INTERNATIONAL DEVELOPMENTS

New French Tax Incentive for Film Production

by Celine Michaud-Tulquois and Gregory Tulquois

It is axiomatic that the motion picture industry is a costly business. The cost of producing films in Europe has considerably increased over the past ten years, to the extent that movie producers now tend to favor productions in countries offering the lowest costs (hence delocalization in Rumania or Portugal) or at least the most interesting financial incentives (which causes delocalization in Luxembourg, Belgium or the United Kingdom).

France is no exception: for cost reduction purposes, many film productions are now shot outside France, and very often in Central European countries. The French National Center for Cinematography ("*Centre National de la Cinématographie*", "CNC") released statistics showing that approximately 46.5% of movies initiated in France which received subsidies from the CNC were shot, in whole or in part, outside France.

In 2002 and 2003, the number of films that were filmed outside France increased considerably. According to CNC statistics, the number of weeks spent filming movies outside France increased in 2003 by 49% compared to 2002 and by 77% compared to 2001.

In a communication on policy in favor of the cinema presented on April 30, 2003, France's Ministry of Culture and Communications pointed out that the system for funding the motion picture industry was showing signs of fragility. The only existing French tax incentive device appeared insufficient for the purpose of funding the film industry in France. (This device, which remains in full force in addition to the new tax incentive, is a corporate entity called Sofica, which is a stock corporation the sole purpose of which is the financing of cinematographic or audiovisual works approved by the French Ministry of Culture. This incentive lies in the possibility for individuals who are tax residents of France and who contribute cash to the capital of a Sofica, to deduct such contribution from their total taxable income, with a cap of 25% of their income and within the nominal limit of 18,000 euros.)

In order to address the need for a more effective tax incentive, the French Parliament adopted as part of the 2004 budget a tax credit system for cinema, aiming at encouraging an increase in the number of films being made in France using local technical services. A tax credit system was favored over the sale and leaseback scheme used in the UK, although this system appears to be efficient in attracting producers to the UK. Under the sale and leaseback, a company that acquired a film from a producer may depreciate, over one year or three years, the amounts paid, while the production company may, after several years, repurchase the film.

In Belgium a tax shelter system implemented pursuant to a December 22, 2003 statute, fosters investment by Belgian companies of a part of their profits in approved European films, by allowing Belgian companies to deduct up to 150% of the amounts invested, within the limit of 50% of the amount of the investing company's taxable income and with a 750,000 euro cap *per annum*, it being noted that the production company receiving the investment must spend in Belgium at least 90% of the sums invested.

The new French tax credit, which was (i) codified at Sections 220 *sexies* and 220 F of the French General Tax Code ("*GTC*"), (ii) detailed by Regulations dated January 7, 2004 and April 28, 2004 (the latter having been codified at Section 46 quarter -0- YL through YR of Annex III to the GTC), and (iii) clarified by guidelines issued on September 24, 2004[1] introduced a long awaited production tax credit (the "*Tax Credit*") in favor of film

Celine Michaud-Tulquois, J.D., LL.M., is an entertainment lawyer in Paris, France. She is currently finalizing her PhD dissertation on US and French copyright laws after having conducted extensive research at the Georgetown University Law Center.

Gregory Tulquois is a member of the New York and Paris Bars. He is an associate with DLA Piper Rudnick Gray Cary US LLP and is currently practicing in Paris, concentrating in media and entertainment law.

[1] *Instruction fiscale 4 A7-04* dated September 24, 2004, *Bulletin Officiel des Impôts* No. 148.

production companies liable for corporate income tax and that localize on the French territory the filming and the production of full length feature films approved by the CNC.

The Tax Credit, which equals 20% of the technical expenses incurred in the production of the picture, is capped, depending on the nature of the work, at 500,000 euros (for live action feature films) or 750,000 euros (for animation feature films) and is deductible from the corporate income tax owed by the company for the financial year when qualifying expenses were incurred.

I. Eligibility to the Tax Credit

In order for a company to be eligible for the Tax Credit, (A) it should be of a type that is eligible, (B) it should produce an eligible work, (C) and it should incur qualifying expenses.

A. Eligible Companies

Under the new French provision, a company must satisfy three initial conditions in order to be eligible for the Tax Credit.

1. Company Based in France and Controlled by European Persons

a. Foreign owned production companies must have a French subsidiary

Eligible companies are film production companies holding an operating permit delivered by the General Director of the CNC. The operating permit delivered by the General Director of the CNC is mandatory for any film production company wishing to benefit from subsidies for film production.

This permit may only be delivered to film production companies that are established in France. A foreigned owned production company must therefore create a subsidiary in France.

b. The production company must be controlled by EU persons

A very demanding requirement of the new French Tax Credit is that the production company be controlled by European persons. (For purposes of the French regulation of permits delivered by the CNC, European persons include individuals or entities that are nationals of (i) European Union member countries, (ii) countries signatory of the Council of Europe's Convention on Transfrontier Television, and (iii) countries with which the European Union has signed treaties in the audiovisual sector.)

Under French law, control is broadly defined by Section L. 233-3 of the French Commercial Code, which provides that a company will be deemed to control another if it "directly or indirectly" holds a fraction of capital conferring on it a majority of the voting rights in that company." A company will also be deemed to control another if "de facto, it determines that other company's decision-making process." In addition, two or more persons or companies may be deemed to act in concert and to exercise joint control over a company if they in fact determine decisions made at shareholders' meetings.

Control is presumed under Section L. 233-3 if a company directly or indirectly holds more than 40% of the voting rights and no other shareholder owns a bigger interest.

A company is deemed to act "in concert" with another for purposes of control if there exists an agreement between them regarding how shares are voted. Such an agreement is presumed to exist between a company and its CEO.

Applying these provisions of the French Commercial Code, the Paris Appellate Administrative Court confirmed (on May 31, 2005) a lower court decision (of last year) that *A Very Long Engagement* (*Un Long Dimanche de Fiançailles*) was not entitled to French motion picture public subsidies because its producer was controlled by Warner Bros., which is a non-European entity.

Actually, 2003 Productions, the producer of this movie, is held 32% by Warner France (itself controlled by Warner Bros. Entertainment, Inc.) and 16% held by Warner France's CEO, yielding a total 48% ownership for Warner France, since Warner France and its CEO are deemed under French law to act in concert. Besides, the court found that Warner France and its CEO determine in fact decisions made at shareholders' meetings of 2003 Productions. These facts supported a finding that Warner Bros. Entertainment, Inc. indirectly controlled 2003 Productions.

2. Executive Production Companies

In addition, in order to be eligible for the Tax Credit, the company must qualify as "producteur délégué," i.e., an executive producer, which is a company that takes the initiative, as well as the financial, artistic and technical responsibility, for a film and guarantees its completion.[2] Other entities that are co-producers do not qualify for the Tax Credit.

It should be noted that (i) a Sofica (a company for the financing of film and audiovisual works) may not benefit from the Tax Credit since it may never qualify as executive production company and (ii) only two production companies may be granted the Tax Credit,

[2] Regulation 99-130 dated February 24, 1999 as amended by Regulation 2001-771 on August 29, 2001.

since, only two companies for a given film, may qualify, for purposes of the Tax Credit, as executive producers, provided that they act jointly.[3] In case two executive producers acting jointly intend to benefit from the Tax Credit, the Tax Credit will be granted to each of the production companies in proportion to its share in the expenses.

3. Liability to Corporate Income Tax

A company satisfying conditions stated at paragraphs 1 and 2 above must be subject to corporate income tax. It should be noted that in practice, virtually all film production companies authorized by the CNC are companies subject to corporate income tax.

It should be noted that newly created companies that are temporarily exempted from corporate income tax nevertheless appear to qualify for the Tax Credit.

B. Qualifying Movies

There is an important additional restriction on eligibility for the Tax Credit, in that only certain specifically listed movies may entitle their producer to the Tax Credit.

Two conditions must be satisfied in order for a movie to be eligible: (i) one condition placed on the nature of the film, and (ii) a set of conditions placed on the type of production.

1. Nature of the Film

Only full-length theatrical motion pictures, defined under Section 6 of the February 24, 1999 Regulation as a film with a projection time longer than one hour (or works fixed on 70 mm films with a projection time longer than eight minutes) may allow their producer to be granted the Tax Credit.

Television productions also benefit from the Tax Credit, although applicable caps are different.

2. Type of Production

a. Production on the French Territory

Since the purpose of the Tax Credit is to serve as an incentive to film production on the French Territory, including mainland France and overseas districts ("départements d'Outre Mer," i.e., Martinique, Guadeloupe, Reunion, Guyana, Mayotte and Saint Pierre et Miquelon), the first condition pertaining to the type of production lies in the necessity for the film to be produced mostly in France or with the collaboration of French companies. It seems that it remains possible to effect a few operations abroad if it is justified by imperative artistic motives.

