asked Congress and the FCC to do something to prevent the indiscriminate and unauthorized redistribution of their programming. This was necessary, they explained, in order for production costs to be recouped, because if digital broadcasts are immediately redistributed over the Internet, the market for re-runs, international broadcasts, and webcasting will be damaged if not destroyed. The FCC agreed that "the potential threat of mass indiscriminate redistribution will deter content owners from making high value digital content available through broadcasting outlets absent some content protection mechanism."

The content protection mechanism favored by the studios is called a "broadcast flag." A flag is simply a bit of code, inserted in a digital television stream, that indicates whether or not viewers are authorized to redistribute the program to others. It's not encryption; it's just information. So in order for it to work, television receivers must be designed and built to detect and give effect to that information.

The studios' request of Congress for broadcast flag protection gave birth to the Hollings Bill, in the Congressional session that closed at the end of 2002. The bill was exceedingly controversial and was not enacted. But the FCC continued to consider the studios' request for broadcast flag protection, nonetheless (ELR 24:5:4).

After more than a year of study, the FCC has adopted a new rule that requires digital television receivers to recognize and give effect to broadcast flags that will be designed to protect the content of digital broadcasts from being redistributed over the Internet without authorization. Broadcast flags were not the only content-protection technology considered by the FCC. It also looked at program encryption and at watermarking and fingerprinting. However, encryption would require consumers to buy new equipment to de-encrypt digital broadcasts. And the FCC concluded that watermarking and fingerprinting are not as developed right now as broadcast flag technology.

Though broadcast flag technology is complex, what it does is simple, from a consumer's point of view. The FCC's new rule requires digital television receivers to contain technology that recognizes the existence of broadcast flags embedded in broadcasts, and that gives effect to whether or not a program's flag permits it to be redistributed. If the flag permits redistribution, the television receiver will allow the signal to reach an "output" on the TV receiver, into which a computer can be plugged. However, if a program's flag does not permit it to be redistributed, the television receiver will not allow the signal to reach a computer-compatible output.

This approach to the problem of unauthorized redistribution immediately raised two issues of its own. One was whether consumers would be permitted to record flagged programs. The studios themselves, represented by the MPAA, asked for a "redistribution control system which would limit the redistribution of digital broadcast television content, but not restrict consumers from copying programming for their personal use." As a result, it wasn't difficult for the FCC to conclude that broadcast flags should not prevent off-air recording of television programs.

The technical issue is how to permit recorders to be plugged into digital television receivers while preventing computers from being plugged into recorders. The solution adopted by the FCC, in concept, is to require receivers to permit flagged signals to reach plugs that are compatible only with recorders that block flagged recorded programs from reaching the recorders' own computer-compatible plugs. This means that recorder manufacturers will have to obtain FCC certification that their equipment gives effect to broadcast flags. The FCC has adopted an interim procedure for obtaining that certification. And it has asked for further comments on the permanent process it should use to make those certifications in the future.

The second issue raised by the broadcast flag approach to content protection was how well digital TV receivers would have to block flagged signals from reaching computer-compatible plugs. Everyone involved in the FCC proceeding recognized that equipment can be altered to get around flags. The question was how hard it should be to do that. The FCC decided that its rule would be satisfied so long as an "ordinary user" would not be able to avoid the flag. Equipment doesn't have to be immune to hackers.

Another issue addressed by the FCC was whether certain types of programs - like news and public affairs shows - should have to be broadcast without flags, so they could be freely retransmitted. The FCC decided against such a requirement, saying that broadcasters should be able to decide which programs are flagged and which, if any, are not.

Over-the-air digital broadcasts - like today's analog broadcasts - will be retransmitted by cable and satellite TV companies to their subscribers; and the FCC's new rule does not prohibit that. However, cable and satellite companies will be required to include broadcast flag protection in their retransmissions of flagged programming. The FCC has allowed cable and satellite companies to do that in whatever manner is best suited to their own technologies. That is, they are authorized to retransmit programming with its flag intact, if that works. Or they can implement the flag's protections using their own conditional-access technologies, if they have to.

The FCC has emphasized that existing television equipment will continue to work with flagged programming, so consumers will not be required to buy new equipment.

"We conclude that by taking preventative action today," the FCC said, "we can forestall the development of a problem in the future similar to that currently being experienced by the music industry."

In the Matter of Digital Broadcast Content Protection, MB Docket 02-230 (FCC Nov. 2003), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-03-273A1.pdf [ELR 25:7:4]

New Copyright Office rule permits circumvention of access controls to four types of works, including video games in obsolete formats and ebooks whose read-aloud function has been disabled; but Copyright Office rejects proposals that would have permitted circumvention of access controls to movies and music recordings

At the recommendation of the Register of Copyrights, the Librarian of Congress has issued a new rule that permits circumvention of access controls to four types of copyrighted works, including video games in obsolete formats, and ebooks whose read-aloud function has been disabled by their publisher. However, for those in the entertainment industry, the most significant parts of the Register's recommendations were not those that permit circumvention of access controls. The significant parts are those that rejected several proposals that, if adopted, would have permitted circumvention of access controls to movies, music recordings and video games, for a wide variety of purposes.

The Copyright Office and Librarian of Congress got involved in the circumvention issue, because the Digital Millennium Copyright Act makes it illegal, as a general rule, to circumvent technologies, like passwords, that control access to copyrighted works. The DMCA itself contains certain exemptions from this ban (exemptions that permit circumvention by law enforcement agencies as well as for encryption research, security testing and certain other specified purposes). However, even with its statutory exemptions, the DMCA's ban on circumvention was so controversial that Congress directed the Copyright Office to conduct proceedings every three years, to determine whether additional exemptions should be granted, and if so, to grant them by Copyright Office rule.

The Copyright Office concluded the first of those proceedings in 2000, and issued a rule that exempted two types of works: lists of websites blocked by filtering software; and literary works, software and databases with obsolete or defective access control mechanisms (ELR 22:6:9). In October 2002 - a year before those exemptions expired - the Copyright Office invited comments on whether those exemptions should be renewed and on whether any additional exemptions should be adopted (ELR 24:5:4). The newly-adopted rule is the product of a year-long study that included six days of hearings and the review of 51 written proposals for exemptions and 338 reply comments.

The new rule renews, in modified form, the exemption that permits circumvention of access controls on lists of websites blocked by filtering software. The Register concluded that circumvention is warranted, because although providers of filtering software provide some information about blocked websites, the information provided is "too limited" to permit review, comment and criticism of this type of software - something deemed necessary because some filtering software mistakenly blocks websites that do not in fact contain objectionable material.

The new rule also renews, in a more limited form, the exemption that permits circumvention of access controls on computer programs with defective access controls. Evidence submitted in support of the renewal of this exemption supported an exemption only for computer programs with defective "dongles," which are hardware locks that control access to those programs. As a result, the new rule permits circumvention of access controls only to computer programs with defective or obsolete dongles.

The new rule adds a third class of works whose access controls now may be circumvented: video games (and other computer programs) whose formats have become obsolete and require original media or hardware for access. An example cited by the Copyright Office was software originally marketed on 5 1/4 inch diskettes that cannot be accessed on modern computers, because computers no longer come equipped with 5 1/4 inch drives.

The new rule also adds a fourth class of works whose access controls now may be circumvented: ebooks whose read-aloud function has been disabled by the ebook's publisher but whose controls prevent access to the ebook by screen reader software. This exemption was requested by the American Foundation for the Blind and library associations, because "many ebooks" are distributed with disabled read-aloud functions and with access by screen reader software blocked. The Copyright Office noted "the exemption is not available if any existing edition of the work permits the 'read-aloud' function or is screen reader-enabled."

Exemptions were sought, but denied, for two dozen additional classes of works, for a wide variety of purposes. Of interest and concern to the entertainment industry were exemptions that would have permitted circumvention of access controls to movies and music recordings. Exemptions were sought, for example, for:

* CSS-encrypted movie DVDs,

* ancillary features - such as outtakes, actor and director interviews, and foreign language features - of movie CSS-encrypted DVDs,

* movie and video game DVDs that aren't available in "Region 1" (United States) formats,

* video games designed for use on dedicated players,

* movie DVDs, music recordings and ebooks

that are "tethered" to particular devices or operating systems,

* movies and music recordings whose limited-time licenses have expired,

* movies and music recordings in media that "may become" obsolete or damaged, and

* all types of works, for "fair use" and "private uses."

Requests for these exemptions were denied for several reasons. In some cases, the exemption request was based on intended uses, rather than on classes of works; and the Copyright Office had previously ruled that requests must relate to classes of works, not to intended uses.

In other cases, requests were denied because (even though a specific class of work was identified) the Copyright Office wasn't convinced that the intended use was a non-infringing use. For example, an exemption that would have permitted users to make backup or "space-shifted" copies of works was rejected, because those requesting the exemption did not show "that the making of backup copies of DVDs is a noninfringing use," nor did they show that "'space-shifting' . . . is a noninfringing use."

Likewise, an exemption for circumvention of CSS-encrypted movie DVDs - to permit "fair use" of outtakes, director interviews and other ancillary features that are not available in unencrypted form - was rejected, because "Existing case law is clear that fair use does not guarantee copying by the optimum method or in the identical format of the original."

In still other cases, the Copyright Office determined that an exemption wasn't necessary, in order to permit circumvention of access controls. DVDs of public domain movies were an example. The Copyright Office explained that ". . . if a work that is entirely in the public domain is protected by an access control measure, the prohibition on circumvention will not be applicable. Therefore, no exemption is needed."

The new rules took effect on October 28, 2003 and will remain in effect for three years through October 27, 2006. They will appear in Volume 37 of the Code of Federal Regulations, Part 201.

Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies, Docket No. RM 2002-4E, Copyright Office, Library of Congress, 68 Federal Register 62011 (Oct. 31, 2003), available at www.copyright.gov/fedreg/2003/68fr2011.pdf [ELR 25:7:5]

NEW LEGISLATION AND REGULATIONS

New Jersey amends "Son of Sam" statute to require notification of Victims Board about agreements to pay criminals for crime-related "property"; new statute also allows victims to sue sellers of memorabilia whose value is enhanced by crime

Ever since David Berkowitz committed a string of killings in the mid-1970s - and was offered money by publishers and movie companies for his story - state legislatures and the federal government have enacted laws designed to prevent criminals from profiting from their crimes. Commonly referred to as "Son of Sam" laws, in reference to Berkowitz's infamous nickname, these statutes haven't fared as well in courts as they might have, given the understandable public interests they seek to serve.

An early New York "Son of Sam" statute was declared unconstitutional by the United States Supreme Court in back in 1991 (ELR 13:8:3). California's "Son of Sam" law - though different than New York's - met the same fate. It too was declared unconstitutional, by the California Supreme Court, in 2002 (ELR 23:10:15).

New York responded to the Supreme Court's ruling by amending its statute, almost immediately, in 1992 (ELR 14:11:18). It did so in a seemingly successful effort to correct the constitutional defects that led the Supreme Court to declare that New York's original statute violated First Amendment free speech rights. Now, more than a decade after New York amended its statute, New Jersey - whose statute was modeling on the old New York statute - has amended its as well.

New Jersey's new "Son of Sam" does three things: it broadens the types of assets owned by criminals that are made subject to the law; it changes the procedure by which victims may recover compensation from criminals; and it addresses an apparently new phenomenon: the sale of memorabilia - often in online auctions - whose value has been enhanced by the notoriety of crime.

