IN THE NEWS

Grokster and Morpheus are not vicariously or contributorily liable for copyright infringements committed by P2P users, Court of Appeals affirms

The entertainment industry has lost a significant battle in its war against online digital piracy. The Ninth Circuit Court of Appeals has held that companies that distribute Grokster and Morpheus – peer-to-peer networking software – are not liable for copyright infringements committed by those who use the companies' software to distribute recorded music and movies, without being licensed to do so.

The ruling came in a case filed against the P2P companies by movie and record companies, and in a companion case filed by songwriters and music publishers. Writing for a unanimous three-judge panel of the Court of Appeals, Judge Sidney Thomas affirmed a District Court order that had granted summary judgment to Grokster Ltd. and to StreamCast Networks, Inc. (the company that now owns and distributes the Morpheus software) (*ELR* 24:11:4).

To prove their contributory infringement claims, the copyright owners had to show that:

- Grokster and Morpheus users infringed the owners' copyrights;
- the P2P companies had knowledge of those infringements; and
- the P2P companies materially contributed to those infringements.

There was no dispute over the fact that most people use Grokster and Morpheus to infringe copyrights. The question was whether the P2P companies "had knowledge of" and "materially contributed" to those infringements.

Grokster and StreamCast did, of course, know that their software is being used to commit infringements. They didn't know, though, which particular movie and music files were being distributed by their users were infringing – at least not before the P2P companies distributed their own software. This turned out to be significant, because the District Court found, and Judge Thomas agreed, that Grokster and Morpheus software has commercially significant noninfringing uses, and is in fact being used in noninfringing ways to distribute public domain works and works whose copyrights are owned by those who make them available over the Grokster and Morpheus networks.

Because of these noninfringing uses, Judge Thomas held that the copyright owners would have to show that the P2P companies had knowledge of specific infringing files. Copyright owners failed to show this, for two reasons.

First, although the copyright owners introduced evidence showing that "the vast majority of the software use is for copyright infringement," this evidence was not good enough. It wasn't, Judge Thomas ruled, because – according to the Supreme Court's 1984 decision in the *Sony-Betamax* case (5:9:10) – "a product need only be *capable* of substantial noninfringing uses." On this issue, Judge Thomas expressly disagreed with a conflicting decision of the Seventh Circuit Court of Appeals in the *Aimster* case (*ELR* 25:5:9). In that case, the Seventh Circuit ruled that the *probability* of noninfringing uses was relevant to deciding whether the distributor of P2P software had knowledge of infringing uses. Judge Thomas rejected "*Aimster* [because it] is premised specifically on a fundamental disagreement with [the Ninth Circuit's] reading of *Sony-Betamax*."

Second, although the copyright owners sent notices to the P2P companies about specific infringing files, this wasn't good enough either. It wasn't, because by the time the P2P companies received those notices, there was nothing the companies could do to stop the infringing activities of their users. Grokster and StreamCast couldn't do anything after receiving infringement notices, because their software allowed users to communicate directly with one another concerning which files were available, without Grokster or StreamCast's further involvement – unlike Napster, which maintained an index of available files on its own servers which was essential to the use of the Napster network (*ELR* 23:11:4).

Judge Thomas also ruled that the P2P companies had not "materially contributed" to the infringements committed by users of their software. They had not, Judge Thomas reasoned, because (again, unlike Napster) they do not provide an index of available files. The judge rejected the copyright owners' argument that the P2P companies "materially contributed" by failing to alter their software so it couldn't be used to infringe. "'Failure' to alter software located on another's computer is simply not akin to the failure to delete a filename from one's own computer, to the failure to cancel the registration name and password of a particular user from one's user list, or to the failure to make modifications to software on one's own computer," he said.

To prove their vicarious infringement claims, the copyright owners had to show that:

- Grokster and Morpheus users infringed the owners' copyrights;
- the P2P companies received a direct financial benefit; and
- the P2P companies had "the right and ability to supervise the infringers."

Again, there was no dispute over the fact that most people use Grokster and Morpheus to infringe copyrights. Nor was there any dispute over the fact that the P2P companies received a direct financial benefit (from the sale of advertising). The question was whether the P2P companies had "the right and ability to supervise the infringers."

Judge Thomas concluded they didn't, because they couldn't block access to the Grokster and Morpheus networks by any of their users. The copyright owners argued that "the software itself could be altered to prevent users from sharing copyrighted files" – and thus the P2P companies do have the right and ability to supervise the infringers. But once again Judge Thomas ruled that the P2P companies do not have a duty to alter software located on another person's computer, and that "possibilities for upgrading software located on another person's computer are irrelevant to determining whether vicarious liability exists."

Finally, the copyright owners argued that "Grokster and StreamCast should not be able to escape vicarious liability by turning a 'blind eye' to the infringement of their users, and that '[t]urning a blind eye to detectable acts of infringement for the sake of profit gives rise to liability.'" Judge Thomas was not persuaded. He said that "although that rhetoric has occasionally been employed in describing vicarious copyright infringement, there is no separate 'blind eye' theory or element of vicarious liability that exists independently of the traditional elements of liability."

The copyright owners were represented by Russell J. Frackman of Mitchell Silberberg & Knupp in Los Angeles, Thomas G. Hentoff of Williams & Connolly in Washington, D.C., Robert M. Schwartz of O'Melveny & Myers in Los Angeles, and Kelli L. Sager of Davis Wright Tremaine in Los Angeles. The P2P companies were represented by Mark Lemley of Keker & Van Nest in San Francisco, and Cindy A. Cohn and Fred von Lohmann of the Electronic Frontier Foundation in San Francisco.

Metro-Goldwyn-Mayer Studios v. Grokster Ltd., No. 03-55894 (9th Cir. 2004), available at www.ca9.uscourts.gov/ca9/newopinions.nsf/E9CE41F2E90CC8D788256EF400822372/$file/0355894.pdf?openelement

INTERNATIONAL DEVELOPMENTS

Publication by German magazines of paparazzi photos of Princess Caroline of Monaco invaded her privacy; European Court of Human Rights rules that German courts did not protect Caroline's "private life" as required by European Human Rights Convention

Princess Caroline of Monaco has won a landmark ruling from the European Court of Human Rights – a ruling that is likely to broaden the right of privacy in several European Union countries at the expense of paparazzi and those who publish their celebrity photos.

Princess Caroline's victory is the result of her decade-long legal campaign against the publishers of *Bunte*, *Freizeit Revue* and *Neue Post*. The three German magazines ran a series of articles with titles like as "Pure happiness," "Caroline . . . a woman returning to life," "Out and about with Princess Caroline in Paris" and "The kiss. Or: they are not hiding anymore . . ." The articles were accompanied by several photographs, taken by paparazzi.

The photos were not offensive; none showed her topless, for example, though one – taken from afar – did show her tripping over an obstacle and falling down, while at the Monte Carlo Beach Club. Instead, the photos were of scenes from the Caroline's "daily life, . . . engaged in activities . . . such as practising sport, out walking, leaving a restaurant or on holiday."

The photos were taken in France, where Princess Caroline lives most of the time, and where – under French law – they could not be published without her consent. German law respects privacy too, but it gives less protection to "figures of contemporary society '*par excellence*'" than it does to purely private figures.

Though Princess Caroline is the daughter of Prince Rainier III, she does not perform official functions on Monaco's behalf. The German magazines apparently considered her to be a figure *par excellence*, nonetheless. And when Caroline sued the magazines in Germany, under German law, the German courts agreed that she was.

The German courts did give Caroline some relief. They ruled that her rights under German law were violated by photos of her with her young children, and by a photo of Caroline with a boyfriend, taken while they were seated in a secluded area of a restaurant. Insofar as the rest of the photos were concerned, however, the German courts ruled in favor of the magazines. They held that the magazines' rights of freedom of expression, and the public's interest in knowing how figures *par excellence* live, even if they aren't politicians, outweighed Caroline's interest in privacy.

That prompted Princess Caroline to appeal to the European Court of Human Rights – the EU court that hears claims under the European Convention for the Protection of Human Rights and Fundamental Freedoms. In that court, Caroline argued that the German courts' rulings had violated her rights under the European Convention. Article 8 of that Convention provides that "Everyone has the right to respect for his private and family life. . . ."

The European Court said "there is no doubt that the publication . . . of photos of [Princess Caroline] in her daily life, either on her own or with other people, falls within the scope of her private life." But that was not the end of the matter, because the magazines asserted a right to publish the photos under Article 10 of the European Convention which guarantees freedom of the press. The European Court therefore had to balance these two rights.

It concluded that "the decisive factor in balancing the protection of private life against freedom of expression should lie in the contribution that the published photos and articles make to a debate of general interest." In this case, the court found, the photos ". . . made no such contribution since [Princess Caroline] exercises no official function and the photos and articles related exclusively to details of her private life." What's more, the court decided that "the public does not have a legitimate interest in knowing where [Princess Caroline] is and how she behaves generally in her private life even if she appears in places that cannot always be described as secluded and despite the fact that she is well known to the public. Even if such a public interest exists . . . , those interests must, in the Court's view, yield to the applicant's right to the effective protection of her private life."