It is worth mentioning that the law imposes conditions that only relate to the incurring of technical expenses for film production in France. Accordingly, the film may nevertheless feature foreign actors and even be filmed in a non-French language.

b. French or EU employees

Fiction and documentary films must be produced essentially with the contributions of:

- creative technicians and production workers who are employed under an employment agreement that is governed by French Law and are either French nationals or nationals of (i) European Union member countries, (ii) countries that are signatories of the Council of Europe's Convention on Transfrontier Television, or (iii) countries with which the European Union has signed treaties in the audiovisual sector;
- technical companies that are established in France, approved by the CNC, and that effect shooting and post production work themselves without subcontracting outside France.

Animation feature films must satisfy similar conditions, except that the films must be produced with the contribution of companies specialized in the preparation of animation, that are established in France and that may not subcontract.

C. Qualifying Expenses

Only technical expenses corresponding to services actually performed in France may be included in the Tax Credit base.

As might be expected, the list of expenses is limited to the expenses expressly provided at Section 220 *sexies* III GTC, which include notably:

- salaries paid to technicians, creative assistants and production staff employed for the production;
- expenses related to the use of filming studios, costume, make-up and lighting expenses;
- technical equipment expenses (cameras, video equipment, which are often leased); and
- post production expenses, including film and laboratory expenses, special effects).[4]

However, actors' compensation is not included in the Tax Credit base.

D. Request for CNC Approval Before the Filming Begins

1. Initial Approval

[3] *Id.*

[4] For a comprehensive list of all qualifying expenses, please refer to Regulation n°2004-368 dated April 28, 2004.

In order to benefit from the Tax Credit, the producer must obtain, prior to the beginning of filming operations, and upon submitting supporting documents,[5] an initial temporary approval by the CNC,[6] certifying that the persons with whose contributions the film is produced will satisfy all the conditions regarding the need for French or EU employees listed at Section 220 *sexies* II GTC.

Compliance with these conditions is assessed by the CNC, which grants preliminary approval to the production company, according to a point system in which the hiring of each type of technician, worker or service provider is converted into points. In order for the CNC to consider that a production complies with the conditions relating to personnel and service providers, the point threshold to be met is 38 points for fiction films and documentaries and 40 points for animated films. The guidelines issued in September of last year indicate that the CNC has some flexibility in attributing points for productions "wholly or principally financed by French partners."[7] For such productions, the CNC may grant certain points, even though some requirements are not met, if the producer can show that there were artistic or technical reasons for not being able to comply with the relevant point requirements. That would be the case if a producer can show that the production of the picture required that the picture be shot outside France for strictly artistic reasons, or that the services of a technician or service provider with a certain know-how, which cannot be found in France, were needed for technical purposes.

2. Final Approval

A request for final approval must be filed with the CNC within eight months from the delivery of the picture's theatrical release visa,[8] along with additional supporting documents including a statement certified by a certified public accountant indicating the final cost of the production, its financing methods, and stating expressly which of the expenses were incurred in France, the list of the names of the employees, of technical companies and of service providers used (including their nationality and a copy of social taxes statements, as well as annual social data returns).

If a final approval is not obtained, or if the film is not granted a theatrical release visa within two years following the financial year during which the Tax Credit was granted, the producer may be compelled to repay the amount of the Tax Credit already obtained on the basis of the temporary approval.

II. Assessment and Use of the Tax Credit

A. Amount of the Tax Credit

1. Nominal rate

The Tax Credit equals 20% of the amount of qualifying expenses. It should be noted that non-refundable subsidies paid by any French public authority may not be taken into account for the assessment of the Tax Credit if they are directly allocated to the payment of qualifying expenses. If they are not specifically allocated (which is often the case), these subsidies may be included in the Tax Credit base.

2. Cap

The aggregate amount of Tax Credit obtained for the production of a given film may not exceed 500,000 euros for fiction or documentary films and 700,000 euros for animated films.[9] Expenses exceeding either of theses caps may not be rolled over.

However, in the event that the Tax Credit were higher than the corporate income tax due by the producer, the excess would be refunded to the producer.[10]

3. Up-front financing of the Production

Although the Tax Credit consists of a direct incentive for production companies, it should be noted that the incentive only becomes effective once the Tax Credit may be used, that is when shooting is completed.

Nevertheless, in the event that the company benefits from a Tax Credit excess, the Tax Credit could be granted as a guarantee to a bank by way of assignment of receivables.[11]

C. Use of the Tax Credit

1. Use for set-off against corporate income tax for the financial year when the qualifying expenses were incurred

The Tax Credit is deducted from the corporate income tax owed by the production company for the financial year during which the qualifying expenses were incurred. The deduction is effected when the last installment of corporate income tax is paid. Thus, should

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[5] A detailed estimate of the film's budget, the list of the names and citizenships of employees and service providers, copies of employees hiring declarations to the social security administration.

[6] See Section 220 *sexies* III C GTC.

[7] Instruction fiscale 4 A7-04, § 25.

[8] See Section 220 F GTC.

[9] See Section 220 *sexies* V GTC.

[10] See Section 220 F GTC.

[11] See Section 220 F §2 GTC.

the amount of the Tax Credit exceed the amount of the corporate income tax for that financial year, Section 220 F GTC requires that the excess be refunded to the production company.

2. No Assignment Except to a Bank

The Tax Credit consists of a claim against the French government and this claim may not be assigned, except to a bank as an assignment of professional receivables, pursuant to Sections L. 313-23 through L. 313-25 of the French Financial and Monetary Code.

However, Section 33 of the French Cinema Industry Code provides that any pledge or assignment of future "revenues from a motion picture" must be registered with the French National Public Cinema and Audiovisual Registry ("registre public de la cinématographie et de l'audiovisuel" ("RPCA"), in order to be binding on third parties. There are doubts as to whether the Tax Credit would constitute "revenues from a motion picture." It nevertheless appears advisable for a bank, as assignee of a Tax Credit, to register the assignment with the RPCA.

III. Open Issues

A. Cooperation with non EU member States

International co-productions are not excluded per se from the scope of the Tax Credit. However, the fact that the productions must be produced essentially or mainly with French or EU technicians, workers and service providers entails that international co-productions involving companies of a non-EU member state may not qualify for the Tax Credit, unless those companies only contribute a financial participation.

B. Potential Challenge by the European Commission

Although the European Commission, in a communication dated September 26, 2001, admitted that the preservation of certain public interest objectives such as pluralism and cultural as well as linguistic diversity could justify a member State's request to a film producer that the latter spend up to 80% of a film budget in the country granting a tax incentive, the Commission decided to conduct an impact study by June 30, 2007, in order to assess whether these tax incentives restrain pan-European productions.

In order to anticipate the Commission's findings, the Tax Credit should perhaps evolve into a device that is adapted to cross-border financing, and expand its scope.

It remains that producers having an artistic interest in filming in France should take advantage of the new French Tax Credit.

RECENT CASES

Grokster and StreamCast may be liable for copyright infringements by users of their P2P software, if companies intended their software to be used to infringe copyrights and promoted its ability to do so, even though software also may be used for non-infringing purposes, Supreme Court rules

Early in its business life, StreamCast said that the company's "goal is to get in trouble with the law and get sued [because that's] . . . the best way to get in the news." StreamCast accomplished that goal. It was sued by movie studios, record companies, songwriters and music publishers, all of whom alleged that StreamCast should be held liable for copyright infringements committed by users of the company's peer-to-peer networking software. The lawsuit also named Grokster, Ltd. – a competing P2P software company – as a defendant. And the lawsuit did get StreamCast and Grokster in the news, just as StreamCast predicted.

StreamCast and Grokster enjoyed success on two other fronts as well. Their software was downloaded, installed and used by millions of people. And they won the first two rounds of the lawsuit filed against them by copyright owners. Federal District Judge Stephen Wilson granted the P2P companies' motion for summary judgment (*ELR* 24:11:4). And in an opinion by Judge Sidney Thomas, the Court of Appeals affirmed (*ELR* 26:3:4).

Now though the tide has turned. In a unanimous decision by Justice David Souter, the Supreme Court has ruled that Grokster and StreamCast may be liable for infringements committed by their users. They may be, the Supreme Court held, because "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties."

The Court's holding was characterized by Justice Stephen Breyer, in a concurring opinion, as one which "add[s] a weapon to the copyright holder's legal arsenal." This is why he may have said that: Grokster and StreamCast may be liable under the Court's holding, *even if* their software is "capable of substantial or commercially significant noninfringing uses." Some people – Grokster, StreamCast and the lower courts among them – read the Supreme Court's 1984 decision in the *Sony-Betamax* case (*ELR* 5:9:10) as standing for the principle that *if* a device is "capable of substantial or commercially significant noninfringing uses," then its distribution can *never* give rise to secondary copyright infringement liability, no matter what its distributor knows or intends.