Under New Jersey's new law, those who offer to pay accused or convicted criminals $10,000 or more for "any property" related to their crimes must notify the New Jersey Victims of Crime Compensation Board "as soon as practicable." They don't, however, have to pay anything to the Board immediately, and perhaps not at all.

When the Board receives notice that someone has agreed to pay a criminal, the Board will notify the criminal's victims who then will have three years to file a civil lawsuit against the criminal to recover money damages.

The new law also gives the Board the authority to seek "provisional remedies" against the criminal, on behalf of the criminal's victims. These remedies include an attachment, an injunction or a receivership. Presumably, the assets the Board would go after first, using one of these provisional remedies, would be the money that someone has agreed to pay the victim - money the Board will know about, because it will have received notice from the person who agreed to pay it to the criminal.

The new law takes into account the possibility that someone may fail to notify the Board, as required. If that happens, though, the new law provides that when the Board finds out about that failure, the Board may assess the person who failed to give notice the greater of $1,000 or 10% of the amount agreed to be paid to the criminal. That assessment will go into an escrow account, where it will be held so that if a victim gets a judgment against the criminal, the judgment may be satisfied from that account.

The new law also takes into account the possibility that no victim will file a civil suit, or that judgments obtained by victims will exceed the amount in escrow. And the law contains surprisingly complicated provisions to deal with those possibilities.

So long as those who agree to pay criminals give the Board the required notice, those who agree to pay - such as writers, publishers and producers - will have no liability to the Board or to victims. They may have to respond to a provisional remedy obtained by the Board, such as a writ of attachment or an injunction, but if they comply with the new law's notification procedures, they shouldn't have to pay twice.

However, the new law does contain one provision that may impose liability on those who are neither criminals nor those who agree to pay criminals.

This provision gives crime victims a civil cause of action "against any person who offers for sale . . . any memorabilia . . . . , the value of which is enhanced by the notoriety gained from the commission of the crime."

According to the legislative history for an early version of the new law, "criminal collectibles and memorabilia . . . once [sold in] an underground market . . . [and] dubbed 'murderabilia' by some critics, have become more widely available due to the popularity of Internet auction sites. Items for sale produced by criminals themselves have included artwork, autographs, hand prints, hair samples and fingernail clippings. Many victim's rights groups have protested the sale of these items as further exploitation of the victims and their families."

The new law is intended to bring a stop to the sale of this type of memorabilia, and it does so with a vengeance. Victims may seek to recover the actual damages they suffer from its sale, including emotional distress damages, and punitive damages and attorney's fees as well.

An Act concerning profits related to crime, New Jersey P.L. 2003, Chapter 190 (Oct. 2003), repealing New Jersey Permanent Statutes C.52:4B-28 and adding New Jersey Permanent Statutes C.52:4B-61 et seq. (Oct. 2003), available at http://www.njleg.state.nj.us/2002/Bills/AL03/190_.PDF [ELR 25:7:7]

INTERNATIONAL DEVELOPMENTS

German law that taxes non-resident European artists and athletes on gross income from performances in Germany, without allowing expense deductions, violates EC Treaty ban on discrimination, European Court of Justice rules in case brought by Dutch drummer Arnoud Gerritse; but fixed tax rate on all German income, rather than progressive rate on income above tax-free allowance, may be OK

Dutch drummer Arnoud Gerritse has won part of a case against Germany concerning that country's taxation of money he earned performing at a radio station in Berlin in 1996. The amounts involved weren't large. Gerritse's income from that performance was 6,008 Deutsche Marks - the equivalent of about

$3,665. His German tax on that income was only 25% of that (just $916 or so). Nevertheless, the legal principle was important - to other European artists and athletes as well as to Gerritse - and the Dutch drummer took his case to the European Court of Justice, in order to establish the principle.

Even a brief explanation of what happened to Gerritse reveals how complex the international taxation of artists and athletes is. German tax law requires non-resident artists and athletes to pay a 25% tax on their gross incomes from performances in Germany, without deducting expenses they incur in connection with their performances, and without excluding the tax-free allowance of 12,095 Deutsche Marks (about $7,375) that German taxpayers are permitted to take. (To be certain that non-residents actually pay the tax, German law requires the tax to be deducted "at source" by the person or company that pays them for their performances in Germany.)

There are a couple of circumstances under which non-residents have the option of being treated like German-resident taxpayers - which would permit them to deduct their expenses, and take the tax-free allowance - but neither helped Gerritse. One applies if 90% or more of a non-resident's total world-wide income is subject to German tax. Gerritse, however, earned the equivalent of 55,000 Deutsche Marks (about $33,555) in the Netherlands and in Belgium. That income wasn't taxable in Germany, so much less than 90% of Gerritse's total income was taxed in Germany. The other applies if a non-resident's total world-wide income outside of Germany is 12,000 Deutsche Marks ($7,320) or less; and Gerritse's non-German income was much greater than that.

Nevertheless, Gerritse filed a German income tax return claiming the right to be treated like a German-resident taxpayer. He did this for two reasons: so he could deduct his German expenses; and, even more important, so he could get the benefit of the tax-free allowance. Indeed, the tax-free allowance alone would have meant that he owed no taxes at all in Germany, because after the allowance, he would have had no taxable income there. This would have entitled him to a refund of the taxes that were withheld from his pay for his 1996 performance.

Not surprisingly, the German taxing authority denied Gerritse's claim. This prompted the drummer to file a lawsuit in Germany in which he alleged that German tax law discriminates against non-resident artists and athletes in a way that violates the principle of non-discrimination guaranteed by European Community law. The German court referred Gerritse's claim to the European Court of Justice, which has agreed with the drummer, in part.

In an opinion by Judges M. Wathelet, C.W.A. Timmermans, D.A.O. Edward, P. Jann and A. Rosas, the European Court of Justice has ruled that a national tax law that refuses to allow non-residents to deduct their business expenses, even though residents are permitted to do so, "risks operating mainly to the detriment of nationals of other Member States [i.e., countries that are members of the European Union] and therefore constitutes indirect discrimination on grounds of nationality, contrary in principle to . . . the [EC] Treaty."

The question of whether non-resident artists and athletes also are entitled to the tax-free allowance and progressive tax rates was more difficult. The German taxing authority argued that they should not be, because non-residents earn most of their income outside Germany, and by giving them tax-free allowances and progressive rates on their German income, they would be treated like a German resident who earns much less than they do.

Because this issue was more complex than the expense-deduction issue, the Court's conclusion was more complex too. The question of whether non-resident artists and athletes are entitled to tax-free allowances and progressive rates will not be answered the same for every artist and athlete, the Court concluded. Instead, a flat 25% tax on gross income, collected "at source," is not prohibited by the EC Treaty, if that tax "is not higher than that which would actually be applied to the person concerned, in accordance with the progressive table, in respect of net income increased by an amount corresponding to the tax-free allowance."

In other words, the German income tax of a non-resident artist or athlete now must be calculated twice: once using the flat 25% of gross method; and a second time, using progressive rates applied to the net income (gross less expenses) increased by the amount of the tax-free allowance. The artist or athlete then will pay whichever method results in the lower tax.

Editor's note: The Netherlands and Germany are parties to a treaty designed to eliminate double taxation, for most taxpayers. That treaty, however, permits both countries to tax the locally-earned income of artists and athletes from the other country. That is why Gerritse's German income was taxable there. In this respect, the income of artists and athletes is treated differently than the incomes of others. Many other countries - including the United States and Canada - have similar treaties. Not long ago, the Tax Court of Canada issued a lengthy opinion on the question of whether Florida-resident (and U.S. national) Tom Cheek, the radio announcer for the Toronto Blue Jays, was an "artist." If so, he would have had to pay income tax on his earnings from announcing Blue Jays games in Toronto. If not, he wouldn't. The court held he was not. (ELR 24:1:4) The Gerritse decision is important to European artists and athletes - including, quite possibly, songwriters and other royalty recipients, even if the income they earn is not from their own performances. However, it has no effect on American artists or athletes, or others from outside the European Union. This is so, because Germany's taxation of Gerritse's income was proper under its own national tax law and under its treaty with the Netherlands (and other countries). The only reason Germany's treatment of Gerritse's income was improper was because it violated the EC Treaty - a treaty to which the United States is, of course, not a party.

Gerritse v. Finanzamt Neukolln-Nord, Case C-234/01 (ECJ 2003), available at http://www.curia.eu.int/jurisp/cgi-bin/form.pl?lang=en&Submit=Submit&docrequire=alldocs&numaff=&datefs=&datefe=&nomusuel=Gerritse&domaine=&mots= &resmax=100 [ELR 25:7:9]

European Commission approves Union of European Football Associations arrangement for joint sale of media and other rights to Champions League; Commission decides that agreement's impact on competition is offset by benefits

The European Commission has approved an agreement between the Union of European Football Associations and its members for their joint sale of media and other rights to UEFA's Champions League. The Commission did so even though the agreement is expected to affect competition in a way that is generally prohibited by European law, because the Commission concluded that the agreement will have offsetting benefits.

The Union of European Football Associations is the regulatory authority of European football (the game that is called "soccer" in the United States). UEFA, as it is commonly known, has 51 members that are national football associations in Europe. It conducts a number of Europe-wide football tournaments, but the Champions League is UEFA's "most prestigious competition," because the teams that participate in it are the best teams from each of UEFA's national football association members.

In 1999, UEFA notified the Commission that UEFA and its members had entered into a "joint selling arrangement" that gave UEFA the exclusive right to sell media, sponsorship and certain other Champions

League rights, on behalf of participating teams. UEFA's notification sought Commission approval of the arrangement - something UEFA needed because of the possibility that the arrangement might violate the competition provisions of the European Community Treaty and the European Economic Area Agreement. (The European Economic Area includes the European Union plus Norway, Iceland and Liechtenstein.)

Indeed, in response to UEFA's 1999 notification, the Commission did object that the joint selling arrangement violated those competition provisions. As a result, UEFA revised the arrangement, and submitted the revised version to the Commission in 2002. That led to meetings and further revisions, and finally to the Commission's "preliminary approval" - approval that was subject to comments from "interested third parties." Those comments resulted in Commission requests for further revisions to the joint selling arrangement, most but not all of which were accepted by UEFA. The Commission finally approved the revised arrangement, subject to one condition which UEFA has accepted.

UEFA's joint selling arrangement is difficult to describe succinctly, because it covers several separate areas: television and radio broadcast rights, Internet rights, wireless rights, homevideo rights, sponsorship rights, "suppliership" rights (like the right to supply technical services to broadcasters in return for on-screen credit), and trademark and logo usage rights. What can be said, however - and the Commission did - is that "The joint selling arrangement restricts competition among the football clubs in the sense that it has the effect of co-ordinating the pricing policy and all other trading conditions on behalf of all individual football clubs producing the UEFA Champions League content."

This restriction on competition was legally significant, because the EC Treaty and EEA Agreement both prohibit agreements that “may affect trade” between members and “which have as their . . . effect the . . . restriction . . . of competition. . . .” On the other hand, the EC Treaty and EEA Agreement also permit the Commission to declare trade-restraining agreements exempt from this prohibition, if they: (1) “contribute to improving the production or distribution of goods or to promoting technical or economic progress”; (2) “while allowing consumers a fair share of the resulting benefit”; and (3) “do not impose . . . restrictions which are not indispensable to the attainment of these objectives”; nor (4) “afford . . . the possibility of eliminating competition in respect of a substantial part of the products in question.”