1For these reasons, the European court held that "the German courts did not strike a fair balance between the competing interests," and therefore, there has "been a breach of Article 8 of the Convention."

Von Hannover v. Germany, Application no. 59320/00 (ECHR 2004), available at http://hudoc.echr.coe.int/Hudoc1doc2/HEJUD/200406/von%20hannover%2059320jv.chb3%2024062004e.doc

British composer Richard Addinsell successfully assigned reversionary interest in copyright to composition "Warsaw Concerto" from 1940s film "Dangerous Moonlight" to music publisher in 1973, even though assignments of reversionary interests were not effective under pre-1956 British copyright law; UK Copyright Act of 1956 permits post-1956 assignments of reversionary interests, even to pre-existing works, UK Chancery Court decides

British composer Richard Addinsell passed away in 1977, leaving behind an impressive body of work and the surprisingly intricate question of who owns their copyrights, now that 25 years have passed since his death. This question was raised in the Chancery Division of the UK High Court of Justice, in a dispute over who now owns the copyright to "Warsaw Concerto" composed by Addinsell in the 1940s for the film "Dangerous Moonlight."

Novello and Company claimed to be the owner by virtue of a copyright assignment it received in 2000 from the trustees of Addinsell's will. Keith Prowse Music Publishing Company also claimed to be the owner, by virtue of an assignment it had received from Addinsell himself, in 1973.

The reason the question of who owns the copyright was an intricate one is that British copyrights have been governed by three separate copyright statutes between the time "Warsaw Concerto" was composed in the 1940s and the time the dispute between Novello and Keith Prowse arose in 2002.

The UK Copyright Act of 1911, which was in effect when Addinsell wrote the composition, gave Addinsell's successors a "reversionary right" that would have automatically transferred the copyright to them, 25 years after his death. The 1911 Act clearly specified that the reversionary interest could *not* be assigned by the author, and that the copyright would vest in the author's successors even if the author had assigned it to others. The Copyright Act of 1956 eliminated the ban on authors assigning reversionary interests in copyrights to post-1956 works; but the 1956 Act was ambiguous about whether it permitted authors to assign reversionary interests in pre-1956 works as well. The Copyright, Designs and Patents Act of 1988 specifically permits post-1989 assignments of reversionary interests for pre-1956 works; but even the 1988 Act does not clearly indicate whether assignments of reversionary interests executed between 1956 and 1989 are effective too.

Keith Prowse acquired its interest in "Warsaw Concerto" in an assignment executed by Addinsell in 1973 – right in the middle of the 1956 to 1989 period during which the effectiveness of such assignments was uncertain. And that is why Keith Prowse and Novello disagreed about which of them owns the copyright to that composition.

The Chancery Court's Mr. Justice Patten has ruled that Addinsell's 1973 assignment effectively transferred the copyright to Keith Prowse. To reach this conclusion, the Justice had to delicately step his way through the language of all three Copyright Acts and the legislative histories of the 1956 and 1988 Acts. Having done so, he concluded that the 1956 Act did confer "an unrestricted right of assignment of copyright," including reversionary rights, and this right applied "to copyright in both existing [works, like 'Warsaw Concerto'] and future works."

Novello also argued that even if Addinsell could have assigned the reversionary interest in "Warsaw Concerto's" copyright, the language of Addinsell's 1973 assignment to Keith Prowse did not do that. Justice Patten, however, disagreed. He found the 1973 language to be a clear assignment of the reversionary interest.

Since Addinsell himself assigned the reversionary interest to Keith Prowse in 1973, the trustees' assignment to Novello had no effect.

Novello and Company was represented by Mary Vitoria QC, instructed by Davenport Lyons. Keith Prowse Music Publishing was represented by Ian Mill QC and Shaheed Fatima, instructed by Clintons.

Novello and Company Ltd. v. Keith Prowse Music Publishing Ltd., [2004] EWHC 766 (Ch), available at http://www.courtservice.gov.uk/judgmentsfiles/j2473/novello-v-prowse.htm

WASHINGTON MONITOR

FCC approves 13 technologies – including method for distributing TiVo-recorded programs to computers – under "broadcast flag" rule designed to protect digital TV broadcasts against unauthorized Internet redistribution

The devil is in the details, never more so, for the entertainment industry, than in this digital age. A recent case in point is the FCC's effort to implement its less than one-year old "broadcast flag" rule. To do so, the FCC had to decide whether 13 specific technologies comply with that rule. The FCC has decided that they do, even though they will permit users to record and even redistribute digital TV broadcasts.

The most newsworthy and controversial of these technologies is one proposed by TiVo. The technology is called "TiVoGuard," but the real purpose behind this somewhat misnamed technology is revealed by the name of the service with which it will be used: "TiVoToGo."

TiVoToGo will enable TiVo subscribers to record digital TV broadcasts on one TiVo recorder, and then view those recordings on 10 or even more devices, so long as all of them are owned by the same TiVo customer and are associated with that customer's TiVo account. What's more, the TiVoToGo service will allow customers to transmit recorded programs through the Internet to personal computers, so long as they are equipped with plug-in dongles that are registered to the customers' accounts.

This is the latest in a series of FCC rulings concerning digital TV broadcasting. The first ruling in the series was the one by which the FCC mandated nationwide digital TV broadcasting, not later than 2006 (*ELR* 18:11:15). When television programs are broadcast digitally, over-the-air signals will arrive in a digital format, ready (as a matter of technology) 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 the FCC to do something to prevent the indiscriminate and unauthorized redistribution of their programming. The FCC responded with the "broadcast flag" rule. The 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. But 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.

The MPAA did *not* ask for a rule that would "restrict consumers from copying programming for their personal use." As a result, the FCC easily concluded that broadcast flags should not prevent off-air recording of television programs. That, however, raised a technical issue: 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 requires 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 (*ELR* 25:7:4). This means that recorder manufacturers have to obtain FCC certification that their equipment gives effect to broadcast flags. And the FCC adopted an interim procedure for obtaining that certification. The FCC's latest ruling, giving its blessing to TiVoGuard and a dozen other technologies, is the outcome of that procedure.

After reviewing the technical specifications of the technologies, the FCC concluded that all 13, including TiVoGuard, "provide content owners with reasonable assurance that digital broadcast television content will not be indiscriminately redistributed while protecting consumers' use and enjoyment of broadcast video programming and facilitating innovative consumer uses."

In the Matter of Digital Output Protection Technology and Recording Method Certifications, FCC 04-193 (Aug. 2004), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-193A1.pdf

Company that runs Manhattan Short Film Festival owns trademark, rather than former creative director who designed festival logo, Trademark Trial and Appeal Board rules in opinion sustaining company's opposition to creative director's application to register logo as his own trademark

Several years ago, Paul Schulz and Nicholas Mason worked together to start the Manhattan Short Film Festival.

The Festival and its name were Mason's idea; he even formed a Delaware corporation called "The Manhattan Short Film Festival" to run the annual event.

Schulz was the Festival's "creative director" for a year, while the first event was being planned. During that time, Schulz designed the Festival's logo, at Mason's request.

Shortly after the first event concluded, however, Schulz left the Festival, apparently because he and Mason could not agree on how Schulz would be compensated for his services. Mason was the corporation's only shareholder, and he wasn't willing to give Schulz any ownership interest in the Festival. Schulz proposed a licensing arrangement for the Festival's use of the logo; but he and Mason didn't agree on that either. And the corporation never paid Schulz a salary; indeed, Mason acknowledged that all he gave Schulz was "a bit of cash now and then."

Schulz's departure left one question unanswered: who owns the Festival's logo – Schulz, who designed it, or the corporation for which it was designed? The corporation filed a trademark application, claiming the mark as its own. But Schulz filed a trademark application, too (as well as a copyright registration).

In due course, the question was presented to the Trademark Trial and Appeal Board, when the corporation filed an opposition to Schulz's trademark application. In an opinion marked "Not Citable as Precedent," the Board has concluded that The Manhattan Short Film Festival is the owner of the mark, and thus has sustained the corporation's opposition.

Though Mason acknowledged that Schulz designed the logo, that wasn't a critical factor in the Board's analysis. "The fact that [an] applicant may have created the design that is used by another party does not establish that he is entitled to register the design as a trademark . . . ," the Board explained. Indeed, it said, "even if [Schulz] had some ownership interest in the copyright of the design of the mark, it does not establish that [he] owns the rights for the trademark as used in association with [film festival] services. Mere creation does not establish that the creator is the owner of the trademark."

Instead, the Board noted that Schulz never used the mark apart from the Festival. Indeed, the use on which Schulz based his ownership of the mark was the Festival's use of the mark – the same use relied on by The Manhattan Short Film Festival for its claim of trademark ownership. Since Schulz relied on the corporation's use of the mark, he had to show that the corporation was a mere licensee and used the mark under Schulz's supervision and control.

Schulz failed to show this, however. After he left the Festival, he had no further involvement with it. He didn't attempt to enforce any trademark rights against the Festival. He didn't even attempt to get the Festival to stop using the mark. Moreover, Schulz didn't show he had ever expressly licensed the use of the logo – in writing or orally. This meant that any license from Schulz to the corporation would have been implied. But the evidence didn't support an implied license.

