Stadium Financing: American Taxpayers should throw the Red Flag

BY JEREMY M. EVANS

NATIONAL ANTHEM

In this article, we are going to explore sports stadium financing. We will look at specific examples of taxpayer dollars proposed or spent on private stadiums and whether taxpayers have or will actually benefit. In the end, we can determine whether American taxpayers should throw the proverbial red challenge flag, ask the umpires to put on the headset, you get the picture. Specifically, whether Americans should start voting with their minds instead of their hearts.

THROWING OUT THE FIRST PITCH

Americans love sports. We love watching our favorite sports, betting on our favorite teams and individual athletes, while our legislators and governors pass and sign into law gambling regulations, and the National Collegiate Athletic Association (NCAA) regulates student-athletes. Professional sports franchises and the leagues they play in have strict rules on buying and selling teams. The players’ unions have collectively bargained agreements that limit where, when, and how free agency occurs. These same leagues have various salary caps, luxury taxes, and relocation fees.

How about us though? How about us, the American taxpayers, what do we have when it comes to saying yes and no to other folks spending our hard earned money through taxes to build grandiose stadiums? Specifically, what protections do we have and why have we not exercised our rights to those protections?

CONTINUED ON PAGE 65

VR/AR in a Real World

BY DAVID E. FINK AND JAMIE N. ZAGORIA

In case you have been living under a rock, virtual reality (VR) and its first cousin, augmented reality (AR), have arrived. The highly publicized and long-awaited head-mounted displays (HMDs), the headsets through which the world of virtual reality can be accessed, have been or will be made available for sale to the public this year, such as Facebook-owned Oculus VR’s Oculus Rift, Samsung’s Gear VR, Sony’s PlayStation VR, HTC’s Vive, etc. In other words, VR/AR is going mainstream.

Nearly all of the top 10 tech companies, including Apple, Google, Samsung, and Microsoft, have jumped on the VR bandwagon, investing significantly in the space. Countless players across many different industries, including Marriott, Netflix, Hulu, Birchbox, and Ford, have developed VR “experiences,” seeking to capitalize on the hype. Indeed, 75%
Message from the Chair

Welcome to the fall issue of the Entertainment and Sports Lawyer. Thanks to our crackerjack editor in chief, Brian Rosenblatt, and his staff of writers and editors, for compiling another great issue of original and cutting edge articles and materials. The Litigation Update will be an invaluable resource for most of our members, and we take great pride that the case notes were prepared, in large part, by Young Lawyers and Law Students.

We recently held our Governing Committee elections; I will present to the entire Forum the finalists at our luncheon during the Annual Meeting. And on that note…

This week we are presenting our annual meeting from October 6-8th at the Cosmopolitan in Las Vegas. The annual meeting brochure can be viewed at http://ambar.org/es-am16. At this event you will have ample opportunities to learn something new, impart knowledge and meet potential clients and supporting counsel while getting your CLE credits. There will be lots of free time for you to mingle at receptions, private tours, golf and poker tournaments, and to explore Vegas on your own. I will also be there (just look for the person with the ever-shrinking stack of chips) and am available to introduce you to the people that organized our panels, and the panelists/speakers themselves. And of course, if you are interested in participating in a webinar or other future programming, as an organizer, a speaker, a sponsor, or in some other capacity, please let me know!

The Forum has a great lineup of coming events and webinars coming up. If you aren’t receiving our emails, please look at our website as it is periodically updated with this information and other notices from our board. Also, please check your profile on the ABA website to ensure that you have not opted out of many of these communications (which, much to frustration, was set as a default…). In late February we are returning to the University of Miami to present our annual mid-year CLE and networking program.

Your continued support is greatly appreciated as our group is funded exclusively through dues, programming and sponsorships. Please stay in touch and feel free to reach out to let us know how we can continue to provide you with the resources and benefits that you expect.

I look forward to meeting you in person in Vegas, or at any events for which you join us.

Should you have any questions about your Forum membership or our initiatives moving forward, please do not hesitate to contact me or the forum staff at ABAESForum@americanbar.org.

Best regards,

Janine Small
Letter from the Editor

Welcome to Issue 33:1 of the Entertainment and Sports Lawyer! As we kick-off the new ABA Year, we are thrilled to present a series of fresh articles from some brilliant authors, and a Litigation Update that is simply second to none!

I hope that you will be joining us at our Annual Meeting that is simply second to none! Year, we are thrilled to present a series of fresh Sports Lawyer! As we kick-off the new ABA Annual Meeting. If you are a football fan and love the Rams moving from St. Louis to Los Angeles, or are curious as to what is involved in franchises building and which ties directly into the Virtual Reality panel at our Zagoria’s fascinating article “VR/AR in a Real World,” Please make sure to read David Fink and Jamie Zagoria’s fascinating article “VR/AR in a Real World,” which ties directly into the Virtual Reality panel at our Annual Meeting. If you are a football fan and love the Rams moving from St. Louis to Los Angeles, or are curious as to what is involved in franchises building and moving to new stadiums, Jeremy Evans’ article on stadium financing is a must read!

Our Litigation Update, which will become a regular feature, is massive! Stan Soocher and I edited, reviewed, and compiled this comprehensive assortment of cases from the past year. The cases and notes were prepared by Amanda Alasauskas, Michelle Wahl, Bernetta Hardy, Patrick Ouellette, Kyle Simmons, Katie Day, Kaaren Fehsenfeld, Gabriella Martin, Harris Shain, and Sara Cruse. It is great to see our young lawyers and law students becoming involved at such a high level. This Update will be an invaluable resource to all of our Forum Members.

Ashley Hollan Couch provides a timely review of the recent DOJ ruling regarding music licensing. Cynthia Sanchez shares her poignant interview and Q&A with Keith Kupferschmid of the Copyright Alliance. Finally, Jay Rosenthal has reviewed Stan Soocher’s latest book, “Baby You’re a Rich Man: Suing the Beatles for Fun & Profit.” I would also like to take this opportunity to remind everyone of the 19th Annual Entertainment Law Initiative Writing Competition. The GRAMMY Foundation, with support from some of the nation’s most prominent entertainment attorneys, established the Entertainment Law Initiative (ELI) in 1998 to promote discussion and debate about compelling legal issues facing the music industry today. The initiative also helps promote future careers in entertainment law by seeking out the nation’s top law students, giving them invaluable networking and educational opportunities.

2017 marks the 19th Anniversary of the Entertainment Law Initiative and its national legal writing contest co-sponsored by the American Bar Association. The ELI invites law students to write a 3000 word essay about an issue the music industry currently faces. All essays must propose a solution. Winners of the competition have gone on to successful careers in music, entertainment media, and beyond. Prizes include tickets to the 59th Annual GRAMMY Awards Telecast and other selected GRAMMY Week events, a ticket to the Annual MusiCares Person of the Year Tribute Gala, and more. The First-place winner receives $5,000, while the four other finalists receive $1,500 each, along with airfare and accommodations in Los Angeles. The deadline for paper submissions is January 6, 2017. For more information and a copy of the competition rules, visit www.entertainmentlawinitiative.com or email ELI@GRAMMY.com.

Come senators, congressmen
Please heed the call
Don’t stand in the doorway
Don’t block up the hall
For he that gets hurt
Will be he who has stalled
There’s a battle outside
And it is raging!
It’ll soon shake your windows
And rattle your walls
For the times they are a-changin’.
—Bob Dylan
“The Future is unwritten.”— Joe Strummer

Dear Forum Members,

Published in Entertainment & Sports Lawyer, Volume 33, Number 1, Fall 2016. © 2016 by the American Bar Association. Reproduced with permission. All rights reserved. This information or any portion thereof may not be copied or disseminated in any form or by any means or stored in an electronic database or retrieval system without the express written consent of the American Bar Association.
In the words of Margaret Mead, “Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has.” How would you like to see the Forum and this Journal evolve? Remember, this is YOUR Journal. Our goal is to maintain standards of excellence while remaining relevant to our Forum Members. This means that we serve the highest level of critical thinkers, practicing attorneys looking for ideas to better serve their clients, and young lawyers and law students who are either just starting their careers or are looking for the intellectual resources to expand their practices and build their careers. We welcome submissions from any and all authors, and are always seeking amazing articles. The Author Guidelines can be found here.

The pending deadlines for article submissions are:
- Winter 2016/2017 – November 15, 2016 (anticipated January Publishing)
- Spring 2017 – February 15, 2017 (anticipated March Publishing)
- Summer 2017 – May 15, 2017 (anticipated July Publishing)

I look forward to seeing everyone at our Annual Meeting in October, and I encourage anyone interested to reach out to me and submit articles.

Brian A. Rosenblatt
Bryce Downey & Lenkov LLC
Editor-in-Chief, Entertainment and Sports Lawyer

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The 19th Annual Entertainment Law Initiative Writing Competition

WIN A CHANCE TO GO TO THE GRAMMYS

The Entertainment Law Initiative Writing Competition invites Law Students to write a 3000 word essay about an issue currently facing the music industry. All essays must propose a solution. Winners of the competition have gone on to productive successful careers in music, entertainment media and beyond.

**Prizes Include**
- Ticket to The 59th Annual GRAMMY Awards Telecast and other selected GRAMMY Week events
- Ticket to the Annual MusiCares Person of the Year Tribute Gala
- Competition finalists are featured at the annual GRAMMY Week ELI Scholarship Luncheon during GRAMMY Week
- First-Place Winner Receives $5,000; Four Finalists Winners Receive $1,500
- Airfare and accommodations in Los Angeles

The deadline for paper submissions is January 6th, 2017
For more information and a copy of the competition rules visit www.grammyfoundation.org/eli
Entertainment and Sports Lawyer Profile

Q&A with Keith Kupferschmid of Copyright Alliance

BY CYNTHIA SANCHEZ

1. What is the Copyright Alliance (“CA”)?

The Copyright Alliance is the unified voice of the copyright community, representing the interests of thousands of individual creators and organizations across the spectrum of copyright disciplines. The Alliance is dedicated to advocating policies that promote and preserve the value of copyright and to protecting the rights of creators and innovators.

More specifically, the Copyright Alliance represents over 15,000 members across the spectrum of copyright disciplines. Our members are authors, photographers, performers, artists, software developers, musicians, journalists, directors, songwriters, game designers and many others. The Alliance also counts as its members book publishers, motion picture studios, software companies, music publishers, sound recording companies, sports leagues, broadcasters, guilds, and newspaper and magazine publishers and many more organizations.

We represent a very diverse group. However, while our members have different interests and varying views of how copyright law should work, they are all supportive of the copyright system, they all rely on copyright law for their livelihood and careers, and they are all harmed when the system fails to adequately protect their valuable creations from outright theft.

In addition to our membership we also have three active advisory boards – a Legal Advisory Board (LAB), Academic Advisory Board (AAB), and Creators Advisory Board (CAB). The members of these Boards work closely with the Copyright Alliance members and staff on various copyright policy and enforcement issues facing our constituents.

We added many new members over the past several months, and are always interested in welcoming more creators, organizations and Advisory Board members who agree with our mission.

2. When did you join CA as its CEO?

I joined the Copyright Alliance on October 1, 2015.

3. Where were you before the CA?

Prior to joining the Copyright Alliance, I worked for over 16 years as the General Counsel and Senior Vice President for Intellectual Property for the Software & Information Industry Association (SIIA). I really enjoyed my 16-plus years at SIIA, where I got to work with wonderful colleagues both at SIIA and at member companies. It was also a pleasure to work with numerous devoted and highly respected government officials at the U.S. Copyright Office, U.S. Patent and Trademark Office and several other federal government agencies.

Prior to joining SIIA, I worked as an IP attorney at the law firm of Finnegan, Henderson, Farabow, Garrett & Dunner, IP attorney-advisor at the U.S. Patent and Trademark Office (PTO), Director of Intellectual Property at the United States Trade Representative, and Policy Planning Advisor at the U.S. Copyright Office. Each of those jobs provided me with the experience and knowledge that I rely upon in my new position as CEO of the Copyright Alliance.

4. On the eve of your 1 year anniversary, what would you say were the highlights?
   a. The lows, if any?

A real highlight for me has been the challenge of learning about all the different copyright issues facing the large and small copyright owners that the Alliance represents and getting to know and work with so many creators, users and representatives of copyright owners that I hadn’t worked with previously. In particular, I find it very interesting learning about the challenges faced by small copyright owners and individual creators.

One specific highlight was certainly our World IP Day event that we held in April 2016 in conjunction with the U.S. Copyright Office. In addition to having Bob Goodlatte, Chairman of the House Judiciary Committee, and Maria Pallante, Register of Copyrights, speak at the event, we had three fabulous panelists in Jared Geller, executive producer of the open-collaborative production company HITRECORD; Anna Metcalfe, ceramic artist and founder of the wedding registry Gather; and Chase Jarvis, photographer and founder and chief executive officer of CreativeLive, the world’s largest live streaming
education company focused on photography, video, design, music, and entrepreneurship education. The other reason this event is one the year’s highlights for me is the video that the team at HITRECORD created to release at the event. The video was hosted by Joseph Gordon-Levitt, who did an amazing job of explaining the importance of respecting copyright. For anyone who hasn’t yet seen the video or accessed the recording of the day’s event, I strongly suggest they check them out.

We also ran a Q&A series with Rob Kasunic, Director of Registration Policy and Practices at the U.S. Copyright Office., where he and his team responded to copyright questions from individual creators. That initiative was a huge success with the creative community, and certainly a highlight of my first year.

The low light of the year had to be the Supreme Court’s failure to take on the Authors Guild vs. Google fair use case (aka the Google Books case). In refusing the case, the Supreme Court let stand a Second Circuit decision that dramatically expands the boundaries of the fair use doctrine’s transformative use test. Most importantly, the Court missed a golden opportunity to provide crucial guidance to copyright owners and users, the public and the courts as to how the fair use doctrine should apply to a whole new type of uses – functional uses – made possible by new technologies and for which the existing transformative use test is inadequate and inappropriate. The Supreme Court’s failure to provide guidance to the lower courts in how to handle these new type of “functional use” cases has led to a critical warping of the transformative use test. In fact, the transformative use test has become so expansive and so untethered from the core principles the Supreme Court set forth in Campbell vs. Acuff-Rose Music Inc. and from the goals underlying the Copyright Act that many courts have begun to treat it as though it is the most critical element of the fair use analysis – often overwhelming the other factors and leading to inequitable results. That’s a significant problem that needs to be addressed going forward.

5. Current projects/initiatives that you are spearheading at CA?

We recently completed an overhaul of the Copyright Alliance website. The new website is scheduled to go live in early October 2016. We started that project at the beginning of last year and it took considerable time to complete in between managing our everyday responsibilities. I am very proud of the end result. The new website is a “one-stop-shop” for anything and everything about copyright. Anyone – whether they are a creator, copyright owner, user, business, licensee, librarian or consumer – who wants to get information about an aspect of copyright law or policy can come to our website to find it. Whether it’s to learn more about fair use or some other aspect of copyright law, determine the status of a copyright bill, locate a copyright attorney or a copyright owner, or get a copy of a recently decided copyright decision, we are dedicated to covering the gamut of copyright issues and information.

With that massive undertaking now completed, we are turning our attention to our next big initiative – which is to start providing copyright-related services to individual creators. The Copyright Alliance represents approximately 15,000 individual creator members. For the nine years that the Alliance has been in existence it has focused almost exclusively on advocating for the copyright community, especially for individual creators who often do not have the time or resources to advocate for better copyright laws or against copyright piracy themselves.

In 2017, we hope to expand our support of individual creators by providing them, for the first time, with copyright–related services. We anticipate that these services will include educational programs, courses and materials, copyright registration assistance and enforcement services, including the sending of takedown notices. Since we are a small organization with limited resources and there are many individual creators who could use our help, this initiative presents a significant challenge. Currently, we are exploring several different ways to provide these services. We hope to make a formal announcement later this year or early next year and begin providing these services sometime in 2017.

6. What are you hoping to accomplish in the next year? Five years?
a. Do you plan to collaborate with others while working on these goals/projects/initiatives? For example, does the CA work with governmental agencies; NGOs; private sector; etc.? If so, how?

Many of my goals for the organization over the next five years relate to expanding our representation of, and assistance to, individual creators. While we may be known by some for representing the big movie studios and record labels, in fact most of our day-to-day work involves helping our smaller trade association members and individual creators. Small businesses and individual creators often do not have the resources or time to police for infringement or to ensure that the copyright law adequately protects their interests. These groups and individuals rely on the Copyright Alliance for assistance in these areas. Right now, that assistance is in ensuring

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that copyright law protects their interests – whether that involves protecting the exclusive rights that they are granted under the law or their abilities to take advantage of the fair use defense in copyright law as a means for creating new creative works or their interests in some other aspect of copyright law. For example, we have done significant work over the past several months advocating for modernizing the U.S. Copyright Office and fostering the creation of a small claims process at the Office in order to help individual creators better enforce their copyright rights.

As I mentioned earlier, in addition to advocating on behalf of the creative community, we hope to expand our support of individual creators by providing them with educational, registration and enforcement services. In the future we will provide these creators with educational videos, courses and monthly webinars to help them better understand copyright and to better protect themselves. We also hope to help these creators to register their copyrighted works with the U.S. Copyright Office and to send takedown notices under the Digital Millennium Copyright Act (DMCA). This is real help that these creators need and I remain hopeful that the Copyright Alliance can provide that support.

Another big goal of mine is to get the technology and copyright communities to work together to address some of the copyright issues facing both communities. It astonishes me how the perceived divide between these two communities is so often exaggerated and emphasized when in fact, based on my many years working for technology companies at SIIA, there is much these two communities have in common. I do not perceive the copyright and technology communities as warring factions. Both groups rely on copyright to promote and protect their creativity and innovation and both depend on innovation and technology to develop different models for making these new creations and inventions available to the public to enjoy. It has been my experience at the Copyright Alliance over the past year, that often times representatives of both groups are more concerned about being good lawyers and “winning” whatever debate they are having, instead of trying to work together to solve the problems facing both communities. With my background working on copyright issues for the tech industry, I am hoping to bring a new and helpful perspective to the discussions – one that is focused more on finding winning solutions than on winning the argument.

7. On a related note, what are the most pressing issues/problems plaguing the copyright industry today?
   a. Domestically?
   b. Internationally?

   The most significant issues facing the copyright industries today are:
   
   The U.S. Copyright Office: The services provided by the U.S. Copyright Office are critical to the U.S. economy. With all the changes taking place in the information, entertainment, and technology sectors, the U.S. Copyright Office has never been more important than it is today in ensuring that copyright owners have access to critical services that support their endeavors. Despite the critical nature of the services provided by the Office, many of these services have not kept pace with technology and the marketplace. Many of these deficiencies are the result of years of budgetary neglect and structural deficits that have made it impossible for the Office to keep pace. In fact, if you look deeper into these problems, it is evident that many of the challenges confronted by the Office can be traced back to the fact that the U.S. Copyright Office resides in the U.S. Library of Congress and is obligated to use the Library’s Information Technology (IT) systems. Given the different missions and the systemic problems at the Library, it is essential that the Office be granted more control over its own IT, budget, and staffing immediately.

Online Piracy: Piracy remains one of the biggest problems for all copyright industries and creators. One problem in particular is worth noting, which is the need to harmonize criminal penalties for copyright infringement by bringing criminal penalties for infringement of the public performance right, currently at most a misdemeanor, to the same level as infringement of the reproduction and distribution rights, which can result in felony charges for willful and egregious infringement. This change has been recommended by the Administration and since that time it’s become even more essential.

Need for a Small Claims Process: It’s an unfortunate truth that today’s small creators have rights but no remedies. They struggle to protect their copyrighted works from infringement in the online marketplace. Infringement actions are particularly troublesome for visual and literary artists because of the nature of their transactions and the volume of their work. One reason for this problem is the excessive litigation costs required for bringing a claim in federal court. We need to fix this problem. One way to do so is to allow creators to bring small infringement claims before a U.S.
Copyright Office small claims tribunal instead of having to go to federal court.

8. What can members of our Forum (lawyers, educators, business people, creatives, etc.) do to help address and resolve these issues/problems?

I encourage ABA lawyers and professors to look into joining the Copyright Alliance’s Legal Advisory Board (LAB) and Academic Advisory Board (AAB), respectively. Our LAB and AAB members work closely with the Copyright Alliance members and staff on various copyright enforcement and policy issues facing the community. In the last year, LAB members have assisted the Copyright Alliance in filing several amicus briefs with the Supreme Court and several appellate courts. We also work with the LAB and AAB members to create educational materials and teach our copyright courses. Often times, the lawyers who participate are able to get CLE credit for their participation. Many also find it as an easy way to help promote themselves and their firms as experts in copyright.

9. How can our members contact the CA for additional information and/or to become a member?

All the information anyone would need about copyright or about joining the Copyright Alliance as a member or a Legal Advisory Board member can be found at our website at www.copyrightalliance.org.

10. Last words/Miscellaneous thoughts?

We are aware of the many challenges that lie ahead in the copyright community. But we are also equally aware of the tremendous potential to support, educate and protect the Alliance’s constituents on key issues, legislation, and much more. So we are excited about how things will unfold during the coming year.

Cynthia Sanchez is an attorney and mediator specializing in domestic and international copyright law and policy with a focus on the Latin America and Caribbean region. She formerly served as Counsel for Policy and International Affairs at the U.S. Copyright Office in Washington, D.C. and as Legal Deputy Director for Mexico’s National Copyright Institute in Mexico City, Mexico, She can be reached at uclatrojan@msn.com.

BOOK REVIEW BY JAY ROSENTHAL

Stan Soocher’s “Baby You’re a Rich Man: Suing the Beatles for Fun and Profit” is a fun and compelling journalistic mash-up of the Beatle’s numerous lawsuits and conflicts between their lawyers, managers, labels, publishers, other business associates, and of course, themselves, stretching from 1963 through 1975. Yes, even the Beatles sued each other.

Soocher’s first book, “They Fought the Law: Rock Music Goes to Court” is a very well written compilation of legal stories covering many artists and issues – from Elvis to Two Live Crew. This book is more focused on one long story, the Beatles litigious past, and on that level, it does not disappoint.

Soocher understands this is not a story of first impression. The Beatle’s business and legal misadventures, have been well documented, and are a matter of public record. And we know all the characters. Soocher’s own Bibliography offers a treasure trove of books devoted to the subject.

So as not to rehash old ground, Soocher tries to create a new historical roadmap not so much for litigators, but for transactional attorneys representing established, and up and coming artists. How does an attorney prevent or mitigate fractured client relationships? questionable Deals (real or imagined)? distrustful partners? and ultimately the failures of “Team Beatles” to work it out short of litigation? In other words – how did we get here?

Soocher’s problem is that he tries, in a very nuanced way, to paint Allen Klein, their troubled manager, label, and publisher through the golden years of the Beatles, as a self-serving opportunist – and perhaps even the catalyst for the breakup of the Beatles. At one point, Soocher gratuitously offers an anecdote about Klein being overjoyed with Brian Epstein’s (their first manager) sudden death – thus allowing him to sweep in and steal the Beatles. This is just a cheap shot.

Soocher wants you to believe that without the presence of Klein, the Beatles would have had less legal drama – whether over management – between Paul and John – or with their label and publisher. In my estimation, that view is simply not credible. To one extent or another, most likely the Beatles were going to knock heads and have problems no matter who managed or worked with them.

Keep in mind that nothing really existed like the Beatles before the Beatles. They were a music business phenomenon of first impression. Yes, the Gershwin’s didn’t get along; the Three Stooges had their problems (Larry just could not get along with Moe and Curly); and yes there was Elvis. But truthfully, the Beatles were in a category all their own. The professionals charged with promoting their career and protecting them legally, simply had no real blueprint to follow. They made it up as they went along. There was bound to be a few rough spots along the way.

The story starts with Brian Epstein, the insecure first manager of the Beatles who died, worrying about whether he was going to be fired at any minute. Then along comes Allen Klein (the founder of Abkco Records/management), the much tougher/more competent replacement manager wanted by John, Ringo and George, but not by Paul. From Paul’s side, enter Lee and John Eastman, the brilliant and gracious father/son legal advisors looking out, with all good intentions, for the interests of Paul. And finally, the controversial and oftentimes feared Morris Levy, who engaged in troubling legal and business interactions with John. Morris Levy was the real-life model used by David Simon for the character of the mobster “Hesh” in The Sopranos – ’nuff said.

No doubt, Allen Klein really wanted to succeed Brian Epstein as the Beatles manager – and probably sooner, rather than later. Klein was already managing the Rolling Stones, Herman’s Hermits, and others. And he knew – and rightly so – that he could improve the deal making prowess of the Beatle team – mainly learned from his successful renegotiation of the Rolling Stones label deals. Klein better understood the ever increasing complexity of record, publishing, and merchandise deals. He came across as tough, in an age when artists (including John and Yoko) wanted tough representation.
Paul did not agree. While John, Ringo and George thought that Klein was exactly what they were looking for, Paul had misgivings and wanted to go down another road – mainly with the immensely effective and professional Eastmans. While Paul’s different viewpoint on management might have been influenced by family considerations, no one can argue that the Eastmans were not qualified.

To say the least, John’s dalliance with purported “mob” friend Morris Levy is the most interesting and compelling story in the book. Soocher does a great job conveying the “nervousness” of John as he was compounding one mistake after another with Levy. These chapters read more like a screen treatment than legal history. The lesson for lawyers is never go to a club and make a deal on the back of a napkin while everyone is drinking heavily – and one of the parties purportedly has some level of friendship with those associated with organized crime.- It’s just not a good idea.

So my takeaway is that while I better understand the depth of the Beatles legal and business problems, I do not exactly know who was ultimately at fault. I yearn for a more nuanced history of Allen Klein – one that properly balances the good with the bad. No doubt, Klein had an incredible positive impact on their financial considerations, no one can argue that the Eastmans were not qualified.

**Jay Rosenthal** is a partner with Mitchell Silberberg & Knupp, LLP. He formerly was the General Counsel at the National Music Publishers’ Association, and prior to that has represented numerous clients in the music industry. Mr. Rosenthal is also an adjunct professor of Entertainment Law at Georgetown and GW law schools, and has authored numerous articles on entertainment and copyright law. He may be reached at (202) 355-7907 or jar@msk.com.

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**Forum Nominating Committee Selects Governing Committee Nominees**

The Forum on the Entertainment and Sports Industries Nominating Committee has nominated Gary Greenstein and Henry Root to serve as members of the Forum’s Governing Committee for a second two-year term (2016-2018). Travis Life has been nominated to serve on the Nominating Committee for a one-year term (2016-2017) filling the vacancy resulting from the resignation of Charles B. Ortner.

**Gary Greenstein** is presently a partner at Wilson, Sonsini, Goodrich and Rosati in Washington, DC practicing in digital media and copyright, trademark, corporate governance, licensing, privacy, M&A transactions, litigation, lobbying, employment, and legislative drafting. Mr. Greenstein has served on the Governing Committee since 2014.

**Henry Root** is presently a partner at Lapidus, Root & Sacharow in Sana Moncia, California. Mr. Root has over 30 years of legal and business affairs experience in the entertainment, music, television and media industries. He has served on the Governing Committee since 2014.

**Travis Life** is an associate at Leavens Strand & Glover. He represents artists and art-related businesses in drafting and negotiating entertainment agreements, managing intellectual property and in litigating complex matters. Among other Forum positions, Mr. Life has served as the Forum’s Membership Chair since 2009.

The election will be held on Saturday, October 7, 2016 during the Forum Annual Meeting in Las Vegas, Nevada. This year’s meeting features two half days and one full day of concurrent continuing legal education programming related to sports, music, film, television, literary publishing merchandising and licensing. For all the Annual Meeting details and to register, visit [www.ambar.org/es-am16](http://www.ambar.org/es-am16).

Sincerely

**Kirk T. Schroder**, Chair, Nominating Committee
ABA Forum on the Entertainment and Sports Industries Schroder Davis PLC, Richmond, VA
A. Sports Law Update

I. Third Circuit Strikes Down New Jersey Sports Gambling Law...Again – Amanda Alasauskas

In early August 2016, an en banc Third Circuit United States Court of Appeals struck down a New Jersey law that legalized sports gambling, finding that the state law conflicts with a federal law that bans state-sanctioned sports gambling in a majority of states.

This federal law is the Professional and Amateur Sports Protection Act (PASPA), passed in 1992, in an effort to prohibit state-sanctioned sports gambling. 28 U.S.C. §§ 3701–3704. Within PASPA, there is a provision allowing sports leagues whose games may be subject to gambling to bring an action to enjoin such gambling. 28 U.S.C. § 3703. However, PASPA does include exceptions for Nevada, Oregon, and Delaware. 28 U.S.C. § 3704(a). New Jersey was included in this exception, but only if a system for sports gambling was enacted within a year of PASPA’s enactment. New Jersey failed to do so.

In 2012, New Jersey enacted the Sports Wagering Act (“2012 Law”) after a referendum wherein sixty-four percent of New Jersey voters voted in favor of amending the state’s Constitution in order to permit sports gambling. N.J. Stat. Ann. §§ 5:12A-1 et seq. (2012). The 2012 Law regulated sports wagering in casinos and racetracks in New Jersey, and created a regulatory scheme, which included licenses for operators and minimum cash reserves. However, this law was short lived, as five sports leagues—the National Collegiate Athletic Association (NCAA), National Football League (NFL), National Basketball Association (NBA), National Hockey League (NHL), and the Office of the Commissioner of Baseball, collectively referred to as “the Leagues”—sued in an effort to enjoin the law due to its violation of PASPA. The District Court enjoined the implementation of the 2012 Law, holding that PASPA was constitutional and was affirmed by the Third Circuit Court of Appeals in NCAA v. Governor of New Jersey, 730 F.3d 208 (3d. Cir. 2013) (Christie I).

However, none of this dissuaded New Jersey, as the state’s legislature passed SB 2460 in 2014 (“2014 Law”). The 2014 Law included language specifically prohibiting wagering on New Jersey college teams’ competitions, as well as any collegiate competition that would occur within the state of New Jersey. N.J. Stat. Ann. § 5:12A-7. It also restricted any sports wagering to those persons’ age twenty-one or over. Id. Again, the Leagues filed suit to enjoin the 2014 Law, and again, the District Court held that the 2014 Law violated PASPA. The District Court reasoned that Christie I held that PASPA offered two choices, maintain sports gambling prohibitions or repeal them entirely, and that PASPA preempts the 2014 Law because it is a partial repeal.

On appeal, New Jersey argued that the 2014 Law was in compliance with PASPA and constituent with Christie I because the state legislature had effected a repealer that was specifically permitted with Christie I. Further, New Jersey argued that any injunctive relief granted should be limited to those games of entities who are parties to the action and that the Leagues have supported sports gambling in other contexts, and, therefore, have unclean hands. On the other hand, the Leagues argue that the 2014 Law “authorizes” and “licenses” sports gambling, thus violating PASPA.