The Commission did a detailed evaluation of UEFA’s joint selling arrangement under each of these four criteria for exemption. It concluded that: (1) "UEFA's joint selling arrangement leads to the improvement of production and distribution by creating a quality branded league focused product sold via a single point of sale"; (2) "consumers receive a real fair share of the benefits deriving from it"; (3) with one exception, "the restrictions inherent in UEFA's joint selling arrangement are indispensable for achieving these benefits"; and (4) "the joint selling of the media rights to the UEFA Champions League by UEFA is unlikely to eliminate competition in respect of a substantial part of the media rights in question."

The one exception was a provision of the joint selling arrangement that prohibited individual football clubs from selling live television rights to free-TV broadcasters, even if UEFA had not sold pay-TV rights to certain games. The Commission concluded that this restriction was not necessary, and thus it granted UEFA the exemption it sought, "subject to compliance with the condition that the restriction prohibiting football clubs from selling live TV rights to free-TV broadcasters shall not apply where there is no reasonable offer from any pay-TV broadcaster."

Joint selling of the commercial rights of the UEFA Champions League, European Commission Decision COMP/C.2-37.398 (July 2003), available at http://europa.eu.int/comm/competition/antitrust/cases/decisions/37398/en.pdf [ELR 25:7:10]

IN THE NEWS

Beastie Boys' recording "Pass the Mic," which included licensed sample from James W. Newton's recording of his composition "Choir," did not infringe copyright to the composition itself, even though composition was not licensed, Court of Appeals agrees, because Beastie Boys used only a de minimis portion of composition

The Beastie Boys' recording of "Pass the Mic" does not infringe the copyright to James W. Newton's musical composition "Choir," a Court of Appeals has agreed, because the portion of "Choir" used by the Beastie Boys was merely de minimis.

Newton is a composer as well as an accomplished jazz flutist, and back in 1981, he licensed ECM Records to release his own recording of his composition "Choir." He also authorized ECM to license others to release his recording, though Newton retained his copyright in the composition itself.

The Beastie Boys' "Pass the Mic" used a sample of the "Choir" recording, pursuant to a license issued by ECM, so the sample did not infringe the recording's copyright. For some reason, however, the Beastie Boys did not obtain a mechanical license from Newton for the use of his composition.

Thus Newton sued the Beastie Boys (as well as their record company and others), alleging "Pass the Mic" infringed the copyright to his composition.

Federal District Judge Nora Manella disagreed, however. She granted the Beastie Boys' motion for summary judgment, on two grounds. She ruled that the six-second three-note segment of the composition used in "Pass the Mic" was not sufficiently original to be protected by copyright. She also held that even if the segment were protected, the Beastie Boys' use of it was de minimis and not infringing for that reason. (ELR 24:5:7)

Writing for a 2-1 majority of the Court of Appeals, Judge Mary Schroeder affirmed the dismissal of Newton's lawsuit. She did so, however, solely on the grounds that the Beastie Boys' use of "Choir" was de minimis.

Judge Schroeder observed that in order for "Pass the Mic" to be an infringement, it would have to be "substantially similar" to the "Choir" composition. "[T]rivial copying does not constitute actionable infringement . . . ," she said. "This principle reflects the legal maxim, de minimis non curat lex (often rendered as, 'the law does not concern itself with trifles.')"

Judge Schroeder acknowledged that "a use is de minimis only if the average audience would not recognize the appropriation." But, she concluded, after elements of Newton's recorded performance were "filtered out" - because those were licensed to the Beastie Boys - "an average audience would not discern Newton's hand as a composer. . . ."

This meant that the Beastie Boys' use of the composition was de minimis and not infringing, so Judge Schroeder concluded that summary judgment in favor of the Beastie Boys had been "appropriate."

Judge Susan Graber dissented. She thought that even after Newton's performance was "filtered out," "the composition, standing alone, is distinctive enough for a jury reasonably to conclude that an average audience would recognize the appropriation of the sampled segment," and thus the Beastie Boys' use was not de minimis. Judge Graber reached this conclusion, because the composition itself contained a notation describing how the sampled portion should be performed. She therefore said that Newton was entitled to a jury trial on the question of whether an audience would recognize his composition if it were performed - in the manner described by the composition itself - by any flautist, even "the featured flautist of a middle school orchestra."

Newton was represented by Alan Korn in Berkeley. The Beastie Boys and their co-defendants were represented by Adam F. Streisand of Loeb & Loeb in Los Angeles, and Barry E. Mallen of Manatt Phelps & Phillips in Los Angeles.

Newton v. Diamond, No. 02-55983 (9th Cir. 2003), available at www.ca9.uscourts.gov/ca9/newopinions.nsf/38D1DF2306D7CD8C88256DD4005CF20B/$file/0255983.pdf?openelement [ELR 25:7:12]

Preliminary injunction barring distribution of Elvis Presley video documentary is affirmed; in 2-to-1 opinion, Court of Appeals upholds trial court's conclusion that unlicensed use of copyrighted television clips, photos and music was not a "fair use"

The Definitive Elvis is a 16-hour video documentary about the life of Elvis Presley. It was produced and distributed by Passport Entertainment (and its corporate affiliates). And it apparently lived up to its title. A review in USA Today said it was "an all-encompassing, in-depth look at the life and career of a man whose popularity is unrivaled. . . ."

It wasn't, however, authorized by the owners of the copyrights to materials that constituted "at least 5% to 10%" of the video's content. As touted by its packaging, The Definitive Elvis contained clips from television programs on which Elvis had appeared, including the Steve Allen and Ed Sullivan shows. It contained music written by Jerry Lieber and Mike Stoller. And it contained photos taken by Alfred Wertheimer.

The owners of the copyrights to all of these works "are in the business of licensing their copyrights." But Passport didn't get licenses from them. Instead, Passport relied on the "fair use" doctrine - without success. In response to an infringement lawsuit filed by Elvis Presley Enterprises and other copyright owners, federal District Judge Ronald Lew issued a preliminary injunction barring Passport's continued distribution of The Definitive Elvis. And now, in a split decision, that injunction has been upheld on appeal.

Writing for a majority of the Court of Appeals, Judge Richard Tallman methodically reviewed Judge

Lew's application of the Copyright Act's four-factor fair use test, and found no errors in the way it was applied.

Judge Tallman concluded that it was not clearly erroneous for Judge Lew to conclude that the purpose of Passport's use was commercial. It was apparent from the video's packaging that "Passport is not advertising a scholarly critique or historical analysis," Judge Tallman said, "but instead seeks to profit at least in part from the inherent entertainment value of Elvis' [television] appearances. . . ." Moreover, even Passport failed to offer a non-commercial justification for its use of the unlicensed photos and music. This counted against Passport's fair use defense.

Judge Tallman concluded that Judge Lew had not abused his discretion in concluding that the photos and music were creative in nature, and though the television clips were a "close call," this factor counted against Passport's fair use defense as well.

Likewise, Judge Tallman concluded that Judge Lew had not abused his discretion in finding that Passport had used substantial portions of the unlicensed materials. Though some clips were short, others were not; and in many cases, the clips were "the heart" of the shows from which they had been copied. The "most familiar passages" of the music were used. And entire photos were often used. Thus this factor too counted against Passport's fair use defense.

Finally, Judge Tallman concluded that Judge Lew had not been clearly erroneous in deciding that The Definitive Elvis affected the potential market for the copyrights to the unlicensed materials it contained.

Judge John Noonan dissented. He agreed with Judge Tallman that "The King is dead but his legacy remains very much alive." And that is about all the two agreed upon. Indeed, in unusually blunt language, Judge Noonan asserted that Judge Lew "has misstated critical facts and has misstated the governing law."

Among the facts emphasized by Judge Noonan in his dissent was the fact that The Definitive Elvis contained voice-overs that accompanied some of the unlicensed materials. In Judge Noonan's opinion, the voice-overs were "transformative."

Moreover, Judge Noonan took Judges Lew and Tallman to task for failing to take into account the "public interest" in having continued access to The Definitive Elvis. Citing a law review article by Professors Mark Lemley and Eugene Volokh, Judge Noonan said that the failure to consider the public interest, and the possibility that money damages may have been an adequate remedy, raised First Amendment issues.

For these reasons, Judge Noonan would have reversed the preliminary injunction.

Elvis Presley Enterprises and its co-plaintiffs were represented by George R. Hedges and Kristen Bird of Quinn Emanuel Urquhart Oliver & Hedges in Los Angeles. Passport Entertainment was represented by Michael R. Blaha in Santa Monica.

Elvis Presley Enterprises v. Passport Video, No. 02-57011 (9th Cir., Nov. 6, 2003), available at http://www.ca9.uscourts.gov/ca9/newopinions.nsf/A419A63973E4E91788256DD50079411E/$file/0257011.pdf?openelement [ELR 25:7:13]

RECENT CASES

Matchmaker.com's victory in suit filed by actress Chase Masterson is affirmed; Court of Appeals rules that Communications Decency Act immunizes Matchmaker from liability for bogus profile posted by someone else

A federal Court of Appeals said the lawsuit filed by actress Chase Masterson against Matchmaker.com involved "cruel and sadistic identity theft" with "serious and utterly deplorable consequences." Nevertheless, in an opinion by Judge Sidney Thomas, the appellate court affirmed the dismissal of Masterson's privacy, defamation and misappropriation lawsuit against the operator of a website for people who want to meet others.

Matchmaker "members" post profiles of

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

Matchmaker responded to Masterson's lawsuit with a motion for summary judgment. Federal District Judge Dickran Tevrizian rejected Matchmaker's argument that the Communications Decency Act gave it immunity. But he agreed with Matchmaker that it wasn't liable to the actress, for various reasons related to the merits of her claims. (ELR 24:6:14)

On appeal, Judge Thomas never reached the merits of Masterson's claims. (In fact, in a footnote, Judge Thomas emphasized that “nothing in [his opinion] should be construed as approving or disapproving” of Judge Tevrizian’s “rationale.”) Instead, Judge Thomas affirmed Matchmaker’s victory on the grounds that the Communications Decency Act does provide it with immunity, just as Matchmaker originally argued.

One section of the Communications Decency Act makes computer service providers immune from liability for information provided by others. That much of the law helped Matchmaker, because it is a computer service provider. However, another section of the Act takes away that immunity if the service provider also provides “information content” itself. Judge Tevrizian had concluded that Matchmaker is an “information content provider,” because the profiles posted by its members respond to more than five dozen questions written by Matchmaker, so Matchmaker was not entitled to immunity.

The Court of Appeals disagreed with that conclusion. Judge Thomas reasoned that although "some of the content was formulated in response to Matchmaker's questionnaire . . . the selection of the content was left exclusively to the user. . . . Matchmaker cannot be considered an 'information content provider' under the statute because no profile has any content until a user actively creates it." What's more, Judge Thomas found, "none of [the most offensive information posted] bore more than a tenuous relationship to the actual questions asked."

Judge Thomas also noted that even if Matchmaker could be considered an information content provider, another provision of the Act says that computer service providers are not liable for "any information provided by another information content provider." In this case, the offending information was provided by someone other than Matchmaker, so the "statute would still bar [Masterson's] claims. . . ."

Masterson was represented by Stephen F. Rohde and Mechele M. Berencsi of Rohde & Victoroff in Los Angeles. Matchmaker.com was represented by Timothy L. Alger of Quinn Emanuel Urquhart Oliver & Hedges in Los Angeles.