"Rather," said the Board, "the record indicates that [Schulz] 'created the logo shown in [his application] on behalf of [The Manhattan Short Film Festival] in his role as the creative director of [the Festival].'" This is why the Board concluded that The Manhattan Short Film Festival "is the owner of the mark at issue in this case."

Schulz was represented by Dennis H. Cavanaugh of Piliero Goldstein Kogan & Mitchell. The Manhattan Short Film Festival was represented by Peter S. Sloane of Ostrolenk Faber Gerb & Soffen.

The Manhattan Short Film Festival v. Schulz, No. 91117260 (TTAB 2004), available at http://www.uspto.gov/web/offices/com/sol/foia/ttab/other/2004/91117260.pdf

NEW LEGISLATION AND REGULATIONS

New California statute gives recording artists right to audit royalty-related financial data of record companies

California has enacted new legislation that gives recording artists several rights with respect to audits of the financial data used by record companies to calculate artist royalties. The legislation was introduced by state Senator Kevin Murray, who as Chair of the California Senate Select Committee on the Entertainment Industry has long had an interest in entertainment industry issues generally, and record industry practices in particular (see, e.g., "Recording Industry Practices," by Senator Kevin Murray (*ELR* 24:7:4)).

Recording artists usually are paid royalties (rather than flat or hourly fees) based on record sales. Royalty formulas are complicated, whether the record companies are major labels or independents (see, e.g., "Recording Artist Royalty Calculations: Why Gold Records Don't Always Yield Fortunes," by Lionel S. Sobel (*ELR* 12:5:3); "Net Profits Deals: The Record Industry's New Contract De Jour," by Bob Donnelly (*ELR* 25:12:4)).

But even those who understand royalty formulas need accurate financial data to calculate the amount of royalties a recording artist should be – or should have been – paid. That information – concerning sales, returns, costs and advances – is, at least initially, in the hands of the record companies that pay royalties, rather than in the hands of artists who receive royalties. Royalty statements sent by companies to artists include the relevant data. But what are artists to do, if they doubt – or simply don't know whether to believe – the accuracy of that data?

The answer, of course, is to audit the record company's financial data. And recording agreements usually include clauses that permit artists to do just that – subject to conditions and limitations that sometimes chafe.

California's new statute is designed to reduce that chafing. It gives recording artists the right to:

- conduct audits, annually
- use auditors of the artists' own choosing
- pay auditors on a contingent fee basis, and
- use auditors who are simultaneously conducting audits of the same record company for other artists.

Moreover, the statute allows artists to do these things, even if their contracts contain clauses that otherwise would have denied or restricted these rights.

The statute does not give artists a completely free hand in conducting audits. It:

- allows artists to conduct just one audit per year
- requires artists to request audits within three years after the accounting period to be audited
- limits to one the number of audits artists may do of a particular accounting period, and
- requires auditors to be "qualified."

Editor's note: This new legislation gives these audit rights to recording artists only, not to movie or television profit participants, or even to book authors. Moreover, the legislation deals only with the auditing process, not with the contentious issue of whether royalty agreements create a "fiduciary" relationship between record companies and artists, or whether, in a disputed case, a record company has the burden of proving its statements are accurate or an artist has the burden of proving they are inaccurate. On the question of whether a "fiduciary" relationship exists between those who pay royalties and those who receive them, cases have consistently held that no such relationship exists (see, e.g., *ELR* 25:9:11, 24:10:4). The question of who has the burden of proof is less settled, though in many cases, where voluminous, complicated data may leave a judge or jury undecided, the question of who has the burden of proof will be very important, because whoever has it will lose. Judicial decisions, even in California, are split over whether the royalty recipient or the royalty payor has that burden (*ELR* 25:9:11, 24:10:4).

California Senate Bill No. 1034 (Cal.Sen. 2004), adding California Civil Code sections 2500 and 2501, available at http://www.leginfo.ca.gov/pub/bill/sen/sb_1001-1050/sb_1034_bill_20040716_chaptered.pdf

RECENT CASES

Fox's movie "Jingle All The Way" did not infringe copyright to "Could This Be Christmas" script, appellate court rules in opinion reversing $1.5 million judgment, because similarities that remained, after filtering out elements that existed in treatment Fox acquired before script was submitted, were not sufficient for jury to find "substantial similarity"

In 2001, Twentieth Century Fox was hit by a $19 million verdict in a copyright infringement case. A jury in Ann Arbor, Michigan, found that Fox's movie "Jingle All The Way" was substantially similar to a script titled "Could This Be Christmas" that a company known as Murray Hill Publications submitted to the studio in June 1994, two years before Fox began production of its movie.

Fox's movie and Murray Hill's script both depicted the difficulties encountered by a father in his attempt to buy a popular toy as a Christmas present for his son. This has, of course, been a real problem for countless real fathers. Indeed, both the movie and the script were inspired by the actual experiences of the Fox movie's screenwriter, Randy Kornfield, and Murray Hill's screenwriter, Brian Webster.

The $19 million verdict included $15 million in profits the jury anticipated Fox would eventually earn from "Jingle All The Way," $500,000 in merchandising revenue Fox earned from soundtrack and toy sales, plus $2 million for Murray Hill's lost goodwill, $1 million in unpaid producer's fees and $500,000 in unpaid writer's fees.

However, before a final judgment was entered, Fox won a significant victory, insofar as damages were concerned. Federal District Judge Marianne Battani granted Fox's motion for judgment as a matter of law with respect to $17.5 million in damages. She did, however, enter a judgment in favor of Murray Hill for its $1.5 million in producer's and writer's fees.

On appeal, Fox did even better. In an opinion by Judge Danny Boggs, the Court of Appeals has held that "Jingle All The Way" and "Could This Be Christmas" were not substantially similar in the first place, as a matter of law, and thus the movie did not infringe the script's copyright at all.

Judge Boggs' conclusion was based on this critical fact: Fox purchased a treatment from Randy Kornfield *before* Murray Hill submitted its script. Though there were 24 similarities between Fox's movie and Murray Hill's script, 18 of those similarities existed in the treatment Fox already owned before it received Murray Hill's submission. Judge Boggs ruled that the jury should have disregarded those 18 similarities – should have "filtered" them out – and then should have decided whether the movie and script were "substantially similar," based only on the remaining six similarities.

Judge Boggs noted that those six elements were similar only "at a level of abstraction" that made them "ubiquitous in the literature and the cinema." What's more, those six similarities were "not thematically related," so they were unprotected by copyright and should have been filtered out as well.

When viewed at the level of "actual expression" – where they would be protected by copyright – the six similarities were actually "significantly" different. For that reason, Judge Boggs concluded, "no reasonable jury could have found substantial similarity solely on the basis of the six minor elements not so filtered." This meant the case shouldn't have gone to trial in the first place. Instead, Fox's pre-trial "motion for judgment as a matter of law should have been granted."

Murray Hill Publications was represented by Mayer Morganroth of Morganroth & Morganroth in Southfield. Twentieth Century Fox was represented by Louis P. Petrich of Leopold Petrich & Smith in Los Angeles.

Murray Hill Publications v. Twentieth Century Fox, 361 F.3d 312, 2004 U.S.App.LEXIS 5174 (6th Cir. 2004)

Appeals court affirms Dreamworks' victory in copyright infringement suit alleging movie "The Peacemaker" was copied from works about former Green Beret Keith Idema, because similarities were not "substantial" or not protected by copyright

Dreamworks and several co-defendants – including Steven Spielberg and Random House – have prevailed, again, in a lawsuit filed against them by former Green Beret Keith Idema and three others who wrote a novel, articles, a treatment and a screenplay dramatizing

Idema's life and career. The lawsuit alleged that Dreamworks' movie "The Peacemaker," which starred Nicole Kidman, infringed the copyrights to those written works.

Dreamworks and its co-defendants prevailed the first time, when federal District Judge Audrey Collins granted their motion for summary judgment. Judge Collins did so in a 70-page opinion explaining why "The Peacemaker" was not substantially similar to the novel and other written works about Idema's life (*ELR* 23:11:8).

The Court of Appeals affirmed on the same grounds, in a short opinion that took just a single paragraph to conclude that "no reasonable juror could find substantial similarity" between the movie and the written works.

In a Memorandum and Order marked "not appropriate for publication and may not be cited," the appellate court explained: "To the extent there are any similarities, many of them relate to historical facts, which are not themselves subject to copyright protection, or to stock characters and scenes a faire. The remaining similarities are not substantial, and the differences between the film and [the written] works are extensive."

Plaintiffs Keith Idema and Jim Morris represented themselves. Their co-plaintiffs were represented by Todd M. Friedman in Chicago, Francis C.Z. Pizzulli in Santa Monica, and David Olan in Los Angeles. Dreamworks and its co-defendants were represented by Louis P. Petrich of Leopold Petrich & Smith in Los Angeles, Terrence Clare of Squire Sanders & Dempsey in Los Angeles, and by Paul F. Donsbach of Kutak Rock in Irvine.