Again, the Third Circuit held that the 2014 Law violates PASPA due to its authorization of sports gambling. The court pointed to the “repeal” language used in the 2014 Law, rejecting New Jersey’s argument that the 2014 Law simply repealed the sports wagering prohibition, which is not the same as authorizing sports wagering. The court also pointed to the language in the 2014 Law dictating who could participate and where sports gambling could occur, citing the definition of the word “authorize”—“[t]o empower; to give a right or authority to act.” Authorize, Blacks Law Dictionary (6th ed. 1990). This definition enables the court’s position that the 2014 Law authorized those persons’ twenty-one years and older to participate in sports wagering in casinos, gambling house, and horse racetracks. While the 2014 Law contains a construction provision that stated that the 2014 Law was not to be “intended and . . . construed as causing the State to sponsor, operate, advertise, promote, license or authorize by law or compact” sports wagering, the court ruled that “clever drafting” does not save the law, as this provision mirrored language in PASPA. N.J. Stat. Ann. § 5:12A-8; 28 U.S.C. § 3702(1). NCAA v. Governor of N.J., 799 F.3d 259, http://www2.ca3.uscourts.gov/opinarch/144546p.pdf. The Third Circuit reaffirmed its decision following an en banc hearing in February 2016. It is likely that New Jersey will seek cert from the United States Supreme Court in the future.

While the Third Circuit’s ruling is binding for three states, it also sets precedent for the entire United States.
While not controlling for other circuits, the Third Circuit’s finding will undoubtedly weigh heavily on the scales for states who are considering legalizing sports betting in the future, a hot topic in many states today. It is also likely that this decision will weigh heavily on future regulations on Daily Fantasy Sports, which could also bring up similar concerns with PASPA. See also Dustin Gouker, If New Jersey Wins Sports Betting Appeal, What Might Happen Next in U.S., LEGAL SPORTS REP. (Feb. 16, 2016), http://www.legalsportsreport.com/7524/new-jersey-sports-betting-case-impacts/. John Brennan, Federal court ruling could be a fatal blow to legal sports betting in N.J., N. JERSEY (Aug. 9, 2016), http://www.northjersey.com/news/federal-court-ruling-could-be-a-fatal-blow-to-legal-sports-betting-in-n-j-1.1642017.

II. Jenkins v. NCAA Reopens the Door to Compensation for Student Athletes – Patrick Ouellette

Any discussion of Jenkins v. NCAA begins with the backdrop of the famous O’Bannon v. NCAA court holding in August 2014 that continues to have far-reaching ramifications. In O’Bannon, Northern District of California federal Judge Claudia Wilken held that the NCAA’s efforts to ban student athletes from using their names and likenesses constituted "unreasonably restrained trade" and, therefore, violated the Sherman Act—the federal antitrust law—15 U.S.C. § 1. The court issued an injunction to the NCAA to end its anticompetitive prohibitions and stated that students may receive up to $5,000 per year for the use of their likenesses. The United States Court of Appeals for the Ninth Circuit later upheld Judge Wilken’s decision, but it removed the $5,000 allowance and barred any compensation beyond the scholarship to the full cost of attendance. The removal of the allowance was a small victory for the NCAA because the Ninth Circuit made specific references to protecting amateurism. Both parties have appealed to the United States Supreme Court and will likely hear by late September or early October if the Court will take the case.

The status of the O’Bannon case will loom large in the Jenkins class action case, which also features Judge Wilken on the bench. The Jenkins Plaintiff class is made up of student-athletes who played NCAA Division I Football, Bowl Subdivision football, and men’s and women’s basketball from March 5, 2014 to present. The class argued that the NCAA’s cap on the grant-in-aid (GIA), which included only the value of tuition, fees, room and board and required course books, violates the Sherman Act because it prevents schools from competing to recruit athletes based on compensation beyond what is allowable under the GIA cap. The Plaintiffs in Jenkins requested an injunction against the NCAA’s rules limiting compensation for student-athletes, and some of the consolidated Plaintiffs sought damages for the difference between the GIAs awarded and the cost of attendance. The class also challenged NCAA rules prohibiting the provision of other "benefits" and "in-kind" compensation and cash compensation. Alternatively, the NCAA argued that removal of the GIA cap would mean the end of amateurism and moved for judgment on the pleadings in accordance with FED. R. CIV. P. 12(c) by arguing that “offering [student-athletes] cash sum untethered to education expenses was not a less restrictive alternative to the NCAA’s current rules under the rule of reason.” On December 4, 2015, the Jenkins court granted the Plaintiffs' amended joint motion for class certification under FED. R. CIV. P. 23 and also dismissed the consolidated Plaintiffs’ claim under California's Unfair Competition Act.

Though O’Bannon technically opened the door for athletes to challenge the NCAA’s ability to control how they are compensated for their likenesses to a degree, the Jenkins Plaintiffs’ lead attorney Jeffrey Kessler would like to open that door completely by arguing that there should be no compensation restrictions at all. While there will likely continue to be some type of limits on amateur athlete compensation, Kessler and the Plaintiffs’ argument that the NCAA policies equate to anticompetitive behavior will likely depend on how the court views O’Bannon. Specifically, the argument will be affected by whether the court focuses on the "unreasonably restrained trade" portion of the O’Bannon District Court holding or the Appellate Court’s decision to continue promoting amateurism in the NCAA. Defendant NCAA’s motion for judgment on the pleadings was denied on August 5, 2016. Jenkins v. NCAA (In re NCAA Ath. Grant-In-Aid Cap Antitrust Litig.), 2016 U.S. Dist. LEXIS 103703 (N.D. Cal. Aug. 5, 2016).

III. Third Circuit Determines Fans Lack Standing Over Super Bowl Tickets – Patrick Ouellette

The lead Plaintiffs in the class-action Finkelman v. NFL lawsuit were Ben Hoch-Parker and Josh Finkelman. Finkelman bought two Super Bowl XLVIII tickets for himself and Hoch-Parker through a third-party reseller at higher than face value for the tickets. Finkelman and Hoch-Parker alleged that their inability to access face value tickets through the National Football League (NFL), forcing them to resort to the resale market, was in violation of New Jersey's Ticket Law. The Ticket Law
is found under New Jersey's Consumer Fraud Act, which bars the withholding of more than five percent of the available seating from sale to the general public. N.J. Stat. Ann. § 56:8-35.1. The Plaintiffs also argued that the NFL’s actions led to unjust enrichment for the NFL, which responded that it has no connection to third party ticket vendors.

Finkelman filed a putative class action suit against the NFL in January 2014 in the United States District Court for the District of New Jersey and later filed an amended complaint to bring on more defendants and identified Hoch-Parker as the second named Plaintiff. The New Jersey District Court held that much of Finkelman’s argument, which alleged that the NFL gave the majority of face-value Super Bowl tickets to its “insiders,” was based on speculation and, therefore, lacked Article III standing. Finkelman was unable to prove that he would have been able to purchase a face value ticket directly from the NFL if not for the NFL’s alleged withholding of the tickets. Further, he could not prove that he paid a higher resale price directly because of the NFL’s alleged withholding of the tickets.

Following the District Court granting the NFL’s motion to dismiss the complaint on January 20, 2015, for failure to state a claim, the Plaintiffs brought the case to the United States Court of Appeals for the Third Circuit. The Third Circuit stated that it lacked jurisdiction to adjudicate their claims because Hoch-Parker and Finkelman sued the NFL in federal court and were unable to allege the proper standing elements. As a result, the appeals court affirmed the District Court's Hoch-Parker judgment and vacated the District Court's Finkelman judgment to the District Court for further proceedings. Notably, the NFL did not initially bring up Finkelman's Article III standing before the District Court. In partially affirming the District Court’s decision, the Third Circuit referenced the need to dismiss Hoch-Parker’s claim because he did not actually purchase tickets and mere potential buyers do not have standing to make a claim under Article III. The court also added that the Plaintiffs were free to bring the suit to New Jersey courts. Though the Third Circuit found the Plaintiffs’ decision to bring the case to federal court to be questionable, the Plaintiffs’ failure to show causation related to the NFL’s ticket practices was the key to the January 14, 2016 decision. This case also reaffirms that courts require evidence greater than mere speculation for fans attempting to prove fraud when a league did not sell them tickets directly. Finkelman v. NFL, 810 F.3d 187 (3d Cir. 2016).

IV. Afraid of Foul Balls and Broken Bats? – Patrick Ouellette

Lead Plaintiffs Gail Payne, Robert Gorman, and Stephanie Smith made claims for negligence, fraudulent concealment, and various statutory violations against Major League Baseball (MLB) with the primary goal of obtaining injunctive relief that mandates enhanced safety netting at all MLB ballparks “from foul pole to foul pole.” The group has alleged that the league has failed to provide a consistent policy for safety netting and filed suit against MLB in the United States District Court for the Northern District of California on July 14, 2015. The MLB moved to dismiss based on FED. R. CIV. P. 12(b)(1) lack of standing; FED. R. CIV. P. 12(b)(2) lack of personal jurisdiction over clubs that are out of state; 28 U.S.C. § 1391 improper venue; and FED. R. CIV. P. 12(b)(6) failure to state a claim.

On April 8, 2016, the District Court granted a partial dismissal and only focused on the personal jurisdiction over the out-of-state clubs claim, ordering MLB to provide Plaintiffs with limited jurisdictional discovery and both parties to provide a seven-page supplemental briefing directly relating to their standing with respect to only California stadiums. This discovery period was intended to provide Plaintiffs the opportunity to obtain more information on “the probability that a given individual, seated in plaintiffs' specific sections at the two California stadiums in question, will be hit by a stray ball or bat in the course of a given game or season.” Reciprocal discovery was to end on July 8, 2016, and the Plaintiffs’ supplemental brief was due by July 19, 2016, while the Defendants' reply was due by August 2, 2016. The court set a further hearing on the motion to address this issue on August 23, 2016 at 2 p.m. The court chose to wait on ruling on the remainder of the motion pending the contemplated jurisdictional discovery on standing and the respective briefings. Considering the court referenced the Supreme Court’s requirement that the "threatened injury must be certainly impending to constitute injury in fact," the court’s minimum threshold for Plaintiffs to prove Article III standing was made clear during the April 8 hearing. Payne v. Office of the Comm'r of Baseball, 2016 U.S. Dist. LEXIS 47971 (N.D. Cal. Apr. 8, 2016).

V. NFL Has a Say in Usage of Football Footage in Right-of-Publicity Suit – Harris Shain

Defendant's affiliate, NFL Films, creates films centered on significant games, seasons and/or players throughout the leagues history. Most of these productions contain game footage supplemented with
Porous Media Corp. v. Pall Corp., 186 F.3d 1077 (8th Cir. 1999), the Eighth Circuit agreed with the District Court that the films were expressive speech and the state law right-of-publicity claims were thereby preempted by federal copyright law.

As to the false endorsement claim under § 1125 of the Lanham Act, to survive the motion for summary judgment, the Plaintiffs were required to establish that statements made by the Defendant were either literally false or literally true/ambiguous, but convey a false impression. The Eighth Circuit held that the Plaintiffs failed to meet this burden having been unable to present any evidence that the Defendant’s films included misleading or false statements regarding the Defendant’s endorsement or association with the Defendant. Moreover, the fact the videos may have caused some members of the public to misunderstand the extent to which the Plaintiffs continued to associate or endorse the Defendant was not sufficient to overcome summary judgment. Dryer v. NFL, 814 F.3d 938 (8th Cir. 2016).

This case is noteworthy for a couple of reasons. First, it is clear that professional athletes are fighting a steep uphill battle when it comes to controlling the dissemination of footage from games in which they participated. More importantly, it reinforces the verbatim application of the Porous factors (or other similar tests) as the proper means by which to analyze the commercial or expressive nature of speech in the context of copyright and right-of-publicity claims. This is important, as other federal circuits have criticized a literal application of the Porous factors and their brethren as outdated and unable to account for modern advertising techniques that focus on “brand” advertising. See Jordan v. Jewel Food Stores, Inc., 743 F.3d 509 (7th Cir. 2014).

VI. Eighth Circuit Reverses District Court's Vacatur of Arbitration Decision Upholding Discipline Against NFL Running Back Adrian Peterson – Kyle Simmons


Pursuant to Article 46 in the collective bargaining agreement (CBA) between the National Football League (NFL) and the National Football League Players Association (NFLPA), the Commissioner promulgated a Personal Conduct Policy that applies to all players. The Policy specifies behavior that may be considered detrimental conduct, and the policy explains the types of penalties violators may receive. In 2014, Peterson was charged with misdemeanor reckless assault on one of his children. The National Football League’s Commissioner, Roger Goodell, suspended Minnesota Vikings running back Adrian Peterson during the 2014 football season. Peterson agreed to plea nolo contendere and Commissioner Goodell used that plea to discipline Peterson under "conduct detrimental to the game of professional football.” Commissioner Goodell suspended Peterson indefinitely and fined Peterson a sum equivalent to six games’ pay.

Peterson appealed his discipline to an arbitrator, who affirmed the suspension and fine. Peterson petitioned the District Court to vacate the arbitration decision. The court granted the petition, and the League appealed. Currently, Peterson has resumed playing professional football, and this appeal case does not involve his eligibility to play. The remaining dispute concerns whether the League may collect the fine imposed by the Commissioner and upheld by the arbitrator.
The appeals court reviewed this case de novo and held that the courts have a limited role when reviewing arbitration decisions. The role of the court is not to decide what discipline is appropriate or whether the arbitrator correctly interpreted the contract, but whether the arbitrator acted within the scope of his authority. In this case, the arbitrator decided that the ability to impose fines was within the power of the Commissioner in Article 46 and that because the arbitrator’s award draws its essence from the collective bargaining agreement the losing party should not be permitted to challenge simply because it’s unfavorable.

This issue is important because the NFLPA continues to challenge the authority of the Commissioner of the NFL and the CBA and is likely to be a substantive issue regarding negotiations in the next contract year. Currently, the CBA is in effect through the last day of the 2020 league year. National Football League, Collective Bargaining Agreement Between the NFL and the NFL Players Association (Article 69), https://nflalabor.files.wordpress.com/2010/01/collective-bargaining-agreement-2011-2020.pdf).

VII. Federal Court Rules That Women's National Team CBA Includes No-Strike Clause – Kyle Simmons

In June 2016, a federal judge ruled on whether there was a valid collective bargaining agreement (CBA) between the United States Soccer Federation (USSF) and the United States Women’s National Soccer Team Players Association (Players Association). The USSF stated that the parties had a CBA that was in effect through 2012 and the parties agreed to a memorandum of understanding (MOU) that addressed particular items and carried over the remaining articles from the 2012 contract. The MOU was to expire in 2016. The Players Association disagrees with this position and argued that the MOU was not a valid CBA and that the MOU’s failure to specifically identify any articles that were to be carried over also does not apply. The Players Association threatened to strike unless a new CBA was made. The USSF argued that although the No Strike Clause was in the 2012 CBA, it was also carried over into the MOU and, therefore, prevents the Players Association from striking. The USSF brought forward the lawsuit for an anticipatory breach of contract and declaratory judgment.

U.S. District Judge Sharon Johnson Coleman of the Northern District of Illinois ruled the team remains bound by a no-strike provision from its 2005–2012 collective bargaining agreement. She further stated that “[f]ederal law encourages courts to be liberal in their recognition and interpretation of collective bargaining agreements, so as to lessen strife and encourage congenial relations between unions and companies. . . . A collective bargaining agreement may be partly or wholly oral and a written collective bargaining agreement may be orally modified." U.S. Soccer Fed'n, Inc. v. U.S. Women's Nat'l Soccer Team Players Ass'n, 2016 U.S. Dist. LEXIS 72482, 206 L.R.R.M. 3418 (N.D. Ill. June 3, 2016).

The issue in this case came about when several women soccer players were being paid less than their male counterparts. Although, the courts have ruled that the MOU in fact incorporates articles from the 2012 contract including the no strike clause, the CBA does not address the wage disparity issue. It is likely the Players Association was going to use the ability to strike as a mechanism to leverage the USSF in addressing the wage disparity. Historically, labor unions utilized strikes to leverage management to improve wages and working conditions. Although, the ability to strike was eliminated as a result of this decision, the issue regarding pay parity between men and women was heightened and should help in future negotiations. See Judge says U.S. women’s soccer team bound by no-strike clause, ESPN (June 3, 2016), http://www.espn.com/espnw/sports/article/15929670/judge-says-us-womens-soccer-team-bound-no-strike-clause; Matt Bonesteel, Judge rules that U.S. women’s soccer team can’t go on strike before Olympics, WASH. POST (June 3, 2016), https://www.washingtonpost.com/news/early-lead/wp/2016/06/03/judge-rules-that-u-s-womens-soccer-team-cant-go-on-strike-before-olympics/; Ahiza Garcia, U.S. Women’s Soccer team can’t strike, court says, CNN: MONEY, http://money.cnn.com/2016/06/03/news/us-soccer-womens-team-strike/; Judge: US women’s soccer team bound by no-strike clause, MSNBC (June 3, 2016), http://www.msnbc.com/msnbc/judge-us-womens-soccer-team-bound-no-strike-clause.

VIII. Arbitrator Issues Lengthy Ruling Concerning NFL's Revised Personal Conduct Policy – Kyle Simmons

In April 2016, arbitrator Jonathan B. Marks ruled on the case involving the National Football League (NFL) and its Personal Conduct Policy. This decision comes after the NFL’s unilateral implementation of the NFL Commissioners Exempt List, the allowance of persons other than the Commissioner issuing discipline and the players personal conduct policy overall. The player’s union and the NFL attempted to negotiate the impact and effects of this new conduct policy, but as the negotiations began to breakdown, the National Football
League’s Players Association (NFLPA) filed a grievance challenging several portions of the Player Personal Conduct Policy, saying it contradicted the collective bargaining agreement (CBA).

The NFLPA challenged whether the Commissioner can place players on the Commissioner’s Exempt List, which constitutes paid administrative leave for committing violent crimes, and also whether the Commissioner can appoint a disciplinary officer to hand out punishments. Moreover, the NFLPA argued that the Exempt List was, in a sense, another method for the Commissioner to suspend players before determining guilt.

The arbitrator ruled in favor of the NFL as it related to the Exempt List, because the Commissioner has the authority to discipline players for conduct detrimental to the league within the CBA and the Exempt List is consistent with that language on its face. Nonetheless, the arbitrator stated that the NFL, through the Commissioner, must follow certain due process like procedures outlined in the CBA when utilizing the Exempt List. On the other hand, the NFLPA successfully argued that the NFL cannot delegate the Commissioner’s exclusive authority to impose discipline.


IX. Case Dismissed: Sterling Has No Cause of Action Against NBA – Kyle Simmons

On March 6, 2015, Donald Sterling, former National Basketball Association (NBA) owner of the Los Angeles Clippers, filed his first amended complaint citing three federal causes of action. Sterling stated that the NBA violated his due process rights, § 1 of the Sherman Act, and the Health Insurance Portability and Accountability Act (HIPAA). Furthermore, Sterling asserted state law claims against the NBA as well.

As a matter of record, Donald Sterling is the former NBA owner that was captured on a recording expressing deeply offensive, demeaning, and discriminatory views toward African Americans, Latinos, and ‘minorities’ in general. The recording was aired through different media channels, such as TMZ, and the NBA began to terminate Sterling’s ownership interest in the Clippers.

The U.S. District Court for the Central District of California held that Sterling lacked the evidence to prove that the NBA denied him his due process rights and for that reason, the charge was dismissed with prejudice. The second claim made by Sterling was a violation of § 1 of the Sherman Act. The court noted that this claim, too, was barred by res judicata because the state recently affirmed the probate’s court’s order referencing the sale of the Clippers to Steve Ballmer. Moreover, the court held that claimants must plead and prove a reduction of competition in the market in general and not mere injury to their own positions as competitors in the market. For that reason, Sterling’s claims of antitrust injury are not an injury to competition, but rather disappointment that he lost ownership of the Clippers as a result of the probate court’s order. This charge was also dismissed with prejudice.

The third cause of action that Sterling alleged are that the NBA parties, his wife Rochelle, and the doctor Defendants were liable for violating HIPAA, because he never consented to, nor provided written authorization for the release of his medical records. Sterling’s cause of action failed for two reasons. First, HIPAA itself provides no private right of action. Second, Sterling expressly waived any right to assert a cause of action for violation of his privacy rights under HIPAA.

The last claim that Sterling made was a state claim based on breach of contract. Pursuant to 28 U.S.C. § 1367(c)(3), the court may decline to exercise supplemental jurisdiction when the court has dismissed all claims over which it has original jurisdiction. In this case, that is exactly what happened, considering the court held that all of the causes of action were dismissed with prejudice. The court also ruled that the state claims were dismissed with prejudice.

X. NFL Players Sue Clubs for Medication Use – Kyle Simmons

In July 2016, the United States District Court for the Northern District of California weighed in on the case against the National Football League’s administration of painkiller drugs. Evans v. Arizona Cardinals Football Club LLC is a putative class action against the NFL relating to the administration of painkiller drugs. Plaintiffs include the estate of a former NFL player and twelve retired players. The named Plaintiffs, as a group, have played for every club in the NFL from 1964 to 2010. Defendants are the thirty-two member clubs of the NFL.

The Defendants moved to dismiss arguing that claims made by the retired players are preempted by § 301 of the Labor Management Relations Act. The court summarized the law and held that if the Plaintiffs’ claim cannot be resolved without interpreting the applicable collective bargaining agreement (CBA), then the claim is preempted. Alternatively, if the claim may be litigated without reference to the rights and duties established in a CBA it is not preempted. The Plaintiff’s claim is the touchstone for this analysis. A state law claim is not preempted under § 301 unless it necessarily requires the court to interpret an existing provision of a CBA that can reasonably be said to be relevant to the resolution of the dispute. The order of the court distinguished between two cases: Dent v. NFL and Cramer v. Consolidated Freightways, Inc.

The court in Dent granted a dismissal on the grounds of preemption because the claim itself was against the NFL as a whole and that it required interpretation of the CBAs to understand the duty and roles of the clubs. This differs from this case in that the case does not require CBA interpretation and the claims are against each club. The Cramer case held that a CBA cannot preempt an illegal action.

This case is extremely important in the realm of sports law because it is common for team doctors and trainers to aid players in recovery by providing painkillers in an effort to get players back on the field faster. The issue is whether the team doctors, in their attempts to help players heal faster, are providing medicine without full explanation of the side effects. In light of the concussion settlement and other cases involving the state of health of athletes it is likely that this painkiller case will see some traction. Evans v. Ariz. Cardinals Football Club LLC, 2016 U.S. Dist. LEXIS 86207 (N.D. Cal. July 1, 2016); Dent v. NFL, No. C 14-02324 WHA, 2014 U.S. Dist. LEXIS 174448, 2014 WL 7205048, at *1 (N.D. Cal. Dec. 17, 2014); Cramer v. Consolidated Freightways, Inc., 255 F.3d 683, 689–93 (9th Cir. 2001).

XI. NFL & DirecTV Tackled With Antitrust Lawsuit – Katie Day

Plaintiffs challenge long-standing and pro-competitive broadcast arrangements of the National Football League (NFL) that have vastly expanded the number of televised NFL football games available to fans across the country. Each year, the NFL and its thirty-two member clubs jointly produce over 250 professional football games, culminating in the Super Bowl championship. Every Sunday afternoon regular-season game is broadcast, at least, in the two competing teams’ local markets, on free, over-the-air television on CBS and FOX; fans can typically watch three games every Sunday for free. Under the Sports Broadcasting Act (SBA), the NFL’s distribution of its games through free, over-the-air broadcasts is immune from antitrust scrutiny.

In 1994, to provide fans access to even more live NFL football entertainment, the NFL licensed DirecTV to offer Sunday Ticket—a product distributed exclusively by DirecTV. Under this arrangement, DirecTV receives the “feeds” from the Sunday afternoon games produced by CBS and FOX, packages them, and delivers the package to residential and commercial subscribers of its satellite television service. Through Sunday Ticket, fans can watch some or all of every Sunday afternoon game, including “out-of-market” games that would not otherwise be available in their home markets. Plaintiffs claim that the NFL’s exclusive distribution agreement with DirecTV is “anticompetitive” (the “vertical” claim) and Plaintiffs challenge the way in which the NFL and its member clubs—but not DirecTV—jointly create and license the Sunday Ticket package of broadcast rights (the “horizontal” claim).
If successful, this lawsuit, which is currently ongoing, has the potential to reshape televised football, which could later lead to changes across the entertainment landscape. In re: NFL’s “Sunday Ticket” Antitrust Litigation, No. 1:15-ml-02668, (C.D. Cal 2015).

B. Intellectual Property Matters

I. The “Spirit” of Stairway to Heaven – Inspiration or Misappropriation? – Michelle M. Wahl

In June 2016, Led Zeppelin prevailed in a copyright infringement lawsuit initially brought in 2014 by Michael Skidmore—the Trustee of Spirit songwriter Randy “California” Wolfe’s estate—whereby Skidmore alleged the iconic guitar riff featured in Led Zeppelin’s 1971 hit song, “Stairway to Heaven,” infringed on Spirit’s 1968 instrumental in “Taurus.” The trial proceeded after a U.S. District Court Judge in Los Angeles ruled that there was enough evidence to advance the case to trial against Robert Plant and Jimmy Page, the surviving members of Led Zeppelin who are also credited with composing “Stairway to Heaven.”

In the many years preceding the trial, both Plant and Page vehemently denied lifting anything from “Taurus.” In part, their argument at trial centered on the suggestion that the chord sequence in question had been used for three centuries and that similar sections of the songs were comprised of common musical elements, not subject to federal copyright protection. Witnesses during trial included Page and Plant, Skidmore, musicologists, and various other experts who testified and opined as to whether the two songs were similar. Although Led Zeppelin had shared the stage with Spirit decades ago, both Page and Plant denied having access to “Taurus” and described for the jury how “Stairway to Heaven” came to fruition. After less than a day of deliberation, the jury returned a verdict favoring Led Zeppelin and concluded that although Plaintiff owned the copyright to Taurus and that Page and Plant did have access to the song, there was no substantial similarity between “Stairway to Heaven” and “Taurus,” and, therefore, no copyright infringement.

Plaintiff has since appealed to the Ninth Circuit, arguing they were unable to play “Taurus” to the jury given the 1968 audio recording was not covered by federal copyright law. Plaintiff now claims that the inability to play the song for the jury was an “insurmountable obstacle” to Plaintiff’s case (jurors were asked to compare sheet music as performed by musicians retained by each side—a guitarist for the Plaintiff and a pianist for the defense. However, federal Judge Robert G. Klausner’s decision that only the sheet music was admissible at trial was consistent with copyright infringement cases involving music that had been recorded prior to a 1972 copyright law revision that extended federal protection to sound recordings. In other words, only sheet music was covered by federal copyright protection prior to 1972. It will be interesting to see if, and if so, how, this appeal unfolds. Skidmore v. Led Zeppelin, No. CV-15-3462 RGK (AGRx), (C.D. Cal. April 8, 2016).

II. At the Tune of $1 Billion – Highsmith v. Getty: Is This for Real? - Michelle M. Wahl

Carol Highsmith, a professional photographer and pillar in the artistic community, has committed herself to traveling the country to capture American architectural monuments and in doing so, has been coined “America’s Photographer.” In the 30+ years she has contributed to the arts, she has not only published countless coffee table books, but has also brokered a deal with the Library of Congress to donate past and future works. In that respect, she is now classified as one of the top six collections in the Library’s Prints & Photographs archive. Her voluminous contributions to the Library are not only astonishing, but also inspiring given she provides her photographs to the Library for free public consumption. Steve Schlackman, Carol Highsmith Sues Getty for $1 Billion But Can She Win?, ART. L.J. (Aug. 4, 2016), http://artlawjournal.com/1-billion-getty-lawsuit/.

However, in December 2015, a firm tasked with photograph licensing Getty images, sent a letter to Highsmith, claiming that use of her own photograph online amounted to licensing infringement. Not only did the correspondence threaten legal action, it salted the wound by demanding $120.00 from her non-profit foundation, This is America! By way of background, Getty operates a series of stock photograph websites, handles the licensing transactions, and then pays artists owning those photographs accordingly. Getty also reserves its right to pursue copyright infringement relating to any images on its sites and utilizes a technology company that allows Getty’s images to be tracked. PicScout, the company employed by Getty to provide this service, scour the web in search of potentially infringing use of Getty images and when one is discovered, a third-party Getty contractor (here, License Compliance Services) sends out a demand letter to the allegedly infringing party. The process, according to some, is nothing shy of copyright trolling.

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Highsmith responded to the letter and demand for payment by filing her own lawsuit against Getty, Alany (a Getty distributor) and License Compliance Services, alleging they illegally claimed right to almost 19,000 of her images and sought damages of $1 billion! Highsmith based her suit on Getty having misrepresented the terms and conditions of using the Highsmith photographs by falsely claiming a user must buy a copyright license from Getty. To support those allegations, Highsmith stated that numerous publications had been found to have used Highsmith photographs with credit to Getty, without credit to Highsmith as either the copyright claimant or sole creator of the photographs, and that Getty had profited tremendously from the sale of Highsmith photographs. More importantly, Highsmith claims that Getty failed to notify licensees that the photographs are free online.

However, many sites sell images that are otherwise free elsewhere, under the guise (at least in part) that the fees associated with the image relate to managing storage servers, perfecting images and the like. Thus, when does this conduct provide the basis for a lawsuit? Here, Highsmith argues, at least in part, that the issue arose when Getty provided false information to its licensees. Specifically, Getty superimposed a Getty watermark which, according to Highsmith, implied that Getty owned the copyright. This watermark gives rise to a potential DMCA claim as it is illegal to remove or falsely claim management information, including one holding themselves out as a copyright owner when, in fact, they are not. Yet, if the photographs are truly in the public domain, can Highsmith assert she is the copyright claimant? It seems as though her agreement with the Library of Congress as to the public use of her collection will certainly play an important role in answering that question.

Assuming she does have standing to sue based on these allegations, how did Highsmith arrive at damages amounting to $1 billion? The DMCA provides statutory penalties up to and including $25,000 per incident. Highsmith alleges that Getty committed at least 18,755 “incidents” and asserts the DMCA’s penalty provision (i.e., treble damages) as Getty has had DMCA violations in the past three years, whereby they were ordered to pay in access of $1 million in damages. 17 U.S.C. § 1202.

Proving these damages, however, might be a daunting task to Highsmith as she must establish not only that Getty falsified copyright information (somewhat easier to establish given the watermark argument), but also that the Defendants had knowledge or intent to falsify so as to induce, enable, facilitate or conceal copyright infringement. 17 U.S.C. § 1202(a).

Whether this case is dismissed, settles quietly or develops into a full-fledged trial is yet to be seen. Highsmith v. Getty Images (US), Inc., No. 1:16-cv-05924 (S.D.N.Y 2016).