Carafano v. Metrosplash.com, Inc., 339 F.3d 1119, 2003 U.S.App.LEXIS 16548 (9th Cir. 2003) [ELR 25:7:14]

John Fogerty and concert promoters are not liable for hearing loss suffered by attendee of Fogerty concert

Live music concerts are loud - often very loud. According to a 51-year-old lawyer named Jeffrey

Powell, John Fogerty's 1997 concert in Hammerstein Ballroom in New York City was so loud that it permanently damaged the hearing in Powell's left ear. Powell attended that concert and found the noise level "intolerable." He did not, however, leave the concert and demand a refund for his ticket. He stayed, suffered injury, and then sued.

Powell's lawsuit hasn't gotten far, however. In fact, New York Supreme Court Judge Martin Schoenfeld has dismissed it, with a pithy opinion that quotes Fogerty lyrics and comments on the relative loudness of various performers.

"Although not necessary" to his decision, Judge Schoenfeld noted that Fogerty "has never been thought of as particularly loud, in contrast to, say, such 1960s groups as The Who, Led Zeppelin, and the Rolling Stones, or their presumably even louder 1970s progeny, such as Black Sabbath, Kiss or Aerosmith." Even

Powell acknowledged that he didn't consider Fogerty to be a "loud artist," unlike the Grateful Dead and the Rolling Stones who Powell did consider "loud."

However, Powell didn't lose his case because Fogerty isn't as loud as others. Judge Schoenfeld dismissed it, in response to a summary judgment motion filed by the performer and his co-defendants, because "there is no standard of care by which a jury could determine . . . that [they] breached a duty owned to [Powell]."

The judge also ruled that Powell had assumed the risk of injury to his hearing, and his claim was barred for that reason too. Judge Schoenfeld explained: "That 'loud music' can cause hearing impairment is 'perfectly obvious' and 'commonly appreciated.'"

Finally, the judge noted that "Loud Rock & Roll concerts . . . have been a ubiquitous fixture on the American landscape for decades now. Tens, if not hundreds, of millions of people have had their senses . . . assaulted at such events." As a result, the judge reasoned, if "excessive" noise were actionable, "one would expect a long list of cases in which claims . . . were sustained." Instead, the judge found only one such case, and even it was distinguishable from Powell's. "Surely this dramatic absence of litigation, in what is perceived to be such a litigious nation, speaks volumes to the fact that the principle applicable to the social compact governing the volume at Rock & Roll concerts is caveat emptor," Judge Schoenfeld said.

The judge concluded that "Litigation by an 'eggshell ear' plaintiff is not an appropriate means to impose an unlegislated noise code upon performers who want to perform a certain way, and their legions of screaming fans, who want them to do just that."

Powell was represented by Gary A. Lichtman of Queller Fisher Dienst Serrins Washor & Kool. Fogerty was represented by Richard Brownell of Clausen Miller. Metropolitan Entertainment Co. was represented by Allison A. Snyder of Ohrenstein & Brown. ShowCo., Inc., was represented by Jeremy Gittler of Wilson Elser Moskowitz Edelman & Dicker.

Powell v. Metropolitan Entertainment Co., Inc., 762 N.Y.S.2d 782, 2003 N.Y.Misc.LEXIS 628 (2003) [ELR 25:7:14]

Los Angeles News Service was entitled to recover infringers' "profits," but not its own "damages," from unauthorized broadcast in Europe and Africa of its copyrighted videotapes of L.A. riots, federal appeals court rules

More than a decade ago, riots in Los Angeles spawned - among other things - an important copyright infringement case. It was a case filed by Los Angeles News Service, an independent news gathering company that makes its living licensing its videotapes to television stations and others, against a television news distributor named Visnews International.

During the 1992 riots, L.A. News Service shot videotape of the beatings of Reginald Denny and a man in a white panel truck, and it licensed those tapes to television stations and NBC. As a result of what appears to have been an administrative mistake, NBC authorized Visnews - a joint venture between Reuters Television and the BBC - to provide the videos to Visnews' subscribers in Europe and Africa which then broadcast them to their own viewers there.

L.A. News Service sued Visnews in federal court in Los Angeles, and won on the merits. What made the case important, though, was not the question of liability. It was the question of remedy. L.A. News

Service was awarded statutory damages of $60,000 for infringements that occurred in the United States. L.A. News Service also sought an award of additional money, based on the unlicensed broadcasts that took place in Europe and Africa.

That's what made the case significant, because as a general rule, U.S. copyright law doesn't apply to infringements abroad, and U.S. courts do not have jurisdiction to hear cases alleging infringement abroad. The question of whether this case was controlled by that general rule went to the Ninth Circuit Court of Appeals, and in 1998, that court held that L.A. News Service could recover "damages" for infringements that occurred in Europe and Africa (ELR 20:7:14).

The Ninth Circuit so ruled in 1998, because this case involved a unique fact: the videotapes Visnews had used to transmit L.A. News Service's copyrighted works were tapes that were reproduced in the United

States, without authorization, and thus Visnews' tapes were themselves infringements under U.S. law. There is a second general rule that says that if infringements are committed abroad as a result of an infringement that occurs in the United States, "damages" for the foreign infringement may be recovered in a lawsuit in U.S. courts.

L.A. News Service's case was returned to the District Court on the foreign damages issue, where things did not go well for it. The District Court found that Visnews had not earned any profits from the European and African broadcasts, and the court refused to allow L.A. News Service to prove its "actual damages" from those broadcasts. Believing that the Court of Appeals had specifically held, in 1998, that it was entitled to recover its actual damages from the foreign broadcasts, L.A. News Service appealed again. This time, though, it was not successful.

In an opinion by Judge Diarmuid O'Scannlain, the Court of Appeals held that in 1998, when it said that L.A. News Service could recover its damages, "we did not use the term 'damages' in that formal sense." Rather, Judge O'Scannlain said, it used the word "damages" to mean "only . . . the infringer's profits. . . ."

Judge O'Scannlain explained that earlier precedents had allowed recovery for foreign infringements, if they were the result of infringements in the U.S., on a "constructive trust" theory. That is, the proceeds from foreign infringements were said to be held by the infringer in constructive trust for the copyright owner, when those proceeds were earned by the exploitation of infringing copies made in the U.S. The "constructive trust" theory does not support an award based on the copyright owner's damages, Judge Scannlain reasoned, because the infringer doesn't hold those damages, even in theory, and so can't hold them in "trust."

Since Visnews didn't earn any profits from the European and African broadcasts, this meant that L.A. News Service has lost the important part of the case.

Judge Barry Silverman dissented. He focused on the language of the court's 1998 opinion, and noted that it specifically said that L.A. News Service could recover its "actual damages."

L.A. News Service was represented by George T. Caplan of Kaye Scholer in Los Angeles. Visnews was represented by Robert C. Vanderet of O'Melveny & Myers in Los Angeles.

Los Angeles News Service v. Reuters Television International, 340 F.3d 926, 2003 U.S.App.LEXIS 17177 (9th Cir. 2003) [ELR 25:7:15]

Sharman Network's antitrust and copyright misuse counterclaims are dismissed from movie studios and record companies' copyright lawsuit complaining about Kazaa software and website

Movie studios and record companies have sued Sharman Networks, the distributor of the P2P Kazaa software and the operator of the Kazaa website. Their claims - like similar claims against Grokster and Morpheus in the same case - allege that Kazaa is liable for contributory and vicarious copyright infringement, on account of the use of Kazaa to distribute movies and recordings without copyright-owner authorization.

Sharman is organized under the laws of the island-nation of Vanuatu and is operated out of Australia. It has no offices in the United States, and thus early in the case, it filed a motion to dismiss on the grounds that the court did not have personal jurisdiction over it. Judge Stephen Wilson denied that motion, however (ELR 24:11:4).

In response, Sharman decided that its best defense would be a strong offense, so it filed counterclaims against the studios and record companies. Those counterclaims alleged that the studios and record companies violated federal and state antitrust law and misused their copyrights. To the studios and record companies, Sharman's counterclaims looked like an effort to stage a side show, and they responded with a motion to dismiss. Judge Wilson has granted that motion.

Sharman's antitrust counterclaim alleged that the studios and record companies refused to license their copyrighted works for digital distribution, and that Sharman has been injured as a result. However, Judge Wilson noted that Sharman itself never sought copyright licenses to distribute movies or recordings.

Instead, Sharman entered into a "partnership" with a company known as "Altnet" which does license copyrighted works. Altnet then protects those works with digital rights management technology, and distributes them online through Kazaa. Sharman receives fees from Altnet when Kazaa users pay fees to Altnet to unlock the DRM-protected files Altnet sells.

Sharman's complaint was that the studios and record companies had refused to grant licenses to Altnet, and Sharman was injured as a result. Judge Wilson acknowledged that Sharman alleged an injury of its own; but he held that Sharman's alleged injury was merely "incidental, and not integral, to the alleged anticompetitive scheme." This meant, the judge concluded, that Sharman doesn't have standing to assert the alleged antitrust violation. (Altnet is not a party to the lawsuit.)

Sharman's copyright misuse counterclaim was factually similar to its antitrust counterclaim. That is, Sharman alleged that because the studios and record companies refused to license Altnet, Kazaa users only "see unlicensed versions" of movies and recordings. According to Sharman, the studios and record companies misused their copyrights because they "unreasonably failed to cooperate with Sharman to combat unlawful filesharing and staunch the very infringement that forms the basis of [their] underlying suit."

Judge Wilson did not explore the factual underpinnings of Sharman's copyright misuse counterclaim, nor even its legal merits. Rather, he noted that Sharman also had asserted copyright misuse as an affirmative defense. As a result, the judge said that he "will reach all aspects of that issue if necessary," and that "Separately litigating that defense in a declaratory relief posture would not serve the purposes of declaratory relief. . . .”

Sharman also asserted a counterclaim under California’s unfair competition law, a statute that has a “broad sweep.” Judge Wilson did not rule on the studio and record companies’ motion to dismiss that claim, because it was “scarcely addressed” in the parties’ briefs. Instead, the judge asked for further briefing on that issue.

The studios and record companies were represented by Richard H. Cooper of Williams & Connolly in Washington D.C., Matthew J. Oppenheim of the RIAA in Washington D.C., Gregory Paul Goeckner of the MPAA in Encino, and Jan B. Norman in Encino. Sharman Networks was represented by Michael H. Page of Keker & Van Nest in San Francisco, and Jennifer Stisa Granick of Stanford Law School.

Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 269 F.Supp.2d 1213, 2003 U.S.Dist.LEXIS 11329 (C.D.Cal. 2003) [ELR 25:7:16]

Federal Court of Appeals asks Florida Supreme Court to decide whether Florida right of publicity statute applies to movie "The Perfect Storm"; but summary judgment dismissing right of privacy claims of ship captain's family is affirmed

"The Perfect Storm" case is not over, quite yet. When the case last appeared in these pages, federal District Judge Anne Conway had just dismissed a lawsuit filed against Warner Bros. by survivors of deceased members of the crew of the fishing vessel "Andrea Gail." The lawsuit had asserted right of publicity claims under a Florida commercial appropriation statute, and invasion of privacy claims under Florida common law (ELR 24:5:8).

Judge Conway held that the Florida statute applies only to "commercial purposes," and that the use of the crew members' names in the movie was not a "commercial purpose." The judge also rejected the survivors' right of privacy claims. Though Judge Conway's opinion seemed sound and consistent with earlier rulings in similar cases, the survivors appealed, with some success.