Idema v. Dreamworks, Inc., 90 Fed.Appx. 496, 2003 U.S.App.LEXIS 26354 (9th Cir. 2003)

Copyrights to characters in Spawn comic books are co-owned by story writer and illustrator, even if writer's contribution alone would not have been copyrightable, Court of Appeals affirms

Spawn is a successful series of comic books created by writer-illustrator-publisher Todd McFarlane. Success was not immediate, however. Indeed, the series' earliest issues were criticized for "bad writing," so McFarlane invited "top writers" to write scripts for subsequent issues. Writer Neil Gaiman accepted McFarlane's invitation, and wrote scripts that introduced three new characters: "Cogliostro," "Medieval Spawn" and "Angela."

Unfortunately, McFarlane and Gaiman never put the exact terms of their agreement in writing. In fact, they may never have agreed on exact terms. So, perhaps inevitably, there came a time when the two of them disagreed about what interest, if any, Gaiman had in two of the three characters. McFarlane conceded that Gaiman was a joint owner of the copyright to Angela, but denied that Gaiman had any interest in Cogliostro or Medieval Spawn. Gaiman, on the other hand, contended that he was the co-author of those two characters, and thus the co-owner of their copyrights too.

Their disagreement was, no doubt, a matter of principle for both men. But it also involved "financial stakes" that are "considerable," because the comic book series has spawned a movie, an HBO series, video games, clothing, trading cards, posters and statuettes. As a result, Gaiman sued McFarlane, seeking (among other things) a judicial declaration that he is indeed the co-author and co-owner of the copyrights to Cogliostro and Medieval Spawn. A jury agreed with Gaiman that he is. And, in an opinion by Judge Richard Posner, the resulting judgment in Gaiman's favor has been affirmed by the Court of Appeals.

McFarlane argued that Gaiman is not a co-owner of the Cogliostro and Medieval Spawn copyrights, for two reasons. First, McFarlane contended that Gaiman contributed only the idea for those characters, and ideas are not copyrightable. According to McFarlane, the characters did not become copyrightable until he drew them. There is legal authority for the proposition that in order for a person to become a co-author, he or she must contribute copyrightable expression. Judge Posner acknowledged that this is so as a general rule, but ruled that there is an important exception that applies in this case (and, by inference, in many other entertainment industry cases too).

Judge Posner reasoned that " . . . where two or more people set out to create a character jointly in such mixed media as comic books and motion pictures and succeed in creating a copyrightable character, it would be paradoxical if though the result of their joint labors had more than enough originality and creativity to be copyrightable, no one could claim copyright." He ruled that if two or more collaborators intend to be joint owners of the work they create, "that should be enough to constitute them joint authors," even if one of them contributes only uncopyrightable ideas and the other contributes only an uncopyrightable "envelope."

McFarlane also argued – quite surprisingly, given that he is the publisher of *Spawn* – that Gaiman doesn't co-own copyrights in Cogliostro and Medieval Spawn, because they are not copyrightable characters at all. Judge Posner rejected this argument too.

The judge agreed that Gaiman's verbal description of Cogliostro may have been of a stock (and therefore uncopyrightable) character. But "once he was drawn and named and given speech he became sufficiently distinctive to be copyrightable." Medieval Spawn – a derivative work based on McFarlane's pre-existing "Spawn" character – was copyrightable too, because it was sufficiently distinct from the earlier Spawn.

McFarlane also argued that Gaiman's co-authorship claims were barred by the statute of limitations. Judge Posner ruled that the Copyright Act's three-year statute of limitations applied to Gaiman's claims, and that Gaiman filed his lawsuit within three years of the date the claim arose. The exact date the claim actually arose was a big issue in the case, because comic books featuring Gaiman's co-authored characters were published with copyright notices, and registered for copyright, in McFarlane's name alone, more than three years before Gaiman filed suit. Judge Posner ruled, however, that copyright notices and registrations do not start the running of the statute of limitations for compilations (which *Spawn* comic books were). So in this case, the limitations period didn't begin to run until McFarlane's lawyer sent Gaiman's lawyer a letter denying Gaiman's copyright interest.

Gaiman was represented by Kenneth F. Levin of Levin & Associates in Chicago. McFarlane was represented by Michael A. Kahn of Blackwell Sanders Peper Martin in St. Louis.

Gaiman v. McFarlane, 360 F.3d 644, 2004 U.S.App.LEXIS 3396 (7th Cir. 2004)

Sony Pictures reportedly settles class action lawsuit complaining about movie ads that quoted favorable opinions of fictitious film critic, after appellate court ruled that California anti-SLAPP statute does not apply to movie ads, and thus affirmed trial court's denial of Sony's motion to dismiss the case

Sony Pictures has reportedly settled a class action lawsuit that Justice Reuben Ortega described as the "most frivolous case with which [he] *ever* had to deal." The reason that Sony settled it, nevertheless, was that Justice Ortega's opinion was expressed in dissent from a ruling in which two of his colleagues on the California Court of Appeal held that California's anti-SLAPP statute did not apply to ads for four movies Sony released in 2000 and 2001. The ads accurately quoted favorable reviews from real movie critics, and also quoted favorable reviews from a fictitious reviewer named "David Manning."

"Manning's" quotes were inserted into the ads by a Sony employee, without the knowledge, let alone the consent, of the studio's senior management. Indeed, when Sony's managers learned of the fictitious quotes, they apologized, withdrew the ads, and suspended the employee and his immediate supervisor. Those actions, however, were not enough to satisfy California-resident film-goers Omar Rezec and Ann Belknap. They filed a class action lawsuit against the studio, alleging claims under California unfair competition, false advertising, and consumer protection statutes.

Sony responded with a motion to dismiss the case, relying on another California statute directed against lawsuits known as "strategic lawsuits against public participation," or "SLAPP" lawsuits. SLAPP lawsuits are those that prevent or punish the exercise of political rights, including free speech rights. The California anti-SLAPP statute is "construed broadly." And that is why Sony and dissenting Justice Ortega thought Rezec and Belknap's case should be dismissed. The trial court disagreed, however, and thus denied Sony's motion.

On appeal, a two-justice majority affirmed. In an opinion by Justice Robert Mallano, the appellate court held that Sony's ads were commercial speech, and thus the anti-SLAPP statute did not apply, because "the ads did not 'further . . . [Sony's] right of petition or free speech [arising] under the . . . Constitution in connection with a public issue.'"

Justice Mallano rejected Sony's argument that because its movies were noncommercial speech, ads for those movies were protected too. Earlier cases have held that ads for noncommercial speech are themselves protected by the First Amendment. And Justice Mallano agreed that if the ads had contained excerpts from the movies, and those excerpts had triggered the lawsuit, the ads would be protected. But the justice concluded that "Under Sony's absolutist approach, every film advertisement, no matter how false, would be outside the scope of consumer protection laws . . . [and we] reject that position."

Justice Mallano noted that he had not decided whether Rezec and Belknap had stated valid claims. And in dissent, Justice Ortega argued they had not.

Nevertheless, it has been reported that Sony has settled the case by agreeing to pay $1.5 million to the class, each member of which will be entitled to $5 for each falsely-advertised movie he or she attended. (News reports do not indicate whether class members will have to indicate whether they actually were induced to see the movies by the "David Manning" quotes in order to claim their compensation.)

Rezec and Belknap were represented by Norman B. Blumenthal of Blumenthal & Markham in San Diego. Sony Pictures was represented by Robert M. Schwartz of O'Melveny & Myers in Los Angeles.

Rezec v. Sony Pictures Entertainment, Inc., 10 Cal.Rptr.3d 333, 2004 Cal.App.LEXIS 226 (Cal.App. 2004)

Singer-songwriter Hughie Thomasson was entitled to rescind recording and publishing agreements for non-payment of royalties, even though Thomasson's alleged breach of publishing agreement may have given publisher a right of equitable recoupment

Singer-songwriter Hughie Thomasson used to have contracts with a music publisher known as Hustlers, Inc., and a related record production company known as Outlaws Productions. After a quarter-century (or more), Thomasson's relationship with his publisher and production company turned sour, for reasons (not yet) revealed in published opinions that were triggered by an eventual lawsuit among them.

The breakdown may have had something to do with Thomasson's joining the resurrected Lynyrd Skynyrd and his work on its album "Edge of Forever," though it's possible Thomasson defected to Lynyrd Skynyrd as a result of disagreements with The Outlaws (his former band) and Hustler.

Whether cause or effect, litigation between Thomasson on the one hand and Hustlers and Outlaws Productions on the other has resulted in a pre-trial ruling in Thomasson's favor that looks to be significant. In response to cross-motions for partial summary judgment, federal District Judge Thomas Thrash has ruled that Thomasson was entitled to rescind his publishing agreement with Hustlers and his recording agreement with Outlaws Productions, because the two companies withheld royalties they should have paid him.

The ruling appears to be significant, because Hustlers and Outlaws withheld royalties only (they say) to recoup damages Hustler suffered as a result of Thomasson's own alleged and prior breach of its agreement with him. They argued, and Judge Thrash agreed, that "New York law authorizes equitable recoupment."

Nevertheless, the judge ruled, "this does not alter the fact that failure to pay royalties is a breach of the publishing agreement which authorizes Thomasson to rescind or terminate the [Hustlers] agreement."