III. U.S. Supreme Court Rules on Standard for Awarding Attorneys’ Fees to Prevailing Party in Copyright Infringement Suits – Michelle M. Wahl

In January 2016, after acknowledging the bona fide split among circuit courts, the United States Supreme Court granted certiorari and agreed to review the issue of what constitutes the appropriate standard for awarding attorneys’ fees under § 505 of the Copyright Act. In 2013, the Supreme Court ruled in favor of Kirtsaeng, a Thai national who purchased foreign editions of textbooks overseas and then sold them in the U.S. for profit, was protected by the Copyright Act’s First Sale Doctrine and was not liable for copyright infringement as alleged by academic textbook publisher John Wiley & Sons. Kirtsaeng then sought reasonable attorneys’ fees arising from the 2013 litigation.

Pursuant to § 505 of Copyright Act—“a court may award reasonable attorney’s fees to the prevailing party.” However, the District Court and the United States Court of Appeals for the Second Circuit declined to award Kirtsaeng fees. The latter declined based on case law precedent and placing substantial weight on whether the losing party’s claim or defense was objectively unreasonable (i.e., whether it was clearly without merit or devoid of legal or factual basis). Petitioner urged the Supreme Court to hear the case as the Second Circuit’s decision split the approaches of the other courts of appeals and was inconsistent with the Supreme Court’s precedent. In other words, depending on the court, the outcome of an award of reasonable attorneys’ fees varied. For example, in the Ninth or Eleventh Circuits, the issue is whether the prevailing party’s claim or defense furthered interests of the Copyright Act, with no presumptions one way or another, whereas the Fifth and Seventh Circuits apply a presumption in favor of a fee award for prevailing parties, while the Third, Fourth, and Sixth Circuits have forged another path by relying on the four non-exclusive factors listed in the Supreme Court’s 1994 decision in Fogerty v. Fantasy, namely, frivolousness, motivation, objective unreasonableness, and considerations of compensation and deterrence.

In delivering its opinion, the Supreme Court clarified the standard for awarding attorneys’ fees to prevailing parties. Kirtsaeng v. John Wiley & Sons, Inc., 136 S. Ct. 1979 (2016). The Supreme Court held that “when deciding whether to award attorney’s fees under § 505 of the Copyright Act, a District Court should give

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substantial weight to the objective reasonableness of the losing party’s position.” However, the Supreme Court confirmed that objective reasonableness is not to be the controlling factor, but rather, “can be only a substantial factor” in assessing whether fees are appropriate. The Supreme Court considered other open-ended, fee-shifting statutes, emphasizing that a District Court’s discretion to award fees (as is the case under § 505 of the Copyright Act), is limited in relation to the objectives of the relevant Act. The Supreme Court determined that the relevant objectives of the Copyright Act were to enrich the general public through access to creative works via a balance between rewarding authors’ creations and enabling others to build on that work. Thus, the Supreme Court determined that parties who hold strong positions should stand on their rights, given the likelihood of recovering fees from the losing party, and those with weaker positions are deterred by the likelihood of having to pay two sets of fees.


(a) The United States Court of Appeals for the Tenth Circuit affirmed summary judgment in favor of AXS Digital Media (owner of Examiner.com, an ISP), noting it did not have actual or circumstantial knowledge of BWP Media, USA’s photographs posted to the site by individuals retained by AXS as independent contractors to provide content on Examiner.com. Plaintiff sued AXS for copyright infringement and related claims relating to the photographs, but AXS asserted the DMCA’s safe harbor provision shielded it from liability. The safe harbor provision (17 USC § 512(c)) protects ISPs from liability for copyright infringement that occurs via their service and limits injunctive relief that may be awarded against ISPs. To apply, the ISP must show the infringing content was stored “at the direction of a user.” On appeal, Plaintiff unsuccessfully argued that the independent contractors were not “users” under the safe harbor provision and that infringing content had been stored at AXS’s direction. However, evidence of AXS having told the independent contractors what they should write about fell short of the requirement that AXS direct the independent contractors to infringe—an element that would have disallowed AXS to avail itself of the safe harbor provision. 

(b) In June 2016, after nearly seven years in New York federal court, Capitol’s long time lawsuit against Vimeo finally came to a decision by the United States Court of Appeals for the Second Circuit and provided some insight as to the scope of the Digital Millennium Copyright Act’s (“DMCA”) Safe Harbor provisions (generally, 17 U.S.C. § 512). Capitol’s case sought to address questions remaining in the wake of the 2012 landmark decision in Viacom v. YouTube.

Capitol’s suit centered around three main issues: (1) whether the DMCA safe harbors are a defense to copyright infringement allegations involving pre-1972 sound recordings; (2) whether an ISP commits “red flag” knowledge of infringement when employees view videos containing popular sound recordings; and (3) whether Vimeo’s conduct amounted to willful blindness to its users infringements, thereby removing it from the protection of the safe harbor provision. As for the first issue above, Capitol argued that the safe harbor was inapplicable given the copyright infringements relating to pre-1972 sound recordings, which are not federally protected. The District Court agreed with that argument based on prior Copyright Office analysis, but the Second Circuit reversed, noting the safe harbors are for claims of infringement of copyright, regardless if the protections afforded derive from state or federal laws. The appeals court stated that Congress did not intend to limit the safe harbor scope and that had Congress intended to leave pre-1972 sound recordings out of the safe harbor provisions intended to insulate them, the ISPs would have been left exposed to a plethora of potential liability. As such, the Second Circuit held that the DMCA, particularly its safe harbor provision, must be read to include damages for infringements of state copyrights, including those relating to pre-1972 sound recordings. As for issue two above, proof of “red flag” knowledge is not an easy task. For example, in Viacom, the Second Circuit interpreted “red flag” knowledge under the DMCA to mean the ISP’s subjective awareness of facts from which specific instances of infringement would be objectively obvious to a reasonable person. By way of reminder, ISPs seeking safe harbor protection are required to remove material they actually know or should know (i.e., “red flags”) to be infringing. This interpretation requires courts to determine, often unpredictably, what a hypothetical “reasonable” person might discern under the circumstances. In Capitol, the Second Circuit established that a reasonable person for DMCA purposes is what the copyright law deems an “ordinary person.” In other words, one without specialized knowledge or experience regarding copyright laws and music. Here, the appeals court held that a Plaintiff is required to provide evidence in addition to proof an employee viewed a video that contained all or most of a popular copyright song, in order to amount to “red flag”...
knowledge. The appeals court further held that a narrow scope for “red flag” knowledge is consistent with Congressional intent for the safe harbors, which were accomplished primarily via the notice and takedown framework.

Willful blindness, the final issue mentioned above, was previously analyzed in the context of the DMCA safe harbors in In Re Aimster Copyright Litigation (6th Cir. 2003). Citing Aimster in Viacom, the Second Circuit held a plaintiff may provide that an ISP had potentially disqualifying knowledge of user infringements through a showing that the ISP was willfully blind (i.e., made a deliberate effort to avoid knowing). Here, Capitol argued that Vimeo monitored infringement of visual but not audio content, that facts gave Vimeo a duty to further investigate (which it failed to do) and that video encouraged users to post infringing material by turning a blind eye. However, the Second Circuit rejected these arguments, noting the duty to remove material in instances falling short of actual knowledge, is limited to the discovery of facts that make infringement objectively obvious, and that facts that simply give rise to suspicion fail to give rise to this duty. More importantly, in Viacom, the Second Circuit emphasized that whether Viacom’s knowledge was actual or “red flag,” it had to relate to infringements of Plaintiffs’ copyrights. Here, Capitol failed to meet that burden. However, the appeals court stated that the outcome may have been different, had Capitol established that Vimeo encouraged users to post infringing material actually owned by Capitol.

V. CBS and Paramount Sue for Crowdfunded ‘Star Trek’ Film – Harris Shain

Star Trek is one of the most famous and highest grossing entertainment franchises of all time. Among other things, the franchise is well known for its loyal “die-hard” fans, who are notorious for their fan fiction—stories that draw on various elements of the Star Trek universe. In mid-2014 Defendants crowdfunded and released a short film on YouTube entitled Prelude to Axanar, which tells the story of the war that precedes the first episode of the Star Trek television series. The Defendants also initiated a second crowdsourcing campaign for a feature-length film entitled Axanar and indicated that the script for this second film had been completed.

In late 2015, Plaintiffs filed suit alleging various forms of copyright infringement on the grounds that the Defendants film and proposed second film are unlicensed and unauthorized derivates that are not entitled to the affirmative defenses of fair use or parody.

In response, the Defendants filed a motion to dismiss arguing that the Plaintiffs claims were procedurally deficient because, inter alia, they failed to provide proper notice, were based on bare allegations of information and belief and, with respect solely to the proposed second film, were premature and an impermissible prior restraint. The Defendants also believed the Plaintiffs claims to be substantively deficient on the grounds that the Plaintiffs could not demonstrate, as a matter of law, that the “protectable elements, standing alone, are substantially similar.”

On May 9, 2016, the United States District Court for the Central District of California denied the Defendant’s motion to dismiss. In rejecting the Defendants motion in its entirety, the court noted, among other things, that Plaintiffs were only required to allege “representative acts of infringement rather than a comprehensive list” and that bare allegations of information and belief were permissible where, as here, it was based on factual information that makes the inference of culpability plausible. The court also held that the claims pertaining to the proposed film, Axanar, were not premature or an impermissible prior restraint given that the Plaintiffs had taken concrete steps towards creating the film and had not filed an injunction, but merely put the Defendants on notice that the Plaintiffs alleged copyright infringement. Finally, as to the issue of substantial similarity, the court noted that the Plaintiffs had plausibly sought to establish substantial similarity as to the entirety of their copyrighted works and not as to each individual element.

This case is worth following more for what happens outside the courtroom than for what happens inside it. Around the time the Defendants motion to dismiss was denied, multiple news outlets reported that Start Trek producer and franchise custodian J. J. Abrams publicly announced that the lawsuit would soon be dropped, yet as of the writing of this case summary there appeared to be no evidence this had in fact occurred. The Plaintiffs also released a list of ten “guidelines” for the creation of fan-generated content and pledged that if all ten rules are followed, they will not “object to, or take legal action against” those responsible for the content.

The Plaintiffs in this case and those similarly situated have always been in the precarious position of trying to straddle the boundary between copyright protection and the desire to promote fan fiction. Given that modern technology has made it easier to raise money and cheaper to produce quality content, it will be interesting to see whether the “guidelines” offered by the Plaintiffs will become the norm in the industry. One has to wonder whether the proliferation of such guidelines will depend on their strict enforcement, or lack thereof.
by the Plaintiffs in this case, who are, for better or worse, trailblazers on this front, and whether strict enforcement will proliferate the number of copyright infringement lawsuits against fans who violate such guidelines in the future. * Paramount Pictures Corp. & CBS Studios Inc. v. Axanar Productions, Inc. & Peters, No. 2:15-cv-09938 (C.D. Cal. 2016).

VI. *Inmate Sues Lil Wayne for Copyright Infringement, Taunting* – Harris Shain

Plaintiff Anthony Woods is an inmate at the Sheridan Correctional Center in Sheridan, Illinois. Prior to his time in prison, the Plaintiff was a self-professed producer and singer of rap music, and had made several albums, which he distributed “on the streets” and the internet. Defendant Dwayne Carter is a famous rapper best known by his stage name, “Lil Wayne.” The Plaintiff, representing himself, alleged copyright infringement on the grounds that the Defendant had copied his lyrics and other elements from his mixtape, *Mr. Thraxxx*, and that the Defendant had taunted him through coded language in the Defendant’s songs. The Plaintiff did not allege that he knew the Defendant personally, nor that any facts existed that would show that the Defendant had the opportunity to listen to *Mr. Thraxxx*.

The Plaintiff’s principal argument centered on his song *My Shit* and its similarities with an unidentified song on the Defendants album *I Am Not a Human Being Part 2*. The Plaintiff noted that both contain the words “sinsay” [sic], “bitch,” “phones,” “shit,” and “Rolls Royce,” both mention “villains and carpooling,” and that they share the same context and feel. The Plaintiff also argued that Defendant has been taunting and harassing him through lyrics such as “I wish [someone] would, like a tree in this bitch…That’s my M.O., Ida B to that bitch” which, according to the Plaintiff, refers to him through the play on the word “would” and because “Ida B” is the name of his former public housing complex.

The U.S. District Court for the Northern District of California court rejected the Plaintiff’s copyright infringement claim on the grounds that the common words shared between the two songs are not protected by copyright and are ubiquitous in popular music. Additionally, allegedly being taunted by the Defendant has “nothing to do with copyright.” The court, therefore, concluded that the Plaintiff’s complaint at best highlighted minor “cosmetic” similarities between the music of both individuals and was therefore not actionable as copyright infringement or otherwise.

This case will (hopefully) stand as a warning to Woods that time and access to a law library does not an attorney make. *Woods v. Carter*, No. 15 C 9877 (N.D. Ill. Feb 18, 2016).

VII. *Adidas Wins Suit Against Counterfeit Distributors* – Harris Shain

On February 4, 2016, Plaintiffs filed suit against forty-six individuals, partnerships, and business associations alleging that the Defendants are selling counterfeit and confusingly similar goods in contravention of, inter alia, the Lanham Act and common law trademark infringement. The following day the Plaintiffs filed an *Ex Parte* Application for Entry of a Temporary Restraining Order (“TRO”), a Preliminary Injunction, and an Order Restraining Transfer of Assets.

Based on strong evidence of the Defendant’s counterfeiting and satisfied that the Plaintiff had established all the necessary requirements, the U.S. District Court for the Southern District of Florida granted the TRO. As part of said TRO, the court also set a hearing on the Plaintiffs’ request for a Preliminary Injunction, the purpose of which was to extend the relief granted in the TRO until the case was decided on the merits.

The court granted the Preliminary Injunction, having found that the Plaintiffs offered clear evidence that the Defendants were selling goods bearing copies of Plaintiffs’ marks and thereby confusing the public as to the origin of said goods. Moreover, the court noted that allowing the Defendants’ conduct to continue would irreparably harm the reputation and goodwill associated with the Plaintiffs’ marks and by allowing Defendants to continue to profit from the unauthorized use of same. Finally, enjoining the Defendants’ conduct serves the public interest.

This case is simply another episode in the never-ending war between copyright holders and counterfeiters. It sends a familiar but juxtaposed message—that Plaintiffs face a great challenge in attempting to stem the flow of counterfeits in an increasingly digital world but will continue to use all available resources and maintain vigilance in the face of this challenge. *Adidas AG v. footballbangkok.com*, No. 0:16-cv-60220 (S.D. Fla. 2016).

VIII. *Sixth Circuit Affirms Attorney’s Fees in ‘Almost Sorry’ Copyright Infringement Suit* – Kaaren Fehsenfeld

In a contentious copyright infringement suit between songwriters Landon and Murphy, and performer Sergey Lazarev, Lazarev was found to have a
valid sublicense to use the song *Almost Sorry*. The performer was awarded thousands of dollars in attorney’s fees and costs by the United States Court of Appeals for the Sixth Circuit. *Murphy v. Lazarev*, 2016 U.S. App. LEXIS 11633 (6th Cir. Tenn. 2016).

Plaintiffs Murphy and Landon first brought a copyright infringement claim against Sergey Lazarev and Style Records (“Style”), a Cyprian record label operating in Russia, in 2010. Plaintiffs also brought a breach of contract claim against Style Records. The case was not adjudicated until 2012, but before the case went to trial, Plaintiffs dropped their claim against Style Records without explanation. *Landon v. Lazarev*, 2012 U.S. Dist. LEXIS 118630 (M.D. Tenn. Aug. 22, 2012). Plaintiffs subsequently added a breach of contract claim against Lazarev.

The Plaintiffs contended they entered into a licensing contract (referred to as the “Second License Agreement” below) with Style in 2007, which granted Style the right to use the song *Almost Sorry*, which the Plaintiffs co-authored, for five years as well as the right to grant sublicenses. In return, Style agreed to pay royalties and an advance to Plaintiffs. The contract is governed by Russian law. In 2005, Style and Lazarev had entered into a separate “Producer’s Agreement,” which provided that Style would license musical works for and pay royalties to Lazarev; Style subsequently licensed *Almost Sorry* to Lazarev and his version of the song became a hit. Plaintiffs allege that Style did not pay royalties owed to them under their licensing contract, though Style did pay Plaintiffs an advance. Before bringing suit, Plaintiffs unsuccessfully tried to secure their royalties from Style.

In August 2012, the District Court dismissed Plaintiffs’ breach of contract claims against Lazarev, determining that no contract existed between the parties. In addition to breach of contract, Plaintiffs had also contended that Lazarev did not have a valid sublicense to use *Almost Sorry* because, “(1) the Licensing Contract was never effective in the first place; (2) Style Records’ failure to pay full royalties to the plaintiffs effectively rescinded the Licensing Contract and the associated license; and/or (3) Style Records went bankrupt at some point in or before the year 2010, thereby rescinding the Licensing Contract by operation of law.” *Id.* The court held that Plaintiffs’ contract with Style was valid and binding, noting that under Russian law, Plaintiffs could have brought a breach of contract claim against Style, but that the contract remained binding whether or not Style fully performed. Furthermore, the court found Plaintiffs had not canceled the contract in compliance with Russian law, making the contract valid. Finally, the court held that even if Style went bankrupt, the contract would not be nullified under Russian law. The court, therefore, granted summary judgment to Lazarev and dismissed Plaintiffs’ claims against him with prejudice.

In December 2012, Plaintiffs filed a motion to alter or amend judgment under FED. R. CIV. P. 59 with regard to their copyright claims against Lazarev. *Murphy v. Lazarev*, 2012 U.S. Dist. LEXIS 175993 (M.D. Tenn. Dec. 12, 2012). The District Court granted Plaintiffs’ motion, finding that summary judgment in favor of Lazarev would be unjust in light of a post-hoc translation of the licensing contract between Style and Lazarev, which Plaintiffs argued showed Lazarev had never received a valid sublicense to use *Almost Sorry*. Plaintiffs further claimed the licensing agreement between Plaintiffs and Style had ended in 2011. The court found the expiration date of the licensing agreement between Style and Plaintiffs to be ambiguous and granted Plaintiffs the right to conduct further discovery to resolve factual discrepancies. The court accordingly denied a motion Lazarev had filed for attorney’s fees.

The parties appeared before the District Court again in 2013, when Lazarev filed a motion for summary judgment on Plaintiffs’ copyright infringement claims. *Landon v. Lazarev*, 2013 U.S. Dist. LEXIS 173065 (M.D. Tenn. Dec. 10, 2013). In opposition to Lazarev’s motion, Plaintiffs argued Lazarev was not licensed to use *Almost Sorry* before 2008 or after 2009 and that licensing agreements with Style were void because Plaintiffs had not received signed copies of the agreements. During the 2013 proceedings, Plaintiffs referenced, for the first time, two additional licensing agreements (the Levant & Partners “Sub-License Agreement” and the “First License Agreement”), which they previously failed to reference in their complaint. Plaintiffs entered into the Sub-License Agreement in 2007 with Levant & Partners, a law firm not associated with the music industry. The Plaintiffs reportedly understood that the purpose of the contract was to allow Lazarev to record *Almost Sorry* and to grant exclusive rights to Levant & Partners for use of the song in Russia from 2007 to 2013. Plaintiffs received an advance from Levant & Partners. However, in early 2008, a representative from Style contacted Plaintiffs and claimed that the Sub-License Agreement with Levant & Partners had been a “bad contract.” Notably, in 2008, Plaintiffs expressed no objection to Lazarev recording *Almost Sorry*. Plaintiffs subsequently entered into the First License Agreement with Style in early 2008. However, the contract was backdated to 2006, because Style reportedly sought to recoup rights Plaintiffs signed away in the Sub-License Agreement with Levant & Partners. The contract contained no choice of law or
time limit provision, and Style paid an advance to Plaintiffs after the contract was signed. Plaintiffs claim they never received a signed copy of the First License Agreement.

In mid-2008, Plaintiffs signed another agreement (“the Second License Agreement”) with Style. This contract was also backdated to 2006. While Plaintiffs ignored the Sub-License and First License Agreements in their original and amended complaint, Plaintiffs did refer to the Second License Agreement in their complaints. The Second License Agreement promised an advance and royalty payments for granting Style the right to sub-license *Almost Sorry*. The contract had a five-year term, specified that Russian law governed, and granted Style the right to exploit the song worldwide. Plaintiffs also contended they never received a signed copy of the agreement from Style. The Plaintiffs also contended that Lazarev had waived his affirmative defenses when he failed to file a formal answer to Plaintiffs’ amended complaint. The court rejected this argument, finding that Lazarev did not waive any defenses in support of his motion for summary judgment because the Plaintiffs were on notice of Lazarev’s defenses, which he first raised in a *pro se* letter in 2011. The court further pointed out that Plaintiffs failed to mention the Sub-License Agreement and the First License Agreement in their initial complaints, and that even their mention of the Second License Agreement contained material misrepresentations. Plaintiffs’ pleadings had alleged that they made agreements with Style in 2006 and 2007, when in fact the contracts were entered into in 2008. The court concluded the record showed that Plaintiffs’ agreements with Style were mutually agreed upon, rejecting Plaintiffs’ contention that the agreements were invalid and/or never executed. The court held that while the agreements did not take effect until 2008, Lazarev did not violate the Plaintiff’s copyright interests from 2006 to 2007, because Plaintiffs testified that they had no objection to Lazarev’s exploitation of *Almost Sorry* during that time, though they were aware he had recorded and exploited the song. Further, Plaintiffs entered into the First and Second License Agreements with the specific intention of backdating the license to 2006; in doing so, the court found the Plaintiffs retroactively validated Lazarev’s use of the work.

The court accordingly granted Lazarev’s motion for summary judgment and dismissed Plaintiffs’ remaining claims, holding that under the First and Second License Agreements, Style failed to pay the royalties it owed to Plaintiffs, but that Lazarev did not owe Plaintiffs money under those agreements. The court further held that Lazarev could no longer exploit *Almost Sorry* until he reached a new licensing agreement with Plaintiffs. Plaintiffs subsequently appealed the District Court’s motion for summary judgment in *Murphy v. Lazarev*, 589 Fed. Appx. 757 (6th Cir. 2014). On appeal, Plaintiffs argued 1) that the District Court erred when it found Lazarev did not waive his affirmative defenses and 2) that Lazarev infringed their copyright of *Almost Sorry*. The Sixth Circuit reviewed the District Court’s finding that Lazarev did not waive his defenses under an abuse of discretion standard and held that, because Plaintiffs received notice of Lazarev’s affirmative defense, even if that notice was not made known through the pleading process, Plaintiffs did not suffer prejudice. The Sixth Circuit also rejected Plaintiffs’ infringement claim, noting Lazarev had a valid sublicense agreement until 2013. The appeals court affirmed the District Court’s finding that the Second License Agreement modified the First License Agreement and accordingly affirmed the District Court’s finding that Plaintiffs had allowed Style to sub-license *Almost Sorry*. In particular, Plaintiffs granted Style the right to sublicense *Almost Sorry* to Lazarev, a right which did not expire until 2013. The Sixth Circuit also affirmed the District Court’s finding that Lazarev did not infringe Plaintiffs’ rights before 2008 on account of Plaintiffs’ shown intent to authorize Lazarev to use the work from 2006 to 2007. Accordingly, the appeals court affirmed the District Court’s grant of summary judgment in favor of Lazarev. In 2015 Lazarev filed a renewed motion to recover attorney’s fees. *Murphy v. Lazarev*, 2015 U.S. Dist. LEXIS 53428 (M.D. Tenn. Apr. 23, 2015). Plaintiffs filed a motion in opposition in response, arguing that Lazarev waived the right to argue for attorney’s fees because 1) he did not plead them as “special damages” under FED. R. CIV. P. 9(g), 2) he did not specify the fee amounts in his motions, 3) the court should not apply the Russian fee shifting rule, and 4) because the discretionary factors in § 505 of the Copyright Act weigh against Lazarev. The District Court rejected Plaintiffs’ arguments, granting Lazarev’s motion to recover attorney’s fees under FED. R. CIV. P. 54(d) and Local Rule 54.01. The court held that Lazarev properly asserted his claim to fees under FED. R. CIV. P 54(d), which requires attorney’s fees be requested through a motion, not a pleading, as Plaintiffs had contended. The court also pointed out that Local Rule 54.01, which requires a party to demand costs within thirty days of a judgment, is applicable under the Copyright Act. Finally, the court held that nothing in the Copyright Act barred Lazarev from requesting attorney’s fees; in fact, the Act allows both plaintiffs and defendants to recover
fees in copyright infringement suits. Lazarev did not have to plead fees and costs as “special damages” under § 505 of the Copyright Act. While the court declined to rule on the applicability of the fee-shifting system under Russian law, the District Court limited its analysis to the claim for fees under the Copyright Act. The court held the fees of $80,295.50 were reasonable and granted them to Lazarev. The court also concluded that Plaintiffs had pursued meritless claims when they took inconsistent legal positions as to the efficacy of the Second License Agreement with Style when they first argued they were entitled to payment under the contract, and later argued the contract was invalid because they had not received a signed copy of it. The court opined the Plaintiffs also pursued meritless claims when they argued inconsistently as to whether Lazarev had violated their copyright when he used Almost Sorry before 2008, and prolonged litigation by failing to resolve the copyright and breach of contract issues with Lazarev before filing suit.

Plaintiffs subsequently appealed the award of fees and costs. Murphy v. Lazarev, 2016 U.S. App. LEXIS 11633 (6th Cir. 2016). On appeal, the Sixth Circuit reviewed the District Court’s decision under an abuse of discretion standard, holding the District Court did not err when it found Plaintiffs owed attorney’s fees and costs to Lazarev. The appeals court noted that Plaintiffs’ allegations of copyright infringement had no basis in law or fact and that this lack of factual and legal merit should have been apparent to Plaintiffs from the onset of litigation. The court further noted that while the Plaintiffs had ample opportunity to develop their arguments against Lazarev, the Plaintiffs failed to do so when they did not raise their objections in response to Lazarev’s Rule 59(e) motion for fees. Because these issues were never properly raised before the District Court, the court of appeals opined these issues could not be considered on appeal. The appeals court also found that Plaintiffs had prolonged litigation and that on appeal, the Plaintiffs simply reiterated arguments relating to the underlying copyright infringement claim and had failed to develop any argument beyond perfunctory acknowledgement of Lazarev’s claim for attorney’s fees and costs. Because Plaintiffs failed to develop any real argument in opposition to Lazarev’s claims, the appeals court deemed Plaintiffs had waived the issue of attorney’s fees and costs and upheld the District Court’s grant of fees and costs to Lazarev.

The Sixth Circuit granted attorney’s fees and costs to the Defendant in this case because the Plaintiffs utterly failed to 1) bring meritorious claims against Defendant, 2) properly defend their claims in District Court and on appeal, and 3) repeatedly failed to challenge the Defendant’s demands for costs and fees.

Furthermore, the case is also unique because the court allowed Plaintiffs to challenge Lazarev’s sublicense to use Almost Sorry. While the court pointed out Lazarev was not the proper party to sue, the case continued through years of litigation. Plaintiffs challenged Style’s sublicense to Lazarev, when in fact the contracts at issue in the case ultimately proved to be Plaintiffs own contracts with Style.

IX. TVEyes on the Prize: Infringement or Fair Use?
– Kaaren Fehsenfeld

The United States Court of Appeals for the Second Circuit was set to hear an appeal of Fox v. TVEyes, on appeal from the United States District Court for the Southern District of New York. Fox News Network, LLC v. TVEyes, Inc., 43 F. Supp. 3d 379 (S.D.N.Y. 2014); Fox News Network, LLC v. TVEyes, Inc., 2015 U.S. Dist. LEXIS 163301 (S.D.N.Y. Nov. 6, 2015). In the District Court, Fox sued TVEyes for violations under the federal Copyright Act and state law for misappropriation.

TVEyes provides a service to its clients, for a monthly fee of $500, of recorded, downloadable, and live streamed TV broadcasts. TVEyes “monitors and records all content broadcast by more than 1,400 television and radio stations twenty-four hours per day, seven days per week, and transforms the content into a searchable database for its subscribers. Subscribers, by use of search terms, can then determine when, where, and how those search terms have been used, and obtain transcripts and video clips of the portions of the television show that used the search term. TVEyes serves a world that is as much interested in what the television commentators say, as in the news they report.” Fox News Network, LLC v. TVEyes, Inc., 43 F. Supp. 3d 379 (S.D.N.Y. 2014). Subscribers can save, edit, and download material onto their personal computers. The service is used by the government and businesses to track the news, but is not available to the general public. Fox alleged that TVEyes violated its copyright by using Fox’s video content to create clips TVEyes subscribers can play, download, and share. Fox specifically pointed out nineteen one-hour programs aired on Fox’s networks between October 2012 and July 2013. Id. at 387.

TVEyes asserted that downloading and sharing clips, among other uses, constituted fair use under § 107 of the Copyright Act, specifically under the first and fourth fair use factors.

Fox news licenses its content to businesses like Yahoo!, Hulu, and other third party websites. It also licenses to cable companies, who have permission to broadcast Fox’s content; most of Fox’s revenue is gained...
by these types of licensing agreements with cable companies.

TVEyes claims it does not infringe Fox’s copyright based on the first and fourth factors of fair use. On the first factor, TVEyes asserts that its services are transformative, likening itself to Google Books, an application in which users access “snippets” of original works, but where the snippets cannot act as a substitute for the original work. Fox, on the other hand, argues TVEyes’ use of its works is not transformative and does act as a substitute for Fox’s services. On the fourth fair use factor, TVEyes dismisses the contention that its services affect Fox’s market, while Fox counters with evidence of actual and potential loss due to TVEyes’ services.

In 2014 the District Court held that while the misappropriation claim was preempted by the Copyright Act, TVEyes’ database and provision of clips to its subscribers was sufficiently transformative to constitute fair use; the court stated it needed more information regarding whether the ability to download and distribute clips was fair use under the Copyright Act. In August 2015, the District Court ruled on those issues, holding that the archive function is fair use, the download function is not fair use, the share-by-email function can be fair use if TVEyes develops and implements adequate protective measures, and that the search by date and time function is not fair use. *Fox News Network, LLC v. TVEyes, Inc.*, 2015 U.S. Dist. LEXIS 163301 (S.D.N.Y. Nov. 6, 2015). In November 2015, the court ordered TVEyes to either shut down or modify the infringing features, including TVEyes’ download and search functions. Both Fox and TVEyes appealed the District Court’s injunction. TVEyes had advocated that only the nineteen clips mentioned in Fox’s suit be barred from use; Fox, on the other hand, sought stricter rules on sharing content, including limits on how many times a subscriber could watch a clip.