The survivors argued that the Florida commercial appropriation statute does apply to fictionalized movies. It was an argument based on a careful parsing of the wording of the statute itself. And it convinced the Court of Appeals there is "doubt" about whether the statute applies or not.

As a result, the Court of Appeals has certified to the Florida Supreme Court the question of whether the statute applies "to the facts of this case."

The Court of Appeals was not in doubt about the survivors' right of privacy claim, however. On that issue it affirmed Warner Bros.' victory.

As a general rule, the right of privacy dies with the person whose privacy is allegedly invaded. Florida, however, does recognize one narrow exception to that general rule: if the treatment of a decedent is "egregious," the state recognizes a "relational right of privacy" in favor of the decedent's immediate family. Minor inaccuracies, "or even major ones," are not sufficient. And the Court of Appeals determined that the movie's portrayal of the ship captain Billy Tyne, "while perhaps not entirely ingenuous, falls considerably short of this ['egregious'] standard."

The survivors were represented by Steven J. Calvacca in Orlando, W. Edward McLeod in Winter Park, and Jon L. Mills in Gainesville. Warner Bros. and its co-defendants were represented by Robert C. Vanderet of O'Melveny & Myers in Los Angeles, and Gregg D. Thomas of Holland & Knight in Tampa.

Editor's note: The forthcoming decision of the Florida Supreme Court will not necessarily end this case, not even if it rules that the Florida statute does apply. Judge Conway held that even if the statute applies by its own terms, the movie is protected by the First Amendment, and thus no liability could be assessed against Warner Bros. for that reason too. Thus, even if the Florida Supreme Court holds that the statute applies, the Court of Appeals still will have to rule on the First Amendment issue. And on that issue, Judge Conway's decision seems correct too.

Tyne v. Time Warner Entertainment Co., 336 F.3d 1286, 2003 U.S.App.LEXIS 13813 (11th Cir. 2003) [ELR 25:7:17]

Sweepstakes Clearinghouse is entitled to trial in defamation suit against Paramount Pictures, because "Hard Copy" producer mistakenly thought that "Sweepstakes Clearing House" was fictional name and used it in segment about sweepstakes "scams," Texas Court of Appeals decides

Back in 1996, the television program "Hard Copy" aired a valuable segment about sweepstakes scams, alerting viewers to techniques used by con artists to steal money from unsuspecting victims. For its trouble, Paramount Pictures - the company that makes and distributes "Hard Copy" - has been sued for defamation by Allied Marketing Group, Inc. Early in the case, a Texas state trial court granted Paramount's motion for summary judgment. But that ruling has now been reversed by the Texas Court of Appeals, so Paramount will have to stand trial after all.

Allied Marketing has been using the name "Sweepstakes Clearinghouse" since 1984 in connection with its direct mail offer business - a business that includes sweepstakes contests. Unfortunately, the producers of the "Hard Copy" segment about sweepstakes scams had never heard of Allied's "Sweepstakes Clearinghouse." And when they taped the segment, they used what they thought was the fictional name "Sweepstakes Clearing House" to illustrate how sweepstakes-related scams are done.

In an opinion by Chief Justice William Arnot, the Court of Appeals held that "Hard Copy" viewers "could have reasonably understood" that the segment referred to Sweepstakes Clearinghouse. Justice Arnot rejected Paramount's argument that the "Hard Copy" segment was "an obvious work of fiction" so "no viewer could have reasonably understood that it referred to Sweepstakes Clearinghouse." In fact, one

"Hard Copy" viewer - who had received a letter from Sweepstakes Clearinghouse just the day before - actually thought the segment was about Allied's "Sweepstakes Clearinghouse," and he reported the company to the police.

Paramount also argued that even if the segment could be understood to be "of and concerning" Sweepstakes Clearinghouse, the segment was not defamatory. This was so, Paramount said, because the segment "only commented about con-men 'who adopt the trappings of legitimate sweepstakes companies as a means of perpetuating fraud."

Indeed, the segment did say that "the con-artist outfits a van to look like the prize van everyone sees on the TV commercials for those legitimate sweepstakes." But the van shown in the segment, to illustrate "legitimate sweepstakes," was a Publishers Clearing House van, not a Sweepstakes Clearinghouse van.

Moreover, the segment did not identify Sweepstakes Clearinghouse as a "legitimate sweepstakes," Justice Arnot observed.

"Statements that would ordinarily tend to injure a plaintiff's business reputation, resulting in financial injury, are defamatory," the justice said. And the "Hard Copy" segment about scams could cause Sweepstakes Clearinghouse to suffer those injuries.

Allied Marketing was represented by S.A. Khoshbin of Butrus Khoshbin Wilson Vogt in Dallas. Paramount Pictures was represented by Rex Heinke of Akin Gump Strauss Hauer & Feld in Los Angeles, and Dan Davison of Fulbright & Jaworski in Dallas.

Allied Marketing Group v. Paramount Pictures Corp., 111 S.W.3d 168, 2003 Tex.App.LEXIS 2441 (Tex.App. 2003) [ELR 25:7:17]

AFLAC fails in bid to enjoin use of quacking duck in commercial for Ohio gubernatorial candidate, because offending duck was not substantially similar to AFLAC duck or likely to cause consumer confusion, and because First Amendment barred dilution claims

Bob Taft was reelected Governor of Ohio last year, despite the best campaign efforts of his opponent, Tim Hagan. Among those efforts was a series of four quite clever commercials that were displayed on Hagan's website. The commercials featured "a crudely animated character made up of Governor Taft's head sitting on the body of a white cartoon duck . . . [that] quacks 'TaftQuack' several times during each commercial," in a sound that is "highly reminiscent" and even "acutely similar" to the sound of the duck that is featured in AFLAC's supplemental insurance television commercials.

Imitation is the sincerest form of flattery, but AFLAC wasn't flattered. The insurance company's commercials are protected by copyright. And it has federally registered trademarks for both the duck and "the sound of a duck quacking the word 'AFLAC,'" as well. So to express its displeasure, AFLAC sued Hagan for copyright and trademark infringement, and for trademark dilution. It quickly sought a preliminary injunction that would have barred Hagan from continuing to use his commercials. But it did so without success.

Federal District Judge Kathleen O'Malley denied AFLAC's request for an injunction (in an opinion issued in October 2002 but not published until recently).

In response to AFLAC's copyright infringement claim, Judge O'Malley found that the AFLAC and

Hagan ducks were not substantially similar in appearance or behavior. In response to AFLAC's trademark infringement claim, the judge found that the differences between the two ducks meant there was no likelihood the public would believe that Hagan was "affiliated with, connected with, or sponsored by" AFLAC. While the two ducks' voices were similar, Judge O'Malley noted that whenever Hagan's duck quacked, a cartoon speech balloon appeared containing the word "TaftQuack," thus making it clear to viewers that Hagan's duck was not saying "AFLAC" and was not the AFLAC duck.

AFLAC's dilution claims (under both federal and state law) fared no better, though they did present a somewhat stronger case for the insurance company. Indeed, Judge O'Malley agreed with AFLAC that it satisfied most of the elements for a successful dilution claim. AFLAC's duck is a famous mark. Hagan adopted the mark after AFLAC's duck became famous. And Hagan's use did dilute the distinctiveness of AFLAC's duck. The judge even found that in some sense, Hagan's use of the duck may have been commercial, in part because his website solicited campaign contributions.

However, Judge O'Malley ultimately determined that Hagan's commercials were political speech, and that they used the duck in a political way by accusing Taft of being a "quack" and of "ducking" the issues. For that reason, the judge concluded that Hagan's commercials were protected against AFLAC's dilution claims by the First Amendment.

AFLAC was represented by Christopher B. Fagan of Fay Sharpe Fagan Minnich & McKee in Cleveland and John D. Haynes of Alston & Bird in Atlanta. Hagan was represented by Richard M. Knoth of Bricker & Eckler in Cleveland and David R.

Posteraro of Arter & Hadden in Cleveland.

American Family Life Insurance Co. v. Hagan, 266 F.Supp.2d 682, 2002 U.S.Dist.LEXIS 23908 (N.D.Ohio 2002) [ELR 25:7:18]

Gennifer Flowers' defamation and false light claims against Hillary Clinton, and conspiracy claims against Little Brown, are dismissed; but court refuses to dismiss Flowers' other claims against Little Brown, James Carville and George Stephanopoulos, complaining about statements they made in published books and on television

Some day, Gennifer Flowers' four-year-old lawsuit against James Carville, Hillary Clinton, George Stephanopoulos and Little, Brown & Company may go to trial. But so far, the case has gotten little beyond the pleading stage, because its first four years have been consumed with argument over whether her complaint alleges valid claims.

Political buffs may recall that during the 1992 presidential campaign, the Star published an article reporting that Flowers and then-candidate Bill Clinton had an affair while he was governor of Arkansas. At first, Flowers denied the allegation; but a few days later, she sold her story to the Star and recanted her denial. Clinton and his wife Hillary responded on 60 Minutes by denying the story. And that prompted Flowers to hold a press conference in which she played recordings of old phone calls with Clinton - recordings she had secretly made. James Carville and George Stephanopoulos came to Clinton's defense in television interviews and in books that each of them wrote. Those statements caused Flowers to sue them for defamation and false light invasion of privacy. Flowers sued Hillary Clinton too.

Early in the case, federal District Judge Philip Pro concluded that Flowers' complaint did not allege valid claims, and he dismissed it (ELR 22:9:20). However, that ruling was reversed in part by the Court of Appeals (ELR 24:10:13). As a result, the case returned to Judge Pro's courtroom, where Flowers filed an amended complaint, the validity of whose allegations has been challenged once again.

This time, some of Flowers' allegations - but only some - have survived.

Judge Pro has ruled that Flowers has sufficiently pled the required elements of a civil conspiracy among Carville, Stephanopoulos and Hillary Clinton to defame Flowers. "Whether Flowers will be able to prevail on these allegations cannot be determined on Defendants' motion to Dismiss," the judge said. But his ruling means that she gets to try. She gets to try, that is, against Carville, Stephanopoulos and Clinton. Though Little Brown was the publisher of Stephanopoulos' allegedly defamatory book, All Too Human: A Political Education, Flowers' complaint did not allege that Little Brown played any part in the conspiracy, so Judge Pro dismissed the conspiracy claim against it.

The judge also dismissed Flowers' defamation and false light claims against Clinton. He did so, because the complaint does not allege that Clinton made any statements about Flowers at all, let alone statements that defamed or put her in a false light.

Little Brown on the other hand was not able to escape Flowers' defamation and false light claims. The complaint alleges that it published Stephanopoulos' book knowing that it contained false statements about Flowers. And if she is able to prove that is so, Little Brown could be liable for having done so.

Flowers was represented by John Lukens of Bell Lukens Marshall & Kent in Las Vegas, and Larry Klayman of Judicial Watch in Washington D.C. Little Brown and Stephanopoulos were represented by Andrew Gordon of McDonald Carano Wilson in Las Vegas, and Laura Handman of Davis Wright Tremaine in Washington D.C. Carville was represented by Paul Hejmanowski of Lionel Sawyer & Collins in Las Vegas, and Jo Marsh of McDaniel & Marsh in Baltimore. Clinton was represented by Walter Cannon of Rawlings Olson Cannon Gormley & Desruisseaux in Las Vegas, and David Kendall of Williams & Connolly in Washington D.C.