Judge Thrash also ruled that the failure of Outlaws Productions to pay Thomasson royalties entitled him to rescind his Outlaws agreement as well. Although that agreement included a recoupment clause, it only authorized recoupment of advances; it did not authorize recoupment of funds that Thomasson may have owed Hustlers.

These rulings do not necessarily mean that Hustler will be unable to recover its damages, if it eventually proves that Thomasson – rather than it – breached their agreement. Judge Thrash refused to dismiss Hustlers' claim against Thomasson for breach of contract or related common law claims seeking equitable remedies.

The judge also refused to dismiss Hustlers' Lanham Act claim against Thomasson. That claim was based on instructions Thomasson gave his new record company to list his new publishing company, Justice Writers Publishing, on the "Edge of Forever" album, in place of Hustlers. In a single, long paragraph that does not mention, let alone distinguish, the Supreme Court's decision in *Dastar v. Twentieth Century Fox* (*ELR* 25:1:7), Judge Thrash held that consumers might be confused by "such a misrepresentation."

In an earlier opinion in this case, Judge Thrash dismissed copyright infringement claims that Hustlers had asserted against Sanctuary Records, as a result of its sending royalties to Thomasson's new publishing company instead of to Hustlers (*ELR* 25:3:10).

Hustlers, Inc., was represented by Terry Dale Jackson in Atlanta. Thomasson and Outlaws Productions were represented by Joseph M. Beck of Kilpatrick Stockton in Atlanta, Marva Jones Brooks of Arnall Golden & Gregory in Atlanta, and by James H. Harris III of Gordon Martin Jones & Harris in Nashville.

Hustlers, Inc. v. Thomasson, 307 F.Supp.2d 1375, 2004 U.S.Dist.LEXIS 4440 (N.D.Ga. 2004)

Former KISS songwriter Vinnie Cusano sold all rights, except his writer's share of performance royalties, in "Creatures of the Night" songs, so court dismisses lawsuit complaining about buyer's receipt of mechanical royalties

Vincent "Vinnie" Cusano used to play guitar and write songs for KISS. As a songwriter, he had his own music publishing company called Street Beat Music. Street Beat wasn't a separate entity though; it was simply a fictitious business name for Cusano himself.

Street Beat's legal status became significant, because after Cusano left the band, Street Beat sold all of its rights in Cusano's songs – including three he co-wrote for KISS's "Creatures of the Night" album – to Horipro Entertainment Group, the music publishing company that publishes KISS's songs. Thereafter, Polygram Records – the album's distributor – paid all mechanical royalties for those songs to Horipro, rather than to Cusano. Later still, a wide-ranging dispute broke out between Cusano and KISS, as well as Polygram and Horipro. Other aspects of that dispute have appeared in these pages before (*ELR* 23:9:18, 24:4:16, 25:9:11).

In his lawsuit against Horipro, Cusano accused the publisher of fraud, deceit and conversion, based on Horipro's receipt of both the publisher's and the writer's shares of mechanical royalties from Polygram. According to Cusano, Horipro had acquired only the *publisher's* share of royalties from Street Beat, not the writer's share. Cusano based this claim on his contentions that: he and Street Beat were separate entities; Street Beat owned, and thus could sell, only the publisher's share of royalties earned by the songs; and thus Horipro acquired only the publisher's share, not Cusano's separate writer's share.

The sale agreement between Street Beat and Horipro did, indeed, reserve to Cusano the *writer's* share of public *performance* royalties (royalties which BMI apparently continued to pay to Cusano). But that provision hurt Cusano more than it helped him, in his suit against Horipro. It hurt, because District Judge Victor Marrero concluded that it showed that Street Beat owned all of the royalty rights to the songs, and would have conveyed them to Horipro, had it not been for the "carve out" of the writer's share performance royalties.

More significantly, the evidence showed that Street Beat was not a corporation or other legal entity separate from Cusano himself. Instead, the evidence showed that "Street Beat" was simply Cusano's fictitious business name. Judge Marrero explained that "a fictitious business name is more properly characterized as an alias – it is solely a descriptive term." What's more, in one of Cusano's earlier lawsuits, he acknowledged there was no legal distinction between himself and Street Beat.

Thus, when Street Beat sold everything to Horipro except Cusano's writer's share of performance royalties, it was Cusano himself who sold those rights. As a result, Judge Marrero granted Horipro's motion for summary judgment and dismissed all of Cusano's claims.

Cusano was represented by Ira Allan Ginsburg in Morris Plains. Horipro was represented by Orin S. Snyder of Parcher Hayes & Snyder in New York City, and by John H. Lavely of Lavely & Singer in Los Angeles.

Cusano v. Horipro Entertainment Group, 301 F.Supp.2d 272, 2004 U.S.Dist.LEXIS 1182 (S.D.N.Y. 2004)

Movie theater's failure to remove able-bodied patrons from wheelchair "companion seats" at sold-out screening of "Chicken Run," when asked to do so, violated Americans with Disabilities Act, appellate court affirms

The AMC Rolling Hills Theater in Torrance, California, is designed to accommodate wheelchair-bound patrons, as required by the Americans with Disabilities Act. It has spaces for wheelchairs and adjacent seats for companions of wheelchair-bound patrons. AMC even posted signs on the backs of those wheelchair companion seats indicating they are intended for use by companions of individuals with disabilities.

Nevertheless, when wheelchair-bound patron Robin Fortyune and his wife arrived at the theater 20 minutes early for an opening weekend, sold-out showing of "Chicken Run," they found an able-bodied man and his son sitting in two of the companion seats. Though the Fortyunes and an assistant to the Theater's manager asked the able-bodied patrons to move, they wouldn't. The manager's assistant refused to insist they move, because an AMC manual said that at sold out showings, "everyone shares the same risk of being unable to sit together."

That may have been AMC's policy then, but it is no more. Fortyune filed an ADA lawsuit against AMC, and won. Federal District Judge Nora Manella ruled that AMC violated the ADA by refusing to require the able-bodied patrons to move, and she issued an injunction requiring AMC to modify its policies so that wheelchair companions are given priority for seating in the companion seats, so long as wheelchair patrons and their companions arrive at least 10 minutes before show time.

AMC appealed that ruling, but without success. In an opinion by Judge Kim Wardlaw, the Court of Appeals has affirmed the injunction. Judge Wardlaw held that the theater's refusal to remove the able-bodied patrons from companion seats had a discriminatory effect on wheelchair-bound patrons, and that modification of AMC's policies was necessary and reasonable and would not fundamentally alter the nature of the services AMC provides. Moreover, Judge Wardlaw concluded, the injunction does not give undue preferential treatment to the disabled.

Fortyune was represented by Russell C. Handy of the Center for Disability Access in San Diego. AMC was represented by Gregory F. Hurley of Greenberg Traurig in Irvine.

Fortyune v. American Multi-Cinema, Inc., 364 F.3d 1075, 2004 U.S.App.LEXIS 7235 (9th Cir. 2004)

PGA rule that prohibits sale of real-time golf scores made available at tournament media centers does not violate antitrust laws, appellate court affirms, because PGA has valid business justification for rule

The PGA Tour has prevailed, once again, in an antitrust lawsuit filed against it by Morris Communications, a media company that publishes newspapers and operates a website. Morris' lawsuit was provoked by a PGA rule that prohibits Morris from selling real-time golf scores it obtains at tournament media centers, without PGA Tour's consent. Morris (and others) can obtain the PGA's consent by paying a licensing fee. But Morris contended it should be free to sell real-time golf scores to its own customers, without paying the PGA anything.

The PGA rule to which Morris took exception is known as the On-Line Service Regulations. The rule requires media organizations to delay posting scores on their websites until those scores have been posted on the PGA Tour's own website, www.pgatour.com. The PGA acknowledges that the purpose of the rule is to "promote the competitiveness of its own website." To Morris, of course, by promoting the "competitiveness of its own website," the PGA hampers the competitiveness of Morris' website. And that is why Morris filed an antitrust lawsuit alleging that the PGA Tour had monopolized the Internet market for real-time golf scores.

The PGA Tour has been atop the leader board in this lawsuit from its start. Early in the case, federal District Judge Harvey Schlesinger denied Morris' motion for a preliminary injunction (*ELR* 22:10:21). Later, Judge Schlesinger granted PGA Tour's motion for summary judgment (*ELR* 24:12:16). And now, the Court of Appeals has affirmed the PGA's victory.

The key fact, in all of three of these opinions, was the work the PGA has to do in order to post real-time golf scores in its tournament media centers. Tournament golfers play simultaneously on courses that are as big as 150 acres, so the collection of scores in real time cannot be done by a single person. The PGA has created an elaborate system – called the "Real-Time Scoring System" – by which large numbers of volunteers follow contestants and relay their scores by radio back to PGA media centers, where they are compiled and posted on score boards, for viewing by credentialed members of the media. This meant that as a practical matter, Morris could not collect real-time scores itself; it could get them only from PGA media centers – something it was able to do, because it was a credentialed media member. To become credentialed, however, Morris had to agree to abide by the On-Line Service Regulations that became the target of its antitrust lawsuit.