The Copyright Alliance and others submitted *amicus curiae* briefs in support of Fox news, arguing that the District Court’s interpretation, if affirmed on appeal, will obliterate copyright protections because it will allow the wholesale copying and distribution of copyrighted works. *Brief of Plaintiff-Appellee-Cross Appellant, Fox News Network, LLC v. TVEyes Inc.*, No. 15-3885 (2nd Cir. June 22, 2016). This precedent, the Alliance argued, could allow any internet service to copy works and redistribute them for their own financial gain, even though the act of doing so directly violates authors’ rights of distribution. However, *amicus curiae* briefs were also submitted to support TVEyes. A group of Intellectual Property law professors filed in support of TVEyes, arguing that the fair use factors favor TVEyes because compiling video into a searchable database is transformative, and that it is important for political and cultural commentators to have access to this information to spread knowledge to the general public. The brief also argued that the download, save, and archive functions in TVEyes are fair use because they are necessary steps to achieve the final output of social commentary. *Brief of Defendant-Appellant-Cross Appellee, Fox News Network, LLC v. TVEyes Inc.* No. 15-3885 (2nd Cir. March 23, 2016).

X. Musician Files Suit Against NBA2K16 for Copyright Infringement – Kaaren Fehsenfeld

Jazz and avant-garde musician John J. Simon, of the band Melisma, filed suit June 20, 2016, in California Federal Court against Visual Concepts Entertainment and 2K Games Inc. Simon claimed that the Defendants included an audio work by artist RJD2 entitled “Clean Living” in the video game *NBA 2K16*. RJD2’s song used samples of Simon’s original copyrighted work entitled “Everything You Are To Me,” including vamps and lyrics. In his complaint, Simon alleges he was the sole author of the work, though the audio recording of the work performed vocals on the track. Simon contends the singer did not exercise any control over the recording. Simon alleges he then decided to include the track on his band Melisma’s album, entitled *Like Trolls*. *Complaint & Demand for Jury Trial, Simon v. Visual Concepts Entertainment*, No. 3:16-cv-3440 (N.D. Cal. June 20, 2016). Simon contends that he then registered his work in 1979, has not assigned his copyright to anyone else since, and did not give Melisma the right to sublicense the song. Simon alleges the samples in the RJD2 song lasted from 1.1 to 7 seconds each. He claims the Defendants reproduced, distributed, and created derivative works of his original copyrighted work without authorization. Simon seeks compensatory damages and attorney’s fees and costs. As of this writing, the case was currently pending before the court.

Defendants published and released the basketball video game, *NBA 2K16*, in 2015. Simon alleges Defendants used his copyrighted work as part of the game’s soundtrack without his consent and subsequently distributed millions of copies of the work. Simon alleges Defendants wrongfully profited from the use of his song in the game.

If the court rules the Defendants infringed Plaintiff’s copyright, a party who licenses music from a DJ or electronic artist who uses samples could be held liable for the use of each sampled work in the artists’ song. Instead of holding the DJ or electronic artist liable, here Plaintiff filed suit against the video game producer,
who likely licensed the RJD2 song. If the court finds for the Plaintiff, holding the licensors responsible for every sample in an artists’ song, the case could cause a proliferation of copyright infringement suits and could limit licensors’ desire to work with artists who use samples in their music.

XI. Disney Seeks to Enforce Its Intellectual Property Rights in Its Movie ‘Cars’ – Kaaren Fehsenfeld

In June 2016, Disney filed suit in the Shanghai Pudong New Area People’s Court against Blue MTV, Beijing G-Point, and PPLive Inc., alleging copyright infringement and unfair competition. The suit concerned the Chinese film The Autobots, which Disney alleged infringed its intellectual property rights in the film Cars. The suit comes after Shanghai fined several local hotels in 2015, charging the businesses with trademark and unfair competition violations when they used the “Disney” trademark without permission. In 2015, China also imposed a one-year “special action” protecting Disney’s trademark in anticipation of the opening of Disney’s Shanghai theme-park in 2016.

Disney has historically been successful in Chinese courts in protecting its intellectual property rights. In 1994, Disney prevailed in a suit challenging a Chinese publisher’s use of its Mickey Mouse logo. Donna K.H. Walters, Chinese Court Upholds Walt Disney Co. Copyright: Ruling: Size of penalty is seen as a test of commitment to crack down on intellectual property piracy, L.A. TIMES (Aug. 5, 1994). Furthermore, Chinese copyright law, amended in 2010, specifically protects foreign authors. Copyright Law of the People's Republic of China. (Promulgated by the Standing Comm. Nat'l People's Cong., (Feb. 26, 2010), effective Apr. 1, 2010) Chap. 1. art. 1. But according to some scholars, China has been slow to effectively enforce its copyright laws. Kevin Fleming, Let it Go? A Comparative Analysis of Copyright Law and Enforcement in the United States of America and China, 15 J. Marshall Rev. Intell. Prop. L. 584 (2016). Because this case was filed in a Chinese court, the pattern of lax enforcement could mean an adverse outcome for Disney. On the other hand, China has recently been proactive in helping Disney protect its brand and would encourage Disney’s expansion into the Chinese market by continuing this trend with a ruling in favor of Disney in the Cars case.

XII. Fate of Remastered Oldies Continues to Hang in the Balance – Kaaren Fehsenfeld

In 2015, ABS Entertainment filed a class action suit against CBS to recover royalties from CBS’s use of pre-1972 recorded works. ABS claims CBS did not license these works and alleges that although the recordings are not protected under the Copyright Act of 1976, they are protected by New York common law. ABS seeks compensatory damages of more than $5 million, as well as punitive damages, attorney’s fees and costs, prejudgment interest, and for CBS to be enjoined from continuing to infringe ABS’s copyrights.

In support of ABS, the RIAA filed an amicus curiae brief stating that songs recorded before 1972 are protected under state common law and do not become property of a new owner simply because they have been remastered. RIAA argues that state law protection for pre-1972 recordings is required under § 301(e) of the Copyright Act. It also states that under § 103(b) of the Act, copyright protection of a derivative work is independent of, and does not usurp, copyright protection of the preexisting work on which it is based. Finally, RIAA argued in its amicus brief that CBS may not exploit derivative works without permission to exploit the original works on which they are based. Brief for ABS Entertainment, Inc., as Amicus Curiae Supporting Plaintiffs, ABS Entertainment Inc. v. CBS Corp., No. 15-cv-06801 (June 22, 2016.)

In August 2016, however, U.S. District Judge John G. Koeltl of the Southern District of New York stated that the ABS v. CBS case must wait for the rulings of two prominent appeals before the case can continue. The first case, in the New York Court of Appeals (Flo & Eddie v. Sirius XM, No. 15-1164 (2nd Cir. 2016)), will determine whether Sirius XM must pay royalties for songs recorded before 1972. The second case, a sister case to the New York ABS case, (ABS Entm't, Inc. v. CBS Corp., 2016 U.S. Dist. LEXIS 71470 (C.D. Cal. May 30, 2016)), will determine whether pre-1972 songs remastered after 1972 are sufficiently original to be “new” songs and are, therefore, protected by federal copyright law.

A ruling in favor of CBS could strip pre-1972 songwriters of their rights simply because a song has been remastered. A ruling that an author loses their rights in a copyrighted work once that work has been remastered would go against express provisions in the Copyright Act designed to protect authors of original works. A finding that the pre-1972 recordings are protected by state common law, on the other hand, could empower authors of pre-1972 works to gain control of and exercise their rights well into the future. Furthermore,
allowing a separate copyright as a derivative work could allow record labels to secure copyright in and exploit artists pre-1972 works indefinitely. *ABS Entm’t, Inc. v. CBS Corp.*, 2016 U.S. Dist. LEXIS 19514 (S.D.N.Y. Feb. 17, 2016)

XIII. **The Captain Has Turned Off the ‘Free Music’ Sign** – Sara Cruse

In *UMG Recordings, Inc. v. Global Eagle Entertainment, Inc.*, Plaintiffs brought multiple claims against an in-flight entertainment company. These claims included infringement of sound recordings and musical compositions under the federal Copyright Act of 1976, copyright infringement under California law, violation of California's Unfair Competition Law (UCL), and common-law unfair competition. In the action, the record company Plaintiffs alleged the Defendants, an in-flight entertainment provider, contracted with various airlines to provide the airlines with over 4,500 sound recordings and music videos. The contract allowed the airlines to publicly perform the entertainment for the benefit of their passengers. Plaintiffs contended Defendants did not have licenses or authorizations to publicly perform the copyrighted sound recordings and music videos. Because of these performances, Plaintiff asserted the alleged infringement had a material adverse effect on profits. In a countersuit, Defendants allege they had contracts with airlines to provide audio entertainment, including recordings produced by Plaintiffs, with permission.

In 2009, Defendants asserted they contacted Plaintiffs using an intellectual property firm in the United Kingdom to correct “licensing gaps” with songs used in the United States. Allegedly, Plaintiffs agreed to the licenses and assured Defendants that while the contracts were being finalized, the continued use and distribution of the recordings were permitted. However, this was not the case and the Plaintiffs decided to sue. Defendants believed the misrepresentations were intentional. They also asserted Plaintiffs intentionally interfered with the business relationships of Defendants’ airlines clients by directly communicating and negotiating agreements with them. The combination of the interference and a cease and desist letter caused Defendants to stop distribution of Plaintiff’s works in the United States and to only use the works abroad, where the licenses were valid. Defendants claimed severe damages.

In April 2016, after two years of litigation, the District Court held the Defendants willfully infringed on the 4,500 songs owned by the Plaintiffs. The parties agreed to settle instead of going to trial. On August 12, 2016, the Defendants agreed to immediately give the Plaintiffs “a cash payment of $15,000,000 plus the issuance by the Company of 1,360,544 shares of its common stock within two business days, followed by another cash payment of $5 million on or prior to March 31, 2017.” This case reflects the “be careful messing with the big dogs” mentality when working with top record companies. Getting record companies to sign off on licensing agreements is already a hard feat to accomplish. Overall, the idea of asking permission before use makes sense. Using property without properly asking may not yield great results. In the future, those who want to use music for commercial gain should make sure everything is in accordance to law. Copyright lawyers should view this case as a parable. $20 million is a hefty price to pay for stepping on the toes of giants. *UMG Recordings, Inc. v. Glob. Eagle Entm’t, Inc.*, F. Supp. 3d, (C.D. Cal. June 22, 2015). U.S. Securities and Exchange Commission, 001-35176, (2016), https://www.sec.gov/Archives/edgar/data/1512077/000114420416118844/v446886_8k.htm.

XIV. **No More Birthday Money for Warner/Chappell; Free At Last!** – Sara Cruse

In *Good Morning to You Productions Corp. v. Warner/Chappell Music Inc.*, Plaintiffs filed a class action suit in the U.S. District Court for the Central District of California against Defendants over the ownership of a famous song. In 2013, filmmaker Plaintiffs filed a suit against music production company Defendants, who claimed to own copyrights to the song “Happy Birthday To You (Happy Birthday).” Plaintiffs alleged the Defendants did not own the rights and, therefore, unlawfully garnered millions of dollars’ worth of royalties. “Happy Birthday” has the same melody as the song, “Good Morning to All (Good Morning),” which was purportedly written around 1893, by sisters Mildred and Patty Hill. The sisters assigned their rights to “Good Morning” to Clayton F. Summy (“Summy”) and his company. “Good Morning” has since entered into the public domain. Defendants, who had acquired Summy’s company, alleged that the Hill sisters, specifically Patty Hill (“Patty”), wrote the lyrics to “Happy Birthday” and transferred the rights to Summy, who later registered the copyrights to “Happy Birthday” in 1934. Plaintiffs alleged that Patty may not have written the song, the copyrights were lost before the lyrics were published, and Patty did not transfer her rights to Summy. The court held that although Patty may have assigned the “Happy Birthday” melody to Summy, she did not assign the lyrics. Therefore, because Summy never owned the rights, the Defendants never owned the
The essence of the complaint is that the melodic, harmonic, and compositions of “Thinking Out Loud” are “substantially and/or strikingly similar” to the drum composition from “Let’s Get It On.” A main question is whether “substantially and/or strikingly similar” is sufficient, as copyright law generally does not protect generic ideas. If the Plaintiffs are successful, it may expand the protections offered by copyright law and affect future music recordings. 

In 2015, BMG Rights Management (BMG) sought to hold Cox Communications, Inc. and CoxCom, LLC (Cox) secondarily liable for the reproduction and distribution of 1,397 musical composition copyrights by users of Cox's high speed internet service between February 2, 2012 and November 26, 2014. A Virginia federal jury found Cox not liable for vicarious infringement, but liable for willful contributory infringement and awarded BMG $25 million in statutory damages. Cox brought a motion for a judgment as a matter of law on the basis that the Plaintiff failed to show direct infringement, failed to provide evidence of its liability for contributory infringement and failed to claim evidence of willfulness.

The judge upheld the ruling, writing that "providing internet access that supplies the means to infringe would not, standing alone, be contributory infringement," but that here there was "an ongoing relationship between a defendant and direct infringers" that presents a potential for “culpability quite beyond distribution or design.” The judge also concluded that there was sufficient evidence for the jury to find Cox was aware of the infringing activity and acted recklessly or with deliberate disregard. The judge also rejected BMG’s motion for a permanent injunction, writing that BMG failed to show the injunction was warranted here and that the balance of hardships and public interest would not support an injunction in this instance. The judge’s decision in this case interprets the term “repeat offender” in the Copyright Act and could encourage internet service providers to work harder to create a solution to reduce

The parties agreed to settle rather than go to trial. Defendants agreed to create a $14 million settlement fund to repay those who paid licensing fees in the past.

This is a monumental case for the future of copyright and fair use. With the backing of this victory, those who view the sync licensing fees of copyright owners as more of a petty nuisance than a blessing may be more willing to fight back. In fact, the same legal team who fought for the public rights of “Happy Birthday,” is now tackling what the Library of Congress calls “the most powerful song of the 20th century.” The law firm of Wolf Haldenstein is attempting to free the anthem, “We Shall Overcome.” In the same fashion as “Happy Birthday,” the suit is being brought by a documentary filmmaker. Plaintiffs contend American folk singer Pete Seeger published the song in a 1946 periodical and the periodical was copyrighted in 1948, therefore, entering into the public domain by 1976. The Defendants claim that they filed a copyright in 1960 with new words and musical arrangements. In a country where ownership of your own work is revered, creativity and anti-monopolization is also encouraged. If the case is ruled in favor of the Plaintiffs, the idea of copyright protection may be scrutinized more than ever. Good Morning to You Productions Corp. v. Warner/Chappell Music Inc., No. 2:13-cv-04460 (C.D. Cal. September 23, 2015).

XV. Gaye Estate Wants to ‘Get It On’ with Ed Sheeran for Copyright Infringement – Katie Day

A Marvin Gaye hit song is yet again claimed at the heart of a copyright infringement, this time against Ed Sheeran for the alleged unauthorized reproduction, distribution and/or public performance of the copyrighted musical composition of Marvin Gaye’s “Let’s Get It On” in Sheeran’s hit song “Thinking Out Loud.”

The musical composition, “Let’s Get It On” was written by Marvin Gaye and Ed Townsend and recorded by Gaye, in 1973. According to the complaint by Townsend’s estate, it is undisputed by all parties that the Townsend heirs, Gaye heirs, and David Pullman own 100% of the copyright. The complaint alleges that the harmonic progressions and melodic elements, as observed in “Let’s Get It On,” have made it one of the most well-known and instantly recognizable songs in history and that the writers of “Thinking Out Loud” intentionally and willfully copied the "heart" of “Let’s Get It On” and repeated it continuously throughout “Thinking Out Loud.” This has, therefore, allegedly infringed Plaintiffs’ copyright on the song.
the appeals court held that DC retained the underlying copyright interest in the Batmobile, even with the licensing agreements and the modifications in the film and TV show. Such a ruling will no doubt act as a landmark as more and more comic books, video games, and other properties are now being developed in record numbers for film and television; and of course with such rapid development the demand for replicas of objects shown in these productions is at an all-time high. DC’s win in this case will help protect companies like Marvel, Mattel, and others from blatant copyright infringement. DC Comics v. Towle, 802 F.3d 1012 (9th Cir. 2015), cert. denied, 136 S. Ct. 1390 (2016)

XVIII. Dancing Baby Affects DMCA & Fair Use – Gabriella Martin

At issue in this case was a video uploaded by Plaintiff Stephanie Lenz on video-hosting site YouTube. The twenty-nine second home video, published in 2007, shows Lenz’s two children dancing to Prince’s song, “Let’s Go Crazy.” Defendant Universal, who at the time of the incident was responsible for enforcing Prince’s copyrights, continually monitored YouTube for potential infringements and would issue a takedown notice vis-a-vis YouTube when necessary. This monitoring brought Lenz’s video to Universal’s attention and after review, they determined that “Let’s Go Crazy” was indeed the focus of the video and, as such, constituted an infringement. Per Universal’s request, YouTube took the video down and notified Lenz of its removal.

Lenz sent a counter-notification, which was provided to Universal for review. Universal affirmed that the video did infringe upon the copyright of “Let’s Go Crazy” because neither Lenz nor YouTube had a license to use or reproduce any portion of the song. Lenz brought suit in the U.S. District Court for the Northern District of California against Universal in an attempt to get the video reinstated on YouTube. Lenz argued that Universal failed to consider her use of Prince’s song in her video as fair use and thereby exempt to copyright infringement action. She claimed that Universal had misrepresented their good faith belief that the video was not an authorized use of the copyrighted material when it requested that YouTube take down the video. Universal argued that the fair use doctrine was an affirmative defense to a copyright infringement suit and, therefore, does not fall under the language of 17 U.S.C. § 512(c)(3)(A)(v), which requires a good faith belief that the use of the copyrighted content is not authorized by the copyright owner, its agent, or the law.

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Both the District Court and the U.S. Court of Appeals for the Ninth Circuit rejected this argument reiterating that the fair use doctrine is a right granted by the Copyright Act of 1976. Further, the courts held that fair use must be considered before sending out a takedown notice. However, the test of that consideration is a subjective one and hinged on whether Universal formed a good faith belief that the infringing content did not constitute fair use. The Ninth Circuit cautioned that such a subjective test must be reasonable and would not protect copyright holders who claim that they considered fair use and had a good faith belief that fair use was not at issue when there is evidence to the contrary. It was this contrary evidence that Lenz failed to provide in order to demonstrate that Universal had reason to believe that the video constituted fair use and took deliberate actions to avoid learning of it. Lenz v. Universal Music Corp., 815 F.3d 1145 (amended 9th Cir. 2016)

C. Entertainment Industry Update

1. The Future of ASCAP/BMI Consent Decrees – Calm or Chaos? – Michelle Wahl

On June 29, 2016, ASCAP and BMI (U.S. performing rights societies (“PROs”)) met jointly with the Department of Justice Antitrust Division to hear the government’s proposal regarding ASCAP’s and BMI’s respective consent decrees, which have been under formal review for the past couple years. Among other proposed changes, ASCAP and BMI music publishers sought the right to withdraw digital licensing from the blanket licenses in order to cut direct deals, and the ability to bundle additional licensing with additional rights under the PROs blanket licenses. Over the years, numerous individuals and entities within the music industry have contributed to the discussion and supported the position that these consent decrees are antiquated and that revisions are critical to the livelihood of songwriters and publishers alike.

Not only were the proposed revisions declined, the current proposal issued by the Department of Justice would require that ASCAP and BMI license all songs in their respective repertoires on a 100% basis, ending the long-standing industry practice of “fractional share” licensing. If enforced, the PROs would no longer be able to engage in fractionalized licensing—meaning that any rightsholder in songs with multiple songwriters who may be represented by different PROs has the right to license the entire song to a user, as long as the rightsholder accounts to and pays the other songwriters. Unfortunately, the Department of Justice indicated that because of the complexities of the transition to this 100% licensing requirement, it would not consider the updates ASCAP and BMI requested to their consent decrees, but indicated the same would be revisited after a transition period.

As could be expected, the PROs strongly disagree with the view asserted by the Department of Justice and are disappointed that focus turned to the issue of fractionalized licensing, which was not directly raised by the parties subject to the decrees. Joint statements by the PROs provided that this approach would create instability, chaos, and harm to both music creators and users and would inhibit competition and innovation in the modern music marketplace. The PROs further stated that “even more troubling is the fact that the government chose this path, despite the fact that more than 15,000 songwriters and composers, as well as the U.S. Copyright Office, members of Congress and others in the industry, registered their strong opposition to 100% licensing with the DOJ.”

Some key concerns raised by the PROs regarding the proposed 100% licensing scheme include: (1) reduced royalty rates for songwriters because it will allow music services to rate-shop among the licensors for the lowest rate; and (2) financial ramifications of this ruling may cut down on collaborations, with some songwriters choosing only to collaborate with fellow songwriters within their own PRO.

ASCAP, BMI and key industry stakeholders have joined forces to utilize teams of legal in evaluating the Department of Justice’s proposal, and legislative and legal remedies are already underway. ASCAP President Paul Williams stated that in joining efforts, ASCAP will spearhead the push for legislation in Congress to address these antiquated consent decrees in favor of legislative solutions that make sense for the future of American music, while BMI will tackle the challenge to the DOJ’s decision on 100% licensing in the federal rate court. Paul Williams, Message from ASCAP President Paul Williams on Strategy to Fight DOJ Consent Decree Interpretation, ASCAP (Aug. 4, 2016), http://www.ascap.com/playback/2016/07/action/doj-strategy.aspx. In its pre-motion letter to Southern District of New York federal Judge Louis Stanton, BMI sought interpretation and potential modification to include (1) a determination that BMI’s consent decree allows for fractional licensing, or (2) a Court order modifying the decree to allow for fractional licensing; or (3) a reasonable transition period after a final ruling, to provide ample time for the PROs to comply with the DOJ’s current interpretation of the consent decrees. BMI & ASCAP Join Forces to Fight the Department of Justice’s Interpretation of Their Consent Decrees, BMI (Aug. 4, 2016),

On the other side of the spectrum, however, President and CEO of the National Association of Broadcasters, Gordon Smith, stated that local radio and television broadcasters strongly support the DOJ's decision in not modifying the consent decrees, agreeing with the DOJ's conclusion that no changes were warranted. Dennis Wharton, NAB Statement on Justice Department Decision on ASCAP and BMI Consent Decrees, NAT'L ASS'N. OF BROAD. (Aug. 4, 2016), http://www.nab.org/documents/newsRoom/pressRelease.asp?id=3989.

We certainly have not heard the last of this matter. Stay tuned!

II. Gawker & Reality Television: The Hulk Hogan Impact on Unscripted Programming – Bernetta M. Hardy

In March 2016, a jury in a Florida trial court held that the posting of a video featuring professional wrestler, Terry Bollea (“Hulk Hogan”) in an uncompromising position, was not newsworthy, and, therefore, violated his right to privacy; the jury awarded him $115 million in compensatory damages and $25 million in punitive damages. This decision may prove problematic for reality television shows that heavily rely on sensational programming being categorized as “newsworthy.”


Within the lawsuit, the main issue of contention consisted of the evaluation of the “newsworthiness” of the content within the video. Hulk Hogan’s legal team argued that Gawker’s actions constituted an unlawful publication of private facts. Michael Lambert, Courts Wrestle with Defining Newsworthiness in Privacy Cases, 39 NEWS, MEDIA & L 52 (FALL 2015), http://www.rcfp.org/browse-media-law-resources/news-media-law/news-media-and-law-fall-2015/courts-wrestle-defining-newsww. Most states prohibit the publication of private facts if the information has not been previously revealed to the public, the information is not of legitimate public concern, and publication of the information would be offensive to a reasonable person. Publication of Private Facts, Legal Guide, DIG. MEDIA L. PROJECT, http://www.dmlp.org/legal-guide/publication-private-facts. However, Gawker claimed the publication of the video was lawful because the content was “newsworthy.” Lambert, supra. Published information is deemed “newsworthy” if the facts are of legitimate public concern. Publication of Private Facts, Legal Guide, supra. Gawker argued that because Hulk Hogan is a celebrity, and the video was imbedded with an article about the prevalent societal fascination with celebrity sex tapes, the footage featuring Hulk Hogan in sexual situations constituted newsworthy material; and consequently, is protected by the First Amendment. Sarah Kaplan, Gawker on trial: Hulk Hogan sex tapes ‘very amusing’ and ‘newsworthy’, WASH. POST (Mar. 11, 2016), https://www.washingtonpost.com/news/morning-mix/wp/2016/03/10/gawker-on-trial-hulk-hogan-sex-tapes-very-amusing-and-newsworthy/. A Florida jury disagreed and ruled in favor of Hulk Hogan. The ruling was upheld by a Florida Circuit judge. Gardner, supra.

The Gawker decision may have significant implications for unscripted programming producers and distributors. For years, production companies depended on the characterization of unscripted programming as “newsworthy” to shield themselves from court-compelled requests for footage.

In 2001, Joseph Kinsella was filmed as a patient in the emergency room of Jersey Shore Medical Center for the unscripted hospital program, “Trauma: Life in the ER.” Although Kinsella consented to being filmed, he joined a class action suit against the production company network alleging invasion of privacy, and requested unaired footage. Wendy Tannenbaum, Hospital reality show falls within ‘news’ definition, 27 NEWS MEDIA & L 49 (SUMMER 2003), http://www.rcfp.org/browse-media-law-resources/news-media-law/news-media-and-law-

The Superior Court of New Jersey provided an inclusive perspective, noting that in light of “the variety of topics covered by news shows and [the] shadowy boundary between 'news' and 'entertainment,'" a show that presents "primarily human interest stories," but has "educational and public policy aspects" may be considered a form of "news media" under the law.” Tannenbaum, supra. The Superior Court cited case law that provided a "broad definition of news, broad definition of news media, and a shield law that applies to unpublished and unaired as well as confidential information." Id.

In consideration of this ruling, and the fact that New Jersey contains one of the strongest shield laws in the United States of America, many producers of unscripted content, as well as networks that distribute unscripted programming, categorize unscripted programming as “news programming.” Id.


Because many producers of unscripted programming continually classify their shows as “news program,” the Gawker ruling may have a compelling effect on reality television. The Gawker case included a prominent journalistic entity that hosted over 23 million visitors per month in 2015. Gawker, SIMILARWEB (July 19, 2016), https://www.similarweb.com/website/gawker.com#. In addition, the case involved the publication of footage containing a celebrity, a person whose privacy rights are invaded for sport by the paparazzi and whose banal, daily activities are even deemed newsworthy by The New York Times. Stephanie Marcus, Kim Kardashian is Newsworthy, Even the New York Times Thinks So, HUFFINGTON POST (Mar. 5, 2015), http://www.huffingtonpost.com/2015/03/05/kim-kardashian-newsworthy-new-york-times_n_6809526.html.

In light of these elements, how much longer can reality television entities that do not practice traditional journalism and lean on the participation of private citizens, rely on the categorization of their programming as “newsworthy?”

III. Pokémon Go and Sue for Nuisance! – Amanda Alasauskas

If you haven’t heard by now, Pokémon Go, a game in which players use their smartphones to “catch” Pokémon in the real-world surroundings of the player by utilizing the camera and GPS features, has taken the world by storm. It was only released in early July and already has more than 25 million users hunting their favorite Pokémon on a daily basis. Throughout the game, players are able to stop at real locations that have been set as “Pokéstops”—where a user can collect valuable items to use through the game—and “gyms”—where users are able to battle their Pokémon to earn coins to spend in the game store. In light of such popularity, Pokémon Go has also been the centerpiece for legal concerns across the board, whether it be privacy, personal injury, or employment. One growing concern that surrounds the game is that of nuisance.

On July 29, 2016, Jeffrey Marder, a homeowner in New Jersey, filed a class action lawsuit against Niantic, Inc. (the game developer), The Pokémon Company, and Nintendo Co. Ltd. (who both co-own the franchise) in the Northern District of California. Marder v. Niantic, Inc., No. 4:16-cv-04300-KAW, https://www.scribd.com/document/319936053/Marder-v-Niantic-Complaint-7-29. The proposed class includes “[a]ll persons in the United States who own property (i) the GPS coordinates of which were designated by Defendants, without authorization, as Pokéstops or Pokémon gyms in the Pokémon Go mobile application or (ii) abutting property the GPS coordinates of which were designated by Defendants, without authorization,
as Pokéstops or Pokémon gyms in the Pokémon Go mobile application.”

In his complaint, Marder alleges that the developers of Pokémon Go placed many of the Pokéstops and gyms “on or directly adjacent to private property” without the consent of the property owners and this has led to trespassers impeding on the enjoyment and use of the properties, thus, constituting a nuisance. Marder states that during the week of the game’s release, he noticed strangers lingering on his property—at least five of those individuals had knocked on his door to ask for access to his backyard in order to catch a Pokémon—and an increase in vehicular traffic in his neighborhood allegedly due to the release of the game. Marder also cites to other instances, such as a similarly situated homeowner in Massachusetts, as well as the fact that Pokéstops had been placed inside of the United States Holocaust Memorial Museum in Washington, D.C.

Owners of private and commercial property have the right to protect their property, as well as their enjoyment of that property. Therefore, property owners are able to bring a suit for common law trespassing against an individual or they may follow Marder’s example and file a claim for public nuisance. With respect to homeowners, a claim against individual trespassers is always possible, but at the rate it seems to be happening due to Pokémon Go, this route may become costly and time consuming. Meanwhile, business owners and managers may be covered by a commercial general liability policy. However, this does not enable property owners to ignore the problems that come with games such as Pokémon Go.

There are, however, alternatives to funding litigation costs and filing suit. There are, of course, the “traditional” ways of dealing with trespassing and nuisance of this sort: signage displaying “no trespassing” and enlisting the help of local governments. Signage gives an explicit warning, meaning that liability may be greater for a person who ignores it and local government help can help create leverage if it comes down to a lawsuit. The game itself also offers an option through a request form, which is used to add or remove a stop or gym from a property. As the game is still fairly new, the viability of this method is unseen, but it is possible that proof of requests will help in the event of a lawsuit. See Nicholas Kanter, Pokémon Go Away: Monsters Creating Nuisance Problems, JD SUPRA (Aug 12, 2016), http://www.jdsupra.com/legalnews/pokemon-go-away-monsters-creating-46618/; Ashley Cullins, ‘Pokémon Go’ Sparks $5M Class Action Lawsuit, HOLLYWOOD REP. (Aug 2, 2016), http://www.hollywoodreporter.com/thr-esq/pokemon-go-sparks-5m-class-916722.

**IV. Wiz Khalifa Pulls a 180 on Record Company Concerning 360 Deal – Amanda Alasauskas**

What do you get when an up-and-coming teenage artist signs a 360 deal with his manager and recording company? Well, in the instance of Wiz Khalifa, you get a lawsuit if you’re the manager and record company. Wiz Khalifa—whose legal name is Cameron Jibril Thomaz—now 28, sued his former manager and label in May 2016 in order to void a 360 deal he signed when he was 16. He is seeking $1 million plus punitive damages and legal fees. A 360 deal gives a percentage of profits from all of the commercial activities of the artist to the artist’s management and label. Not to be overlooked is the fact that Benjy Grinberg, Khalifa’s former manager, is also conveniently the founder and president of Rostrum Records, the label being sued. Grinberg began representing Khalifa in 2004.