Flowers v. Carville, 266 F.Supp.2d 1245, 2003 U.S.Dist.LEXIS 13263 (D.Nev. 2003) [ELR 25:7:19]

Disappointing ratings for morning radio program were legitimate "business reasons" for station's termination of employment contracts of program hosts Mason and Sheehan, New York appellate court decides in opinion dismissing breach of contract and age discrimination claims

Radio personalities Mason and Sheehan have lost their breach of contract and age discrimination lawsuit against the owner of a station for which they had hosted a morning program for less than a year. In an opinion by Justice Thomas Mercure, the Appellate Division of the New York Supreme Court held that the program's failure to achieve expected ratings was a "legitimate business reason" for the station's termination of Mason and Sheehan's contracts.

This ruling was not based on general principles of New York contract law. It was, instead, based on a specific provision of the employment contracts Mason and Sheehan had signed with the station's owner, Radio Enterprises, Inc. That provision authorized Radio Enterprises to terminate Mason and Sheehan's employment "for business reasons at any time. . . ."

Their contracts also provided that if Mason and Sheehan were terminated, they were entitled to the remainder of their salaries for a year plus an additional year's salary as severance pay. Radio Enterprises did in fact pay Mason $192,400 and Sheehan $93,600 pursuant to that provision, so they didn't leave the station completely empty-handed.

Nevertheless, Mason and Sheehan argued that before they had signed their contracts, they were told the station would be satisfied if their show achieved a 2.5 Arbitron rating; and it did. Justice Mercure ruled that this "unsubstantiated claim" was "insufficient to create a triable issue of fact concerning [Radio

Enterprises'] motive for terminating the contract."

Justice Mercure also ruled that the show's disappointing ratings adequately rebutted any presumption that Mason and Sheehan had been terminated as a result of age discrimination. This shifted the burden back to them to show that poor ratings were merely a pretext for age discrimination.

They attempted to do so by offering evidence that a station executive said Mason and Sheehan were "old ego bound dogs [who] can't learn new tricks," and that "if" they were a "young new team" the executive's response would have been "to work and develop them." But Justice Mercure held that these "stray remarks" were "insufficient" to suggest that poor ratings were merely a pretext for discrimination.

Mason and Sheehan were represented by Michael J. Coyle in New York City. Radio Enterprises was represented by Michael J. Grygiel of McNamee

Lochner Titus & Williams in Albany.

Moon v. Clear Channel Communications, Inc., 763 N.Y.S.2d 157, 2003 N.Y.App.Div.LEXIS 8298 (App.Div. 2003) [ELR 25:7:20]

Artwork for Chevrolet Music Festival magazine ad was not substantially similar to works created by graphic artist Anja Kroencke, so federal District Court dismisses Kroencke's copyright infringement suit

Graphic artist Anja Kroencke declined an offer from Chevrolet's advertising company to create an illustration to promote the 2002 Chevrolet Music Festival. So she was surprised, and more than a little upset, when she saw the June 2002 issue of Essence.

There, on the magazine's back cover, was an ad for the Music Festival, featuring an illustration that she felt was substantially similar to artworks she had created.

Kroencke's own artworks had appeared the year before in an issue of Communication Arts. And as things turned out, Chevy's advertising company had given a copy of that magazine to the two illustrators it finally hired to create the Music Festival ad, in order to give them "an idea of the kind of work" the advertising company "had in mind."

All of this was proved in a copyright infringement lawsuit Kroencke filed against Chevrolet and its advertising company. But the lawsuit hasn't been successful for the artist. Judge Jed Rakoff has dismissed it, in response to a defense motion for summary judgment.

In a short and to-the-point opinion, Judge Rakoff concluded that Kroencke's artworks "differ so vastly from those of the Festival Illustration that no reasonable trier of fact could find . . . them to be substantially similar. . . .”

“Perhaps in recognition of the obvious dissimilarity,” Kroencke argued that her works “viewed in the aggregate” were substantially similar to the Festival ad. Judge Rakoff interpreted this argument to mean that the “total concept and feel” of her artworks should be compared to the ad. But he rejected the argument, saying that the law does not support “the view that . . . an aggregate portion of [an artist’s work], may be used as the point of comparison where the works included therein bear little or no relation to one another beyond ‘style.’“

The judge also rejected Kroencke’s argument that there were similarities between details in her artworks and details in the Festival ad. He found that “none of the details in the Festival Illustration that she alleges were copied from her works (hands, shoes, poses, eye-lashes, etc.) bear substantial ‘literal’ similarity to any of the details in any of her works.”

Kroencke was represented by Roger L. Zissu of Fross Zelnick Lehrman & Zissu in New York City. Chevrolet and its advertising company were represented by James F. Rittinger of Satterlee Stephens Burke & Burke in New York City.

Kroencke v. General Motors Corp., 270 F.Supp.2d 441, 2003 U.S.Dist.LEXIS 11820 (S.D.N.Y. 2003) [ELR 25:7:20]

EchoStar is ordered to stop broadcasting Daystar and FamilyNet programming, pending arbitration, in alleged violation of contract clause giving Dominion Video exclusive right to broadcast "Christian programming" from EchoStar satellite

Competition in the television business is fierce, even among networks that specialize in religious programming. This much has become clear as a result of a dispute between Dominion Video Satellite, Inc., and EchoStar Satellite Corp.

Dominion is the operator of a Christian religious network known as "Sky Angel." Its programming is transmitted to subscribers by a satellite owned by EchoStar which is the operator of the DISH Network.

Dominion is not the only Christian programming network. Daystar and FamilyNet are Christian networks too. In fact, the dispute between Dominion and

EchoStar was triggered by EchoStar's agreement to carry Daystar and FamilyNet programming on its satellite, along with Dominion's. This displeases Dominion, because it sells subscriptions to its own network; and if viewers can get Christian programming by watching Daystar and FamilyNet, they will be less likely to subscribe to Dominion.

There is a good - though not obvious - reason why Dominion has standing to complain about what is, after all, competition. Dominion and EchoStar have a contract with one another that contains a "mutual exclusivity" clause. It gives Dominion the exclusive right to broadcast Christian programming, and only Christian programming, on two of the satellite's channels; and it gives EchoStar the exclusive right to broadcast other types of programming, but only other types, on the satellite's other channels.

EchoStar claims that it has the right to carry

Daystar and FamilyNet programming, despite the mutual exclusivity clause in its contract with Dominion, for two reasons. EchoStar argues that FamilyNet broadcasts "family values" but not "Christian programming." And it argues that the exclusivity clause is preempted by an FCC rule that requires EchoStar to devote at least 4% of its channel capacity to educational or informational noncommercial programming.

In response to Dominion's motion for a preliminary injunction, federal District Judge John Kane agreed with Dominion that "EchoStar's position is disingenuous."

The judge found that FamilyNet's programming is in fact Christian, even though it includes programs about sports and other subjects. He noted that FamilyNet is owned by the North American Mission Board of the Southern Baptist Convention, and it advertises that it airs "Christian-religious television." The judge also found that FamilyNet's use "of eclectic information such as how well baseball teams are doing has but one purpose, and that is to bring the viewer to the program's ineluctable Christian-religious message."

Judge Kane was similarly unpersuaded by EchoStar's preemption argument. "EchoStar is whistling by the cemetery," he said, in arguing that if it cancelled Daystar and FamilyNet programming, it would be subject to FCC sanctions for not meeting the requirement that it devote 4% of its channels to noncommercial programming. The judge said that his review of the FCC regulation showed that satellite operators have discretion to choose between qualified providers of noncommercial programming. "EchoStar was in no way 'required' to choose the Christian-themed programmers it did," he said.

Judge Kane therefore issued a preliminary injunction barring EchoStar from carrying Daystar and FamilyNet programming. The parties' contract also contains an arbitration clause, so the judge ordered them to commence arbitration immediately.

Dominion was represented by Allan L. Hale of Hale Hackstaff Friesen in Denver. EchoStar was represented by Todd A. Jansen of Cockrell Quinn & Creighton in Denver.

Dominion Video Satellite, Inc. v. EchoStar Satellite Corp., 270 F.Supp.2d 1205, 2003 U.S.Dist.LEXIS 11732 (D.Colo. 2003) [ELR 25:7:21]

Program provider may proceed with breach of contract claim against EchoStar, complaining that EchoStar sold subscriptions to provider's programming after contract expired and failed to account for revenues

Telewizja Polska USA will be able to proceed with its breach of contract lawsuit against EchoStar after all, though it had to go the Court of Appeals to do so.

Telewizja produces Polish language radio and television programming. It provided that programming to EchoStar pursuant to a 1998 contract between the two companies - a contract that expired, by its own terms, three years later. Despite the contract's expiration, EchoStar continued to sell subscriptions to Telewizja's programming, but failed to account for those revenues, as the contract required.

According to EchoStar, it had a right to continue to sell subscriptions, even after the contract expired, because one clause of the contract required Telewizja to continue to provide its programming "under the terms and conditions outlined herein," for an additional 12 months.

A federal District Court agreed with EchoStar's interpretation of the contract, and it dismissed Telewizja's lawsuit. Telewizja, however, interpreted the contract differently, and a Court of Appeals has agreed with it.

In an opinion marked "Unpublished Order" and "Not to be cited," the Court of Appeals ruled that "The Term provision was intended to protect existing subscribers who had paid for service extending beyond the expiration of the three-year contractual period." The provision did not, however, authorize EchoStar to sell new subscriptions after the contractual period expired, it held.

EchoStar's argument that it had not breached its accounting obligations was based on deadlines set forth in the contract for Telewizja to demand an audit. EchoStar argued that Telewizja missed those deadlines, but the Court of Appeals disagreed. In any event, the appellate court added, "even absent [the auditing provision], EchoStar would be required to account for the subscriptions it sold and to share the profits." So Telewizja has a right to proceed with that claim as well.

Telewizja Polska USA v. EchoStar Satellite Corp., 69 Fed.Appx. 793, 2003 U.S.App.LEXIS 13624 (7th Cir. 2003) [ELR 25:7:21]

"Selective elimination" of elements of public domain design resulted in copyright-protected design, the "near-exact" copy of which was infringing, Court of Appeals holds

Carpet designs are not ordinarily thought of as being within the realm of "entertainment." But a recent decision of the Second Circuit Court of Appeals in a copyright infringement case involving carpet designs is so important that the case warrants attention in these pages.

The lawsuit was filed by a company known as Tufenkian Import/Export Ventures. The company's designer, James Tufenkian, scanned two public domain images into his computer, one of which was the design of an ornate Persian antique carpet. Tufenkian then combined and modified those images to create the design for a "Floral Heriz" carpet, in which he claimed a copyright.

Tufenkian's lawsuit was prompted by a former employee's creation of a similar carpet design, called the "Bromely 514," on behalf of a company known as Bashian Brothers that sold its Bromely in competition with Tufenkian's Heriz.

Bashian Brothers won the first round of the case when federal District Judge William Pauley granted its motion for summary judgment. Judge Pauley agreed with Tufenkian that its carpet and Bashian Brothers' were similar to one another. But he concluded that the similarities were due to public domain elements in Tufenkian's design that had been copied by Bashian Brothers. Judge Pauley also emphasized that there were differences between the two carpets that gave them a "different total concept and feel."