In an opinion by Judge Joel Dubina, the Court of Appeals held that even if the PGA Tour has monopoly power in the Internet market for real-time golf scores, Morris' claims could not prevail, because the PGA has a valid business justification for its rule: preventing Morris from "free-riding" on the PGA's Real-Time Scoring System. Judge Dubina ruled that Morris does not have a right to sell real-time scores, because "they are a product of [the Real-Time Scoring System], which PGA owns exclusively." Indeed, Judge Dubina agreed with District Judge Schlesinger that the PGA Tour "has a right to sell . . . its product, championship golf, and . . . [compiled] golf scores, on the Internet in same way the [PGA] currently sells its rights to television broadcasting stations."

Morris Communications was represented by David Clark Borucke of Holland & Knight in Tampa. The PGA Tour was represented by Jeffrey A. Mishkin of Skadden Arps Slate Meagher & Flom in New York City.

Morris Communications Corp. v. PGA Tour, Inc., 364 F.3d 1288, 2004 U.S.App.LEXIS 5915 (11th Cir. 2004)

Tennessee high school athletic association rule prohibiting use of "undue influence" in recruiting violated constitutional rights of Brentwood Academy, trial court determines

Brentwood Academy is a powerhouse, on the football field and in the courts of law. Its latest courtroom victory was against the Tennessee Secondary School Athletic Association. Following a 10-day trial, federal District Judge Todd Campbell ruled that the Athletic Association had applied its "undue influence" rule against Brentwood in an unconstitutional fashion. As a result, Judge Campbell declared penalties the Association had imposed against Brentwood to be "void," and he enjoined their enforcement.

Brentwood is a private Christian school in Tennessee and a member of the Tennessee Secondary School Athletic Association. In 1997, other members of the Association complained that Brentwood got to be a football powerhouse by violating Association recruiting rules, including a rule that prohibits members from using "undue influence" to recruit student-athletes. The Association agreed, and sanctioned Brentwood by banning it from tournaments for two years, putting it on probation for four years, and fining it $3,000.

Brentwood responded by suing the Association. After much litigation over whether the Association is a "state actor" – because only "state actors" are required to comply with the Constitution – the United States Supreme Court decided that it is (*ELR* 20:9:16, 21:7:22, 22:11:24). The Supreme Court didn't decide whether the "undue influence" rule is unconstitutional, however. Instead, the case was remanded for further consideration of that issue. Following remand, the Court of Appeals ruled that the District Court had to determine whether the rule was "narrowly tailored" to protect the Association's interests in: keeping athletics subordinate to academics; protecting student-athletes from exploitation; and fostering equal competition among schools (*ELR* 23:9:22).

Judge Campbell found that the Association had not applied its "undue influence" rule in a way that was narrowly tailored to protect those interests. In a 30-page decision, the judge acknowledged that Brentwood had invited middle school students to participate in Brentwood's spring football practice. But the judge noted that Brentwood only invited those students who had already decided to attend Brentwood, as shown by the fact that they had applied, been tested and admitted to the school, and had signed enrollment contracts. Under these circumstances, the judge said, the spring practice invitations "were 'appropriate' and 'normal' speech for a school," and were "an example of 'due,' rather than 'undue' influence. . . ." As a result, by penalizing Brentwood, the Association violated the school's First Amendment rights.

Though Brentwood's courtroom victory meant that it avoided the sanctions, Judge Campbell didn't give the school everything it wanted. Brentwood introduced evidence that the Association had caused the school hundreds of thousands of dollars in damages, because it had been characterized as a "cheater" in the news media, and because its employees had spent hundreds of hours on the case. But Judge Campbell found that the school's reputation had been harmed by the media, not by the Association, and that the time its employees spent on the case was simply "the price of litigation."

Brentwood was represented by H. Lee Barfield in Nashville. The Association was represented by Richard Lee Colbert in Nashville.

Brentwood Academy v. Tennessee Secondary School Athletic Association, 304 F.Supp.2d 981, 2003 U.S.Dist.LEXIS 24769 (M.D.Tenn. 2003)

Heather Sue Mercer is awarded $349,244 in attorney's fees, even though she recovered only $1 in compensatory damages after appeals court ruled that punitive damages are not available under Title IX, in case in which she proved that Duke University discriminated against her on the basis of sex by cutting her from football team

Heather Sue Mercer made news, and maybe history, when in 1995, the Duke football coach allowed her to try out for the team, successfully, as a place kicker. She didn't, however, actually play in any games that season, and the coach cut her from the team before the next season began. Then, Mercer made law, when she sued Duke University, successfully, for discriminating against her on the basis of sex, by allowing the coach to cut her from the team, in violation of Title IX (*ELR* 24:1:8).

The jury awarded Mercer $1 in compensatory damages, and $2 million in punitive damages. Federal District Judge James Beaty awarded her an additional $341,000 in attorney's fees (plus $48,000 in costs). In all, the judgment came to almost $2.4 million.

On appeal, though, Duke won a tremendous victory. The appellate court held that punitive damages are not available in Title IX cases (*ELR* 24:11:16) – thereby leaving Mercer with just $1 in actual damages. Duke tried to persuade the Court of Appeals that attorney's fees should not be awarded at all, in a case where actual damages were just $1. But the appellate court sent the case back to District Judge Beaty, to decide that issue.

On remand, Judge Beaty has decided that Mercer is entitled to attorney's fees, despite her modest recovery, and he has awarded her somewhat more, rather than less, than he awarded before. Judge Beaty applied a three-part standard, in deciding whether to award fees: the difference between the amount of damages Mercer sought and the amount she recovered; the "significance of the legal issue" on which she prevailed; and whether she "accomplished some public goal. . . ."

Applying that standard, the judge decided that Mercer was entitled to fees. He didn't award all that her attorneys requested, though. Instead, he multiplied the hours her attorneys worked on the liability issues in the case (excluding the time they spent on the damages issue) by an hourly rate of $250 (which Duke stipulated was reasonable). He then reduced that amount by 20%, to reflect that although Mercer won the liability issue, she lost on the damages issue.

The result came to $349,244.

Mercer was represented by Martha Melinda Lawrence of Patterson Harkavy & Lawrence in Raleigh. Duke was represented by John M. Simpson of Fulbright & Jaworski in Washington D.C.

Mercer v. Duke University, 301 F.Supp.2d 454, 2004 U.S.Dist.LEXIS 1592 (M.D.N.C. 2004)

University of Minnesota's victory in employment discrimination lawsuit filed by former assistant coach of women's hockey team is affirmed

David R. Horn was one of two assistant coaches hired by the University of Minnesota in 1997 for its women's hockey team. He was paid $20,000 a year, while the other assistant coach – a woman – was paid $33,000. When Horn eventually learned and complained about the pay disparity, he was treated poorly by the team's head coach, and he later left the University to take a job elsewhere.

That might have been the end of the matter, but it wasn't. Horn filed an employment discrimination lawsuit against the University, alleging claims under the federal Equal Pay Act, and for retaliation and constructive discharge. He lost at trial, and then again on appeal.

In a short opinion by Judge David Hansen, the Court of Appeals noted that Horn's duties and those of the other assistant coach were different and required different degrees of skill and responsibility. As a result, the jobs were not "substantially equal," as required to prove a violation of the Equal Pay Act.

Judge Hansen also agreed with the trial court that Horn filed to prove that the deterioration of his working relationship with the team's head coach "resulted in any materially significant disadvantage." He was offered a contract extension at increased pay – an offer he chose not to accept, because he took a new job elsewhere.

Finally, Judge Hansen agreed that the head coach's actions towards Horn did not amount to constructive discharge, because they did not create "intolerable" working conditions.

Horn was represented by Kahn Schermer in Minneapolis. The University was represented by Jennifer Lynn Frisch in Minneapolis.

Horn v. University of Minnesota, 362 F.3d 1042, 2004 U.S.App.LEXIS 6466 (8th Cir. 2004)

Lawsuit against Disney, complaining of use of computer-morphed yearbook images in television series and on Internet, was time-barred, because suit was filed more than two years after use was discontinued, California appellate court affirms

Dean Long, Jr., claims that The Walt Disney Company used his image, computer-morphed from his sixth-grade yearbook, in television broadcasts of children's programming on ABC, and on the Internet. His claim was made in a lawsuit alleging causes of action for violation of right of publicity, appropriation of likeness, and intentional infliction of emotional distress.

When it was filed, Long's case may have presented an interesting issue of whether morphed images do violate the right of publicity, where those whose photographs were morphed did not detect the use of their images, precisely because their images were morphed. (That appears to be what Long alleged.) The answer to that question, however, will have to await another case, because Long's lawsuit has been dismissed as time-barred.

In California, there is a two-year statute of limitations for the kinds of claims made by Long. But the case was filed more than two years after Disney discontinued using the offending images. Long argued that the statute of limitations did not begin to run until he discovered Disney's use of his image. But in an opinion by Justice Laurie Zelon, the California Court of Appeal has rejected that argument.

Justice Zelon noted that under California's Uniform Single Publication Act, the statute of limitations begins to run on the first publication of any statement that triggers a claim for libel, invasion of privacy, "or any other tort." In cases that arose under that Act, the plaintiffs sought to get around the statute of limitations by arguing – just as Long did – that the limitations period should begin when publication of the offending statement is discovered, rather than when it was made. The argument was rejected in those cases, and was in Long's case too.