Khalifa is suing for fraud and breach of fiduciary duty, and alleges that Grinberg and Rostrum had “induced” the rapper into signing a “360 agreement,” allowing for Rostrum to share in Khalifa’s songwriting, touring, and merchandising income streams. It further alleges that Grinberg failed to disclose alternative arrangements that had the opportunity to be more beneficial to Khalifa, but instead failed to disclose all material information required to make an informed decision and that Khalifa was persuaded to sign an agreement that “reached for more than a decade into virtually every aspect” of Khalifa’s professional life.

Because Khalifa filed in California state court, he is able to invoke California’s seven-year statute, which states that workers are not able to be held to personal service contracts for longer than seven years once service begins. Under the statute, if a musician is contracted for the production of a specified number of “phonorecords,” the employer can sue for damages if the musician does not meet that obligation. Cal. Labor Code, Sect. 2855(b). In his complaint, Khalifa claims that he has delivered six studio albums when the deal he signed required him to deliver only five.

In response to the lawsuit, Grinberg has stated he was “very disappointed and surprised” at the “egregious lawsuit filled with inaccuracies” and that it is disheartening when you support an artist for years and they turn on you. He wasn’t too disappointed to file a cross-complaint against Khalifa in response. Grinberg and Rostrum are suing Khalifa for $2 million dollars for an alleged breach in their operative agreement, which states that Rostrum and Grinberg are entitled to receive fifteen percent of all royalties earned, fifteen percent of
tour proceeds, and twenty percent of merchandise sales from Khalifa.

While this bout was just getting started, as Khalifa’s attorney, Alex Weingarten, has stated, “[a]n artist’s most trust advisor is his or her personal manager. Generally nothing good comes out when the manager decides to go into business against his artist.” It will be interesting to see how the seven-year statute argument plays out, as this has notoriously been a problem with recording artists. The seven-year statute recently came to light when Kesha sought a preliminary injunction to nullify her contract so that she may record without involvement from Dr. Luke. Other acts, such as 30 Seconds to Mars and Metallica, have cited the statute in an effort to void their contract with their labels, but settlements have been reached before the statute could properly be reevaluated. Because a one or two album option has the possibility of tying a musician up quite a significant amount of time before the statute could properly be reevaluated.


V. DISH Network and Insurer Battle Over Forum Shopping – Kaaren Fehsenfeld

DISH Network Corp. has been in litigation with four major television networks (ABC, NBC, FOX, and CBS) since 2012 regarding Hopper, a technology allowing customers to record prime-time network programming, remove advertisements, and subsequently stream programs via mobile device. According to a complaint it filed in 2012, Ace American Insurance Co., DISH’s insurer, denied any obligation to defend or indemnify DISH for the claims submitted by the networks. Complaint for Declaratory Judgment, ACE American Insurance Co. v. DISH Network Corp. et al., No. 1:16-cv-01280-RBJ, (D. Colo. May 26, 2016.). Dish disputed Ace’s denial of coverage in 2015. Ace has contested its responsibility to pay DISH’s litigation expenses related to the copyright claims brought by the television networks, claiming that 1) its excess policy does not apply to DISH’s lawsuits; 2) the $500,000 retained limit (the amount Dish must pay before Ace will provide coverage) has not been met to trigger coverage; and 3) exclusions in the policy exempt Ace from its responsibility to cover Dish, including Dish’s alleged “knowing violation of rights of another.” Ace’s coverage includes coverage for bodily injury, property damage liability, personal, and advertising injury liability.

In an unrelated suit, Ace Am. Ins. Co. v. DISH Network, LLC, 2016 U.S. Dist. LEXIS 40274 (D. Colo. Mar. 28, 2016), Ace won a declaratory judgment providing that Ace was not obligated to provide insurance coverage to DISH in a suit in which the United States and four states alleged DISH violated the Telemarketing Act and the Telephone Consumer Protection Act. U.S. v. DISH Network LLC, No. 3:09-cv-03073 (C.D. Ill.).

Ace filed suit against DISH in the United States District Court for the District of Colorado, , claiming it did not owe payment to DISH to cover the litigation expenses incurred fighting copyright infringement lawsuits related to its Hopper technology. Specifically, in its complaint, Ace asserts that there is no alleged property damage or bodily injury and that it is not obligated under several policy exclusions, including exclusions for “expected or intended” behavior, “contractual liability,” “breach of contract,” copyright infringement, and insureds in media and internet type business, among others. Ace sought a declaratory judgment pursuant to 28 U.S.C. §§ 2201–02. Ace seeks judgment that it has no obligation to pay “allocated loss adjustment expenses” to DISH with respect to the lawsuits with the television networks. According to Ace’s complaint, each lawsuit with the networks’ alleged primary or secondary copyright infringement and breach of contract. However, in each case the parties either reached a settlement, the case has been stayed, or the case has not yet been resolved.

Subsequently, DISH filed suit against Ace in the U. S. District Court for the Southern District of New York (DISH Network Corp. and DISH Network LLC v. Ace American Insurance Co., No. 1:16-cv-0401, (filed May...

Ace subsequently countered DISH’s suit in June 2016, claiming DISH sued in New York to bar Ace from pursuing its claim against DISH in Colorado federal court. Ace filed a motion in opposition to DISH’s motions for preliminary injunction and temporary restraining order, claiming DISH impermissibly forum shopped when it selected New York. Brief for Ace American Insurance Co., No. 1:16-cv-04011 (S.D.N.Y. June 17, 2016.) Ace noted DISH filed the New York suit only after receiving actual notice that Ace had filed an identical action in Colorado and contended the insurance policy should be interpreted under Colorado law, particularly as DISH’s headquarters are in Colorado.

Ace also asserted DISH filed in New York because DISH has suffered defeats under the Colorado federal court’s interpretation of the “broadcast exclusion” in its insurance policy with Ace, which Ace claims exempts it from responsibility to cover DISH. Ace further asserted that DISH had only a de minimis connection to New York and that jurisdiction was consequently inappropriate there. Ace asserted the dispute should be in front of the District Court of Colorado and requested permission to file a motion to dismiss.

As of the date of this publication, the New York suit remained pending. In the Colorado case, Ace filed a motion to enjoin DISH from prosecuting duplicative mirror-image litigation in New York in June 2016. Ace also filed a motion for temporary restraining order against DISH in June 2016, which was subsequently denied by the Colorado court. In July 2016, the Colorado court granted Ace’s motion to vacate; at the time of the writing of this litigation updated, the Colorado suit also remained pending.

Forum shopping could allow companies like DISH, who function throughout the United States, to escape liability by selecting a forum with more favorable laws. On the other hand, Ace, which denies responsibility for DISH’s copyright infringement litigation costs, could avoid providing the very service for which DISH purchased insurance—protection against litigation costs. Ace relied on the assumption that DISH “knowingly violated the rights of another” through the Hopper technology to justify its refusal to pay. In doing so, Ace makes a premature legal conclusion that DISH has actually violated the rights of another to avoid paying, when in fact, Ace should wait for a court to rule on whether DISH has actually violated the rights of another before denying coverage on that basis.

VI. The Continuing Saga of the Sony Hack – Sara Cruse

In Possibility Pictures, LLC v. Sony Pictures Worldwide Acquisitions, Inc., the production company Plaintiffs are suing the movie distribution company Defendants for breach of contract. In 2014, Sony Pictures Entertainment, Inc. was the victim of a cyberattack. As a result of the attack, five films, including To Write Love On Her Arms were illegally distributed online. In earlier class actions against Sony over the hacking, the focus was on the negligence of the Defendants. However, in this particular case, the Plaintiffs are pointing out a specific provision in the contract that states, "to protect the Picture worldwide on the Internet directly or through third party vendors, representative or agents." The Plaintiffs are asking for the defendants to pay the projected revenue of $8.7 million.

The Entertainment and Sports Lawyer (ESL) has commented on the faulty practices of the Defendants and how it affected the world; however, it is important to mention that this is more than mere negligence. This lawsuit is about a failed written obligation that both parties agreed upon. Allegedly, during a July 2016 discussion, the Defendants stated they had, “no obligation ... to take any anti-piracy measures whatsoever.” As Maia Spilman noted in her ESL article, ‘Takeaways From The Sony Hack,’ “under U.S. law no entertainment company is required to encrypt personal data, or any data.” However, under this contract, the Defendants may have been obligated. The other class actions suits against the Defendants repeatedly examine the mere negligence of the movie distributor and questions of how to prevent this harm in the future. This lawsuit will examine the written obligation that defendants had at that moment. Possibility Pictures, LLC v. Sony Pictures Worldwide Acquisitions, Inc., (M.D. Fla., June 27, 2016). Maia Spilman, Takeaways From The Sony Hack, 33 ENTM’T & SPORTS LAWYER, Issue 4, Winter (2016).

VII. Interns Are Employees Too? – Gabriella Martin

Plaintiffs Glatt, Footman and Antalik worked as unpaid interns in various departments during the production of Defendant Fox Searchlight Pictures’ film Black Swan. Each of the Plaintiffs were either enrolled or had been previously enrolled in a graduate studies program when they began their internships. Two of the
Plaintiffs did not receive credit for their internships for reasons not related to the case. During the course of their internships, the Plaintiffs performed various jobs in departments, such as production and post-production, accounting, and publicity. The interns worked at most fifty hours a week over the course of a five-day workweek.

Plaintiffs brought suit against Fox claiming they, and others similarly situated, were owed unpaid wages and overtime pay for work they did as unpaid interns during the film’s production. The Plaintiffs claimed that they fell under the category of employees as protected by the Fair Labor Standards Act (FLSA) and New York Labor Laws (NYLL). Fox argued that the Plaintiffs were the primary beneficiaries of their working relationship and, as such, the Plaintiffs were correctly categorized as interns and are not protected by FLSA or NYLL. The United States Court of Appeals for the Second Circuit held that under their six-part test, which examined several factors of the internship, the Plaintiffs were not employees as defined by FLSA or NYLL. The appeals court agreed with the Defendants in that it was the interns, and not Fox, who were the primary beneficiaries of their relationship—by way of the educational opportunities the internship provided. Furthermore, the court stated that this was not a case in which the interns were taken advantage of and made to serve as a means of free labor.

The case stands for the idea that unpaid interns do not fall under the protections of the Fair Labor Standards Act because they do not fall under the classification of employees, so long as the internship program they are enrolled in provides educational benefits and training similar to that which would be provided in any other educational environment. *Glatt v. Fox Searchlight Pictures, Inc.*, 811 F.3d 528 (2d Cir. 2016)

The cases, topics, and summaries for this Litigation Update were compiled and edited by Brian A. Rosenblatt, Stan Soocher, and Amanda Alasauskas.

**Stan Soocher** is Associate Professor of Music & Entertainment Industry Studies at the University of Colorado's Denver Campus, where he served for three years as Music Department Chair. In addition, Stan is an entertainment attorney and the long-time Editor-in-Chief of the monthly *Entertainment Law & Finance*, an ALM Media publication. His new book is *Baby You’re a Rich Man: Suing the Beatles for Fun & Profit* (ForeEdge/University Press of New England). He previously authored the investigative book *They Fought the Law: Rock Music Goes to Court*. Stan can be reached at his office at the University of Colorado's Denver Campus, stan.soocher@ucdenver.edu.

**Our Contributors and Authors for this Litigation Update:**

**Michelle M. Wahl** is a senior associate at Swanson, Martin & Bell, LLP and is the Vice Chair of the firm’s Entertainment and Media Practice Group and a member of the firm’s Intellectual Property Litigation and Transactional Services Practice Group. Michelle has guest lectured on entertainment and intellectual property-related topics at The John Marshall Law School and the DePaul University College of Law, as well as served as a panelist on various other entertainment-related continuing legal education courses. Michelle proudly volunteers her time on the Associate Board and as a pro bono attorney to Lawyers for the Creative Arts, a non-profit organization that provides free legal services to eligible clients in all areas of the arts, and is currently serving on the Illinois Association of Defense Trial Counsel’s Board of Directors. She may be reached at mwahl@smbtrials.com.

**Bernetta Hardy** is an Associate Director, Business & Legal Affairs at 44 Blue Productions, LLC in Los Angeles, California. She focuses on Entertainment and Intellectual Property concerns in connection with unscripted programming. Bernetta is a Member of the Motion Pictures, Television, Cable and Radio Division of the American Bar Association Forum on the Entertainment and Sports Industries. She may be reached at bhardy@44blue.com.

**Brian A. Rosenblatt** is the Editor in Chief of the *Entertainment and Sports Lawyer* and a member of the Governing Committee of the ABA’s Forum on Entertainment and Sports Law Industries. He may be reached at brosenblatt@bdllfirm.com.

**Amanda Alasauskas** is a third year law student at DePaul University College of Law in Chicago, Illinois, where she is working to obtain a certificate in general Intellectual Property. She is expected to graduate in May 2017. Amanda is an Editor of Articles, Notes, and Comments for Volume 66 of the *DePaul Law Review* and the Law Student Assistant Editor of the *Entertainment and Sports Lawyer*. She may be reached at aalasaus@mail.depaul.edu.
Patrick Ouellette is a fourth year law student at Suffolk University Law School and concentrates his studies in health and biomedical law. Prior to entering law school, Patrick spent time as a professional journalist, covering sports, technology, and health care. He can be reached at pouellette583@gmail.com.

Kyle E. Simmons is a fourth year law student at the American University Washington College of Law and serves as Special Assistant in the Office of Labor Relations & Collective Bargaining for the Government of the District of Columbia. Kyle is the 2016-2017 American Bar Association's Student Liaison to the Section on Labor & Employment Law, Law Student member of the Sports Lawyers Association and a Law Student member of the American Bar Association’s Forum on Entertainment and Sports Law Industries including its Law Student Caucus. He may be reached at Kyle.Simmons@american.edu.

Katie R. Day is a second year law student at Quinnipiac University School of Law. She is focusing on Intellectual Property, Entertainment, and Contract Law. Katie may be reached at krday@quinnipiac.edu.

Kaaren Fehsenfeld is a third year law student at DePaul University College of Law in Chicago where she focuses her studies on Entertainment, Intellectual Property, and social justice and LGBTQ issues. She may be reached at kfehsenfeld@gmail.com.

Harris J. Shain is an Associate at Malek Moss PLLC in West Palm Beach where he focuses his practice on general corporate matters and commercial litigation. He earned his LLM in Sports and Entertainment Law from University of Miami School of Law in 2016, and his JD from University of Arizona, James E. Rogers College of Law in 2013. He can be reached at Harris.Shain@malekmoss.com.

Sara Elizabeth Cruse is a class of 2016 graduate of DePaul University College of Law in Chicago, where she was a member of the school's Entertainment and Sport's Law Society. Recently interning for a Chicago based NFL agency, Sara hopes to practice entertainment and sports law in the future. She can be reached at sara.cruse@gmail.com.

Gabriella Ivy Martin is a second year law student at Quinnipiac University School of Law concentrating her studies in Intellectual Property. Gabriella helps to run web and social media content for the ABA Volunteer Lawyer for the Arts Division and is a law student committee member of the Section on Civil Rights and Social Justice. She can be reached at gmartin@quinnipiac.edu.

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Keeping the Internet of Things Monster at Bay: Protecting the Patient Privacy of Sports and Entertainment Clients in the Age of the Selfie

BY CHRISSIE SCELSI

Protecting the privacy of high profile clients is often a primary concern for sports and entertainment attorneys, particularly when there are medical issues involved. As such, it is important for practitioners to understand the laws that can come into play when these situations arise, whether it is an overeager hospital staffer looking to make a quick buck by selling photos of a client to gossip websites, or a more serious situation like a data breach that discloses sensitive client information. The significance of such concerns becomes even greater when one considers the explosion of connected devices and the ‘Internet of Things’ (“IoT”). This article will delve into recent examples of challenges in this arena, as well as the relevant laws, and potential obstacles to using the Internet of Things and big data in healthcare.

A. The Hippocratic Oath in the Era of “SelfieHealth” care privacy has its most basic roots in an ancient Greek medical text which requires new physicians to swear that they will abide by certain professional ethical standards in their practice of medicine.1 Though not required by most medical schools, the Hippocratic Oath has been adopted in various forms by some medical schools who have adapted it for modern times.2 The Oath addresses the confidentiality of patient information, that “whatever I see or hear in the lives of my patients, whether in connection with my professional practice or not, which ought not to be spoken of outside, I will keep secret, as considering all such things to be private.”3

Despite the Oath’s lengthy history and emphasis on physicians making a serious commitment to the ethical standards of their profession, it seems that in the era of the ‘selfie,’ the desire to try to become an Internet celebrity seems to be overcoming the commitment to ethical standards for some physicians. While the interplay between physicians looking to have their fifteen minutes of fame by amassing celebrity clients is hardly new, the ease of taking selfies on smartphones seems to be taking this phenomenon to a new level. Recent headlines have noted stories of surgeons texting or taking photos during procedures, in some cases resulting in allegations of malpractice and personal injury lawsuits. Perhaps the most high profile such case is the wrongful death lawsuit filed by Melissa Rivers, the daughter of the late comedienne Joan Rivers, against the surgical center and physicians who operated on her mother.4 The chief allegation in Rivers’ lawsuit is that her mother’s private physician, Dr. Gwen Korovin, not only performed an unauthorized biopsy procedure on Joan Rivers without the patient’s consent, but also took a selfie with the comedienne while she was under anesthesia.5 In a statement, Rivers family lawyer Jeffrey Bloom said that doctors “acted as groupies,” with one doctor taking pictures of Korovin at work during the procedure, and that the comedienne “would have been doing Fashion Police last week if the doctors had done their jobs.”6 The lawsuit goes on to allege that when Joan Rivers began to go into cardiac arrest, the doctors did not perform a tracheotomy until 17 minutes had elapsed, by which time Rivers had suffered irreversible brain damage.7 It has been reported that the clinic may now lose its federal accreditation in March, as an inquiry by Medicaid and Medicare investigators found errors that were made at the clinic, including failing to note Rivers’ weight before administering a sedative, allowing an unauthorized doctor in, and noted the cell phone photos that were taken during the procedure.8 The lawsuit ultimately settled in May of 2016 for an undisclosed amount, with the physicians involved accepting responsibility for the comedienne’s death.9 The case is also being cited as drawing attention to the need for greater regulation of outpatient surgery centers, which often do not operate under the same safety standards as hospitals.

The age of paparazzi and reality television has also intersected with the world of healthcare as part of the production of a number of healthcare television shows. This interaction has brought to light new questions about healthcare privacy when a reality show is being filmed at a hospital. These questions have become all too real in the case of the family of the late Mark Chanko, an 83-year old investment advisor who was struck by a garbage truck and brought to New York Presbyterian Hospital.10 Unbeknownst to the family, the hospital was

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participating in the television show ‘NY Med,’ and Chanko’s treatment and ultimate death from his injuries had all been filmed, and the physician treating Chanko was wearing a hidden microphone.11 His widow, Anita, did not realize this until she was watching the show one night and recognized her husband’s voice calling for her on the show.12 Even though his image had been blurred, and his voice changed to protect his identity, his wife recognized her husband’s voice, and was horrified to watch his treatment and death on television.13 According to their lawsuit, she and her family did not know that they were being filmed for the show, but also that they did not consent to said filming.14 In 2013, the hospital was cited by the state for violating Mr. Chanko’s rights, finding that “The patient was unaware and uninformed that he was being filmed and viewed by a camera crew while receiving medical treatment thus his privacy in receiving medical treatment was not ensured.”15 The family has also sued the hospital, as well as the physician.16 While a State Supreme Court judge narrowed the lawsuit and allowed some of the family’s claims to proceed, an appellate court dismissed the case, finding that “the doctor and hospital did not breach their duty to avoid disclosing personal information “since no information” was disclosed.”17 The family is now appealing.18

The Chankos called the hospital and spoke to one of its lawyers about who was responsible for the placement of the microphones, to which the lawyer responded that ABC was responsible for placing the mics on the physician treating Mr. Chanko.19 According to Chanko’s daughter-in-law, Barbara, who also happens to be a medical ethicist, the members of the television crew were all wearing scrubs, and to the family were not distinguishable from the nurses and physicians working on her father.20 In an interview with NPR, she questioned whether the hospital had a responsibility to inquire with its patient population as to whether it should allow such a show to film in the hospital.21 Barbara Chanko also explained that the family has reported the incident to the Office of Civil Rights at the Department of Health and Human Services, which investigates reports of HIPAA violations, though she noted that the HIPAA law concerns protecting information from being released to unauthorized parties, not patient privacy.22 She also questioned at what point is privacy violated in such a situation, is it if the camera crew is filming before the client gives consent? Further, if the patient has been a victim of trauma, can he or she really understand the situation, let alone give informed consent? She wondered how having a reality television show filmed in an emergency department impacts the

patients and their treatment.23 In this instance, the promotions for the episode of “NY Med” described the doctor who treated Chanko as “Dr. McDreamy-like,” and Barbara Chanko pointed out that the doctor treating her father-in-law seemed more interested in talking to the camera during filming than treating his patient.24 The American College of Emergency Physicians opposes “the filming for public viewing of emergency department patients or staff members except when they can give full informed consent prior to their participation.”25

The resulting debate among those in the medical community produced an ironic twist: Jeffrey Flier, the dean of the Harvard Medical School, after reading about the Chanko case tweeted “How could this be allowed to happen?”26 Just four minutes later, the chief of surgery at Boston Medical Center, Dr. Gerard Doherty, replied via tweet that “the same group is filming a trauma series at your place (MGH) and our (BMC) right now.”27 Unbeknownst to Flier, ABC News had been in Boston since October, filming at Massachusetts General and Brigham and Women’s Hospitals for a documentary-style series called “Golden Hour” that would chronicle the care of patients in the hospitals’ emergency rooms.28 While he recalls watching similar shows and enjoying them, Flier said that after reading about the Chanko case, he is giving more thought to patient privacy and ethical concerns.29 The Boston Globe reported that all three Boston hospitals signed contracts that require consent from patients before their stories could be aired, and also allow patients to change their minds and withdraw consent during filming, as well as within 30 days after the last filming of a patient.30 The story also noted that this has already happened in at least 3 cases, and that the contract also allows the staff to ask the crew to stop filming at any time.31

ABC News has thus far defended itself in the Chanko case using a First Amendment defense, claiming that the show is protected because it is produced by the company’s news division.32 While it does not dispute that the crew did not obtain the family’s consent, it also further moved that the claim should be dismissed because New York does not recognize a common law right to privacy, and that the Chanko family themselves were responsible for their loss of privacy.33 ABC News has released a statement about the case:

“We are very sorry about Mark Chanko’s tragic and untimely death. We sympathize with his family over their loss. We worked hard in our N.Y. Med broadcast to obscure his image and identity and the identity of his family.
We are very proud of our acclaimed series of medical programs showing up close the work and humanity of doctors, nurses, residents and other health care professionals at the top medical academic centers in the country, including Johns Hopkins, New York Presbyterian, Mass General, Brigham and Women’s, Boston Children’s Hospital, Boston Medical Center and other great medical institutions.

We strive always to be highly respectful of the patients, their families and the hospital caregivers. We have heard many stories of people inspired after seeing our programs to pursue medical professions, to seek treatment they wouldn’t have known about or been too frightened to pursue or to become organ donors after seeing depictions of successful transplants.”

The Chanko case is hardly the first lawsuit resulting from the filming of a reality show in a hospital, and will probably not be the last as devices capable of recording patient identity and date creep into more and more aspects of our lives. In the early 2000s, the New York Times Co. was sued for invasion of privacy by a group of patients who were featured in the show “Trauma: Life in the E.R.” Many of the plaintiffs settled, but in one case an appeals court ruled in favor of the production company, finding that the show qualified as news, and was protected under the law. The intersection of reality television, the IoT, and healthcare will be likely to produce more interesting questions as to what is news and what is an invasion of privacy in coming years, and it will be interesting to see how what results.

It remains to be seen how the case law will develop in regard to the filming of patients in medical facilities during treatment, particularly in the age of smartphones and the Internet of Things. Where there are failures on the part of health care professionals to respect their duty to keep patient information and data confidential, the task of regulating and disciplining them falls to state professional licensing boards, as well as hospital credentialing committees. These bodies are often the epicenter of disciplinary trends in health care, and they will be a crucial part of the adoption and regulation of IoT devices. It will be important that these entities stay on top of developments in terms of new applications and devices, and their impact on patient data, so that they can draft and implement policies to appropriately address them.

B. Applicable Healthcare Privacy Laws

Given these examples, a sports and entertainment attorney may wonder what laws are in place to protect clients’, as well as their own, healthcare data, particularly as the Internet of Things expands into healthcare devices, facilities, apps, and beyond.

In the case of hospitals, data and public image is more important than ever. The implementation of section 3035 of the Affordable Care Act added section 1886(q) to the Social Security Act established the Hospital Readmissions Reduction Program. The establishment of this program brought with it a new reality: that hospitals would lose Medicare reimbursement dollars in instances where patients over the age of 65 are readmitted to the hospital for heart failure, pneumonia, or acute myocardial infarction. Section 3008 of the ACA also resulted in the creation of the Hospital-Acquired Condition (HAC) Reduction Program, which aims to reduce the occurrence of preventable conditions that patients did not have upon admission to a hospital, but developed during a hospital stay. In addition, the data about these readmission and infection rates has been made available to the public as never before, and thus giving consumers the ability to shop between hospitals based on their patient data for conditions like pneumonia and urinary tract infections. This increased pressure on hospitals to improve readmission rates and reduce hospital acquired infections will likely result in these facilities keeping a keen eye on the implementation of new, Internet connected devices and how they impact patient outcomes, as well as hospitals’ public images. As hospitals collect more and more patient data, the protection of that data will be paramount to not only complying with the related health care privacy laws, but also maintaining consumer trust in their ability to do so.

Another aspect of the web of medical privacy laws can be found at 42 CFR, part 2, which sets out privacy provisions for the records of the identity, diagnosis, prognosis, or treatment of patients that are maintained as part of a federally assisted drug or alcohol abuse program. For celebrity clients, keeping such information under wraps can be a paramount concern if he or she suffers from substance abuse problems, though the existence of the law does not always protect them from the very real force of motivated paparazzi and their networks of sources. It can, however, give a celebrity’s lawyer a tool to seek damages in the event that such information is negligently or intentionally disclosed.
Additionally, a significant requirement in terms of privacy for most healthcare providers and facilities comes in the form of the Medicare Conditions of Participation, codified at 42 CFR § 482 to 486. The Conditions for Participation for hospitals, home health agencies, states, long-term care facilities, and suppliers all require these entities to safeguard patient records from disclosure, and not to release them without the patient’s consent.

1. HIPAA

The most prominent privacy law when it comes to healthcare is the Health Insurance Portability and Accountability Act, or HIPAA. Passed in 1996, this law protects the privacy of individually identifiable health information, which it defines as information that “relates to the past, present, or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present, or future payment for the provision of health care to an individual, and (i) identifies the individual; or (ii) with respect to which there is a reasonable basis to believe that the information can be used to identify the individual.” HIPAA applies only to certain entities, which it refers to as “covered entities,” and includes health plans, health care clearinghouses, and a health care provider who transmits any health information in electronic form. It is the latter category where it is likely that change will be needed as the IoT devices, particularly those related to health care, mature and regulatory solutions to protect health care data become apparent. As it currently stands, HIPAA does provide covered entities with an exemption that allows them to use or disclose protected health information in order to provide treatment, obtain payment, or carry out other health care operations as set forth in the statute.

2. HITECH Act

A major factor in the growth of health care data and related issues is the implementation of the Health Information Technology for Economic and Clinical Health Act of 2009 (“HITECH”). This law was intended to provide a monetary incentive for hospitals and health care providers to convert to electronic medical records systems, and covers medical records and patient information in oral, paper, or electronic form. The passage of the HITECH Act also made significant changes to both the enforcement and sanctions as they relate to the health care privacy and security requirements enacted as part of HIPAA. One of these changes was the shift of the enforcement authority of the provisions of HITECH to the United States Department of Health and Human Services (“HHS”) from the Office of Civil Rights and the Centers for Medicare and Medicaid Services (“CMS”). While some agencies retain certain interests in the enforcement of HITECH, the primary enforcement after the implementation of the law lies with HHS. In addition, state attorneys general can bring actions in federal court on behalf of their respective state’s residents.

The HITECH Act places privacy obligations on not only covered entities, but also on the business of young adults up to age 26 under their parents’ policies, and makes it illegal for health insurance companies to cancel coverage just because an insured person gets sick. As with many new healthcare laws, the implementation of the ACA has not been without bumps in the road. In addition to challenges by politicians who oppose the new law, there have been privacy concerns that have emerged as the Healthcare.gov website has rolled out. This website serves as the hub for consumers to sign up for health insurance, as well as the marketplace for them to shop for policies. As one can imagine, this process involves a lot of sensitive data, which consumers and regulators are very concerned about keeping safe. However, as recent headlines have detailed, an Associated Press report said the site has been sharing user data, including users’ ages, income levels, and whether they are pregnant or not, with third parties like Facebook, Twitter, and Google. These reports highlighted new privacy concerns that have arisen as the IoT expands: first, that of broken promises of anonymization, and second, “the spillage of data from one context into others.” The concerns in the first instance focus on situations where the organization collecting the data assured users that the data would be made anonymous, but it is then either not made anonymous, or the process is not carried out well. The second concern relates to situations where health data is collected in one context, but then used by a third party in ways that consumers are not aware of and may not have necessarily consented to under the terms of the first context.

Officials from the Centers for Medicare and Medicaid Services have emphasized that they do not and will not sell visitor information from Healthcare.gov, and that they remain vigilant about working to make sure that consumer data is protected. Aaron Albright, director of the media relations group at CMS, explained that:
“private sector tools play a critical role in the operation of a consumer-focused website. Without these tools, Healthcare.gov would be unable to effectively respond to system errors, issues that result in a poor or slow web experience, or provide metrics to the public on site visits and/or mobile usage. In addition, consumers would have to continuously resubmit information throughout the process making signing up for insurance more difficult.”56

This explanation highlights the tension between consumer demands for user-friendly websites, as well as for sites that protect consumer data to the greatest extent possible.57 As with many types of software projects, this tension must be weighed against the business decision that often must be made between using a third party tool or taking the extra time and money to build such a tool internally.

3. GINA

An important privacy law that has been enacted to protect patient health information is the Genetic Information Nondiscrimination Act of 2008 (“GINA”).58 This law states that “genetic information” is protected health information (“PHI”), and is protected under HIPAA.59 It further prohibits health insurance companies from using genetic information for underwriting purposes, and prohibits employers from discriminating against people based on such information.60

The passage of the GINA law, as well as the updates to it as the HIPAA and HITECH laws have evolved, represent an important line of defense to protect patients against discrimination on the basis of genetic information. This defense will only continue to grow in importance as personalized medicine based on genetic information is used more widely, and as more is discovered about the impact of genetics on human health. It is also likely that as other categories of health data are discovered that laws will be passed to protect against discrimination based on what can be gleaned from that data.