Such a reading of the *Sony* case was incorrect, Justice Souter explained, because contributory copyright infringement liability results whenever someone "intentionally induc[es] or encourag[es] direct infringement." In *Sony*, there was no evidence that Sony intended to promote infringement. Copyright owners argued that Sony's intent should be *inferred*, because it sold VCRs with the knowledge that some buyers would use them to infringe. But the Supreme Court rejected that argument in *Sony*. The Supreme Court ruled instead that because VCRs are "capable of commercially significant noninfringing uses," it could *not* be inferred that Sony intended to induce or encourage infringement "solely on the basis of" the VCR's design or sale. In other words, Justice Souter explained in the Grokster/StreamCast case, contributory liability for the sale of an item that has "substantial lawful as well as unlawful uses" requires "more acute fault than the mere understanding that some . . . products will be misused."

On the other hand, Justice Souter added, "where an article is 'good for nothing else' but infringement . . . there is no legitimate public interest in its unlicensed availability, and there is no injustice in presuming or imputing an intent to infringe. . . ."

This meant the Grokster/StreamCast case *could have* turned on whether Grokster's and StreamCast's software has "substantial" lawful uses. The evidence showed that 90% of the works available on their P2P networks are copyrighted, and the copyright owners argued that the use of Grokster and StreamCast software to download the remaining 10% was not a "substantial" noninfringing use. If the Supreme Court had agreed with the copyright owners' definition of "substantial," then, under *Sony*, it could have been presumed that Grokster and StreamCast intended their software to be used to infringe; and the two companies could have been held liable for contributory infringement on that basis. However, the Court declined to pursue the argument over the meaning of "substantial noninfringing uses."

Instead, Justice Souter explained that although the *Sony* decision does not allow "imputing culpable intent . . . from the characteristics or uses of a . . . product," *Sony* does permit courts to consider actual "evidence of intent if there is such evidence. . . ." Thus, where the evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, *Sony's* staple-article rule will not preclude liability."

That was how the Court came to the conclusion that Grokster and StreamCast may be contributorily liable for the infringements committed by users of their software, *even if* their software is "capable of substantial or commercially significant noninfringing uses." This possibility highlights the central policy question raised by the case: how to balance the objective of "supporting creative pursuits through copyright protection" against the competing objective of "promoting innovation in new communication technology by limiting the incidence of liability for copyright infringement."

The Grokster/StreamCast case was a good one for those who place more weight on the objective of supporting creative pursuits through copyright. As Justice Souter put it: "The argument for imposing indirect liability in this case is . . . a powerful one, given the number of infringing downloads that occur every day using StreamCast's and Grokster's software. When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement."

Grokster and StreamCast may be liable under the Court's holding, because the evidence (submitted in connection with the parties' cross-motions for summary judgment) showed that "from the moment Grokster and StreamCast began to distribute their free software, each one clearly voiced the objective that recipients use it to download copyrighted works, and each took active steps to encourage infringement." In addition to StreamCast's statement that the company's "goal was to get in trouble with the law," Grokster sent users a newsletter "promoting its ability to provide particular, copyrighted materials."

In addition to that evidence of "clear expression" by Grokster and StreamCast, the two companies also took "other affirmative steps" showing their intent to foster infringement.

- Both companies sought to satisfy the demand of former Napster users for a free source of copyrighted works, after the Court of Appeals affirmed an order requiring Napster to shut down (unless it took certain actions it ultimately declined to take) (*ELR* 23:11:4).
- Both companies distributed their software for free and generated income only by selling advertising that is streamed to users while they are using the software. This was significant, because advertising is worth more as the number of users increases. "While there is doubtless some demand for free Shakespeare," Justice Souter noted, the number of people who use the software "is a function of free access to copyrighted works. Users seeking Top 40 songs . . . or the latest release by Modest Mouse, are certain to be far more numerous than those seeking a free Decameron, and Grokster and StreamCast translated that demand into dollars."
- And neither company "made an effort to filter copyrighted material from users' downloads or otherwise impede the sharing of copyrighted files."

Justice Souter explained that other types of evidence too would show an intent to encourage infringement. Advertising a device's ability to be used for infringing uses would show such an intent, as would providing instruction on how a device could be used to infringe copyrights. (Mere customer support or device updates would not be enough, though, Justice Souter wrote.)

Because the Court found there was "substantial evidence" in favor of the copyright owners "on all elements of inducement," the Court concluded that "summary judgment in favor of Grokster and StreamCast was in error" and it vacated that judgment. The Supreme Court said that "On remand, reconsideration of MGM's motion for summary judgment will be in order."

Though the Supreme Court's opinion was unanimous, there were two concurring opinions that focused on an important issue the Court did *not* decide. The undecided issue was what constitutes a "substantial" noninfringing use. Justice Souter specifically said the Court would "leave further consideration" of that issue "for a day when that may be required." That day could come in this very case, if, after remand, it is *not* proved that Grokster and StreamCast intended their software to be used to infringe copyrights and promoted its ability to do so. In that seemingly unlikely event, the question will arise once again whether under *Sony*, the distribution of Grokster and StreamCast software would be sufficient to find contributory infringement, on the grounds that the software is *not* "capable of substantial or commercially significant noninfringing uses." That question was addressed in conflicting concurring opinions by Justice Ruth Ginsburg (joined by Chief Justice William Rehnquist and Justice Anthony Kennedy), and by Justice Stephen Breyer (joined by Justices John Paul Stevens and Sandra Day O'Connor).

Justice Ginsburg argued that the record did not show that the Grokster and StreamCast software is capable of substantial or commercially significant noninfringing uses. "Even if the absolute number of noninfringing files copied using the Grokster and StreamCast software is large," she reasoned, "it does not follow that the products are therefore put to substantial noninfringing uses and are thus immune from liability. The number of noninfringing copies may be reflective of, and dwarfed by, the huge number of files shared. . . . [T]here was evidence that Grokster's and StreamCast's products were . . . overwhelmingly used to infringe . . . , and that this infringement was the overwhelming source of revenue from the products. . . . Fairly appraised, the evidence was insufficient to demonstrate, beyond genuine debate, a reasonable prospect that substantial or commercially significant noninfringing uses were likely to develop over time."

Justice Breyer disagreed. He argued that Grokster's and StreamCast's software *is* capable of substantial or commercially significant noninfringing uses, because 10% of the files downloaded over their P2P networks are noninfringing. "Importantly," he said, "*Sony* also used the word 'capable,' asking whether the product is 'capable of' substantial noninfringing uses." Justice Breyer acknowledged that *Sony* suggested that "a figure like 10%, if fixed for all time, might well prove insufficient." But in his view, noninfringing uses of P2P networks are increasing, and "the foreseeable development of such uses, when taken together with an estimated 10% noninfringing material, is sufficient to meet *Sony's* standard."

The movie studios, record companies, songwriters and music publishers were represented by Kenneth W. Starr of Kirkland & Ellis in Washington D.C., Russell J. Frackman of Mitchell Silberberg & Knupp in Los Angeles, Robert M. Schwartz of O'Melveny & Myers in Los Angeles, Thomas G. Hentoff and David E. Kendall of Williams & Connolly in Washington D.C., Kelli L. Sager of Davis Wright Tremaine in Los Angeles, and others. Grokster and StreamCast were represented by Michael H. Page and Mark A. Lemley of Keker & Van Nest in San Francisco, Charles S. Baker of Porter & Hedges in Houston, and Cindy A. Cohn and Fred Von Lohmann of the Electronic Frontier Foundation in San Francisco, and others.

Editor's note: Next month's Legal Affairs article in the *Entertainment Law Reporter* will assess the implications of the Supreme Court's decision, to this case on remand and to others in future cases.

Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 125 S.Ct. 2764, 2005 U.S.LEXIS 5212 (2005)

Sonny Bono Copyright Term Extension Act, Copyright Renewal Act, and Berne Convention Implementation Act are not unconstitutional, because Congress had rational basis for enacting them and they do not alter "traditional contours of copyright protection," federal District Court decides

The Internet Archive and Prelinger Archives publish public domain works on the Internet. In fact, the Internet Archive is building an "Internet Library" to provide free online access to a million books.

The two online publishers want to copy and distribute works originally published between 1964 and 1978 – works that would have fallen into the public domain in 2004 but for the Copyright Renewal Act of 1992 (*ELR* 14:7:3) and the Sonny Bono Copyright Extension Act (*ELR* 20:6:8). Works in the public domain can be legally copied and distributed without paying anything to the former owners of their expired copyrights.

The publishers believe that these Acts violate the constitutional requirement that copyrights "promote the progress of science" and that copyright terms be for a "limited time." According to the publishers, automatic renewal of copyrights denies the public the ability to exploit copyrights that would otherwise be dedicated to the public domain.

The publishers asserted their beliefs in a lawsuit against the Attorney General of the United States, which they hoped would result in the Acts being declared unconstitutional. They haven't been successful, however.