Bashian Brothers' victory was short-lived, however, because it was reversed on appeal. In an opinion by Judge Guido Calabresi, the Court of Appeals said bluntly about Judge Pauley's conclusion, "We disagree."

Judge Calabresi noted that in creating his Heriz design, Tufenkian did more than merely simplify the ornate design of the public domain Persian carpet. If Tufenkian had done only that, his design may not have been protected by copyright, Judge Calabresi acknowledged. Tufenkian did more, though. He "engaged in a selective and particularized culling" of elements of the public domain design, and Tufenkian's "non-mechanical adaptation of individually unprotected elements from the public domain is precisely the type of 'original selection' that the Supreme Court indicated was protectible expression . . . ," Judge Calabresi concluded.

What's more, Bashian Brothers' Bromley design "copied the original and 'particular' or 'same' selections embodied in the allegedly infringed upon work." Indeed, Judge Calabresi emphasized that the "number of [design elements] present (or absent) in the Bromley . . . which mirror those in the Heriz selected (or deleted) in an original way from the [Persian public domain carpet] is overwhelming. And the structural layout of these elements is essentially the same in both designs."

Judge Calabresi acknowledged that Bashian Brothers' Bromley contained an important design element that was not present in Tufenkian's Heriz - an element that contributed to District Judge Pauley's conclusion that the two designs were different in total concept and feel and therefore not substantially similar. However, Judge Calabresi said that regardless of the effect that element may have had on the overall feel of the two designs, it did not alter the fact that the rest of the Bromley was a "near-exact copy of the Heriz," and therefore infringing.

Tufenkian was represented by Robert W. Clarida of Cowan Liebowitz & Latman in New York City. Bashian Brothers and its co-defendants were represented by Lawrence D. Mandel of Mandel & Peslak in Freehold, New Jersey.

Tufenkian Import/Export Ventures v. Einstein Moomjy, Inc., 338 F.3d 127, 2003 U.S.App.LEXIS 15064 (2nd Cir. 2003) [ELR 25:7:22]

Photographer Tom Zito may not claim statutory damages or attorney's fees in copyright infringement suit alleging unauthorized use of his unpublished photo in documentary film about Ansel Adams broadcast by PBS; state law claims also dismissed

Photographer Tom Zito has sued Steeplechase Films, Sierra Club Productions and PBS, as a result of their allegedly unauthorized use of one of his photos in a documentary about Ansel Adams. The merits of his copyright infringement claim do not appear, so far, to raise any novel issues - though so far, the merits haven't been litigated. Instead, the first round of the case has involved procedural issues, and questions about whether Zito's other claims are valid.

The procedural issue was raised by a motion by Steeplechase (and its co-defendants) seeking dismissal of Zito's copyright infringement claim, on the grounds that he filed his lawsuit before he registered his copyright in the allegedly copied photo. Federal District Judge Ronald Whyte acknowledged that copyright registration is a required prerequisite to the filing of an infringement lawsuit. But Zito did register his copyright, and then file an amended complaint alleging that registration, before Steeplechase's motion was heard; and that was sufficient, Judge Whyte held.

More significantly, Steeplechase sought dismissal of Zito's claim for statutory damages and attorney's fees. Judge Whyte has granted that motion, because the alleged infringement took place before Zito registered his copyright, and statutory damages and attorney's fees are available only for the infringement of already-registered copyrights, or those registered within three months of first publication.

Zito's photo was not published before it was included in the Ansel Adams documentary, and Zito argued that PBS's broadcast of the documentary was its first publication. That might have been significant, because Zito did register his copyright within three months of that broadcast. But Judge Whyte held that in order for Zito to take advantage of the three-month grace period for registration, the "first publication" of his photo had to be by him or with his consent. Quoting Nimmer on Copyright, the judge observed that "Congress could not have intended that the various legal consequences of publication under the current Act be triggered by an unauthorized act of an infringer or other stranger to the copyright."

Judge Whyte also dismissed Zito's claims for conversion and unjust enrichment under state law, because they were preempted by federal copyright law. And the judge dismissed Zito's fraud claim under state law, because the use of his photo was not the result of his reliance on any of the misrepresentations allegedly made by Steeplechase.

Editor's Note: Zito also alleged that Steeplechase violated his rights under Lanham Act section 43(a), by failing to give him an adequate credit on the documentary. Judge Whyte refused to dismiss that claim, saying that Zito had alleged a sufficient claim for "reverse palming off." However, Judge Whyte made this ruling before the Supreme Court decided Dastar v. Twentieth Century Fox (ERL 25:1:7), and Zito's Lanham Act claim may have fallen victim to that Supreme Court decision.

Zito was represented by Terry D. Jackson in Atlanta, and William E. Weiss in San Francisco. Steeplechase Films and its co-defendants were represented by Thomas R. Burke of Davis Wright Tremaine in San Francisco, and Alison G. Naidech of Hall Dickler Kent Goldstein & Wood in New York

City.

Zito v. Steeplechase Films, Inc., 267 F.Supp.2d 1022, 2003 U.S.Dist.LEXIS 14441 (N.D.Cal. 2003) [ELR 25:7:23]

Federal appellate court affirms injunction barring writer from pursuing state court lawsuit alleging that Mariah Carey falsely claimed credit for lyrics of "Hero"

A lawsuit isn't over until it is; but when it is, it really is. That is the message federal courts have delivered to writer Christopher Selletti, in lawsuits he has filed against Mariah Carey.

Those lawsuits claimed that Carey copied the lyrics of her song "Hero" from a poem written by

Selletti. The first of his cases was filed by Selletti in federal court as a copyright infringement suit. Carey won that case, when District Judge Denny Chin found that Selletti's story was "patently incredible" and that Carey had provided "convincing" evidence that she and co-writer Walter Afanasieff wrote "Hero's" lyrics themselves.

After losing his federal infringement case, Selletti sued Carey and others in New York state court, alleging that Carey had falsely claimed authorship of "Hero's" lyrics and that she and her co-defendants had defrauded him in connection with his federal case. In response, Carey sought and obtained an injunction from federal District Judge Chin enjoining Selletti from pursuing his state court case. Judge Chin issued the injunction under the authority of the All Writs Act - a federal statute that authorizes federal courts "to enjoin actions in state courts where necessary to prevent relitigation of an existing federal judgment."

Selletti appealed the injunction, but without success. In opinion marked "May Not be Cited," the Court of Appeals has affirmed. It found that "The claims that Selletti raises in his state court petition have been litigated and 'actually decided' in federal court." And thus Judge Chin "did not abuse [his] discretion in enjoining Selletti from pursuing his state court litigation."

Selletti was represented by Jeffrey Levitt of Amityville. Carey and her co-defendants were represented by Lorin L. Reisner of Debevoise & Plimpton, and L. Peter Parcher of Parcher Hayes & Snyder in New York City.

Selletti v. Carey, 70 Fed.Appx. 603, 2003 U.S.App.LEXIS 15042 (2nd Cir. 2003) [ELR 25:7:23]

Puerto Rican Superior Court decision that children of deceased composer Guillermo Venegas Lloveras inherited copyrights to his songs, and that stepmother did not have community property interest in copyrights, is res judicata, federal District Court rules in children's subsequent infringement lawsuit; but ownership of renewal terms is controlled by federal Copyright Act and was not decided by Superior Court, so question of whether stepmother and her licensees infringed is still to be decided

Puerto Rican composer Guillermo Venegas Lloveras died in 1993, leaving a widow, children from an earlier marriage, and a dispute over who owns the copyrights to his songs. In his will, the composer left all the copyrights to his children and none to his widow. But the widow claimed the copyrights were community property under Puerto Rican law, in which she had an ownership interest despite her late husband's will.

The dispute eventually wound up in court - three courts, actually - because the widow transferred her claimed interests in the copyrights to Peer International, and appointed LAMCO and ACEMLA as her licensing agents, all over the objections of the children who claimed that they, and they alone, owned the copyrights to their father's songs.

The first court to consider the dispute was a Puerto Rican Superior Court, in which the widow filed a lawsuit seeking a declaration that she had a community property interest in the copyrights. She lost. The Puerto Rican court ruled that Venegas-Lloveras' songs were his "private" property - what in California would be called his "separate" property. This meant that the widow did not have a community property interest in the songs' copyrights, so the children owned them exclusively, as Venegas had provided in his will. This ruling was affirmed by the Puerto Rico Circuit Court of Appeals.

With this victory in hand, the children sued their stepmother, and all her transferees and licensees, for copyright infringement, in federal District Court in Puerto Rico. Apparently, the stepmother, LAMCO and ACEMLA continued to claim an interest in the copyrights, because, in the copyright case, the children made a motion for partial summary judgment, seeking the federal court's confirmation of their ownership of the copyrights. The grounds for their motion: res judicata.

In an opinion by Judge Jose Antonio Fuste, the children got some of what they asked for, but only some. Judge Fuste agreed that the Superior Court had ruled that the children owned the songs' copyrights, and that the doctrine of res judicata barred their stepmother and her co-defendants from relitigating that issue. The reason the children didn't get everything they asked for, however, was that by the time the case got to federal court, a new issue arose.

Apparently, at least some of the songs were first published before 1978 and may now be in their renewal terms. That at least is what the widow asserts. If so, this is significant, for two reasons. First, the Copyright Act determines who owns renewal terms to pre-1978 works; and if Venegas-Lloveras died before those renewal terms began, he could not - as a matter of copyright law - bequeath those renewal terms to his children, or to anyone for that matter, by will. Second, the Copyright Act gives widows an interest in renewal terms, so the children's stepmother may own an interest in the disputed copyrights after all.

Since no evidence had yet been introduced concerning whether any copyrights actually were in their renewal terms, Judge Fuste left that issue for later in the case.

Venegas-Lloveras' children were represented by Benicio Sanchez-Rivera in San Juan, and Carlos M. Sanchez-La-Costa of Akerman Senterfitt in Miami. The widow and her co-defendants were represented by Barry I. Slotnick of Loeb & Loeb in New York City, and Francisco A. Besosa of Adsuar Muniz Goyco & Besosa in San Juan.

Venegas Hernandez v. Peer International Corp., 270 F.Supp.2d 207, 2003 U.S.Dist.LEXIS 11569 (D.P.R. 2003) [ELR 25:7:24]

Recording artist's lawsuit against record company and manager, alleging non-payment of royalties, does not arise under Copyright Act, so federal District Court did not have jurisdiction to hear case

Yesenia Droz-Serrano is a recording artist whose career got off to a fast start. She signed a recording agreement with Caribbean Records and a management agreement with Maritza Casiano in 1998; and she released her first album, a "successful" one, in 1999. Her second album was released in 2001, but it was less successful. And now she's locked in litigation with her record company and her manager.

Though the details of their dispute have not yet appeared in a published opinion, federal District Judge Jay Garcia-Gregory has described Droz-Serrano's lawsuit as being one that alleges the "lack of payment of mechanical royalties, among others." The artist's lawsuit asserts that the breach of her contracts "constitutes an infringement of her rights under the Copyright Act and gives rise to a federal question." There is no diversity of citizenship between the artist, her record company and manager, so the copyright-infringement assertion was an important one, because without it, the federal District Court in which Droz-Serrano filed the suit would not have jurisdiction to hear it.

That in fact is what Judge Garcia-Gregory concluded, in response to a motion to dismiss made by Caribbean and Casiano. The judge explained that although the allegedly breached contracts concern "'a product that is the subject of a copyright,'" the case "does not 'arise under' the federal copyright laws" for that reason alone. Instead, the judge characterized the lawsuit as "a garden variety contract dispute."