C. Impact of Internet of Things on Health Laws and Potential Obstacles

As with any sea change in terms of technology, there have been obstacles to the expansion of the use of Internet of Things technologies in healthcare, as well as the use of perhaps its biggest benefit: the vast amounts of data that these technologies collect. These considerations can also be helpful to IP and entertainment practitioners in guiding clients as to how to develop technologies in this arena while steering clear of the potential legal and other obstacles.

1. Hesitancy of Healthcare Providers

Despite the great potential of the use of big data in healthcare, there is also evidence of hesitancy on the part of providers to implement some tools until they are fully developed. A recent NPR story noted how a doctor at Stanford’s Lucile Packard Children’s Hospital searched patient record data to examine treatment of pediatric lupus patients, and eventually find a way to save the life of such a patient, but that ultimately the hospital opted not to continue doing so, as the doctors felt that the system for mining such patient data was not yet ready.61 While it is noted in the story that the ability to search such data can fill the gap in situations where there is not sufficient published literature to help doctors navigate difficult cases, there does seem to be a consensus among some hospitals and physicians that these systems need to be better developed before they are widely adopted.62

This applies not only to systems to mine patient data to find solutions, but also for electronic medical records systems. In some instances, hospitals have begun to mine the data present in their records, but found that they are not yet ready to do this in all of their cases, as was discovered by Dr. Jenny Frankovich, an attending physician at the Stanford Lucile Packard Children’s Hospital.63 As Dr. Frankovich explained in her NPR interview, while her analysis of the treatment of other pediatric lupus patients from the data from their respective charts in the database helped her find a solution to treat her patient in that instance, the physicians have not yet instituted this practice on a widespread basis, as they feel that the system is not yet ready in terms of accuracy and reliability to be used in every case.64

2. Imposition of health privacy laws on new categories of people

An interesting aspect of the issues that develop at the intersection of the growth of the Internet of Things and health care are those faced by the parties that support the entities that are bound by HIPAA and other medical data protection laws, including web developers. Development of health care websites has grown exponentially, especially given that, according to a 2013 study by the Pew Internet and American Life Project, one in three American adults have gone online to try to figure out what medical condition that they or another
The increased use of online medical information has made the online presence of medical device manufacturers, pharmaceutical companies, physicians, hospitals, and other related entities to have a presence on the web. As such, they are increasingly reaching out to web and app developers to help them create such a presence, and in instances where such developers have to interact with patient data, making them subject to HIPAA compliance.

The changes to the HIPAA and HITECH laws as a result of the implementation of the Omnibus Rule have made taking on the obligations of abiding by these healthcare data privacy laws a bit clearer for developers, as it better lays out the obligations of business associates handling PHI, as well as the circumstances under which a developer could opt to use a subcontractor who is more familiar with the obligations and procedures for handling sensitive data rather than taking on all of the obligations themselves. The developers remain responsible for oversight in such a situation, but they also can make sure through that both parties are clear as to their roles through the use of a well-drafted business associate agreement. Further, as healthcare companies have become more experienced in dealing with developers, they are in some instances becoming more adept at training them as to how to comply with relevant data privacy laws. In others, regulatory agencies seem to be picking up the slack, and will likely get the message across through enforcement actions for those who do not ensure their apps and devices comply as the FTC has done with recent actions under The Children's Online Privacy Protection Act of 1998 (COPPA).

3. FDA Regulation of Health Apps and Devices

At the time of this writing, there were more than 43,000 healthcare apps available in the Apple iTunes App Store. However, of these apps, an October 2013 survey by the IMS Institute for Healthcare Informatics found that most of these apps had only been downloaded fewer than 500 times, and very few offered any type of robust functionality. In the worst cases, the apps provided inaccurate or unproven information, some even in apps designed for clinical use by physicians. This new reality of healthcare apps has caught the attention of the Food and Drug Administration (FDA), as it seeks to protect people from inaccurate or unsafe information that may be provided in healthcare apps or devices. In September of 2013, the FDA announced that it would start regulating healthcare apps, focusing on those apps that meet the “regulatory definition of “device,” and that (i) are intended to be used as an accessory to a regulated medical device, or (ii) transform a mobile platform into a regulated medical device.” The FDA noted that the agency has extensive resources available to help app developers to determine the level of regulation that applies to their particular product, such as the “Product Classification database” and the “510(k) Premarket Notification Database,” and to stay up to date on new information about changes to these regulations.

The FDA has provided examples of specific apps that have been approved under its new regulations, as well as examples of the types of apps and devices that would be subject to these regulations. The first category of apps the FDA will be regulating are “mobile apps that transform a mobile platform into a regulated medical device and therefore are mobile medical apps.” The FDA’s guidance states that this category would include apps that use sensors attached to the mobile platform or tools within the mobile platform to diagnose a condition, as well as those that present donor history questions to a potential blood donor and transmit the answers to a blood collection facility to determine the donor’s eligibility to donate blood. The second category of apps that the FDA will now regulate are those “apps that connect to an existing device type for purposes of controlling its operation, function or energy source, and therefore are mobile medical apps.” The guidance states that this category would include apps that control or monitor devices such as infusion pumps, neuromuscular stimulators, or blood pressure cuffs. The third category of apps that are now covered by FDA regulation are “mobile apps that display, transfer, store, or convert patient-specific medical device data from a connected device and therefore are mobile medical apps.” Included in the examples for this category are apps that connect to a central nursing station and display medical device data to a physician’s mobile platform for review, apps that connect to bedside or cardiac monitors that transfer the data to a viewing station for patient monitoring, as well as apps that connect to a perinatal monitoring system and transfer contractions and fetal heart rate to another display to allow for monitoring the progress of a patient’s labor.

The announcement of these new regulations for healthcare apps caused plenty of grumbling in fast-paced Silicon Valley, where the focus is often on being the first

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to market, and there is typically lower tolerance for lengthy regulatory processes. However, the FDA has made it clear that going forward, device and app developers looking to create IoT products and services for the healthcare industry will need to play by their rules in order to operate in this space. There will likely be some growing pains, but one hopes that as developers learn the ropes of the FDA procedures, and take advantage of the huge potential market for smart healthcare devices and apps, that the process of complying with the regulations will become less painful.

4. Conflicts in Terms of Service & Privacy Policies

Among the legal challenges presented by the growth of the IoT as it relates to healthcare is how developers can not only write privacy policies for their devices or services that comply with applicable privacy laws, but also ensure that they work with the policies of other products in that ecosystem. As the universe of apps has exploded in recent years, conflicts between the terms of use and privacy policies of different apps and platforms have become more common.

Such conflicts became apparent to this author when she installed an app on her tablet called SnapHack, which allows users to save their SnapChat messages, which typically only last between 6–10 seconds. The SnapHack app interfaces with SnapChat through its applied programming interface, or API, and more interestingly, the app features a disclaimer in its terms of service that state that the developers of SnapHack are not responsible if the use of its app violates the terms of use for SnapChat and results in the user’s SnapChat account being deleted.

As the IoT ecosystem matures, it will be important for developers to work to ensure that their apps do not violate the terms of use for another app or platform in such a way that might result in users’ accounts being deleted. While it may be upsetting in the short term for a user to lose his or her SnapChat messages, one can imagine how devastated a user of a healthcare app would be to lose months or years of health data that he or she has been using to track a serious medical condition.

As well as conflicts between the terms of use and privacy policies of apps, there are also real world legal consequences of developers creating apps using pieces of software that are not in compliance with privacy laws. The FTC recently took the unprecedented step of warning app developer BabyBus that its apps were not in compliance with COPPA, and that it could face fines if it did not take steps to bring them into compliance. It turned out that the problem was not with BabyBus’ software code in the app, but with a third party API that was collecting data subject to COPPA from minors and did not have the applicable compliance and parental consent mechanisms in place. As a result of the warning, Google pulled all of the BabyBus apps from the PlayStore until they were in compliance with the law. Situations like this illustrate the importance for developers to not only work to ensure that they have policies and procedures in place so that their products are in compliance with applicable privacy laws, but also do their due diligence in terms of third party software to make sure it does as well. Given the growing thickness of regulations and laws governing the protection of healthcare data, taking these steps will be more important than ever for developers in the IoT healthcare space.

Much as the FTC is stepping up its COPPA enforcement actions, it is likely that the Commission, as well as the FDA, will do the same as it relates to apps and devices in the IoT in healthcare, and not being in compliance could result in expensive lessons in terms of fines, as well as negative publicity.

5. Interoperability

In addition to the myriad legal considerations that come with the era of the IoT for healthcare, there are also an equal number of practical considerations that must be addressed as part of the implementation process. One such consideration is the interoperability of all of these devices and applications. As mentioned above, there is hesitancy among some physicians and hospitals in the midst of the implementation of so much technology at this time, and interoperability is a big part of that concern. Developers and manufacturers of IoT devices and apps will have to tread carefully and involve doctors and hospitals in the development of their products to make sure that these products can become part of the IoT ecosystem and work with other products in it if they want to succeed. As Dr. Michael Blum, a cardiologist at the University of California, San Francisco, noted on a recent NPR story, doctors are getting pitches from entrepreneurs on a near daily basis, and while “their perspective is ‘you old doctors have kept things the same as they are for 50 years. We’ve got new technology and it’s going to disrupt health care,’ …but the problem is just because a device looks shiny and new doesn’t mean it’s useful.” Blum said that in many instances, validation studies are needed, and the task of carrying out these studies often falls to doctors and hospitals, so developers will also need to allow time in their product planning. The implementation of the new FDA
guidelines for medical devices and apps should help with this process, whether developers like it or not.

6. BYOD

A practical reality related to interoperability is BYOD, or bring your own device, to hospitals and healthcare facilities. Where in the past, corporations had certain standard devices that all employees used, the proliferation of smart phones and devices in society now means that physicians and nurses all have a variety of personal and professional devices, and that any platform a hospital or healthcare system adopts must work with a broad spectrum of devices. The same goes for patients, so developers must consider what platforms patients are using, and make sure that their products work well with those platforms to help with their widespread adoption.

This BYOD reality makes the concerns about interoperability, both in terms of policies and operation, even more important for new IoT devices and applications. The challenge will be how to find products that allow medical professionals easy and fast access to patient data detected by IoT devices, while also building in security measures to protect that same data.

7. Recalls

Ultimately, given the legal and practical considerations of the IoT as it relates to healthcare, there will need to be solutions on both fronts to protect healthcare data. One such solution is that of recalls of medical devices. To date, there have not been any such recalls for cybersecurity reasons, but it is foreseeable that this could change in the future with the explosion of medical devices that are part of the IoT. The challenges could be said to be twofold: first, those presented by the rise of 3D printing, and the related but in many instances separate challenges presented by the rise of crowdfunding as a means of funding medical device challenges. In the first instance, while 3D printing has allowed physicians to print prostheses to create lifesaving solutions for patients, these prostheses were not subject to the same rigor that traditional solutions undergo as part of research and development, and their long term consequences remain to be seen. However, the same can be said of devices that go the traditional development route - in the instance of some metal hip replacements, this oversight did not prevent problems with the implants that caused devastating injuries to patients when they began to lock up and shed metal shavings into their bloodstream.

The challenge that both 3D printing and crowdfunding present is that in some instances, unlike traditional pharmaceutical and medical device manufacturers, these products are starting to be developed by small or independent companies that may not have the same corporate legacy in terms of incorporation and continued corporate existence. This legacy is important, as in the case of device recalls, government agencies, as well as consumers, would need to be able to contact the company and its customers to inform them of said recall. Though this concern is less likely for the companies creating devices and apps subject to the FDA regulations, there is still a concern for those companies or inventors that are not covered by them.

As the IoT for healthcare develops, the Agency may have to help fill the gap between established companies and startups, or other parties may have to step up. This has already started to happen on the crowdfunding front, as popular crowdfunding sites like Kickstarter and game platform Steam Early Access changed their terms of service in September to require that creators actually deliver the products and rewards described in their campaign. This move was motivated by the backlash from backers in response to several game campaigns that never delivered as promised, or delivered low quality games. State attorneys general are monitoring the crowdfunding space from a consumer protection law standpoint as well, as the Attorney General for Washington State filed what is believed to be the first consumer protection lawsuit concerning crowdfunding against Kickstarter game creator Edward J. Polchlepek III (aka Ed Nash), and his company Altius Management, in May of 2014.

D. Conclusion

The protection of private data is of greater and greater concern as the Internet of Things expands to more devices, and along the way collect troves of data about users, particularly for high profile athletes and entertainers. Much as the intersection of the law and new technologies has generated a space where lawyers must help clients find solutions to comply with the law where it is not caught up to the latest and greatest technologies, so too will the intersection of new technologies and healthcare, and it likely will also have ramifications for the entertainment and sports industries.

Chrisie Scelsi is the U.S. General Counsel for Wargaming (USA), Inc. where she provides legal support for U.S. operations across five studios for the video game publisher, including licensing, esports, as well as counseling on matters of business development, intellectual property, employment, and corporate law. She may be reached at either c_scelsi@wargaming.net.
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Methods for Protecting Public Domain Characters after Klinger v. Doyle Estate, Ltd.

BY DIRK VANOVER

I. INTRODUCTION

Popular characters, and the stories and franchises they can carry, are valuable. Look no further than Disney’s $4 billion acquisition of Marvel, home to such noted comic book characters as Spider-Man, Captain America, The X-Men, and Iron Man, and its acquisition of Lucas Films, home of the lucrative Star Wars and Indiana Jones franchises, for a like amount to drive home the importance of established, popular characters in today’s entertainment marketplace.© 2016 by the American Bar Association. Reproduced with permission. All rights reserved. This information or any portion thereof may not be copied or disseminated in any form or by any means or stored in an electronic database or retrieval system without the express written consent of the American Bar Association.

Copyright ownership of characters, and the exclusive rights granted by such ownership, is important to allow for the commercial exploitation of famous characters. However, it is inevitable that the term of copyright protection will expire and those characters will fall into the public domain. The copyright owner will lose control over the characters and anyone is free to come along and create new works using them.

This article will look at the state of copyright law in the United States, the recent Sherlock Holmes court decision addressing expiration of the copyright term, and possible solutions for protecting and exploiting a character after its copyright term has expired.

II. A BRIEF OVERVIEW OF RELEVANT COPYRIGHT AND TRADEMARK LAW

a. Copyright Law

The basis for copyright law in the United States is found in the Constitution. The Patent and Copyright clause gives Congress the power to “promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

Pursuant to this authority, Congress has enacted several copyright acts since the adoption of the Constitution to grant to authors copyright protection in their works. The first act was the Copyright Act of 1790, based upon the Statute of Anne. This Act gave authors copyright protection for fourteen years and a renewal period of another fourteen years. The Copyright Act of 1790 was later repealed and replaced by the Copyright Act of 1909. This Act extended copyright protection to twenty-eight years from the date of publication and a renewal term of an additional twenty-eight years.

The Copyright Act of 1976 originally granted a copyright term for the life of the author plus fifty years. In 1998, the Sonny Bono Copyright Term Extension Act extended the duration of the copyright to last the life of the author plus seventy years. Currently, the Copyright Act grants exclusive rights to the author of an original work created on or after January 1, 1978 for the life of the author plus seventy years, and for works made for hire, anonymous, and pseudonymous works a term of 95 years from the date of first publication or 120 years from the date of creation, whichever is shorter. For works still in their first term on January 1, 1978, the 1976 Copyright Act allowed for a 67 year extension of the original 28 year term if specific conditions were met. In determining the duration of copyright protection for other works, one would need to consult the copyright act in effect at the time of the work’s creation or the author’s death. Once a work’s term of protection has ended, the work enters the public domain and is available for anyone to use.

As stated above, copyright duration is typically tied to the length of the life of the author plus a fixed period of time thereafter. If the work is a work made for hire, the copyright term lasts for a fixed period of time. Since this is the case, the copyright owner seeking to protect a character that is about to fall into the public domain is highly unlikely to be the original author. In all likelihood, the copyright owner will be the author’s estate or descendants, a person or corporation who has acquired copyright ownership from the author, the author’s estate, or the author’s descendants, or a corporation who has always owned the rights to the character.

b. Trademark Law

Trademarks are used to identify the source of particular goods and services (also known as service marks). In the United States, trademarks can be protected at both the state and federal level. It is
important to note, however, that in order for a trademark to be registered with the United States Patent and Trademark Office, it must be used in interstate commerce.15

Unlike a copyright, which has a limited term of protection, a trademark can last indefinitely.16 Since trademark rights are tied to continued use in commerce, the two ways to lose federal trademark protection are through abandonment or cancellation. Abandonment of a trademark occurs on two occasions:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. …”17

Cancellation occurs when a trademark registrant fails to file a Section 8 declaration of use.18

As stated above, trademark rights arise from use in commerce.19 Generally speaking, the first person or company to use a trademark for their goods or services has acquired some rights to prevent others from doing so, even if the trademark is not registered with the United States Patent and Trademark Office.20 Relevant to our discussion is the fact that characters and the images or logos associated with them are eligible for trademark protection.21 For example, Superman’s S shield originated in the comic books in which Superman appeared, but it has also become an indicator of goods and services for DC Comics and a registered trademark for belt buckles,22 toys,23 sporting goods,24 electronic games,25 motion pictures,26 comic magazines,27 and many other types of goods. Since the Superman S shield logo is now protected by trademark law, DC Comics can keep others from using it without their permission so long as DC Comics continues to use the logo in commerce. Even though it may have originally been protected by copyright law and subject to falling into the public domain, it is now protected by trademark law and potentially can be protected forever.

III. THE CASE OF SHERLOCK HOLMES AND THE SEVENTH CIRCUIT

Looking solely to copyright law, it does not appear that there is anything the owner of a copyrighted character can do to extend the copyright protection for a character other than to have the character continually evolve over the years. However, “a copyright affords protection only for original works of authorship and, consequently, copyrights in derivative works secure protection only for the incremental additions of originality contributed by the authors of the derivative works.”28 Determining the limitations of copyright protection in derivative works is a process that has continued to be explored and challenged.

In 2014, the Seventh Circuit Court of Appeals clarified the limitations of copyright protection in derivative works. The question before the court was whether a literary character who evolved over a series of copyrighted works should fall into the public domain only after all of the copyrighted works containing the character have entered the public domain, or if the protected elements of the character can fall into the public domain gradually as the original works reach the end of their protected terms.

The case in question was Klinger v. Doyle Estate, Ltd.,29 and it dealt with the character of Sherlock Holmes. Sir Arthur Conan Doyle’s first Sherlock Holmes story appeared in 1887, and his last appeared in 1927, with the final 10 stories being published between 1923 and 1927.30 In total, Doyle published 56 stories and four novels.31 The record in the case established that all but the last ten of the Sherlock Holmes stories had passed into the public domain, and these stories would pass into the public domain between 2018 and 2022, depending on each story’s publication date, due to copyright extensions granted by the Sonny Bono Copyright Term Extension Act.32

Plaintiff-Appellee Klinger co-edited an anthology of Sherlock Holmes stories inspired by the original works of Doyle written by modern authors; he did not obtain a license from the Doyle estate to do so because he believed most of the works to be in the public domain.33 However, Random House, his publisher at the time paid a $5,000 licensing fee after being contacted by the Doyle estate demanding the publisher purchase a copyright license.34 Klinger and his co-editor then created another anthology for a different publisher.35 Due to the Doyle estate’s demand of a licensing fee and threats to block publication of the book, Klinger’s publisher refused to publish the anthology unless Klinger obtained a license.36

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Klinger sued for a declaratory judgment that he was free to use material from the fifty Sherlock Holmes stories that were no longer protected by copyright and that the few stories that were under copyright lacked “sufficient originality to be copyrightable.” The Doyle estate argued that characters like Sherlock Holmes and Dr. Watson whose complexities are revealed across many stories should remain protected until the final story protected by copyright falls into the public domain. The court, however, ruled that only “original elements added in the later stories” should remain protected by copyright law. The court also stated that it does not “find any basis in statute or case law for extending a copyright beyond its expiration.” Furthermore, the court recognized that extending copyright protection as the Doyle estate sought would shrink the public domain, make it more difficult for subsequent authors to create derivative works, increase the burden on creating new work, and would incentivize author’s to churn out new stories with old characters to prolong copyright protection. Overall, the court felt extending copyright protections in the manner sought would discourage creativity.

IV. OPTIONS TO PROTECT A PUBLIC DOMAIN CHARACTER

In light of the recent Sherlock Holmes case and other cases finding similar results, what options are available to protect a character about to fall into the public domain? Realistically, few options exist. A character that is nearing the end of its copyright term has been protected for decades, and soon it will belong to the public. As the court in Klinger pointed out, extending copyright protection further shrinks the public domain making it more difficult to create new work, and perpetual copyright protection would violate the Constitution, which authorized “copyright protection only for ‘limited Times.’”

However, there are two methods by which a copyright owner may retain some control over its character, or, at a minimum, limit the ability of others to capitalize on the character. The two methods are through any trademark rights the copyright owner may have gained in the character and through continued, official exploitation of the character. While the first method has been brought up before, typically in a manner discussing the overreach of copyright owners to protect their interests, it is nonetheless a valid and effective means of controlling one’s protectable assets, to the extent allowed by law. The second method has primarily been proposed as a way for others to overcome trademark infringement claims by disclaiming official ties to the original character. However, its practical use for building and engaging a character’s audience is too important to ignore, and, in light of Klinger and other cases, it is a valuable way to continue building the character and creating additional copyright protection for new elements added to the character’s story.

a. Using Trademark Rights to Protect a Public Domain Character

The first method a copyright owner can attempt in order to protect a character about to fall into the public domain is to register all applicable trademark rights the copyright owner might have for the character. While this will not prevent others from using a character in the public domain, it should limit their ability to advertise and exploit the character. Even though the titles of single creative works are not entitled to trademark protection, the titles of continuing series can be protected by trademark. If the copyright owner’s character’s name doubles as the title of a continuing publication, such as a comic book, then newcomers might be prevented from using the character’s name in the title of a competing publication. Additionally, if the character’s name or likeness is exploited on merchandise, then the copyright owner should be able to prevent others from doing the same with the character.

It is unlikely that using trademark rights will completely protect a copyright owner’s character that has fallen into the public domain. However, some courts have shown a willingness to allow trademark law to protect a character’s image that has fallen into the public domain. In Frederick Warne & Co., Inc. v. Book Sales, Inc., the original publisher of Beatrix Potter’s Peter Rabbit books sued a competing book seller who was reprinting into one collected volume seven Peter Rabbit books that fell into the public domain. Warne claimed that the illustrations that Beatrix Potter created for the covers of the books, and an additional illustration that appeared inside one of the books, were protected by trademark law. Warne had even registered three of the covers as book trademarks. Warne also used and licensed for use the eight illustrations in commercial products. Book Sales, Inc. reproduced the images as they appeared in the original books and produced redrawings of the illustrations. These were then used at the beginning and end of each story in their collected edition of Peter Rabbit tales, similar to how they were used originally, as a “corner ornament” on each page, and one of the illustrations, the “sitting rabbit,” was placed on the cover of the collection. This sitting rabbit
illustration had been used as the main symbol of Warne’s licensing enterprises since 1972.56

In analyzing whether a copyrighted image could also serve as a trademark the court stated, “[t]he fact that a copyrightable character or design has fallen into the public domain should not preclude protection under the trademark laws so long as it is shown to have acquired independent trademark significance, identifying in some way the source or sponsorship of the goods.”57 The court went on to recognize that character’s can serve to identify the creator and are thus subject to protection under trademark or unfair competition laws.58 In denying summary judgment to both parties, the court stated that Warne might have difficulty establishing rights to trademark protection if the illustrations in question only identify the works as belonging to Beatrix Potter, and do not represent “Warne’s goodwill and reputation as the source of children’s book and other products.”59 It also noted that Warne’s claimed trademark might be found to be “‘weak’” because they are “derived from or are similar in appearance to the illustrations in the text of the books.”60

Even though, as the court in Frederick Warne showed, trademark rights can be used to protect characters, many believe expanding trademark rights to fully protect characters that have entered the public domain goes against the public policy goals of granting limited copyright protection.61 For example, another court62 addressed whether drawings affixed to packaging of three-dimensional toys of DC Comics characters could be protected as trademarks. Justice Nies, in a concurrence noted,

*On the other hand, if a copyrighted doll design is also a trademark for itself, there is a question whether the quid pro quo for the protection granted under the copyright statute has been given, if, upon expiration of the copyright, the design cannot be used at all by others.*63

In light of this, trademark rights to a character should only be allowed to prevent commercial exploitation in areas unrelated to the character’s original medium that has entered the public domain. This sentiment was expressed by the Ninth Circuit in Comedy III Productions v. New Line Cinema.64 In the case, the rights holders for The Three Stooges sued New Line Cinema for trademark infringement for using in a movie a 30 second clip of a Stooges short film. The court stated that:

*the footage at issue here was clearly covered by the Copyright Act, 17 U.S.C.S 106, and the Lanham Act cannot be used to circumvent copyright law. If material covered by copyright law has passed into the public domain, it cannot then be protected by the Lanham Act without rendering the Copyright Act a nullity.*55

In its decision the court noted that if the defendant had been selling t-shirts bearing the likeness of the Three Stooges, then there might have been a trademark claim, but its mere use of an unaltered clip from a Stooges film that was in the public domain will not give rise to an “expedition of trademark protection squarely into the dominion of copyright law[.]”66

Using The Three Stooges and Peter Rabbit cases as guides, if a publisher reproduces a book, including all of its imagery, that has fallen into the public domain, then that publisher should not violate the original owner’s trademark rights. However, if a newcomer were to utilize the name of the character or illustrations in a public domain book to launch a competing line of children’s party supplies, then that newcomer could be found to be in violation of the original owner’s trademark rights, to the extent they have any, in children’s party supplies. Another example, if the Doyle estate has a valid trademark on Sherlock Holmes branded hats, then while a newcomer could exploit Sherlock Holmes in literature and other possible narrative mediums, the newcomer could be prevented from creating Sherlock Holmes branded hats.

The second method is primarily business oriented, but as noted in Klinger, it can also create new elements to a character that are eligible for copyright protections. One way to protect against unwanted exploitation of public domain characters is to create officially recognized stories continuing the exploits of the character. This may be done by the copyright owner commissioning new works directly, or it may also be done by establishing a licensing regime to exploit the character. If the character is popular enough, a copyright owner should be able to retain some control over the exploitation of it by establishing stories, books, movies, etc. that would fall within an official canon for the character. By designating specific works to be officially recognized as continuing the story of the character, the copyright owner will be able to distinguish the official works from unofficial, derivative works. This method of creation and exploitation should encourage fans of the character to seek out and consume works that build upon and expand the official world of the character.
It would appear the Doyle estate took too long before implementing this approach to make it effective. Over the years, new stories were released, including some by Arthur Conan Doyle’s son, but none were officially recognized as continuing Holmes and Watson’s adventures. Recently, the estate did authorize a writer to release a new Sherlock Holmes book in 2011.\(^{67}\) It was the first book officially endorsed by the Arthur Conan Doyle family in 80 years.\(^{68}\)

On the other hand, Ian Fleming Publications Ltd. has closely followed the process described above. Ian Fleming passed away in 1964.\(^{69}\) The copyright protections afforded to Fleming’s original James Bond novels should expire in 2034, and his most famous creation would enter the public domain. The rights to many of his literary creations, including James Bond, now belong to Ian Fleming Publications Ltd. This entity continues to work with authors to create new James Bond stories in various media, including new books\(^ {70}\) and even new graphic novels.\(^ {71}\) Recently, the company partnered with a comic book publisher and hired noted comic book writer Warren Ellis to create an “‘Official Continuation’ of the Bond of the book.”\(^ {72}\) By commissioning and approving new works to enhance and expand the stories of James Bond, Ian Fleming Publications Ltd. has set up a clear system to create new official works and protect the character of James Bond when Fleming’s original Bond novels finally fall into the public domain.

V. CONCLUSION

Even though a copyright owner does not want to hear that others might soon be able to exploit the characters it has rights to, it will happen. It is a given that all characters and stories protected by copyright will eventually fall into the public domain, and copyright laws will no longer protect those creations. However, if a copyright owner plans ahead and implements the actions mentioned in this article before its characters enter the public domain, it may be able to exert some control over the fate of its characters before others start using them.

Dirk Vanover is the owner of Vanover Legal, LLC where he focuses his law practice on entertainment, intellectual property (particularly, copyright, trademark and right of publicity), e-commerce, startups, media, advertising, sweepstakes, marketing, and corporate formation and governance, and other general business needs. He is a former State Chair, Wisconsin, ABA Golf, and a member of the ABA Forum on the Entertainment and Sports Industries. He can be reached at dirk@vanoverlegal.com.

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Endnotes


2 U.S. CONST., art. I., sec. 8, cl. 8.

3 1 Stat. 124 (May 31, 1790).

4 8 Anne c. 19 (1709).

5 1 Stat. 124 (§ 1).


24 Id.

25 Id.


29 Klinger v. Doyle Estate, Ltd., 755 F.3d 496 (7th Cir. 2014).

30 Id. at 497.
31 Id.
32 Id.
33 Id.
34 Id.
35 Id.
36 Id. at 498.
37 Id.
38 Id.
39 Id. at 501.
40 Id. at 500.
41 Id. at 501.
42 See Klinger, 755 F.3d at 500–01; see also Kurtz, The Methuselah Factor, at 447.
43 Klinger, 755 F.3d at 501.
44 Id. at 503.
46 Id.
48 In re Cooper at 615–16; Trademark Manual of Examining Procedure § 1202.08(b) (April 2016).
50 Id. at 1193.
51 Id. at 1193.
52 Id.
53 Id. at 1194.
54 Id.
55 Id.
56 Id.
57 Id. at 1196.
58 Id. at 1197.
59 Id. at 1198.
60 Id.
62 In re DC Comics, 689 F.2d 1042 (C.C.P.A. 1982).
63 Id. at 1052 n.6 (Nies, J., Concurring)(emphasis in original).
64 200 F.3d 593 (9th Cir. 2000).
65 Id. at 595.
66 Id. at 596.
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72 Benjamin Bailey, Warren Ellis Talks Bringing Ian Fleming’s James Bond to 2016, Nerdist.com,


State Bar of California Intellectual Property Law Section’s 41st Annual IP Institute

IP on the American Riviera

November 10-11, 2016
Hyatt Centric Santa Barbara

The State Bar of California Intellectual Property Law Section’s 41st Annual IP Institute, “IP on the American Riviera,” will be held November 10 - 11 at the beautiful Hyatt Centric Santa Barbara, with a welcome reception on November 9th. The conference will cover a wide range of cutting-edge and compelling presentations on trademark, copyright, patent, entertainment, sports, right of publicity, licensing, and internet law, as well as practical sessions and IP-specific ethics panels. In addition to the two days of engaging educational sessions, the Institute promises several unique networking opportunities and the presentation of the Annual Vanguard Awards, celebrating pioneers in our field in a festive atmosphere. The program will feature speakers from leading law firms and companies, numerous networking and socializing opportunities, as well as options to experience some of the gorgeous local sites of Santa Barbara. Information and registration may be found here:

http://ipsection.calbar.ca.gov/Education/IPInstitute.aspx

For questions, please contact IP Institute Program Chair Elizabeth J. Rest at elizabeth@crownllp.com.
"Don’t Stop” Thinking About Tomorrow? Think To Ask
Politicians using popular songs on the campaign trail should seek artists’ permission first

BY SCOTT J. SLAVICK

What do the presidential campaigns of John McCain, Donald Trump, Newt Gingrich, Ronald Reagan, and yes, even Barack Hussein Obama all have in common? All faced claims of copyright infringement for their use of music or other works of art.