Federal District Judge Maxine Chesney found that the current copyright law creates copyright terms for a "limited time" and the length of the term is not so long as to be "effectively perpetual." Judge Chesney relied heavily on the Supreme Court's decision in the *Eldred* case, which already rejected the argument that the Term Extension Act violated the constitution (*ELR* 24:8:4). Any arguments inconsistent with *Eldred*, the judge said, "must be addressed directly to the Supreme Court."

The Copyright Renewal Act, along with the Berne Convention Implementation Act (*ELR* 10:6:3), eliminated registration, deposit, notice and renewal requirements. But that did not violate the Copyright Clause of the constitution (by failing to promote the progress of science), Judge Chesney concluded. How to best pursue the objectives of the Copyright Clause is for Congress to decide, she said. Congress decided that the best way to promote the progress of science is to provide authors with a financial incentive to create. Congress had a rational basis for concluding that abolishing the registration, deposit and renewal requirements of copyright law gave authors a greater incentive to create and thereby promoted the progress of science.

The publishers also argued that these Acts violate the First Amendment. Judge Chesney noted that the First Amendment protects the freedom to make one's own speech, which is quite different from the freedom to reproduce another's speech. First Amendment scrutiny is unnecessary, the judge said, unless Congress alters the traditional contours of copyright protection. Copyright law has "built-in" First Amendment protection because of its idea/expression dichotomy and its fair use exception, both of which are "traditional contours of copyright protection." On the other hand registration, renewal, deposit and notice rules do not define the scope of copyright protection, because those rules are merely procedural steps to obtaining and maintaining copyrights.

For these reasons, Judge Chesney dismissed the publishers' lawsuit.

The publishers were represented by Jennifer Stisa Granick of the Center for Internet & Society Cyberlaw Clinic at Stanford Law School. The Attorney General was represented by John H. Zacharia of the United States Department of Justice in Washington D.C. (*MAR*)

Kahle v. Ashcroft, 2004 WL 2663157, 2004 U.S.Dist.LEXIS 24090 (N.D.Cal. 2004)

Eddie Murphy and Fox Broadcasting must defend copyright infringement claim alleging animated series "The PJ's" was copied from documentary film

Eddie Murphy and Fox Broadcasting will have to defend a copyright infringement lawsuit filed against them by documentary filmmaker Daryl Murphy. At issue in the case is the origin of an animated series called "The PJ's" which Fox Broadcasting began airing in 1999.

According to Fox and Eddie Murphy, the series – which depicted life in urban housing projects – was created by Eddie. According to Daryl Murphy, however, the TV program was copied from a documentary he made in 1997. His documentary filmed the lives of real people who lived in the housing project were he grew up.

Daryl alleges that he submitted his documentary to Oprah Winfrey and asked her to pass it on to Quincy Jones, Ron Howard and others. Although Jones and Howard received some creative credit for "The PJ's," no one contacted Daryl regarding his submission. Nevertheless, according the Daryl, the scenery and characters used in "The PJ's" were so similar to his documentary that the "creators and producers could not have known, imagined or thought of these facts independently."

Eddie Murphy and Fox took the position that taking images and facts from real people and places, then recasting them into a cartoon, does not constitute copyright infringement, because facts are not copyrightable. Daryl argued that his documentary is protected as a compilation of facts, because his unique selection, arrangement and coordination facts constituted an original work of authorship.

Federal District Judge John Darrah agreed with Daryl, though the judge noted that a compilation of facts receives only "limited protection." Accordingly, Judge Darrah denied Eddie's and Fox's motion to dismiss, because, said the judge, Daryl may be able to prove that they "copied the actual selection, coordination and arrangement of the facts in his documentary."

Daryl Murphy was represented by Peter A. Cantwell of Cantwell & Cantwell in Chicago. Eddie Murphy and Fox were represented by Mark Bruce Blocker of Sidley Austin Brown & Wood in Chicago. (*MAR*)

Murphy v. Murphy, 2004 WL 2966965, 2004 U.S.Dist.LEXIS 23754 (N.D.Ill. 2004)

The White Stripes must defend suit filed by record producer claiming co-ownership of copyrights after group failed to share payment it received from Third Man Records for its release of recordings he produced

In 1999, sound engineer and music producer James Diamond produced the masters for The White Stripes' first album, entitled the "The White Stripes." A year later, he produced certain cuts on the group's second album, "De Stijl." Both albums were released on independent labels, but neither resulted in any profits.

In 2002, the group registered the albums with the Copyright Office, but did not acknowledge that Diamond was a joint author. That same year, the group received a multi-million dollar payment – none of which it shared with Diamond – after authorizing Third Man Records to release a White Stripes album. The album released on Third Man Records prompted Diamond to file suit, because it contained sound recordings he had produced.

The Copyright Act recognizes sound recordings as a copyrightable form of expression. As "joint owner" of the sound recordings released by Third Man, Diamond would be entitled receive a share of the profits and an accounting.

According to White Stripes, however, Diamond's co-ownership claim was barred by the three year statue of limitations because he filed it more than three years after he produced the sound recordings.

As a general rule, the statute of limitations begins to run when there is an express repudiation of authorship by one party against another. In response to The White Stripes' motion to dismiss, federal District Court Judge Avern Cohn ruled that the group did not repudiate Diamond's authorship until it filed for copyright registration and listed The White Stripes as the sole authors in 2002. Diamond filed suit in 2004, well within the applicable three-year statute of limitations. For these reasons, Judge Cohn denied The White Stripes' motion to dismiss Diamond's claims for a declaration of authorship and for an accounting.

The White Stripes did win dismissal of Diamond's breach of implied contract claim. State law claims that do not allege elements beyond those required to prove copyright infringement are preempted by federal copyright law. Judge Cohn ruled that Diamond's contract claim was preempted by copyright law because it was equivalent to a copyright claim. Diamond failed to allege an extra element of a promise to pay him.

Diamond was represented by Anthony L. DeLuca of Plunkett & Cooney in Detroit. The White Stripes were represented by Morley Witus of Barris & Sott in Detroit. (*MAR*)

Diamond v. Gillis, 357 F.Supp.2d 1003, 2005 U.S.Dist.LEXIS 2410 (E.D.Mich. 2005)

Taxpayer lacks standing to bring antitrust suit against NFL for allegedly forcing Alleghany County into expensive stadium deal to keep the Steelers in Pittsburgh, federal District Court rules

After Robert C. Warnock sued the National Football League and its member clubs for purportedly violating the Sherman Antitrust Act and the Clayton Act, the League went on the offensive. It moved to dismiss Warnock's lawsuit for lack of standing. And federal District Judge Joy Flowers Conti sided with the NFL.

Warnock claimed that the NFL violated federal antitrust law when it forced NFL host cities and counties to build new football stadia and lease them to its clubs under favorable terms. In particular, Warnock said that by "limiting the number and barring public ownership of NFL franchises, [the NFL] forced Alleghany County [Pennsylvania] to pay . . . far more to build Heinz Field and to agree to more onerous lease terms to keep the Steelers in Pittsburgh than a marketplace free of these restraints would have demanded." The NFL countered that Warnock, purporting to sue on behalf of Alleghany County, "lacks standing to assert his antitrust claims."

Judge Conti noted that Warnock had brought his suit as a taxpayer of Alleghany County and not as a professional football owner or even a consumer of the NFL's product. His beef was that Alleghany County residents never intended to "spend tax dollars merely to increase the Steelers' profits or to increase the franchise value," despite the fact that this is what the NFL's antitrust violations allegedly resulted in.

Judge Conti declined to accept the NFL's argument that taxpayer standing should exist only with respect to constitutional violations. Nonetheless, she also noted that, in essence, Warnock was arguing that the NFL's actions forced "Alleghany County to pay far more tax revenue than what the taxpayers, himself included, expected to contribute toward the Steelers becoming 'a competitive team while remaining profitable.'"

She added that it was interesting that the county and the local Sports & Exhibition Authority decided not to join Warnock's case. Even assuming that Warnock suffered sufficient injury and that his injury could be redressed by his suit, the judge declared that Warnock's allegations were "devoted toward speculative future injuries county taxpayers might incur" and that his injuries were not "fairly traceable" to the NFL's conduct. "Defendants are not the entity that allegedly improperly distributed plaintiff tax dollars. Defendants are not a municipal or state body, they do not have any characteristics of such an entity, and they certainly do not have the ability to levy and collect taxes from the citizens of Alleghany County."

The judge concluded, therefore, that "extending the [taxpayer standing] doctrine to fit [Warnock's] theory would stretch standing beyond the breaking point."