As a result, he dismissed the case for lack of jurisdiction.

Droz-Serrano was represented by Jose R. Franco-Rivera in San Juan. Caribbean Records and Casiano were represented by Edwin Prado-Galarza in Santurce.

Droz-Serrano v. Caribbean Records Inc., 270 F.Supp.2d 217, 2003 U.S.Dist.LEXIS 12243 (D.P.R. 2003) [ELR 25:7:25]

Wheelchair locations in Regal Cinemas' stadium style movie theaters in Oregon violate Americans with Disabilities Act regulations, federal appeals court rules; decision creates conflict among federal Circuits

It looks like the United States Supreme Court will have to get into the movie theater design business, as a result of a case involving the lines of sight from wheelchair locations in stadium style movie theaters operated by Regal Cinemas in Oregon. The Ninth Circuit Court of Appeals has held that the design of Regal's theaters violates regulations adopted by the Department of Justice known as the Americans with Disabilities Act Accessibility Guidelines.

The Ninth Circuit's decision is at odds with an earlier decision by the Fifth Circuit in the case of Lara v. Cinemark which involved the very same issue (ELR 22:4:22). The Supreme Court declined to hear the Lara case (ELR 22:8:26). In Regal Cinemas' case, the District Court found Lara "to be persuasive" and so followed it (ELR 23:6:23).

The specific issue over which this inter-Circuit conflict has arisen is whether the Department of Justice's interpretation of its Accessibility Guidelines is entitled to "deference." The disputed Guideline is one that requires theater owners to provide the disabled with "lines of sight comparable to those for members of the general public."

Movie theater owners, and the Fifth Circuit in Lara, interpret this Guideline to mean that disabled patrons must be provided with an "unobstructed view of the movie screen." Regal's theaters in Oregon satisfy this interpretation by providing wheelchair areas in the first five rows of the theater, where the floor is flat or sloped, but not in the stadium area of the theater where rows are separated by risers.

The Department of Justice has interpreted its regulations to mean that theater owners, including Regal, must provide wheelchair areas where the line of sight is "equivalent to or better than the viewing angels . . . provided by 50 of the seats." This interpretation could be satisfied only if wheelchair areas were provided in the stadium area. Wheelchair access to the stadium area would of course be quite difficult to provide, because of the risers in that area.

The District Court in the Regal case agreed with the Fifth Circuit's decision in Lara that the Department of Justice's interpretation of its "comparable lines of sight" Guideline was not entitled to deference. Now though, in an opinion by Judge Betty Fletcher, the Ninth Circuit has held that the Department's interpretation is entitled to deference.

As a result, the Ninth Circuit has reversed the District Court's judgment and has remanded the case to the District Court "with instructions to enter summary judgment in favor of the plaintiffs on their ADA claim."

Judge Andrew Kleinfeld dissented. In his opinion, the majority opinion not only sets up a conflict with the Fifth Circuit, it also "adopts an unreasonable construction of the applicable regulation, and puts theater owners in a position of impossible uncertainty as to what they must do to comply with the law."

The plaintiffs were represented by Kathleen L. Wilde of the Oregon Advocacy Center in Portland. Regal Cinemas was represented by Laura M. Franze of Akin Gump Strauss Hauer & Feld in Dallas.

Oregon Paralyzed Veterans v. Regal Cinemas, Inc., 339 F.3d 1126, 2003 U.S.App.LEXIS 16541 (9th Cir. 2003) [ELR 25:7:25]

Court of Appeals vacates Hoyts Cinemas' victory in Americans with Disabilities lawsuit filed by wheelchair-bound patrons, because issues raised for the first time on appeal by Department of Justice as amicus curiae require consideration by District Court

It looked for a while as though Hoyts Cinemas had won a lawsuit filed against it by two wheelchair-bound patrons who complained that the design of Hoyts' theater complex in Albany, New York, violated the Americans with Disabilities Act. In response to Hoyts' motion for summary judgment, federal District Judge David Hurd dismissed the lawsuit filed by Susan Meineker and Sybil McPherson, because he found that wheelchair patrons enjoy viewing angles that are comparable to those enjoyed by a "significant portion" of the general public, and thus the theater's design complies with section 4.33.3 of the Department of Justice's Accessibility Guidelines (ELR 24:8:15).

On appeal, however, that victory has been set aside, for what technically might be characterized as procedural reasons. The Department of Justice - which is not a party to the case and did not participate in the District Court proceedings - appeared in the case for the first time on appeal, as amicus curiae. In that capacity, the Justice Department argued that it interprets section 4.33.3 of its Accessibility Guidelines differently than did Judge Hurd. According to the Department, section 4.33.3 requires wheelchair patrons to have viewing angles that are similar to those of "most other members of the audience," not simply a "significant portion" of them.

This argument raised two issues before the Court of Appeals that were not considered by Judge Hurd: whether the Department's interpretation of its

Guidelines is entitled to "deference"; and whether Hoyts had notice of the Department's interpretation at the time it built the Albany complex. The "deference" issue is one about which there is a split of authority. And the "notice" issue is a factual one.

In an opinion marked "may not be cited as precedential authority," the Court of Appeals has ruled that these issues should be decided by the District Court "in the first instance." And thus the case has been remanded for further proceedings.

Meineker and McPherson were represented by Timothy A. Clune of Disability Advocates, Inc., in Albany. Hoyts Cinemas was represented by Michael J. Malone of King & Spaulding in New York City. The Department of Justice was represented by Gregory B. Friel of the Department's Civil Rights Appellate Section in Washington D.C. The National Association of Theatre Owners as Amici Curiae was represented by

William F. Krebs of Galland Kharasch Greenberg Fellman & Swirsky in Washington D.C.

Meineker v. Hoyts Cinemas Corp., 69 Fed.Appx. 19, 2003 U.S.App.LEXIS 13411 (2nd Cir. 2003) [ELR 25:7:26]

Previously Reported:

Fox and Tribune settle "Mutant X" case; Tribune then sues Marvel. Back in 1993, Twentieth Century Fox paid Marvel Enterprises $1.6 million for the "theatrical motion picture" rights to Marvel's "X-Men" comic books. That deal resulted in an enormously successful movie, and two lawsuits. The first case was filed by Fox. It alleged that Fox's contract rights were violated when Marvel subsequently licensed Tribune Entertainment to produce the "Mutant X" television series. Though Fox acknowledged that Marvel retained television rights to its "X-Men" comic books, Fox asserted that Marvel could exercise those rights only with Fox's consent, after a "freeze" period, and that Marvel's license to Tribune violated that provision. Fox's lawsuit produced three published opinions: the first denied Fox's motion for a preliminary injunction that would have barred Tribune from proceeding with its "Mutant X" series (ELR 23:8:9); the second affirmed that ruling (ELR 23:12:12; and the third denied Marvel's motion to dismiss the case (ELR 24:9:13). At that point, Fox and Marvel settled, so that only the dispute between Fox and Tribune remained. Now, Fox and Tribune have settled as well, on undisclosed terms. Not all of the fallout from the Marvel-Tribune deal has settled as yet, however. As soon as the Fox-Tribune case was settled and dismissed, Tribune filed a lawsuit against Marvel, alleging claims for breach of contract, negligent misrepresentation and fraud. According to Tribune's lawsuit, Marvel represented that it was legally entitled to license Tribune's production of a "Mutant X" television series, despite Marvel's earlier deal with Fox, even though Marvel knew or should have known that Fox would object. Tribune alleges that it has incurred millions of dollars in damages in developing, producing and distributing "Mutant X," and in defending against Fox's now-settled lawsuit. [ELR 25:7:26]

DEPARTMENTS

Entertainment Lawyer News:

George A. Cooke joins O'Melveny & Myers. Veteran entertainment attorney George A. Cooke has joined O'Melveny & Myers as counsel in the firm's New York office. Cooke spent the last 20 years in senior positions at HBO before joining the O'Melveny & Myers' Transactions Department. As Senior Vice President and Chief Counsel at HBO, Cooke was responsible for the legal aspects of HBO's theatrical film production, acquisition and distribution, including its involvement in public and private film financings, co-production transactions and domestic and foreign licensing arrangements. He also supervised HBO's corporate and securities matters including mergers and acquisitions and SEC reporting, as well as content review, legislation, copyright administration, banking relationships, investments and joint ventures. Cooke's experience includes the negotiation and drafting of over $4 billion worth of major studio film licensing agreements and two of the largest film industry structured financings, as well as co-production and licensing arrangements with a wide range of independent film producers and distributors. He played a central role in the home video rights acquisitions crucial to the launch of HBO's home video distribution company and directed all aspects of legal work on the $75 million Silver Screen and $49 million Cinema Plus film financing partnerships, including the production and distribution in all media of 12 major theatrical films. He currently represents a leading European pay television service in the renegotiation of its major studio film licenses. Cooke has also negotiated acquisitions of pay television on-demand and Internet distribution rights enabling the launch of subscription video on demand services, led in the creation and successful launch of a domestic basic cable service as well as branded pay television services in Latin America, Asia and Eastern Europe. He was directly involved in the negotiation and drafting of the Digital Millennium Copyright Act, as well as the television industry response to the Uniform Computer Information Transactions Act. Cooke graduated from Dartmouth College, cum laude, in 1969, received an M.A. degree from Cambridge University, with first class honours, in 1975, and received his J.D. degree, cum laude, from Harvard University in 1978. [ELR 25:7:27]

Manatt, Phelps & Phillips adds Advertising, Marketing and Media Practice Group in New York. Manatt, Phelps & Phillips has announced that a group of attorneys led by Linda A. Goldstein and Jeffrey S. Edelstein has joined the firm's New York office.

The group comes to Manatt from Hall Dickler Kent Goldstein & Wood in New York where Goldstein served as Chair of the Advertising, Marketing and Media Department, and she and Edelstein served on the firm's Executive Committee. The group includes partners Michael Barkow, William Heberer and Charulata Pagar, counsel Felix Kent, and associates Jennifer Deitch, Jennifer Koester, Julia Reytblat and Lindsay Schoen.

Linda Goldstein serves as Chair Emeritus and head of the Government and Legal Affairs Committee of the Promotion Marketing Association; Emeritus of the Board of the Electronic Retailing Association; and legal columnist for Response Magazine and Direct Magazine. She has participated in hearings before the Federal Trade Commission and the National

Association of Attorneys General Subcommittee on sweepstakes promotion and the telemarketing sales rule. She graduated, summa cum laude and Phi Beta Kappa, from the University of Pennsylvania, and received her law degree from the New York University School of Law.

Jeffrey Edelstein has represented advertisers and advertising agencies in litigation, before television network broadcast standards departments and before self-regulatory bodies such as the National Advertising Division and the National Advertising Review Board of the Council of Better Business Bureaus. He represents clients before the Federal Trade Commission and the Food and Drug Administration, provides counsel on intellectual property matters and negotiates contracts on behalf of advertising and entertainment clients. Edelstein previously served as Attorney-Advisor to then-FTC Commissioner Elizabeth Dole, and supervised commercial clearance for television and radio broadcast as Director of Broadcast Standards and Practices at the American Broadcasting Company. He has served as Chairman of the Practicing Law Institute conferences on Advertising Law, and on the Legal Affairs Committee of the American Advertising Federation. Edelstein is a Phi Beta Kappa graduate of the University of California at Berkeley and of the Harvard Law School.

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