It has long been recognized that music possesses unique power to inspire, motivate, and energize audiences, for patriotic reasons and military campaigns. Who can discount the emotional power of our national anthem, for example, or “The Battle Hymn of the Republic,” with its rousing chorus of “Glory, glory, hallelujah”?

It only follows that politicians rely on the power of music as well, and music has been used in political campaigns since the founding of our country. George Washington famously parodied England’s popular “God Save the Queen” with his own "God Save Great Washington." Franklin Delano Roosevelt used "Happy Days Are Here Again" as the country fought its way out of the Great Depression. President Barack Obama signed his own march to the White House with Stevie Wonder’s jubilant "Signed, Sealed, Delivered, I'm Yours." Pumping up a crowd, barnstorming for votes, dancing at the inaugural ball and crowning success: at every stop, candidates rely on music to set a theme and create a memorable impression.

But, politicians being politicians, they do not do so without the occasional hiccup. And sometimes that hiccup is loud—like a chorus of critics offering objections, including grapes of wrath from the artists themselves.

That is because candidates often neglect details when picking campaign songs—little details like, say, contacting the artists for permission. Again and again, this leads to embarrassing situations for candidates. For example, when Trump recently played Canadian rocker Neil Young’s "Rockin' in the Free World,” he received public criticism from Young himself. Trump was only the latest in a long line of campaigners to run afoul of an artist’s political preferences. Most famous to our generation, perhaps, was Bruce Springsteen upbraiding President Reagan for planning to install "Don't Stop (Thinking About Tomorrow)" but because the band generally voted for the Democratic party, it did not object to the exposure.

The opposite can happen as well. Mick Fleetwood recently admitted that Bill Clinton's campaign never requested permission for what became Clinton’s iconic 1992 campaign anthem, "Don't Stop (Thinking About Tomorrow)" but because the band generally voted for the Democratic party, it did not object to the exposure.

On the whole, being accused of having “ripped off” an artist’s work for political gain is a risk that politicians ought to deflect. Recent controversies over the unauthorized use of music have created unwanted negative publicity for candidates that may want to do the right thing, and may even have a license for the music they play, but still need clarity on their legal obligations relating to such use.

“Before They Make Me Run”: Know the Law, Ask Permission

With apologies to the Rolling Stones (or, at least, giving credit where credit is due), the fundamental precept for campaign managers (if not candidates themselves) is to know the boundaries of fair use under copyright law, the related laws protecting speech and limiting it, rights to publicity, and the Lanham Act. It is a complex brew, and candidates in the public spotlight should make decisions about borrowing artists’ work within a legal framework, and having guidelines is good for all involved.

Campaigns should also be mindful that politicians are seeking to promote themselves and to attach certain themes and ideas to campaigns. Political speech is fast-moving and fleeting by its nature; unlike commercial speech, where branding and advertising are intended to make a single long-term impression on consumers, political speech is usually issued in the moment, and tomorrow may bring a different message. While
commercial entities have a vested interest in searching and vetting their commercial messages, political entities often do not.

While playing a popular song as backdrop for a political advertisement suggests someone secured a license, playing that same song while a candidate walks on stage, or at a party after a convention, is a different type of use—more akin to the use of a purchased song on a sound system at a private event.

The first question, then, is to what use a specific song will be put. Differences in degree do matter: if a campaign wants to use a particular song in a campaign commercial, it is important to learn what permissions it needs and secure them. Creating advertising may entail synchronizing music with video, for example, and may require using a digital version of the master sound recording. Using snippets of a chorus, for example, or just one verse out of context, changes how the song is used; and the campaign would need to contact the song's publisher and possibly the artist's record label to negotiate the appropriate licenses.

Campaign videos containing music that then is to be posted on the Internet also require licenses. And once a commercial has been produced, TV and radio stations and any websites that transmit the commercial also must hold a public performance license.

Events present a different challenge. If a campaign wants to have an event with a musical performance component—using a sound recording or having a band play its own version at the event, then the venue or the sponsor of the event must have a public performance license from the artist, or her or his representative. (It goes without saying that contracting with a band to play its own songs implies their permission!)

Most venues, such as hotels, arenas, stadiums, theaters, and sports arenas, secure blanket licenses from one of the performing rights organizations, of which there are three main ones in the United States. Each represents a large body of songwriters and lyricists. Venues find it easier to get a blanket license that covers the performing rights organizations’ entire catalog, which may be performed in the venue, so one license can cover hundreds of thousands of songs. Licenses are often based on whether tickets are being sold or offered free of charge, how often music is being performed, the number of seats in the venue, etc. Event sponsors can simply go online, fill in a form, and obtain a license quickly.

If a campaign is playing a song in a venue that has a blanket license from a performing rights organization, it is probably in compliance with copyright law. However, sometimes rallies happen in nontraditional event spaces, where blanket licenses may not be in place. In those situations, the campaign or group sponsoring the event must take care to acquire necessary licenses from the artist whose work is going to be performed, or their publisher or the performing rights organization.

It should be noted that a performing rights organizations’ license does not cover music when it is part of any type of video or motion picture or other advertisement. Even if a general use license may allow one or more songs to be played at an event, if a campaign marries that song to a promotional video, posts any such footage to YouTube or elsewhere online, or uses it in a television advertisement or otherwise, it needs to negotiate a separate license from the copyright owners, as well as for the sound recording if it is using the original band’s version. Copyrights for sound recordings are usually retained by the recording company. There are no fixed fees for these types of licenses; they need to be negotiated separately.

There are complexities even beyond following the letter of the law and securing a blanket permission, however. Americans have seen recently this in the case of Donald Trump’s rise to the top of the Republican field, when he earned the scorn of alternative-rock band R.E.M. for using their song “It’s the End of the World As We Know It” early in his campaign, and as noted above, more recently of Neil Young.

**You Can’t Always Get What You Want**

But, you ask, if a campaign event takes place in a venue that’s properly licensed, and a candidate walks on stage to the sound of a popular song, you ask, why then does the candidate still receive criticism? Why can a candidate sometimes even get sued by an artist for playing his or her song at an event?

A fair question—and thus the wrinkle: If an artist does not want her or his music to be associated with a campaign or candidate, he or she may be able to take legal action even if the campaign has the appropriate copyright licenses.

While a campaign could be in compliance with copyright law, it could violate other legal principles, becoming liable for claims under right of publicity laws, which in many states provide image protection for famous people or artists; for claims under the Lanham Act, which covers the confusion or dilution of a trademark (such as a band or artist name) through unauthorized use; and claims under the so-called "false endorsement" principle, wherein use of an artist's identifying work falsely implies that the artist supports a particular product or candidate.

Often, the issues arise from a campaign’s attempt to tap into pop culture. Looking to leverage certain icons or
instances of popular culture can engender likelihood of confusion claims under the Lanham Act, and false endorsement claims from their creators. In *American Family Life Ins. Co. v. Hagan*, for instance, Ohio’s gubernatorial candidate Tom Hagan ran commercials against the incumbent Ohio governor Taft that parodied AFLAC’s iconic television commercials.

Specifically, Hagan’s internet commercials include a crudely animated character made up of Governor Taft’s head sitting on the body of a white cartoon duck; the duck quacks “TaftQuack” several times during each commercial. Hagan broadcasts these commercials at his website, www.taftquack.com. 266 F. Supp. 2d 682 266 (N.D. Ohio 2002)

AFLAC did not want to look like it was picking sides in the campaign; and filed a range of claims including trademark dilution and copyright infringement; and while the court denied the company a preliminary injunction, it did find that AFLAC was entitled to a trial on the merits.

If you’re smiling at the phrase TaftQuack, you’re not alone. These cases can be downright amusing. In 2014, the Hershey Company sought to enjoin Maryland State Senator Stephen S. Hershey Jr, from using its brown-and-white trade dress in connection with campaign activities—including signs saying “HERSHEY for Senator.” As the world-famous chocolate maker explained in its complaint, the candidate was manifestly using Hershey’s “fame and equity” in a bid to drum up votes. Testament to chocolate’s enduring appeal, may I add, it was the company’s second action against the senator in five years: it sued him during an earlier campaign in 2010.

In trademark law, the owner of a registration is often forced to defend against any type of mimicry that can lead to the mark’s dilution. With respect to music, the principle is analogous to the extent that an artist is seeking to protect the integrity and the value of a popularly recognized name and brand. As a general rule, then, a campaign manager should be aware that, in most cases, the more closely a song is tied to the image of a candidate or the message of the campaign, the more likely is it that a recording artist, a songwriter, or the producing entity that owns the copyright could object to that song’s usage in a campaign.

It’s worth pointing out, too, that the impact of a song’s unauthorized use can be problematic for the owner. In taking an action against a use they think objectionable, that owner risks giving a politician additional publicity. Not to take action may invite the public to think he or she endorses the song’s use or even gave permission for such use—in a recent case, giving the impression that someone like a Neil Young, a singer with a notably liberal profile, was endorsing Donald Trump, whose recent pronouncements seem anything but.

This amounts to a type of a reverse endorsement trap: when Ronald Reagan “declared” Bruce Springsteen as one of his own by adopting his iconic song “Born in the USA,” Springsteen was forced to choose between letting the association stand or actively disassociating from the candidate. He chose the latter; when the ambiguity (or the brand risk) gets great enough, most artists will, one way or the other, step in.

### Fair Use: The Slippery Slope. (Oops! Song Title!)

It seems simple: if a campaign wants to use a song as its theme and minimize the risk of either legal claims or the public disregard of popular artists, it should solicit recording artists’ permission in advance.

Why don’t more do so? The answer surely has something to do with the nature of campaigns, with their mad pace meaning decisions are often made on the fly. Candidates have many issues to address and keep frantic travel schedules; it’s easy to see copyright issues get pushed “to the back of the bus.” But many candidates and political groups also apparently rely on the legal concept of fair use when questions arise about how campaign materials incorporate works created by third parties.

There are widespread misconceptions in the political arena about just what fair use entails. In general, fair use is a limited situation where copyrighted works may be used without a license. While a candidate may use a quote from a copyrighted work such as a poem or a novel, for example, fair use suggests she or he might only use a sentence or two, and certainly should give credit to the author. A candidate might even want to quote the lyrics of a copyrighted song—again, permissible if limited in scope and citing its source.

But fair use does not create *carte blanche* entitlement to use the entirety or even substantial portions of copyrighted works in a political context. As those who practice copyright law well know, fair use is not a broad defense; there are specific, often subtle tests to determine whether something qualifies.

Political campaigns may also rely on First Amendment law. Politicians are often careless about intellectual rights because much speech is protected by the First Amendment, and some candidates—in particular, a notably polarizing recent candidate we likely all can think of—are in the habit of saying almost
A reliance on freedom of expression is often justified. In *Keep Thomson Governor Committee v. Citizens for Gallen Committee* 457 F Supp 957 (Dist. Ct. - NH, 1978), the political committee supporting incumbent New Hampshire governor Peter Thomson had purchased the copyrighted song “Live Free or Die,” which took as its title the state’s famous motto and which it used in campaign advertisements. When supporters for Democratic gubernatorial candidate Hugh Gallen used about 15 seconds of the same song in an anti-Thomson ad, Thomson sued. Unfortunately for Thomson, despite the campaign’s having secured the rights to the song, the court found that the non-commercial, political debate engaged in by the Citizens for Gallen was protected by the First Amendment.

But what if the campaigns’ use is not protected by the fair use defense or the First Amendment? Statutory copyright infringement damages can easily reach the hundreds of thousands of dollars and include attorney’s fees. Such disputes can also lead to damaging publicity, particularly when the dispute is with a popular songwriter or band. The presidential campaign for former Alabama governor Mike Huckabee—who, incidentally bears little resemblance to one of the world’s greatest predators—recently agreed to pay the band Survivor $25,000 to settle a suit for a one-time use of their song, “Eye of the Tiger.” A claim for millions of dollars against the Ted Cruz campaign and its advertising firm for unauthorized use of two songs also has survived preliminary motions to dismiss and is proceeding.

While the laws surrounding the use of songs on political campaigns can appear muddy, with candidates getting some permissions but not all, it’s crystal clear that campaigns are going to continue using songs to help motivate voters and get their messages across regardless of the risks. It’s just one aspect of the political fray we endure during our extended political season; when the dust settles and the speakers are powered down, I’m sure many breathe a *hallelujah*.

Scott J. Slavick is a partner at Barack Ferrazzano Kirschbaum & Nagelberg LLP in Chicago, focusing on U.S. and international trademark prosecution and litigation, trademark portfolio management, trade secrets, and related counseling. Slavick also assists clients in drafting policies to protect IP while still exploiting social media to build brands. He has been published widely on aspects of trademark law, including rulings at the Trademark Trial and Appeal Board of the USPTO, and on trademark protection in social media. Email him at scott.slavick@bfkn.com.
The Day the Music Died: How the Department of Justice Unraveled Music Licensing to Create a New Ball of Confusion

BY ASHLEY H. COUCH

I. Background

This summer, the music industry roared with outrage after the Department of Justice (DOJ) released its review of the consent decrees governing the two largest performing rights organizations (PROs), Broadcast Music, Inc. (BMI) and American Society of Composers and Publishers (ASCAP). The non-profit PROs voluntarily entered into the decrees with the DOJ in 1941 with a goal “to prevent these two companies from acting monopolistic and regulate how they operate.” Periodically, the DOJ undertakes a review and occasionally amends the consent decrees “to adapt to a changing industry and technology.” The most recent modifications to the decrees occurred in 1994 and 2001 for BMI and ASCAP, respectively, and the updates currently suggested represent the biggest proposed changes since their inception.

Ultimately, in a decision that shook the music industry to its core, the DOJ released its findings after the two-year review, “delivering a hammer blow to publishers and songwriters in the market, and celebratory news for the likes of Pandora” (and other streaming and technology companies) and declined to adopt any of the modifications suggested by the PROs.

II. Request to Reconsider

In an effort to address advancements in technology at the behest of music publishers and the PROs themselves, the DOJ agreed to reconsider the decrees for the first time “since the invention of the iPod.” Music publishers sought review of the consent decrees in an effort to carve out exceptions to the blanket licensing system utilized by the PROs to allow for direct licensing of digital rights while ensuring PRO coverage for non-digital rights.

Leading up to the DOJ ruling, the Copyright Office promulgated a report on current music licensing practices entitled Copyright and the Music Marketplace, recommending changes to the consent decrees. The report “followed an extensive public process conducted in 2014 that included written submissions from interested parties—including songwriters, recording artists, music publishers, record companies, licensing entities, public interest organizations, and digital music services—and six days of hearings held in Nashville, Los Angeles, and New York.” During the study, questions were presented regarding how to fairly compensate songwriters, how to streamline currently ineffective procedures for music licensing, how to address the lack of databases with complete information to assist in identification of rights, and “the need for greater transparency in usage and payment information.”

The PROs invited DOJ reforms, advocating changes to ensure that creators are properly compensated based on the fair market values for their works and to “preserve the value of collective licensing that enables PROs to serve its songwriter members.” Specifically, ASCAP suggested that the decrees “1) allow for partial withdrawal for publishers; 2) allow the PROs to bundle multiple rights together for licensing; and 3) provide opportunities to expedite the rate setting process between PROs and licensees.” Other organizations in addition to ASCAP, including BMI, Sony/ATV, Universal Music Publishing (UMPG), and some digital services were “pushing for the allowance of digital withdrawal, opening up the possibility for them to strike direct deals with digital services, who then wouldn’t be able to employ a compulsory license, in turn forcing them to negotiate market rates without the fallback of the ASCAP and BMI rate courts.”

Describing the mechanics of the current system, the Copyright Office in its formal response described how “each co-owner may grant a non-exclusive license to use the entire work provided the licensor account and pay the pro-rata share to the other co-owners.” Though specific fractional owners currently hold the right to assign or exclusively license their unique ownership share in the copyrighted work without permission from the other owners, a co-owner "may not transfer the entire copyright, or grant an exclusive...
license to the entire work, as that would impair the rights of the other co-owners... thus, a transfer of ownership or grant of an exclusive license can occur only through the signed, written agreement of all co-owners." As basis for the current system of fractional licensing, the Copyright Office referenced changes made to the Copyright Act in 1976 as evidence of congressional intent to ensure that copyright interests "could be divided and separately owned," and stated in part that, "the decrees must be interpreted to respect this fundamental principle, and indeed, as implemented, have accommodated the industry practice of fractional licensing for many decades." They further referenced rule changes by ASCAP and BMI in the 1970's, which allowed for the registration of songs with the PROs to streamline procedures and facilitate songwriter collaborations among different societies.

According to the DOJ, the question of 100 percent licensing arose as they conducted the review, after they stumbled upon a philosophical disagreement among industry players regarding the scope of the blanket PRO licenses and rights conveyed pursuant to the same. Specifically, advocates on one side presented arguments that "in order to effectuate the purpose of the consent decrees, the blanket license must grant licensees (also called 'users') the right to publicly perform all songs in the ASCAP and BMI repertories." Alternatively, those in opposition suggested that the PRO blanket licenses "confer only rights to the fractional interests in songs owned by ASCAP’s and BMI’s members and that music users must obtain separate licenses to the remaining fractional interests before playing the songs." Ultimately, the DOJ concluded that the evidence presented required 100 percent licensure of musical works although surprisingly "none of the participants identified fractional licensing of music works by the PROs as a practice that needed to be changed." Interestingly, "the review of the consent decrees coincided with particularly bitter clashes between the music industry and digital radio service, Pandora, which relies on the current royalty system to get rights to many of the songs it plays." Although songwriters are not required to employ the services of ASCAP and BMI, most choose to use the non-profits for song licensing as doing so simplifies the royalty collection process. Ironically, "while the DOJ is said to be about to grant partial withdrawals for publishing, that ruling is now a moot point since Pandora -- the main reason publishers wanted to withdraw digital rights -- is now moving away from using the compulsory license, striking direct deals with publishers (and paying a higher rate, too)."

III. Department of Justice Review

To the surprise of the entire music industry, the DOJ review centered on two major proposals for consideration. The first proposal, met with dismay from music publishers who, with the PROs, requested consent decree updates allowing for partial withdraw, was to disallow for any partial withdrawal from the PRO blanket licenses, which "means that publishers either have to be "all-in" or "all-out" with PROs." The result of this ruling would be that publishers would not be able to engage in direct music licensing deals with Digital Services Providers (DSPs) such as Spotify and Pandora for performing rights. As some procedural background, in 2013, federal judges ruled in two separate cases involving Pandora and the PROs that direct licensing was not allowed, however the publishers later sought direct digital licenses without the assistance of BMI or ASCAP, leaving the PROs only to license and collect royalties for uses on radio, television and live performances. Thus, given the all or nothing nature of PRO licensing, "if publishers want better rates with Spotify and Pandora, they will also need direct deals in all other mediums" which "includes every radio station, TV network, retail store, and live music venue." In fact, some sources suggest that the "No Partial Withdraw" ruling may be the most significant new change as direct deals may serve to entice publishers to avoid PROs, resulting in the eventual collapse of the current PRO model:

"With ASCAP and BMI’s expenses totaling $260M+ in 2015, this money could flow back into the system. This would require the publishers to have direct deals with all radio, TV, background and live music users...Music users would utilize recognition technology to identify all commercial music. A global marketplace could work as an exchange to license and distribute royalties. One organization offering transparency behind rate structures could solve many problems. Businesses would pay fees based on actual music usage. Songwriters could receive compensation.
for the commercial use of their music. Transparency would allow the industry to fully “Follow The Dollar.”31

The second decision revolved around the issue of 100 percent licensing which essentially “gives a songwriter with any ownership on a song, even as little as 1%, the right to license the entire song on behalf of all other songwriters” and worse, “that same song can only be licensed once to a given music licensor.”32 The practical effects of this decision could devastate the industry, allowing scenarios where “anyone from the lead songwriter down to the producer that gets a few songwriting credits could license the song.”33 Beyond the suggested provisions being construed as unfair to songwriters with controlling interests in songs that could be licensed by minor participants in the same, as often co-writers on the same songs affiliate with disparate PROs, the logistics of ensuring payments reach the proper parties when allocated among various PROs could present a royalties collection and distribution nightmare for administrators.34 As another example of how this might play out in practice, “in a fractional licensing world, the songwriter (or PRO) with 1% ownership is only able to license their portion,” however “in a 100% Licensing world, when ASCAP licenses a music venue, but only controls 1% of a song, that venue no longer needs to also obtain a license from BMI for that same song,” so “ASCAP must license the full 100% of the song and account back to BMI.”35

IV. Problems with the “New” System

The Copyright Office has been one of the most vocal critics of 100% licensing, releasing a statement that, “such an approach would seemingly vitiate important principles of copyright law, interfere with creative collaborations among songwriters, negate private contracts, and impermissibly expand the reach of the consent decrees.” The Office further surmised that by forcing the PROs to implement 100 percent licensing, [the] DOJ "could also severely undermine the efficacy of ASCAP and BMI, which today are able to grant blanket licenses covering the vast majority of performances of musical works -- a practice that is considered highly efficient by copyright owners and users alike."36

ASCAP reacted strongly to the proposal, writing to its members, “we are deeply disappointed by the DOJ’s proposal—especially given that thousands of ASCAP members wrote to the DOJ expressing serious concerns about 100% licensing and how it would impact songwriters' livelihoods and creative freedom.”37 In a letter to its membership, ASCAP’s President writes, (“songwriters have been disadvantaged in the marketplace by a regulatory structure that was conceived in a very different era. We went to the DOJ seeking their help to update the consent decrees. Instead of making the necessary modifications, we have been saddled with a disruptive proposal that ignores songwriters’ concerns for our future livelihoods in a streaming world, serves absolutely no public interest and creates confusion and instability for all of us who depend on the efficiencies of collective licensing...It is as if the DOJ saw songwriters struggling to stay afloat in a sea of outdated regulations and decided to hand us an anchor, in the form of 100% licensing, instead of a life preserver.”38

Similarly, Mike O’Neill, President and CEO of BMI stated, “the DOJ’s interpretation of our consent decree serves no one, not the marketplace, the music publishers, the music users, and most importantly, not our songwriters and composers who now have the government weighing in on their creative and financial decisions.”39 Martin Bandier of Sony/ATV concluded, “we are extremely disappointed by the DOJ’s decision to issue a misguided and unprecedented interpretation of the consent decrees.”40

Members of Congress spoke out against the ruling as well. Of the most vocal were Congressman Doug Collins (R-GA) and Representative Marsha Blackburn (R-TN). Congressman Collins blasted the decision, stating, “The Department of Justice’s position is arrogance at its worst. The decision fails to address the vitally important issue of terminating or reforming outdated consent decrees, and instead broadly expands its interpretation of existing consent decrees. Under this expanded interpretation, the PROs must adopt “100 percent licensing” even if the PRO does not represent all joint owners of a musical work. This is a...
departure from common practice in the music industry and one that could have drastic consequences. The decision won’t fix anything, but it will create new problems for the music industry. I fear these problems could undermine creative collaborations, harm songwriters, and tip music industry contracts and negotiations on their head.”41

Similarly, Representative Blackburn concluded,

"The longstanding practice has been for writers from ASCAP to write with writers from BMI or SESAC and not worry about which (performance rights organization) their collaborators are with...Now, if this becomes the law of the land, it will be the first question you would ask. Because why would you want to work with someone under another (performance rights organization) and give them the ability to license your song?"42

One of the main challenges with the 100% licensing argument is that the DOJ and lobbyists arguing on behalf of music licensees firmly posit that 100 percent licensing is, and has been, the rule for the consent decrees, and thereby merely represents the status quo.43 On the opposite end of the spectrum lies the music industry, which is screaming about massive upheaval in the wake of a “new” 100 percent licensing rule.44

Beyond the aforementioned concerns, critics of the DOJ ruling suggest the resulting market will be characterized by rate shopping among copyright owners, thereby producing reduced royalty rates, unnecessary service charges and disparate payments to rights-holders. This would also result in disincentives to collaboration between songwriters who will be pressured to collaborate only with other songwriters affiliated with their same PRO. Moreover, predictions exist that the new 100 percent licensing rule will result in overall withdrawal from the PROs by publishers hoping to avoid the 100 percent licensing requirement and maintain fractional licensing capabilities through direct licensing.45 In the same vein, 100 percent licensing “could hamper the ability of the smaller PROs such as SESAC and Irving Azoff’s Global Music Rights to compete in the marketplace."46

According to Sony/ATV Ceo and Chairman Martin Bandier, “not only does it contradict the views of the U.S. Copyright Office and the entire music industry, but it will bring significant uncertainty and disorder to a marketplace that has worked well for years, while leaving everybody in the licensing process, including songwriters, to try to figure out how 100% licensing might work."47 As stated by The Copyright Office, “in sum, an interpretation of the consent decrees that would require 100-percent licensing or removal of a work from the ASCAP or BMI repertoire would appear to be fraught with legal and logistical problems, and might well result in a sharp decrease in repertoire available through these PROs’ blanket licenses."48

The Copyright Office further voiced concerns about the impact of the decision on international copyright laws, suggesting that, "it is important to recognize that the United States’ rules on joint authorship differ from those of many other countries that require the consent of all co-owners for any license, not only an exclusive license” as this decision “run[s] afoul of the Copyright Act and the rights of foreign authors as well.”49 The Office continued its critique, offering, “the consent decrees should not be construed in a manner that annuls essential elements of copyright law” and stated that the Office “is aware of no authority by which the antitrust consent decrees governing ASCAP and BMI could operate to supplant Congress’ constitutional prerogative to establish the nation’s copyright law, or to override exclusive rights granted under that law or by foreign law.”50

Those in support of the DOJ findings hold strong with the position that, “based upon its investigation of historical industry practices, the express provisions of the PROs’ own songwriter agreements, as well as legal precedent relating to the consent decrees, those decrees have always required ASCAP and BMI to offer licenses to every whole song in their respective repertories and ASCAP and BMI have always in fact offered such licenses”51 They argue that by keeping the system the same, allowing licensees to procure from ASCAP, BMI and SESAC licenses to an entire composition despite percentage of ownership, no harm results from the decades-old practice.52 To bolster their argument, they suggest that, “whole work licensing” or 100% licensing, “is necessary to allow users to make immediate and unplanned use of every song in a PRO’s repertory...one of the key pro-competitive benefits that

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Even the DOJ concurs with some of the feedback from adversaries, noting that the consent decrees are “inherently limited in scope” and suggests, “a more comprehensive legislative solution may be possible and preferable.”57 The DOJ mentioned the disparate treatment of songwriters in regards to performance rights as opposed to those paid for the use of master rights, which pertain to labels and performing artists and for which owners are able to negotiate market rates directly with licensees such as streaming services.58 In an interesting turn, ASCAP noted “the DOJ’s own comments that an overhaul of copyright law might be a better way of addressing issues with music licensing, rather than just meddling with old anti-trust agreements.”59 Ultimately, only time will reveal if harmony between these competing interests can be achieved.

Ashley Hollan Couch is an Entertainment Industry Attorney and Consultant at the Hollan Entertainment Law Group, LLC in Atlanta, GA. She focuses her practice in entertainment intellectual property and business matters. Ashely may be contacted at ashley@hollanlaw.com

Endnotes

2 Id.
3 Id.
5 Id.
9 Collins, supra.
10 Id.
11 ASCAP, supra.
12 Id.
13 Christman, supra.
14 Id.
15 Id.
16 Id.
17 Id.
18 Music Business Worldwide, supra.
19 Id.
20 Id.
21 Id.
22 Collins, supra.
23 Music Business Worldwide, supra.

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25 Christman, supra.
26 Penick, supra.
27 Id.
28 Id.
29 Penick, supra.
30 Id.
31 Id.
32 Id.
33 Id.
34 Id.
35 Id.
36 Christman, supra.
37 ASCAP, supra.
38 Paul Williams, A MESSAGE FROM ASCAP PRESIDENT PAUL WILLIAMS TO MEMBERS ABOUT THE DOJ’S 100% LICENSING PROPOSAL (2016).
40 Id.
42 Id.
43 Id.
44 Id.
45 Christman, supra.
46 Id.
47 Music Business Worldwide, supra.
48 Christman, supra.
49 Id.
50 Id.
51 Music Business Worldwide, supra.
52 Id.
53 Id.
54 Roberts, supra.
56 Id.
57 Id.
58 Id.
59 Cooke, supra.
How about us though? How about us, the American taxpayers, what do we have when it comes to saying yes and no to other folks spending our hard earned money through taxes to build grandiose stadiums? Specifically, what protections do we have and why have we not exercised our rights to those protections?

For one, we can vote. We can vote no on tax increases and bond deals issued to build new professional sports stadiums. We can call the bluff of owners who threaten to leave a city for another if they do not receive a new home, e.g. the St. Louis Rams who left for Los Angeles. Voting is a powerful right and freedom of free people. However, when push comes to shove, Americans have traditionally failed to exercise their right to vote no on tax increases and bond deals for professional stadiums.

There are many explanations why Americans consistently vote against their pocketbooks and bank accounts. One reason may be that we love our sports so like a family member or friend who always borrows money we give and give some more. Another reason may be that dysfunctional relationships sometimes work because it is the status quo. We are fearful of the unknown. We fear losing something and so we do whatever we can, e.g., give our money, to professional teams to keep them secure in our cities.

What do professional sports give us? They give us the best and worst of entertainment anyone could ask for because nothing is scripted. Everyone has a role, but nothing is certain. Sporting events give us highs, lows, and everything in between. We spend hours on end playing fantasy sports, pretending that we have been great in a uniform.

Sometimes we idolize our favorite athletes and sports teams when athletes and teams become our heroes, our hope in the future, our Friday night, Sunday afternoon, and every other day in between. Logically, it does not make sense. However, every year we consistently come back for more. We say, “next year is our year.” We push on, hoping that the best is yet to come.

Unfortunately, when we tie emotion to our wallets, we forget logic.

### PLAY BALL

Cases-in-point: The San Diego Chargers, Milwaukee Bucks, San Francisco 49ers, San Francisco Giants, Atlanta Braves, and Los Angeles Dodgers

What do the Chargers, Bucks, 49ers, Giants, Braves, and Dodgers all have in common? All of these professional sports franchises, at one point or another, have built or proposed to build stadiums for their teams, but each of them did it differently. Let us explore the different deals for each of these franchises struck to secure their sporting stadiums.