The judge also concluded that, because the relief sought (over $600 million) was well "beyond the violation of the law alleged," the "fairly traceable" and "redressability" requirements for standing had to be addressed separately. Said the judge: Warnock "cannot satisfy the causation prong because his alleged injury is not 'fairy traceable' to the conduct of the defendants, but rather 'results from the independent action of some third party not before the court,'" namely the County of Alleghany. Separately, even if Alleghany was party to the suit, the judge noted, Warnock would have "difficulty meeting the more demanding requirements of antitrust standing." Among other things, Warnock did not satisfy the requirement that his "'business or property' was injured as a result of a violation of antitrust laws."

In the end, the judge said, "[in] football terms, [Warnock] is like a spectator in the stands who is unable to challenge a disputed call by the referee because he does not hold the head coach's red challenge flag."

Warnock was represented by William James Helzlsouer in Dravosburg, Pennsylvania. The NFL and its member teams were represented by Michael J. Manzo of Klett Rooney Lieber & Schorling in Pittsburgh, and Gregg H. Levy of Covington & Burling in Washington D.C. (*AMF*)

Warnock v. National Football League, 356 F.Supp.2d 535, 2005 U.S.Dist.LEXIS 2130 (W.D.Pa. 2005)

Allegedly defamatory lyrics performed by funk legend George Clinton and rapper Warren G were "rhetorical hyperbole," federal Court of Appeals rules in an opinion affirming dismissal of defamation suit filed by owner of Bridgeport Music

There is a litigious relationship between Armen Boladian who is the owner of Bridgeport Music, and the funk legend George Clinton. In a long-running dispute, Armen alleges he was defamed by the lyrics of a song performed by Clinton and rapper Warren G entitled "Speed Dreamin." The lyrics made a reference to "Armen" as a "disgrace to the species" and said that Armen's "got it [killing] comin'." According to

Boladian, the lyrics were false and lowered his reputation in the music industry.

Boladian made this claim in a lawsuit he filed in Michigan state court which Clinton and Warren G then removed to federal court on the grounds of diversity jurisdiction. After removal, Boladian unsuccessfully sought to have the case remanded to state court, on the grounds that one defendant was a Michigan resident and thus diversity was not complete. Even worse, from Boladian's point of view, the federal District Court then dismissed the case on its merits.

Boladian appealed, without success. In an opinion by Judge Alan E. Norris (marked "Not Recommended for Full-Text Publication"), the Court of Appeals affirmed the District Court order granting summary judgment to Clinton and Warren G. Judge Norris ruled that "Speed Dreamin's" lyrics are "typical rap taunts" which are too "loose and figurative" to constitute an "objectively verifiable" false statement of fact. Judge Norris' also affirmed Boladian's unjust enrichment and infliction of emotional distress claims, because those claims were premised on the existence of defamatory statements.

Of course, if the case had been improperly removed from state to federal court to begin with, the federal court would not have had jurisdiction to dismiss it. But Judge Norris agreed with Clinton and Warren G that Boladian had fraudulently joined one defendant – Meijer, Inc. – as a non-diverse defendant. Fraudulent joinder is an exception to the complete diversity rule. It allows a defendant to remove a case to federal court absent complete diversity, if the defendant can prove that the plaintiff could not have established a state law claim against the non-diverse defendant.

Judge Norris affirmed the District Court's denial of Boladian's motion to remand the case to state court, because Boladian's allegation that Meijer sold the record "Speed Dreamin" did not state a cause of action for defamation. Under Michigan law, defamation liability is premised on whether Meijer "knew or should have known" that the record was defamatory, and Boladian did not allege that Meijer was familiar with the song's lyrics.

Judge Norris said that defamation liability premised merely on the act of distribution "is not enough." Retailers of books and music do not have a duty to screen those products. The judge cautioned that imposing a duty on retailers to screen music and books "would be onerous" and a "chilling effect on protected speech" could result if retailers were required to screen music, because some retailers might stop selling rap music to avoid liability.

Boladian was represented by Richard S. Busch of King & Ballow in Nashville. Clinton, Warren G and their co-defendants were represented by Daniel D. Quick of Dickinson Wright in Detroit and by Marc A. Becker of Munger Tolles & Olson in Los Angeles. (*MAR*)

Boladian v. UMG Recordings, Inc., 123 Fed.Appx. 165, 2005 U.S. App. LEXIS 68 (6th Cir. 2005)

Hulk Hogan's defamation claims against World Championship Wrestling were properly dismissed, but his claim and WCW's counterclaim for breach of contract require trial, Georgia appeals court affirms

In the summer of 2000, Hulk Hogan was supposed to wrestle for the championship of World Championship Wrestling at pay-per-view event known as the "Bash at the Beach." Vince Russo was the creative director of WCW at the time. In discussing the script for the match, it was decided that Hogan's opponent – Jeff Jarrett, then the WCW "champion" – would lie down in the ring, without wrestling, so Hogan would win by default.

That's exactly what happened. After the match, Hogan left the arena "pretending to be mad" because Jarrett wouldn't wrestle. Then, Russo delivered a speech that Hogan claimed was not part of the story line. Russo said that Hogan was a "god damn politician" "who doesn't give a shit about this company." Russo said that Hogan always "wants to play his creative control card," and Hogan knew that his beating Jarrett was "bullshit." Russo promised that they would "never see that piece of shit again." Russo closed with "Hogan you big bald son of a bitch . . . KISS MY ASS!" Jarrett then wrestled Booker T. for the "championship"; Booker T. won and was awarded the championship belt.

To those not involved in televised wrestling, the whole event sounds like an ordinary day in the ring. But for Hogan, it wasn't. As far as he was concerned, Russo's speech was offensive and violated his rights. Hogan made this claim in a lawsuit against WCW and Russo – a lawsuit that looks as though it will go several rounds itself, in part because WCW has filed a counterclaim of its own against Hogan.

Hogan sued WCW for defamation and false light invasion of privacy. He also sued WCW for breach of contract. WCW counterclaimed for breach of contract and moved for summary judgment on all claims. The trial court granted WCW's motion with respect to Hogan's defamation and privacy claims, and dismissed those; but it denied WCW's summary judgment motions on the contract claim and counterclaim.

In an opinion for the Georgia Court of Appeals, Judge Gary Andrews affirmed the trial court's grant of summary judgment with respect to Hogan's defamation and false light claims. Everything that occurred at the event was scripted, the judge noted, and all of Russo's statements were designed to advance the scripted storyline. The comments could not be understood as stating actual facts about Hogan, said Judge Andrews. And Hogan could not prove by clear and convincing evidence that Russo's statements were made with actual malice, because the statements were made in a fictional setting and Russo did not think he was publishing a statement of fact.

Judge Andrews also affirmed the trial court's decision not to grant summary judgment on Hogan's breach of contract claim. Hogan claimed that WCW did not make him the "featured wrestler" at the "Bash at the Beach," as had been agreed, and denied him his right of creative control by changing the outcome of the story line. Hogan's agreement did give him approval over the "outcome" of all wrestling matches in which he appeared. But Judge Andrews ruled that there was an issue of fact as to whether the term "outcome" meant more than just the individual matches. Hogan also raised issues of fact as to whether WCW breached his contract by allowing other wrestlers to compete, after his match at the "Bash at the Beach" event.

Finally, Judge Andrews also affirmed the trial court's decision not grant summary judgment to WCW on its claim that Hogan breached their agreement by not meeting his obligation to appear in later pay-per-view events. The judge agreed that Hogan had raised issues of fact as to whether WCW was estopped from seeking enforcement of the agreement, if it had breached its obligations to Hogan.

Hogan was represented by John Cox of Greenberg Traurig and John L. Taylor of Vincent Chorey Taylor & Feil, in Atlanta. WCW was represented by James Lamberth of Troutman Sanders in Atlanta. (*AR*)

Bollea v. World Championship Wrestling, 610 S.E.2d 92, 2005 Ga.App.LEXIS 33 (Ga.Ct.App. 2005)

Boston Magazine defeats defamation suit filed by teenager whose photograph accompanied article on teen sexuality, because disclaimer beneath photo said that those pictured were unrelated to people in article

In 2003, *Boston Magazine* printed an article on the sexuality and promiscuity of Boston-area teenagers. The headline read, "The Mating Habits of the Suburban High School Teenager." The caption read, "The photos on these pages are from an award-winning five year project on teen sexuality." A large photograph accompanied the article and depicted a teenage girl and five other students at a high school prom. The photo showed the group of teenagers dressed like adults and engaged in adult behavior like drinking and smoking. On the same page as the photograph, a caption and disclaimer stated that the individuals pictured were unrelated to the people or events in the story.

The teenager sued *Boston Magazine* for defamation. She argued that the juxtaposition of her photo and the article insinuated that she was engaged in the sexual activity described in the article, and that the language in the caption falsely insinuated that she was part of the project on teen sexuality. The teenager also sued the magazine for invasion of privacy. She argued that the article in conjunction with the photo portrayed her in a false light.

Boston Magazine moved for summary judgment on both claims.