Long also argued that the morphing of his photograph was an act of fraudulent concealment. But Justice Zelon disagreed. "Absent a fiduciary relationship, nondisclosure is not fraudulent concealment," she explained. "[A]ffirmative deceptive conduct is required." Disney's alleged morphing of Long's photo did not constitute affirmative deceptive conduct, because "There was no evidence that the likenesses that were broadcast, 'morphed' as they were, were unrecognizable to [Long] at first viewing. . . ."

Long was represented by Neville L. Johnson and Brian A. Rishwain of Johnson & Rishwain in Los Angeles, and by Rodney A. Smolla. Disney was represented by John B. Quinn of Quinn Emanuel Urquhart Oliver & Hedges in Los Angeles.

Long v. Walt Disney Co., 10 Cal.Rptr.3d 836, 2004 Cal.App.LEXIS 296 (Cal.App. 2004)

Producer and distributor of Indian film "Asoka" are awarded $750 in statutory damages and $22,000 in attorney's fees and costs in copyright infringement suit against video store that intentionally infringed movie's copyright by making, renting and selling unauthorized DVDs and videocassettes

Movie piracy doesn't pay, but it doesn't always cost as much as copyright owners would like. That's a conclusion that can be drawn from a recent case filed by Arclightz and Films – the company that produced the Indian movie "Asoka" – and by Enzo Pictures, the movie's distributor (outside of India, Bhutan, Nepal and Bangladesh).

Arclightz and Enzo filed a copyright infringement suit against a video store in New York City called "Video Palace." The evidence showed that Video Palace made unauthorized DVD and videocassette copies of Asoka, and then sold and rented them to its customers, while the movie was still showing in theaters, four months before it was slated for homevideo release.

Under these circumstances, the primary issue in the case was not liability, which Video Palace admitted, but damages. Arclightz and Enzo asked federal District Judge Shira Scheindlin to award them $300,000 in statutory damages. They argued that Video Palace had committed two "willful" infringements – one by copying the movie, and a second by renting it – and that the

Copyright Act authorizes awards of as much as $150,000 for each willful infringement.

Judge Scheindlin agreed that Video Palace had committed willful infringement. It openly sold and rented unauthorized copies of Asoka – copies it apparently made using 40 video copying machines U.S. Marshals found on the second floor of the store. Nevertheless, Judge Scheindlin awarded Arclightz and Enzo just $750 in statutory damages – rather than the $300,000 their attorneys had requested.

The judge explained that statutory damages are calculated on the basis of the number of *works* whose copyrights are infringed, not on the number of infringements. In this case, only one movie's copyright was infringed, so $150,000 was the maximum she could award. Rather than award the maximum, however, she awarded the minimum. She did, because Video Palace had conceded liability, had offered a settlement that exceeded its profits, and was a small business with limited revenue.

Judge Scheindlin found that Video Palace would be deterred from further infringements by requiring it to pay Arclightz and Enzo's attorney's fees. The judge found that hourly billing rates of $375 and $350 for partners and $100 for an associate were "reasonable." Based on those rates, and the time devoted by the lawyers to the case against Video Palace, the judge awarded roughly $20,500 in attorney's fees and another $1,750 in costs.

Arclightz and Enzo were represented by Megha Bhouraskar of Poppe & Bhouraskar in New York City. Video Palace was represented by Gerald J. McMahon in New York City.

Arclightz and Films v. Video Palace Inc., 303 F.Supp.2d 356, 2003 U.S.Dist.LEXIS 18414 (S.D.N.Y. 2003)

Previously Reported:

Australian High Court to hear PlayStation case. The High Court of Australia has agreed to hear the Sony PlayStation "mod chip" case, *Kabushiki Kaisha Sony Computer Entertainment v. Stevens,* in which an Australian appellate court held that the sale of computer chips that permit Australians to play imported games on modified PlayStation consoles violates the Australian Copyright Act's ban on "circumvention" devices (ELR 25:6:12).

United States Supreme Court denies cert. The United States Supreme Court has denied petitions for certiorari in these previously reported cases: *Graves v. Warner Bros.*, 124 S.Ct. 2884, 2004 U.S.LEXIS 4418 (2004), in which a Michigan appellate court reversed a $29 million judgment against the Jenny Jones Show in a wrongful death action filed by the estate of Scott Amedure who was shot to death by Jonathan Schmitz after Amedure revealed he had a crush on Schmitz during the taping of an episode about same-sex crushes (*ELR* 24:12:9); *Passport Video v. Elvis Presley Enterprises*, 124 S.Ct. 2886, 2004 U.S.LEXIS 4424 (2004), in which the Ninth Circuit Court of Appeals upheld a preliminary injunction barring the distribution of an Elvis Presley video documentary on the grounds that the documentary producer's unlicensed use of copyrighted television clips, photos and music was not a "fair use" (*ELR* 25:7:13); and *Cinemark USA v. United States*, 124 S.Ct. 2905, 2004 U.S.LEXIS 4609 (2004), in which the Sixth Circuit Court of Appeals held that Americans with Disabilities Act regulations require movie theaters to provide wheelchair patrons with lines of sight that are "similar" to those of other patrons, not simply "unobstructed" views (*ELR* 25:10:19).

Opinions published. Opinions have been published in these previously reported cases: *Peliculas Y Videos Internacionales v. Harriscope of Los Angeles*, 302 F.Supp.2d 1131, 2004 U.S.Dist.LEXIS 2302 (C.D.Cal. 2004)(*ELR* 25:12:16); *Ulloa v. Universal Music and Video*, 303 F.Supp.2d 409, 2004 U.S.Dist.LEXIS 364 (C.D.Cal. 2004); *Clarett v. National Football League*, 306 F.Supp.2d 379, 411, 2004 U.S. Dist. LEXIS 1396, 1768 (S.D.N.Y. 2004)(*ELR* 25:9:4, 25:11:27); and *321 Studios v. Metro Goldwyn Mayer Studios*, 307 F.Supp.2d 1085, 2004 U.S.Dist.LEXIS 2771 (N.D.Cal. 2004)(*ELR* 25:11:12, 26:2:26).

DEPARTMENTS

Entertainment Lawyer News:

Movie lawyer Patty Mayer joins Mitchell Silberberg & Knupp. Former MGM Senior Vice President Patricia (Patty) Mayer has returned to Los Angeles from London, and has joined Mitchell Silberberg & Knupp as a partner in the firm's Entertainment and New Media Practice Group. After many years at MGM, she moved to London where she practiced media law as a Solicitor for three years with SJ Berwin. In her "spare time," she also competed in international equestrian competitions with her horse, Exakt. While at SJ Berwin, she developed an international practice, representing talent, producers and financers in Europe and in Hollywood. Among her clients are: The Jailhouse Company, producers of the musical "Jailhouse Rock" which opened last spring in London's West End; the artist Alison Jackson, known for her BAFTA-award winning BBC series, best-selling books and award-winning Schweppes advertisements; Diageo and Saatchi & Saatchi in connection with their successful campaigns for Guinness featuring Michael Power and Adam King; Freeway Entertainment and Fintage House, companies that provide financial services to the entertainment industry; independent producers Andreas Bareiss (producer of the Academy Award winning "Nowhere in Africa"), David Ladd and Francesca Barra; production companies Kings Road, SD Entertainment, Shine, and BBC Films; UK funds; and major motion picture studios. Mayer received both her B.A. and J.D. degrees from UCLA.

Tax lawyer Katharine Davidson joins Alschuler Grossman Stein & Kahan. Alschuler Grossman Stein & Kahan has announced that M. Katharine Davidson has joined the firm as a tax partner in the firm's Transactional Department. Davidson was formerly with Pillsbury Winthrop where she was a tax partner and co-leader of the Media & Entertainment Industry Team. Davidson's practice focuses on tax planning, structuring and business advice for both domestic and international transactions. Davidson also counsels foreign clients with respect to investments in the United States, the application of tax treaties, U.S. withholding obligations, compliance issues, and U.S. income tax obligations of aliens resident in the United States. Additionally, she advises U.S. companies and individuals who conduct business abroad. In entertainment taxation matters, she has advised on tax structuring for the acquisition and disposition of film libraries, film production and distribution arrangements, concert tours, and planning for international activities of foreign and domestic entertainers, writers and other creative artists. Davidson received her B.A. cum laude from the University of Southern California in 1974 and her J.D. from Loyola Law School of Los Angeles, Order of the Coif, in 1984 where she was Managing Editor of the *Loyola of Los Angeles Law Review*. Davidson served as a law clerk for Judge Mary Ann Cohen of the United States Tax Court in Washington, D.C. She was Chair of the Taxation Section of the Los Angeles County Bar Association in 2000-2001.