First, *Boston* argued that the publication was not reasonably capable of a defamatory meaning. Judge Dennis Saylor disagreed. He ruled that statements suggesting a teenager is sexually promiscuous would hold her up to contempt, hatred scorn, or ridicule or tend to impair her standing in the community. Thus, the statements did have a defamatory meaning.

Second, *Boston* argued that the publication was not "of and concerning" the teenager. Judge Saylor ruled that the juxtaposition of the photo and text of the article intended to convey the impression that the teenager was likely to have experimented with adult sexual behavior. However, Judge Saylor ruled that the disclaimer directly contradicted the otherwise defamatory connection. A reasonable reader could be expected to read at least the first page of a six-page article. Thus, the disclaimer adequately negated the defamatory meaning, and the publication was not "of and concerning" the teenager.

Judge Saylor also ruled that "false light" invasion of privacy actions are not recognized in Massachusetts.

Boston Magazine was represented by David E. Plotkin of Prince Lobel Glovsky & Tye in Boston. The teenager was represented by John P. Donohue of Fuller Rosenberg Palmer & Beliveau in Worcester. *(AR)*

Stanton v. Metro Corp., 357 F. Supp. 2d 369, 2005 U.S. Dist. LEXIS 3774 (D.Mass. 2005)

Injured National Hockey League players fail to prevent their employers from being reimbursed, under New York Workers' Compensation Law, for salaries they were paid while not playing

Four professional hockey players who were "injured during the course of a game" were awarded worker's compensation benefits. Meanwhile, the teams that employed them "continued full salary payments to each [of the athletes] while they were not playing, and consequently, filed a request for reimbursement out of each player's schedule loss of use award."

The employers sought to have the money they paid out to their players reimbursed under New York's Workers' Compensation Law. The Workers' Compensation Board awarded the employers full reimbursement, "finding that the payments made to claimants constituted 'payments in a like manner as wages.'" The players appealed this decision to the Appellate Division of the Supreme Court of New York, which has affirmed the Board's decision.

The players and their employers all were signatories to a National Hockey League standard player's contract. Under the standard player's contract, "an injured player is required to be examined and treated by the club physician," and is "required to participate in promotional activities and team functions." The players therefore argued that the money paid to them while they were injured "constituted wages paid in exchange for valuable services rendered and were not compensation within the meaning of Workers' Compensation Law."

Writing for the appellate court, Judge Carl Mugglin said that whether an employer is entitled to reimbursement "hinges upon whether the employer would be unjustly benefited if it received such reimbursement." And since this is a question of fact to be determined by the Board, its determination will not be overturned if there is "substantial evidence" to support it.

The judge also noted that an employer can be reimbursed even if the compensation it paid its employee was pursuant to a contract or collective bargaining agreement; and, generally, employers are entitled to such reimbursement of wages "unless such reimbursement would achieve a disproportionate result, either to the employer or employee."

In this case, Judge Mugglin said that the players would be getting money from both their employers and from worker's compensation, "and such an imbalance favorable to the employees requires that reimbursement be granted to the employer." The judge conceded that while the employers did receive some benefit from claimants' activities while they were injured, "they did not receive the benefit of claimants' primary service to be performed under the contract." In this situation, it couldn't be said that the employers would benefit at the players' expense. "It is not a purpose of the Workers' Compensation Law to allow an employee to profit through the receipt of double benefits."

The players were represented by Villarini & Henry in Hamburg and Frank S. Kedzielawa of Abbarno McLaughlin & Kedzielawa in Buffalo. The employers were represented by Roger Edel of Williams & Williams in Buffalo. *(AMF)*

Houda v. Niagra Frontier Hockey, 792 N.Y.S.2d 651, 2005 N.Y.App.Div.LEXIS 3105 (App.Div. 2005)

Action figure license between Marvel Enterprises and World Championship Wrestling became ineffective after World Wrestling Federation acquired WCW's assets, Georgia appeals court affirms

Several years ago, Marvel Enterprises entered into an agreement with World Championship Wrestling that gave Marvel the right to manufacture action figures based on WCW wrestlers. This was back when Marvel Enterprises was known as "Toy Biz," and before WCW was acquired by its one-time competitor, the World Wrestling Federation. Several years into the contract, WCW sold most of its assets – including its agreement with Marvel and its agreements with its wrestlers – to the WWF.

When that happened, two more things did as well: WCW discontinued all of its wrestling related activities; and the WWF took the position that because there was no more WCW wrestling, the subject matter of the agreement with Marvel no longer existed, and the contract was no longer valid.

This of course displeased Marvel – enough so, in fact, that it sued the WWF and WCW for breach of contract. Like television wrestlers themselves, everyone involved in the case expressed supreme confidence in its ability – or, in this case, the rightness of its legal position – and all parties moved for summary judgment. Again like televised wrestling, there was a winner (two actually) and a loser: the WWF and WCW won, and Marvel lost. In law, unlike wrestling, appeals are permitted, and Marvel did, but without success.

On appeal from WWF's victory, Marvel argued that the exclusivity provision in the contract gave Marvel the exclusive right to make action figures of all WCW-branded wrestlers, even when they performed on WWF shows. But writing for the Georgia Court of Appeals, Judge Anne Barnes ruled that the exclusivity provision in the contract only gave Marvel the rights specifically covered in the agreement; and those rights did not include the right to wrestlers under contract with the WWF.

Marvel also argued that the contract language and the parties' course of dealing showed that Marvel had the rights to all of the wrestlers who came under contract to WCW. But Judge Barnes disagreed, stating that the contract did not give Marvel the right to every wrestler, because WCW was the only party who had a right to amend the list of wrestlers.

In the alterative, Marvel argued that when WCW wrestlers began appearing on WWF programs, wearing the WCW logos, Marvel was exclusively entitled to manufacture action figures of those wrestlers. Judge Barnes disagreed, stating that the contract did not grant licensing rights to wrestlers who appeared on programs other than WCW programs.

On appeal from WCW's victory, Marvel argued that WCW could not assign the agreement to the WWF. But Judge Barnes ruled that the contract gave WCW the unrestricted right to assign the agreement to any third party.

Marvel also argued that it could bring suit as a "third party beneficiary" of WCW's talent agreements with the wrestlers. A third-party beneficiary contract is one in which the promisor will render some performance to benefit a third-party. Judge Barnes ruled there was no evidence to show that the talent contracts between the wrestlers and WCW were intended to benefit Marvel. Thus, there was no basis for a third-party beneficiary claim.

Marvel was represented by Eric Lang of The Lang Group, Gerald B. Kline of Sims Moss Kline & Davis, and Lynette Smith of Troutman Sanders, in Atlanta. The WWF and WCW were represented by John L. Taylor of Vincent Chorey Taylor & Feil, and by James Lamberth of Troutman Sanders, in Atlanta. (*AR*)

Marvel Enterprises, Inc. v. World Wrestling Federation Entertainment, Inc., 610 S.E.2d 583, 2005 Ga.App.LEXIS 115 (Ga.Ct.App. 2005)

Westchester County ordinance does not violate First Amendment rights of street performer whose request for a permit was denied, because ordinance was narrowly tailored to protect children from sex offenders, federal appeals court affirms

Comparing the potential harmful effects created by circus balloons and political speech is a no-brainer. Balloons are inherently harmless. However, in Richard Hobbs' case, the harmful effects of circus balloons are definitively deadlier than political speech.

Hobbs is a street performer. In May of 2000, he applied for a permit that would have authorized him to sculpt balloons and deliver anti-government speech at the Playland Amusement Park in Westchester County, New York. Joseph Montalto, the director of Playland, rejected Hobbs' application based on a County Ordinance which prohibits people from soliciting money.

Angered by Montalto's decision, Hobbs filed suit in federal court in New York City against Westchester County (which operates Playland) and Montalto, alleging the permit denial violated his First Amendment rights. While the lawsuit was pending, the County uncovered a fatal flaw in Hobbs' case: he was a repeat sex offender against minors.

Despite this fact, Hobbs still won a key battle. Federal District Judge John S. Martin Jr. held that "provisions of state and County law could not bar solicitation in Playland's public areas." Thus, Judge Martin held that the County's Ordinance was unconstitutional and Hobbs did not need a permit to perform. However, undeterred by Judge Martin's ruling, and before he resolved the case's remaining issues, the County adopted a new permit policy.

Livid, Hobbs also attacked the new permit policy in court. Judge Martin struck down certain provisions of the new policy, but upheld one. The lone surviving provision stated that convicted sexual offenders against minors could not obtain a permit if the individual engaged in activities that enticed children to congregate around that person. Although the provision restricted speech, Judge Martin deemed it valid due to the County's interest in protecting children from sexual predators. Because Hobbs enticed children through sculpting balloons, he ran afoul of the new permit policy.

Dismayed by that outcome, Hobbs appealed. In an opinion by Judge Amalya Kearse, the Court of Appeals affirmed Judge Martin's rulings and stated that the new permit policy was "a manner-of-presentation restriction designed to further the County's interest in the safety of children." Judge Kearse reasoned that the new policy focused on the secondary effects of speech, rather than the primary effects of speech. Thus, the new policy only applied to persons who wanted to use props and/or equipment. Hobbs could deliver as much political speech as he wanted without a permit. He just couldn't use balloons or other props.

Hobbs was represented by Thomas H. Sear of Jones Day in New York City. Westchester County was represented by Gary Silverman of O'Dwyer & Bernstein in New York City. (*KH*)

Hobbs v. County of Westchester, 397 F.3d 133, 2005 U.S.App.LEXIS 2022 (2nd Cir. 2005)

DEPARTMENTS

Entertainment Lawyer News:

Jessica Cullen Smith joins McDermott Will & Emery in Los Angeles. Jessica Cullen Smith has joined McDermott Will & Emery as a partner in its Los Angeles office. She is a member of the firm's Intellectual Property, Media & Technology Department. Smith focuses her practice on transactional matters for media and entertainment companies including M&A and financing matters. Her experience includes work on the acquisition of television stations, the acquisition, sale and distribution of cable channels, the creation of international joint ventures for the distribution of sports programming, financing arrangements for media companies and the acquisition, sale and licensing of various media properties. Smith earned her J.D. *magna cum laude* from Boston University School of Law and her B.A. from Vassar College. She is admitted to practice in California and Massachusetts.

Emmett McAuliffe joins Spencer Fane Britt & Browne in St. Louis. R. Emmett McAuliffe has joined the law firm of Spencer Fane Britt & Browne in its St. Louis office. McAuliffe is of counsel with the firm. His practice is limited to intellectual property, with an emphasis on business transactions, entertainment and media law. He also is the host of a regular weekend radio call-in program on KMOX-AM. Before joining Spencer Fane, McAuliffe had been with Thompson Coburn, another St. Louis law firm. He earned his J.D. degree from the Vanderbilt Law School in 1983, and he received his undergraduate degree *cum laude* in 1980 from Wabash College. McAuliffe is an adjunct professor at the St. Louis University School of Law and is a member of the American Federation of Television and Radio Artists.

In the Law Reviews:

UCLA ENTERTAINMENT LAW REVIEW has published Volume 12, Issue 1 with the following articles:

Writers Gone Wild: "The Muse Made Me Do It" as a Defense to a Claim of Sexual Harassment by Daniel E. Eaton, 12 UCLA Entertainment Law Review (2004)

Are Musical Compositions Subject to Compulsory Licensing for Ringtones? by Mario F. Gonzalez, 12 UCLA Entertainment Law Journal (2004)

Bending Over Backwards for Copyright Protection: Bikram Yoga and the Quest for Federal Copyright Protection of an Asana Sequence by Katherine Machan, 12 UCLA Entertainment Law Journal (2004)

SDMCA Laws: Preemption and Constitutional Issues by Kevin McReynolds, 12 UCLA Entertainment Law Journal (2004)

Dastar Through European Eyes: Effects of the Public Domain on Transatlantic Trade by Ory Sandel, 12 UCLA Entertainment Law Journal (2004)

Falsity, Fault, and Fiction: A New Standard for Defamation in Fiction by Matthew Savare, 12 UCLA Entertainment Law Journal (2004)

THE COLUMBIA JOURNAL OF LAW & THE ARTS has published Volume 28, Number 3 with the following articles:

A Momentary Lapse of Reason: Digital Copyright, the DMCA and a Dose of Common Sense by Zohar Efroni, 28 The Columbia Journal of Law & the Arts (2005)

The Blackmun Papers: A Peek Behind the Scenes of a Quarter Century of Supreme Court Copyright Jurisprudence by Jonathan Band and Tara Weinstein, 28 The Columbia Journal of Law & the Arts (2005)

Maintaining Flexibility in Antitrust Analysis: Meeting the Challenge of Innovation in the Media and Entertainment Industries by Makan Delrahim, 28 The Columbia Journal of Law & the Arts (2005)

The Problem with Handshakes: An Evaluation of Oral Agreements in the United States Film Industry by Michael S. Bogner, 28 The Columbia Journal of Law & the Arts (2005)

Putting Intellectual Property Law on the Fairway: Toward an Expansion of Copyright Law to Golf Course Architecture by John S. Saroff, 28 The Columbia Journal of Law & the Arts (2005)

FORDHAM INTELLECTUAL PROPERTY, MEDIA & ENTERTAINMENT LAW JOURNAL has published Volume 15, Number 3 with the following articles:

Who Owns the Internet? Ownership as a Legal Basis for American Control of the Internet by Markus Müller, 15 Fordham Intellectual Property, Media & Entertainment Law Journal 709 (2005)

Problems of Anti-Circumvention Rules in the DMCA & More Heterogeneous Solutions by YiJun Tian, 15 Fordham Intellectual Property, Media & Entertainment Law Journal 749 (2005)

Knocking Out the Knock-Offs: Effectuating the Criminalization of Trafficking in Counterfeit Goods by Lauren D. Amendolara, 15 Fordham Intellectual Property, Media & Entertainment Law Journal 789 (2005)

Authorship, Ownership, and Control: Balancing the Economic and Artistic Issues Raised by the Martha Graham Copyright Case by Sharon Connelly, 15 Fordham Intellectual Property, Media & Entertainment Law Journal 837 (2005)

Will Lessig Succeed in Challenging the CTEA, Post-Eldred? by Matthew Dean Stratton, 15 Fordham Intellectual Property, Media & Entertainment Law Journal 893 (2005)

Forty Years After New York Times v. Sullivan: The Good, the Bad, and the Ugly by David Kohler, 83 Oregon Law Review 1203 (2004)

VIRGINIA SPORTS AND ENTERTAINMENT LAW JOURNAL has published Volume 4, Issue 2 with the following articles:

Splinters from the Bench: Feasibility of Lawsuits by Athletes Against Coaches and Schools for Lack of Playing Time by Timothy Liam Epstein, 4 Virginia Sports and Entertainment Law Journal 198 (2005)

Down for the Count: Is McCain's Bill the One to Lift Boxing Off the Canvas? by Damon Moore, 4 Virginia Sports and Entertainment Law Journal 239 (2005)

Native American Athletes: Why Gambling on the Future Is a Sure Bet by Jeffrey S. Miller, 4 Virginia Sports & Entertainment Law Journal 239 (2005)

Comparative Notions of Fairness: Comparative Perspectives on the Fairness Doctrine with Special Emphasis on Israel and the United States by Guy E. Carmi, 4 Virginia Sports and Entertainment Law Journal 275 (2005)

Opening the Last Mile to Competition by Myles Roberts, 4 Virginia Sports and Entertainment Law Journal 309 (2005)

ENTERTAINMENT AND SPORTS LAWYER, published by the Forum on the Entertainment and Sports Industries of the American Bar Association, 321 N. Clark Street, Chicago, IL 60610-4714, has issued Volume 22, Number 1 with the following articles:

Representing the Adult Entertainment Industry by Clyde DeWitt, 22 Entertainment and Sports Lawyer 1 (2005) (for publisher, see above)

I Couldn't Watch the Ball Because I Was Watching the Ferris Wheel in Centerfield by Kenneth R. Swift, 22 Entertainment and Sports Lawyer 1 (2005) (for publisher, see above)

Latin Entertainment Media by Gary A. Watson and Toni Y. Long, 22 Entertainment and Sports Lawyer 1 (2005) (for publisher, see above)

Entertainment Law Ethics Part 2: Agents, Managers and Lawyers by Kenneth J. Abdo and Jack P. Sahl, 22 Entertainment and Sports Lawyer 2 (2005) (for publisher, see above)

The Year of the Steroid: Are New Testing Regimes Enough? by John T. Wendt, 22 Entertainment and Sports Lawyer 8 (2005) (for publisher, see above)

The Empire Strikes Back: NFL Cuts Clarett, Sacks Scheindlin by Adam Epstein, 22 Entertainment and Sports Lawyer 12 (2005) (for publisher, see above)

Time Magazine Wins Punitive Damages in IP Case in India by Abhishek Malhotra, 22 Entertainment and Sports Lawyer 18 (2005) (for publisher, see above)

Book Review: Clearance and Copyright by Michael C. Donaldson, reviewed by Daniel M. Satorius, 22 Entertainment and Sports Lawyer 18 (2005) (for publisher, see above)

ENTERTAINMENT LAW REVIEW, published by Sweet and Maxwell, www.sweetandmaxwell.co.uk, has issued Volume 16, Issue 5 with the following articles:

Is There a Threat to the Legal Status of Alcohol Advertising? by Hazel Fleming, 16/5 Entertainment Law Review 99 (2005) (for website, see above)