Music lawyer Richard Leher joins Greenberg Traurig. Richard Leher, formerly the head of business affairs for DreamWorks Records, has joined the Greenberg Traurig in Los Angeles. A music industry veteran with 24 years in private practice prior to moving to The Walt Disney Company in 1994 to serve as executive vice president of Hollywood Records, his clients include high-profile talent such as The Rolling Stones which he has represented continuously since 1977. Leher has extensive experience representing major record and publishing companies, artists, producers, writers, management companies and entertainment industry executives. Well versed in the legal and practical challenges associated with the exploitation and protection of intellectual property, he has been at the forefront of efforts to protect artists' and labels' rights in the digital era. Leher graduated from Boalt Hall School of Law at the University of California, Berkeley. He started his legal career at Mitchell, Silberberg & Knupp and chaired its music practice for several years until he left the firm for The Walt Disney Company and Hollywood Records.

Anti-piracy lawyer Mark Litvack Joins Mitchell Silberberg & Knupp from the MPAA. Mark Litvack, formerly the MPAA's Vice-President & Director of Legal Affairs for World-Wide Anti-Piracy, has joined the Entertainment and IP group at Mitchell Silberberg & Knupp. Litvack spent six years with the MPAA, from 1998 to 2004, as a primary strategist for the movie industry on all anti-piracy related litigation, including the Scour and Aimster cases (which resulted in shutdowns of P2P systems), the Bermuda Cablevision case (which resulted in a settlement of more than $20 million), the iCraveTV case (which shut down a Canadian-based

Internet television service), and the Gulfcom case (which resulted in the shutdown of an unauthorized retransmission system and the recovery of all costs). Litvack also was involved in the 321 Studios litigation (involving the DMCA's anti-circumvention provisions). Before joining the MPAA, Litvack was a Senior Attorney at Texaco, Inc., where he defended the oil company in a wide range of litigation matters from employee disputes to distribution issues to trademark actions.

In the Law Reviews:

Is All "Pharoah" in Love and War? The British Museum's Title to the Rosetta Stone and the Sphinx's Beard by Josh Shuart, 52 The University of Kansas Law Review 667 (2004)

A Blueprint for the Development of Cultural Heritage Law: Introduction by James A. R. Nafziger and Robert Paterson, 9 Art Antiquity and Law 1 (2004) (published by www.kluwerlawonline.com)

A Blueprint for Avoiding and Resolving Cultural Heritage Disputes by James A.R. Nafziger, 9 Art Antiquity and Law 3 (2004) (for website, see above)

Canadian and Finnish Cultural Property Export Controls as the Basis for a Model Law by Robert Paterson and Tore Modeen, 9 Art Antiquity and Law 21 (2004) (for website, see above)

Copyright Problems in India Affecting Hollywood and "Bollywood," 26 Suffolk Transnational Law Review 295 (2003)

Choice of Law: International Copyright Laws or United States Constitution? 26 Suffolk Transnational Law Review 295 (2003)

You Say You Want a Revolution: Music & Technology-Evolution or Destruction? by Rebekah O'Hara, 39 Gonzaga Law Review 247 (2003/2004)

Incrementalism and Policymaking on Television Violence by Joel Timmer, 9 Communication Law and Policy 351 (2004) published by Lawrence Erlbaum Associates, www.leaonline.com)

Liability of Media Companies for the Violent Content of Their Products Marketed to Children, 78 St. John's Law Review 427 (2004)

The Journal of Intellectual Property Law, published by University of Georgia School of Law, (www.lawsch.uga.edu) has issued Volume 11 with the following articles:

"What's Really in the Package of a Naming Rights Deal?" Service Mark Rights and the Naming Rights of Professional Sports Stadiums by Christian Maximilian Voigt, 11 Journal of Intellectual Property Law 327 (2004) (for website, see above)

"Every Artist is a Cannibal, Every Poet is a Thief": Why the Supreme Court was Right to Reverse the Ninth Circuit in Dastar Corp. v. Twentieth Century Fox Film Corp. by Joshua K. Simka, 11 Journal of Intellectual Property Law 355 (2004) (for website, see above)

ETW Corp. v. Jireh Publishing, Inc.: Turning and Athlete's Publicity Over to the Public by Michael J. Breslin, 11 Journal of Intellectual Property Law (2004) (for website, see above)

Sine Qua Non: Trademark Infringement, Likelihood of Confusion, and the Business of Collegiate Licensing by C. Knox Withers, 11 Journal of Intellectual Property Law 421 (2004) (for website, see above)

Private Power, Public Law: The Globalization of Intellectual Property Rights by Cynthia M. Ho, 18 Emory International Law Review 117 (2004)

American University Law Review has published a symposium issue on media ownership with the following articles:

Few Gate Keepers, Many Views: Will the New Rules Compromise Representation of Marginalized Voices? , a panel discussion, 53 American University Law Review 547 (2004)

Comments on the FCC's Recent Mass Media Ownership Decision by William Fishman, 53 American University Law Review 583 (2004)

Monolith or Mosaic: Can the Federal Communications Commission Legitimately Pursue a Repetition of Local Content at the Expense of Local Diversity? by Cheryl A. Leanza, 53 American University Law Review 597 (2004)

On Media Consolidation, the Public Interest, and Angels Earning Wings by Victoria F. Phillips, 53 American University Law Review 613 (2004)

Media Concentration: A Case of Power, Ego, and Greed Confronting Our Sensibilities by W. Curtiss Priest, 53 American University Law Review 635 (2004)

The Politics and Policy of Media Ownership by Ben Scott, 53 American University Law Review 645 (2004)

Netherlands: Inheritance Tax: Professional Sports Club Viewed as a Public Benefit by Dr. Rijkele Betten, 44 European Taxation 205 (2004) (published by the International Bureau of Fiscal Documentation, www.ibfd.org)

The Australian Intellectual Property Journal, published by The Law Book Co. Ltd., 44-50 Waterloo Road, N. Ryde NSW 2113, Australia, has published Volume 15, Number 2 with the following articles:

The American Experience with Trademark Anti-dilution Law by J. Thomas McCarthy, 15 Australian Intellectual Property Journal 70 (2004) (for publisher, see above)

Geographical Indications, WIPO and TRIPS - Where to From Here? by Susan Farquhar, 15 Australian Intellectual Property Journal 82 (2004) (for publisher, see above)

Trade-offs in Trade Mark Protection-an Economic Analysis by Alexandra Folie and Stephen P. King, 15 Australian Intellectual Property Journal 87 (2004) (for publisher, see above)

National Icons and the Trade Marks Act 1995 by Owen Morgan, 15 Australian Intellectual Property Journal 94 (2004) (for website, see above)

The British Unregistered Design Right: Will It Survive Its New Community Counterpart to Influence Future European Case Law? by Estelle Derclaye, 10 The Columbia Journal of European Law 265 (2004)

Educational Programs Calendar:

American Bar Association Forum on the Entertainment and Sports Industries: 2004 Annual Meeting and Conference, October 7-9, Century Plaza Hotel, Los Angeles. The program presents a Law Students and New Lawyer Orientation to Entertainment and Sports Law: Your Questions Answered; Ethical Dilemmas Representing the High Profile Client; The Right of Attribution in the Wake of the Supreme Court's Decision in Dastar v. 20th Century Fox; Resolving Athlete Eligibility and Compensation Disputes in the Olympic, NCAA and Professional Sports World; Entertainment Law Litigation Review: Is There Really Any Law and Order?; Representing the League, Player and Team in Steroid Testing; Art in Film and Television; Legal Issues Surrounding Digital Distribution of Music/Emerging Business Models; Latin Media; Stage Musical to Film Musical: Deal Making after "Chicago"; Broadcast Issues in Sports; Alternate Distribution Models/Alternate Revenue Streams; International "Soft Money" in Film and TV Financing; The Increasingly Adversarial Relationships in Professional Sports; Developing, Exploiting and Managing Brand Values; The Economics and Ethics in Developing and Maintaining an Entertainment and Sports Practice; The Digital Future: Litigation, Legislation and Arbitration in the Digital Age; Product Placement in Film and Television: The New Revenue Model and the New Deals; Real Life Fact-tion: Memoirs, Romans á Clef, Privacy and the First Amendment; Intellectual Property in the Global Market Place; and Negotiating and Litigating Within Entertainment Mega-Conglomerates. For additional information, visit www.abanet.org/forums/entsports/home.html or call Dawn R. Holiday at (312) 988-5660 or e-mail: holidayd@abanet.org.

Legal and Business Aspects of Music, Film, and Interactive Entertainment: 14th Annual Entertainment Law Institute, October 15-16, Stephen F. Austin Hotel, Austin, Texas. Sponsored by the Texas Bar Continuing Legal Education and cosponsored by the Entertainment and Sports Law Section of the State Bar of Texas, the program delves into Distribution and Marketing Strategies for Indie Labels and Artists; What's Going on at Major Labels?; Electronic Record Companies-The New Frontier; Music Publishing Basics; Impact of Digital Technology and the Development of Digital Media; Performing Rights Organizations; Court Cases and Legislation: Year in Review; Mobile Entertainment; Game Development and the Future of Interactive Entertainment; Ethics; The Role of the City in Developing an Entertainment Industry; Acquiring the Screenplay; Securing an Actor; Acquiring the Music; The Film is in the Can: Now What?; and DVD Distribution Deals. For additional information, online at TexasBarCLE.com; phone 800-204-2222, ext. 1574; or mail State Bar of Texas, Professional Development, LB #972298, P.O. Box 972298, Dallas, TX 75397-2298.