From Scare Tactics to Surcharges and Other Ideas: Potential Solutions to Peer to Peer Copyright Infringement: Part III by Colin Nasir, 16/5 Entertainment Law Review 105 (2005) (for website, see above)

Creative Commons: An Alternative, Web-based Copyright System by Mark Fox, Tony Ciro and Nancy

Duncan, 16/5 Entertainment Law Review 111 (2005) (for website, see above)

The New Law on Cinema: Technical Aspects and Objectives by Alessandro Usai and Allesandra Priante, 16/5 Entertainment Law Review 117 (2005) (for website, see above)

What Constitutes a Copyright Work - Does It Really Matter? by Victoria Jones, 16/5 Entertainment Law Review 129 (2005) (for website, see above)

Law of Ghosts by Alasdair Taylor, 16/5 Entertainment Law Review 132 (2005) (for website, see above)

EUROPEAN INTELLECTUAL PROPERTY REVIEW, www.sweetandmaxwell.co.uk, has published Volume 27, Issue 7 with the following articles:

International Exhaustion of the Distribution Right under EC Copyright Law? by Silke Von Lewinski, 27/7 European Intellectual Property Review 233 (2005) (for website, see above)

CDs, Celebrities and Merchandise: The Trade Mark Registry's Hybrid Theory by Ilanah Simon, 27/7 European Intellectual Property Review 265 (2005) (for website, see above)

Will Proposed Canadian Copyright Bill Dampen Newfound Judicial Affinity for Robust Users' Rights? by Paul Tackaberry, 27/7 European Intellectual Property Review 269 (2005) (for website, see above)

The Digital Divide: It's the Content, Stupid - Part II by Andrés Guadamuz Gonzalez, 11 Computer and Telecommunications Law Review 113 (2005) (www.sweetandmaxwell.co.uk)

Conflicting Visions and Contested Baselines: Intellectual Property and Free Speech in the "Digital Millennium" by Daniel A. Farber, 89 Minnesota Law Review 1318 (2005)

The Role of Laches in Closing the Door on Copyright Infringement Claims by Dylan Ruga, 29 Nova Law Review 663 (2005)

Compatible Knowledge & Intellectual Property: A TRIPs-Compatible Approach by Daniel Gervais, 2005 Michigan State Law Review 137 (2005)

Digital Bowdlerizing: Removing the Naughty Bytes by Llewellyn Joseph Gibbons, 2005 Michigan State Law Review 167 (2005)

Laugh, and the Whole World...Scowls at You?: A Defense of the United States' Fair Use Exception for Parody under TRIPs by John C. Knapp, 33 Denver Journal of International Law and Policy 347 (2005)

COMMUNICATION LAW AND POLICY, published by Lawrence Erlbaum Associates, www.leaonline.com, has issued Volume 10, Number 3 with the following articles:

The Internet as Commons: The Issue of Access by Joanne Holman and Michael A. McGregor, 10/3 Communication Law and Policy 267 (2005) (for website, see above)

The Music Industry and the Legislative Development of the Digital Millennium Copyright Act's Online Service Provider Provision by Cassandra Imfeld and Victoria Smith Ekstrand, 10/3 Communication Law and Policy 291 (2005) (for website, see above)

Public Access to Autopsy and Death-Scene Photographs: Relational Privacy, Public Records and Avoidable Collisions by Samuel A. Terilli and Sigman L. Splichal, 10 Communication Law and Policy 313 (2005) (for website, see above)

Educational Programs Calendar:

Globalization of the Entertainment Industry: The U.S. at Home and Abroad: 2005 Institute on Entertainment Law and Business, Saturday, September 24, USC University Park Campus, Los Angeles. The USC Gould School of Law and the Beverly Hills Bar Association, presents its annual institute designed to explore Hot Issues and Trends in the New Global Environment. Keynote speakers will include Lloyd Braun of Yahoo! Media Group and Peter Chernin, Chairman and Chief Executive Officer of The Fox Group. Sessions will include Extreme Makeover: Impact of New Technologies on Dealmaking; Law and Order: Protecting Content and Your Client's Personal and Proprietary Rights; Wheel of Fortune: Television Dealmaking-Formats, Franchising and Branding, the International Hot-Button Issues; Million Dollar Baby: Follow the Money! How to Get Your Money in the Global Marketplace; Far From Heaven; Lesbian, Gay, Bisexual, and Transgender People and Bias in the Entertainment Bar and Industry; Madagascar (and Beyond): How Taxes, Guilds and Immigration Issues Affect Pictures Shot Abroad; The Long and Winding Road: Making International Music Publishing Deals Today. For additional information and registration, http://lawweb.usc.edu/cle/entertainment.

Real Stories, Real Dramas, Reel Deals, September 27, The Adrienne: Home of InterAct Theatre Company, Philadelphia. Presented by Ballard, Spahr, Andrews & Ingersoll LLP, the two hour program will feature Getting

Access to Real People and Real Lives; Story Rights; Rights of Privacy; Defamation; Clearances; Movie Rights to Personal Stories; and Movie Deals Involving True Life Events. Speakers will include journalist and author of Friday Night Lights Buzz Bissinger, Eamon Dolan, Vice President of Houghton Mifflin and Adrian Wootton, Executive Director of Film London. For further information, contact www.ballardspahr.com/ReelDeals or call 800-864-8266.

2005 ABA Forum on the Entertainment and Sports Industries, October 6-8, Marriott Marquis Times Square, New York City. The ABA Forum will devote sessions to Ethical, Professional and Legal Implications of Addiction; Cross Platform Management and Exploitation of Intellectual Property; Entertainment Law Litigation Review: Is There Really Any Law and Order?; Fair Use or Grand Theft: The Digitization of Knowledge on the Internet; The Intersection of Sports Marketing, Sports Media and Digital Technology: Legal and Business Affairs Perspectives; Music in Advertising: The Sources, the Rights and the Deals; the FCC and the Changing and Expanding Application of Indecency Standards to Television and Radio; Las Vegas: The Present and Future of the Theatrical Event; Broadcast: The Mechanics and Content for Broadcast Packages; Celebrities, Artists, Photographers, and Merchandisers: Competing Rights in Visual Images; Song and Underscore Agreements in the Film and Videogame Industries; Linking Advertisers to Television Programming and Music: What Do Advertisers Really Want?; Drug Testing in the Future; and Public Art: Issues and Opportunities. The keynote speaker will be Henry S. Schleiff, Chairman and CEO of Court TV and the Ed Rubin Award will be presented to Michael Rudell. For further information, visit www.abanet.org/forums/entsports.

15th Annual Entertainment Institute Legal and Business Aspects of Music, Motion Pictures, and Digital Entertainment, October 21-22, Omni Hotel, Austin, Texas. The Texas Bar CLE offers a state of the industry review of hot legal issues presented by leading professionals, Lon Sobel, editor of the Entertainment Law Reporter, Steve Winogradsky of the Winogradsky Company, William Krasilovsky, author of This Business of Music, Stan Soocher, editor of Entertainment Law and Finance, Susan Butler, legal editor for Billboard Magazine and many others. Topics will include Global Copyright Protection; Copyright in a Digital World; Royalty Collections at Home and Abroad; Recording Contracts; Ethics for Entertainment Attorneys; Estate Planning Issues for Copyright Owners; International Trademark Protection; Drafting Entertainment Industry Contracts; Money for Movies; Producing Musical Theater; and Film Production and Distribution Case Studies. For more information, to register, or to view the program, please go to www.TexasBarCLE.com.

Copyright-From Traditional Concepts to the Digital Age: A Panoramic Overview of the Highly Dynamic Landscape of Copyright Law, November 7-8, The Downtown Conference Center at Pace University, New York City. Presented by Lexis-Nexis, the program will provide state-of-the-art insight into copyright law by the experts David Nimmer, author of Nimmer on Copyright, and of counsel to Irell and Manella; UC Berkeley Boalt Law School Professor and Director of the Berkeley Center on Law and Technology Peter Menell; and Southwestern University Professor and Editor and Publisher of the Entertainment Law Reporter Lon Sobel. The sessions examine The Copyright Navigator: Analysis of This Useful Tool to Help You Be More Effective in Your Practice; Big Picture Overview of Copyright: From the Printing Press to the Digital Age; Protecting and Limiting Doctrines; Ownership including Duration, Termination of Transfer and Foreign Ownership; "A Comprehensive History of American Copyright Law in 40 Minutes (or Less)"; Digital Copyright including Anti-circumvention; Copyright Management Information; ISP Safe Harbors; Indirect Liability (Grokster) and Enforcement; Copyright Companions and Preemption including the Right of Publicity, Idea Protection and Trademark Law; Licensing, Traditional, Digital and Open Source; and Copyright Assets including Security Interests, Bankruptcy and Insurance. For additional information, call 1-800-MEALEYS or (610) 768-7800; FAX (610) 768-0880; e-mail mealeyseminars@lexisnexis.com or online at www.mealeys.com/conferences.