San Diego Chargers, NFL, and the San Diego Padres, MLB

Per Tom Shepard with the *Voice of San Diego:*¹

“All told, land acquisition and construction for Petco Park cost $456.8 million: $225 million financed with municipal bonds repaid by hotel taxes; $57.8 million from redevelopment funds generated within the project area; $21 million from the Port of San Diego and $153 million from the Padres (not including their substantial investment in private development projects in East Village).” “A series of lawsuits delayed construction, but Petco Park eventually opened in April 2004. Since then, public investment in it has spurred more than $2 billion in private investment, generating hundreds of millions of dollars in new tax revenues and transforming East Village into one of San Diego’s most exciting and vibrant neighborhoods.”

At first glance, the Padres ballpark was a good deal for all sides because it did not directly tax citizens and it benefitted the community through investment and development. In contrast, how about the Chargers? How would we rate their proposal and the current situation?

From another article written by this author on January 25, 2016, “What the Chargers Have to Do to Keep the Team in San Diego:”²

“Often when two sides to negotiation focus on their differences, they fail to make a deal. This is
really common sense, which sometimes is not so common, as the saying goes. The NFL sees a future for professional football in San Diego or else they would have allowed the Chargers to move outright. The sides should focus on what has worked in the past, what has failed, and what needs to be completed to get a deal done. In the end, a fair deal for San Diegans is what matters. Taxpayers should not be stuck with a bill other than what they vote on and pay for in terms of season tickets and merchandise. If the sides can secure a deal that the public supports, the Chargers will be in San Diego for the future.

See also, “What the ‘15 Chargers can Learn from the ‘98 Padres.”

Recently, a proposal emerged that would not tax San Diegans. From “A ‘no tax’ Chargers stadium plan unveiled” by Roger Showley with the San Diego Union-Tribune:

“Former [San Diego] City Councilman Carl DeMaio [recently unveiled a plan] to pay for a new $1.5 billion Chargers stadium without a tax increase or a convention center annex. . . [that plan] involves fans and investors, investing in the stadium for $5,000 to $700,000 each.”

Instead of a convention center annex, as the Chargers propose in their planned Nov. 8 so-called “convadium” ballot initiative, DeMaio would substitute a 250-room hotel whose rooms would overlook the stadium field, and a 200,000-square-foot retail center with a fitness club, nightclubs, shops, restaurants and other attractions . . .

The Chargers’ initiative relies on raising the current city hotel room tax from 12.5 percent to 16.5 percent, $650 million from the team and NFL and other sources that could underwrite a $1.8 billion, publicly owned facility with 65,000 seats for a stadium and an attached convention exhibit hall, meeting rooms and ballrooms that can expand to the stadium field.”

It is uncertain whether the private investment capital required is available in San Diego since you would think the Chargers would have obtained the capital already. It is possible that the Chargers ownership does not want new owners, no matter how minor, through outside investment. Time will tell how this situation is resolved, but the current proposal on the ballot is calling for a 4% tax increase on hotels, to 16.5%.

Again, not a direct tax, but citizens will have to vote for that increase and it directly harms hotels, their bottom line, and the tourism industry. You can bet that the hotel tax will be pushed back onto the hotel guests, who also happen to be taxpayers. Despite its unpopular nature with Chargers fans, San Diego Mayor Kevin Faulconer has done a good job of not succumbing to the Chargers overtures on raising taxes and the like.

Milwaukee Bucks, NBA

From Mary Spicuzza, Jason Stein and Crocker Stephenson of the Milwaukee-Wisconsin Journal Sentinel:

“The Bucks deal includes $250 million in contributions from the state, city and county of Milwaukee, and a special arena and entertainment district. The other half of the arena is being paid by the team’s current owners and former U.S. Sen. Herb Kohl, the team’s previous owner.

State, city and county residents will ultimately pay $400 million on the arena when accounting for $174 million in interest over 20 years, with any construction cost overruns and maintenance expenses being the responsibility of the team.

Of the principal coming from taxpayers for the arena, $47 million would come from the City of Milwaukee providing a parking structure and tax incremental financing.

The rest — $203 million — would come from: bonds issued by an arena and entertainment district and paid off by state taxpayers; a $4 million decrease in Milwaukee County’s state aid over the next 20 years; and the increase of a ticket surcharge and the extension of existing local hotel room, rental car, and food and beverage taxes being collected by the Wisconsin Center District.”

Lastly, from Rich Kirchen, Senior Reporter with the Milwaukee Business Journal:
“The Milwaukee Bucks owners arranged a bank loan of at least $174 million to pay for the owners’ share of the $524 million arena project.”

In response to the massive amounts of tax dollars going to a professional sports stadium, Wisconsin Governor Scott Walker has argued that the team leaving the state would do more harm by taking away tax dollars and investment. More on that later.

San Francisco 49ers, NFL

Much like the San Diego Padres and Chargers, the 49ers and the Giants of San Francisco are a tale of two teams in one city. One went public, the other went private. Both are examples of what to do and what not to do: one involves taxpayers, one does not.

From John Coté with SFGate.com:9

“Back in November 2006, [former 49ers owner John] York projected the stadium would cost $600 million to $800 million to build. The price tag ended up at $1.27 billion, and it likely will take years to know how good of a deal Levi's Stadium is for Santa Clara taxpayers.

That price tag doesn't include a combined $37 million that Santa Clara spent to move an electrical substation and the stadium's share of a new city-built parking garage that had already been planned to serve the nearby convention center. Accounting for those costs, the stadium project comes out to $1.31 billion before interest payments averaging $14.6 million per year for 25 years.

Years of complex negotiations, at least four lawsuits, special state legislation and a successful ballot measure - which stadium opponents contend was a bait-and-switch - have produced a financing plan that includes a new tax on hotel guests near the stadium and $621 million in construction loans taken out by a city-related entity.

The authority, which is responsible for the construction loans, is supposed to pay them back using revenue generated by the stadium, including its $154 million cut of the $220 million, 20-year naming rights deal with Levi Strauss & Co. and the sale of seat licenses - one-time fees ranging from $2,000 to $250,000 per seat that give people the right to purchase 49ers' season tickets. The licenses are budgeted to bring in $312 million . . .

Publicly owned football stadiums are notorious for being a drag on public coffers as they age. It currently would cost about $100 million, for example, to pay off the bond debt still attached to O.co Coliseum after Oakland and Alameda County paid for major upgrades in 1995.”

A terrible deal for the Santa Clara taxpayers. Santa Clara was leveraged when team ownership dangled the proverbial 49ers franchise carrot, a jewel of the National Football League. The city took the bait and the taxpayers will be paying for the team’s home for years to come. It is a hearts and minds situation where professional sports team owners and cities leverage love for money.

San Francisco Giants, MLB

“We found that the only way that a ball park was going to be built in San Francisco is if the Giants were to do so privately.” - Stacy Slaughter, San Francisco Giants vice president.10

From Jon Gordon with Minnesota Public Radio, a city that has its own experience with publically-financed stadiums via the Minnesota Vikings of the NFL:

“[A]fter voters rejected public financing four times in the 1980s and 1990s, the Giants financed their new park largely on their own. Since 2000, Barry Bonds and the rest of the Giants have played to a consistently packed house in one of baseball's premier parks. But that doesn't mean San Francisco's privately-financed stadium honeymoon will last forever . . .

We are paying more for our stadium than most other teams do," said Slaughter. "We have an annual debt payment that we have to pay. But at the same time, other teams around the league are paying rent for their stadiums in excess of several million dollars. And they don't necessarily generate the revenues we do. So at the end of the day it's pretty much a wash . . ."
SBC Park [Now AT&T Park]\(^{12}\) cost $315 million. After selling the naming rights for $50 million and raising about $90 million through personal seat licenses and corporate sponsorships, the Giants borrowed $175 million for construction. The team pays about $17 million annually to service that debt, and will for another 15 years . . .

So far the Giants have had no trouble paying their stadium debt. A post-season regular the last few years, the Giants have 28,000 season ticket holders and regularly sell out their games.”

In 2016, not much has changed as the Giants rank third in attendance behind the Los Angeles Dodgers and second place St. Louis Cardinals.\(^{13}\) By any standard, a fair deal for the public. A round of applause to the Giants organization for doing it right.

**Atlanta Braves, MLB**

Per Barry Petchesky with *Deadspin*:\(^{14}\)

“Cobb County has released more details on proposed financing for a new stadium to host the Braves, after the team announced it will leave Atlanta after the 2016 season. It’s a 30-year deal that will have Cobb County paying around 45 percent of construction costs, or $300 million.

The memorandum of understanding . . . shows that the Braves will pay $280 million up front, with an additional $92 million over the life of the operating agreement. Cobb County will pledge $14 million up front in transportation improvements and $10 million from the Cumberland Community Improvement District, a self-taxing commercial district overseen by local business leaders.

The county will finance the remaining $276 million by issuing revenue bonds. As for repaying those bonds, here are the bullet points. Remember, each figure is the annual cost over 30 years.

- $400,000 from a new rental car tax.
- $940,000 from the existing hotel/motel tax.
- $2,740,000 from a new hotel/motel fee in the Cumberland CID.
- $5,150,000 from a property tax increase in the CID.
- $8,670,000 in relocation of existing Cobb County property taxes.

If you're against publicly financed stadiums (and you ought to be), that last one is startling. While the majority of Cobb County residents won't be paying any additional taxes to fund the Braves' stadium, a large amount of their existing tax payments will cover for the costs. That's $8.67 million a year over 30 years, 260 million dollars, that Cobb County could spend on other things (say, rehiring all those teachers)\(^{15}\) but will instead [be] use[d] to build a ballpark.

Also very important: Because there are no new taxes here outside of the self-taxing CID, the County Commission can approve the proposal without a countywide referendum. Cobb County residents will cover nearly half of the Braves' ballpark without getting to vote on it.”

Let us recap that for you: the taxpayers will not pay “new” taxes, but their existing tax dollars will go towards a new stadium. Unfortunately, because there are no “new” taxes, the citizens do not get to vote on whether their tax dollars should go to building a new stadium outside of Atlanta. Lastly, the above fails to mention that the Braves’ current home, Turner Field, was built in 1996, made ready for baseball in 1997, and there is nothing wrong with it.\(^{16,17}\)

**Los Angeles Dodgers, MLB**

Finally, we come to the Los Angeles Dodgers. Per *Dodgers.com*:\(^{18}\)

“The ballpark's rich history began with Dodger President Walter O'Malley’s foresight six decades ago. In 1957, O'Malley lobbied for a new stadium to be built for his Brooklyn club, but when a deal could not be reached[\(^{19}\)]{,} the Dodgers made the unprecedented move to California. In September of that year, the city of Los Angeles agreed to give 300 acres of land to the Dodgers in exchange for the deed to Wrigley Field in Los Angeles and their commitment to construct a 50,000-seat stadium. While Dodger Stadium was being built, the Dodgers played at the Los Angeles Memorial Coliseum through 1961, before the true Opening Day—April 10.
1962 - when the Dodgers finally played in their new home before 52,564 fans. The 56,000-seat Dodger Stadium, the first privately financed ballpark since Yankee Stadium in 1923, is a reflection of the careful study Walter O’Malley put into this seminal project.”

Moreover, per The Official website of Walter O’Malley regarding “Building O’Malley’s Dream Stadium”.

“After the Japan tour, O’Malley made a side trip to Italy before returning to the United States. O’Malley studied the Colosseum in Rome, which took 12 years to build and was completed in 82 A.D. The Colosseum seated an estimated 50,000 to 80,000 and remained the largest “stadium” until the Yale Bowl at New Haven was built for football in 1914 to accommodate 80,000 spectators.

While O’Malley examined his remaining options in New York, he pondered the landscape in Los Angeles. In a letter to Dodger stockholder James Mulvey on Jan. 8, 1957, O’Malley described a Thomas Brothers map book of Los Angeles County and the areas of Elysian Park and Chavez Ravine.

“In page 44 of the booklet just to the right of the center on the top you will find Chavez Ravine Road,” wrote O’Malley. “This particular map shows the freeways more clearly. There are about 400 acres of sandy hills and underdeveloped land in this area behind the Police Barracks. ... I wish you would drive out to this location at your convenience and study it. This happens to be the only spot adjacent to one freeway but within a short distance of the intersections of the remaining highway. ... When you return to New York, we will have some interesting observations to compare ...” (O’Malley letter to James Mulvey, January 8, 1957.)

In February 1957, O’Malley purchased the Chicago Cubs’ minor league franchise, the Los Angeles Angels, along with their home ballpark, Wrigley Field. O’Malley secured the territorial rights to the Los Angeles market and had a home if the team was unsuccessful building a new stadium in Brooklyn.

Negotiations with New York City officials eventually fizzled and Los Angeles agreed in September to exchange 300 acres of land in Chavez Ravine to the Dodgers in return for the Dodgers’ commitment to build a 50,000-seat stadium. The Dodgers also exchanged the deed to Wrigley Field to the city and agreed to pay a property tax estimated at $345,000. The contract also included a commitment from the city to spend $2 million on grading for the area and $2.74 million from the county for the construction of access roads.”

Not all was great however with the move to Los Angeles as it alienated Brooklyn fans, and Mexican-American families who were removed from their homes inside Chavez Ravine.21 However, the young lefty Fernando Valenzuela seemingly changed that sentiment overnight.22 However again, taxpayers were not taxed directly and the Dodgers paid for the land through a property tax. Nonetheless, it is unlikely that anyone is complaining now about the success and appreciation of the Dodgers in Los Angeles.

EXTRA INNINGS, OVERTIME, & THE PLAYOFFS

We have laid the groundwork, surveyed the field, now what have the political operatives said about publicly financed sports stadiums? Let us take the temperature of our elected representatives. What do our elected officials have to say and what have they done to protect the American taxpayer?

Political Opinion

Democratic President Barrack Obama, in 2015, proposed an idea that would limit public stadium financing by removing the tax-exempt status of bonds and the like to build professional sports stadiums.23 The President’s idea did not make into the law books, but interestingly he supported the Chicago Bears Soldier Field upgrade using taxpayer money in 2007 when running for the Oval Office.24

As discussed above, Republican Governor Scott Walker of Wisconsin, once a Presidential hopeful, was the biggest proponent of spending taxpayer money to keep the Bucks in Wisconsin when he signed legislation giving money and write-offs to the Milwaukee franchise.

On the other hand, Democratic Governor Jay Nixon of Missouri, before losing the Rams to Los Angeles,
supported a stadium deal that would have used taxpayer dollars. However, when the team left for Los Angeles, he said the team would have lost $10 million per year in tax revenue, which was a similar argument used by Governor Walker of Wisconsin in his effort to keep the Bucks from moving.²⁵ It seems that for sitting politicians, it is a damned if you, damned if you do not situation since fans vote too. Per Elaine S. Povich, Pew/Stateline Staff Writer, with USA Today.com²⁶:

“The Bloomberg analysis²⁷ found that in the past 25 years, some 22 NFL teams have played in stadiums that were built or renovated using tax-free public borrowing. Sixty-four other teams — baseball, hockey and basketball — also play in arenas constructed with similar financing.

Over the life of the $17 billion of exempt debt issued to build stadiums since 1986, Bloomberg said, taxpayer subsidies to bondholders will total $4 billion.

The tax-free bond provision dates to the 1986 Tax Reform Act. The authors of the bill actually sought to restrict the use of public subsidies for sports teams. The law said that no more than 10% of tax-exempt bonds' debt could be repaid by ticket sales or concession — a provision its authors thought would deter using them to finance stadiums because cities and states wouldn't want to obligate taxpayers to pay off the rest of the financing.

But it didn't work. The bonds became attractive to investors because states and cities got creative in the ways they paid off the rest of the bond obligations.

According to Zimmerman [Dennis Zimmerman, an economist who worked for the Congressional Budget Office], they've often stuck tourists with the bill by imposing hotel and rental car taxes that raise "a whopping amount of money that's paying off a stadium." Or, he said, they're "sticking constituents with the tax bill."

However, not all stadium proposals are created equal. Enter Stan Kroenke, owner of the new-Los Angeles Rams of the NFL. Per Darrell Preston with Bloomberg²⁸ news:

“Billionaire Stan Kroenke is providing a business lesson to states and cities that for decades have poured taxpayer funds into professional sports stadiums: You may be better off letting the teams pay.

Kroenke’s decision to move his National Football League Rams from St. Louis to a privately financed $1.8 billion stadium in Inglewood, California, will wind up benefiting both cities, according to Moody’s Investors Service. The Los Angeles suburb, which is letting the team foot the bill, should pick up additional revenue. St. Louis will lose little, the rating company said, and be freed from building another stadium while still paying for the old one [Edward Jones stadium²⁹].”

Despite what politicians were offering or not, Kroenke did the right thing by paying his own way, making an investment in his team and the city.³⁰ Of course the St. Louis fans lost a team to a city that it was originally taken from, but overall it seems that the taxpayers benefitted in this deal. It is also true that Los Angeles is a large media market and was waiting to be plucked, but Kroenke refrained from using his leverage to move the team to gain incentives and tax exemptions.

PLAYOFFS

Public Opinion

“Sometimes the economic incentives aren’t always offset. But often you get the blimp flying on Sundays, civic pride and important meeting place where people can meet.”

-Randy Gerardes, senior analyst with Wells Fargo Securities.³¹

Unsurprisingly, from casual fans to economists, we all have differing views on public stadium financing. The quote from Wells Fargo Securities senior analyst Randy Gerardes above takes the “it is what it is” approach in that fans love their teams and so they are willing to part with their money to fund something they love by voting for new taxes and bonds, etc. However, not everyone agrees:

“Governments [American taxpayers who pay for and elect governments] should never finance a stadium with public money as it is simply a subsidy to rich team owners and a few...”
businesses that stand to benefit from the events held there.” -Jeffrey Dorfman, Contributor with Forbes.com.32

Dorfman goes on to argue that revenue from new business should never be a justification for upfront taxpayer dollars because that revenue does not directly benefit taxpayers or pay them back for their investment. Moreover, the increased revenue does not mean taxpayers made more money to spend at or around the new stadium, it is that they have not spent it on something else. For example, a person or family is likely to attend fewer movies in exchange for attending a professional sporting event in a new stadium paid with their tax dollars.33

Travis Waldron, Sports Reporter with The Huffington Post,34 writes:

“All told, 29 of the NFL’s 31 stadiums have received public funds for construction or renovation. In the last two decades, the analysis35 found, taxpayers across the country have spent nearly $7 billion on stadiums for a league that surpassed $10 billion in revenue last season.

“Unfortunately, beneath all of the glitz and glamour, these venues are nothing more than monuments to corporate welfare and taxpayer handouts,” David Williams, president of the Taxpayers Protection Alliance, said in a press release. “These stadiums have been built on the backs of taxpayers who had no or little say in the matter and in many cases have benefitted little or not at all.”

In some sense, the debate between public or private financing is about your priorities and interests. Schools, roads, and infrastructure? Or gambling, sports, and playoffs? Los Angeles Rams owner by funding the project privately is one recent example and contrast to exchanging public funding and coercion through love of team.36

CHAMPIONSHIP & the OFFSEASON

What the future may hold

“Can American professional sports leagues afford to entirely pay for their own stadiums and the operations surrounding them?” –Clifton B. Parker, Stanford News37

According to Stanford economist Roger Noll, in his interview with Parker,38 he says yes they can and adds:

“Cities have very little bargaining power with an NFL team. As long as there are cities without NFL teams that are willing to subsidize a stadium, cities will have to pay part of the cost of a new stadium,” [Noll] said.

Ultimately, Noll acknowledged, cities can decide whether to view these facilities as a form of “public consumption” rather than as financial investments.

Interestingly, he noted, the city of Pasadena turned down a proposal to convert the Rose Bowl to an NFL stadium – which would have meant adding luxury boxes and fancier concession areas, and reducing the number of seats by 20,000.

“In recent years, several cities have simply decided the price is too high,” [Noll] said.39

When referring to Noll’s opinion, Parker adds this: “professional sports stadiums do not generate local economic growth as advertised. He also says the stadium costs that NFL teams expect local governments to contribute have fallen due to increased political resistance to subsidies for sports teams.”40

Economist Noll adds that the future may include smaller, but more luxurious stadiums as the internet crowd expands (or with the increase of virtual reality and daily fantasy sports). Noll also argues that the future will likely include more planning that involves economic development to an area, like a shopping mall with a stadium, much like the Inglewood, California development with Los Angeles Rams owner Stan Kroenke.

Closing Arguments

“Ultimately, the burden of public subsidies falls disproportionately on small cities that are the least able to bear the cost. For example, a $200 million public subsidy for a new stadium ends up costing a small city like Santa Clara roughly $1,650 per resident, compared to just $50 a person for L.A. And, of course, teams in bigger cities, with their bigger markets and more...
revenue, often do not need subsidies at all.” –Richard Florida, Contributor with *The Atlantic City Lab*41

Richard Florida, with *The Atlantic City Lab*,42 argues that to date professional sports franchises and their leagues have leveraged and made better deals for their teams. They have done this by (1) forcing updates to stadiums per league policies, (2) threatening relocation of the franchise if the stadium is not updated, and (3) by guaranteeing private investment and public benefit to an area where the new stadium will be built. The Atlanta Braves, San Diego Chargers, and many other stadiums are examples of the above approach to negotiations. Not surprisingly, and unfortunately, private businesspersons are better at negotiating deals than their government counterparts and often our elected officials enter bad deals as a result.

Florida continues and says that the Federal Government needs to step up and regulate the industry. He writes: “It’s time put an end to runaway public subsidies to lucrative sports franchises. Is there any other industry or field of business where taxpayers are asked to hand over astronomical sums to billionaire owners and their millionaire employees? If cities and states

Endnotes

8 https://www.washingtonpost.com/politics/scott-walker-approves-spending-250-million-on-milwaukee-bucks-arena/2015/08/12/5cd72d54-4055-11e5-9561-4b3dc93e3b9a_story.html

cannot stop themselves, it’s up to the federal government to step in.”43

Whether Congress steps up is a question that has not been answered to date. Whether that is the right approach is another question entirely. Ultimately, our city and county governments need to do a better job of managing our tax dollars. Remember, we can still vote and can vote elected officials out of office. Next time, get up and vote with your heart and mind focused on the greater good, not the greater team and the stadiums in which they play.

Jeremy M. Evans is the Managing Attorney at California Sports Lawyer®, representing sports and entertainment professionals in contract drafting, negotiations, licensing, and career growth. Evans is the Director of the Center for Sports Law & Policy (C SLP) at Thomas Jefferson School of Law in San Diego, California, where he resides. He may be reached at Jeremy@CSLlegal.com, www.CSLlegal.com, or @JeremyMEvansESQ

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- Jeffrey Cole (USC Annenberg) returning for his popular annual overview of the Industry.
- Important differences between free speech and personal privacy in Europe and the U.S. with Charles Harder (Harder Mirell & Abrams) and John Kelly (Harbottle & Lewis).
- Mike Dunn (President, Twentieth Century Fox Home Entertainment), Steven Schoch (CEO, Miramax) and Man Jit Singh (President, Sony Pictures Home Entertainment) on how to exploit studio film and television libraries.
- Peter Cuneo (Chairman, Valiant Entertainment), Eric Reid (WME) and other comic powerhouses on the rise of the comic book multiverse as an Industry superpower.
- Virtual reality as the “next big thing” with Richard Marks (Senior Research Engineer, Sony Interactive Entertainment), Guy Primus (CEO, The Virtual Reality Company), DJ Roller (Co-Founder, NextVR) and Ted Schilowitz (Futurist, Twentieth Century Fox).

PLUS, AFTERNOON BREAKOUT SESSIONS WITH POWERFUL INDUSTRY PLAYERS:

- Understanding idea submission law, with Tania Hoff (NBCUniversal), Glen Kulik (Kulik Gottesman Siegel & Ware) and Gail Migdal Title (ADR Services).
- Avoiding common missteps and misunderstandings in copyright law, with Vincent Chieffo (Greenberg Traurig) and Institute Co-Chair Mark Halloran.
- Claiming your money in the music industry, with Kris Ahrend (Warner Music), Randy Grimmel (Global Music Rights), Matthew Hurewitz (Hurewitz And Company) and Neville Johnson (Johnson & Johnson).
- Untangling the knots of new media provisions and policies by Hollywood unions, with Jennifer Gaudry (SAG-AFTRA), Michael Maizner (Loeb & Loeb) and Sabrina Stephenson (Netflix).
- Identifying and eliminating bias in the workplace, with Judith Gilbert, Gary Roberts (Fox Entertainment Group) and Carol Ross-Burnett (Sheppard, Mullin, Richter & Hampton).

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problems that future VR/AR games and devices may create.

For example, cell-phone-fixated players are walking into the street without looking. Some are driving while playing the game – indeed, one player crashed into a tree due to playing Pokémon Go while driving. Players are also attempting to capture Pokémon located in inappropriate places such as the Holocaust Museum and the 9/11 Memorial. At least one man’s private residence has been marked by the app as an in-game destination, causing players to congregate outside of his home at all times of the day. Armed robbers are using the game to bait unsuspecting players into unpopulated areas. A teenage girl in Wyoming even discovered a dead body while trying to catch a water Pokémon. For at least a few days, the app contained a coding “error” that gave the game’s developer “full access” to users’ Google accounts, including Gmail. Remarkably, all of the foregoing events happened over the course of the first week Pokémon Go was available to the public. The fact that Pokémon Go became ubiquitous in such a short period of time is a testament to public appetite for VR/AR.

Below, we highlight some prospective issues raised by VR/AR, while recognizing that this discussion is pure speculation at this point. The world of VR is still in its infancy, and, as such, these legal issues have not yet been explored in connection with VR. While we can (and do below) compare VR to other forms of media and technology preceding it, VR is unlike anything before it in terms of the immersive and interactive experience it provides. As such, it is difficult to predict all of the legal implications of this new technology. As HMDs and other VR devices become ubiquitous, these and other issues will come to the forefront and legislation and case law will likely provide answers to many outstanding questions. Only time will tell us which issues are non-issues and which issues require further regulation, innovation, and attention.

II. While The “Reality” May Be Simulated, The Potential Legal Issues Are Not

a. Consumer Safety

While the fully immersive experience of VR is what makes it unique and appealing, it has also spawned perhaps the top (and most obvious) concern regarding VR – the physical risks involved. It is not difficult to
imagine the kind of harm that can ensue when an HMD-user proceeds to move around a room filled with furniture, pets, cords, walls, and other objects while her view of the real world is obstructed. Injury to both the user and others in the vicinity is foreseeable. The Internet is filled with reports and videos of HMD users running into walls, furniture, the ceiling, and other people. The risk of harm is especially high when the user is engaged in a VR experience that encourages moving around (e.g., when the goal is above the user). It is not only real world objects that can cause the VR user harm, but objects within the virtual space, as well; forgetting that these objects are not real, VR users have attempted to sit or lean on non-existent furniture and are quickly jolted back to reality when they fall onto the very real floor. If these physical risks actualize and HMDs begin causing serious consumer injuries, a slew of product liability lawsuits will likely emerge claiming that these products suffer from a design defect and/or fail to sufficiently warn of their risks.

It is foreseeable that future plaintiffs will claim that HMDs are defective in design under both strict liability and negligence theories. But a product does not suffer from a design defect solely because it is dangerous (e.g., a knife). Like a knife, while the HMD’s design, essentially a high-tech blindfold, certainly presents a risk of danger, it also serves VR’s primary purpose – to fully immerse the user in a virtual experience. On the other hand, some HMD creators have shown that these products can be made safer with minimal interruption to the immersive VR experience. Indeed, Valve created a safety mechanism for its HTC Vive called the Chaperone System, which utilizes the Vive’s front-facing camera to detect physical objects in the user’s path. It also enables users to define the area of the room that they will use and notifies them when they get close to the boundary.

Unlike the Vive, the first consumer version of the Oculus’ Rift does not come with a Chaperone type system or a front-facing camera. The Rift, therefore, cannot detect or prevent a user from colliding with physical objects in their path, such as walls, tables, and chairs. This raises the question: is an HMD’s lack of a front-facing camera or chaperone system a design defect? In other words, could Oculus be held liable if a Rift user suffers a physical injury that could have been prevented by the inclusion of a front-facing camera and/or a Chaperone system? When asked if the Rift can set boundaries to ensure that users do not walk into walls, Oculus’ founder indicated that he believed that to be a software issue rather than a hardware issue. Interestingly, however, at least one earlier model of the Rift had a front-facing camera. Further, user reports and videos clearly indicate that Rift users are getting up and walking around, and several users are claiming that the Rift is dangerous and needs a Chaperone system like the Vive.

Oculus could take the position that the doctrine of assumption of risk bars liability for any injury that results from consumers walking around while wearing the Rift. Oculus could argue that not only is the risk of injury foreseeable, but it specifically warns users of such risks in its health and safety warnings. Thus, so the argument would go, the consumer assumed the risk of injury because they were aware of it and still used the HMD. The success of this argument would likely depend on several factors, including the adequacy of Oculus’ health and safety warnings and whether the inclusion of a front-facing camera is economical.

Manufacturers of HMDs may be able to avoid liability for injuries and side effects resulting from HMD usage by providing specific and thorough health and safety warnings. The health and safety warnings that accompany HMDs already on the market, such as the Rift and Vive, alert consumers to the immersive nature of VR and the risk of serious injury if the product is used in an unsafe area (or if one relies upon imaginary furniture to bear their weight). These warnings also notify consumers that VR interaction may produce a multitude of negative side effects, ranging from nausea and headaches to seizures and post-traumatic stress disorder. These types of consumer safety warnings insulated Nintendo from liability in connection with its Wii remotes, and it stands to reason that they will similarly prevent the imposition of liability in connection with VR HMDs. Future claims will either confirm the adequacy of such warnings or will test their limits.

Furthermore, since VR only recently made its public introduction, it may involve risks that are not yet known, including the long-term effects of VR usage. While more research is needed, many believe that long-term VR engagement may have an impact on eyesight, cognition, and behavioral function, especially in children. Further, there are concerns that the wholly-immersive nature of VR will cause users to develop serious addictions that could lead to death from exhaustion, dehydration or starvation. The threat of addiction to VR does not seem so far-fetched when one considers the severe addictions that users have developed to the significantly less immersive massively multiplayer online games (MMOGs). Oculus warns users to “take at least a 10 to 15 minute break every 30 minutes, even if you don’t think you need it,” but does not specifically mention anything about the threat of
addiction.¹⁵ Warnings may be modified or enhanced to address these and other concerns as they arise, or may be tested in future litigation. As with all new technology, refinements in both the technology and the business and legal practices surrounding it will continue for as long as the technology is interesting to developers and consumers.

b. Privacy

Like many mainstream products on the market today, HMDs such as Oculus’ Rift can – and do – collect data about their users. Unlike other forms of technology, however, the new VR HMDs have an unprecedented ability to collect unique personal information that consumers are not accustomed to providing, namely, physical movement. Oculus’ privacy policy reveals that the company not only collects information provided by its users, but also automatically collects certain information when a consumer uses Oculus’ services, including “information about your physical movements and dimensions when you use a virtual reality headset.”¹⁶ In addition to user location, Oculus tracks users’ head, hand, and eye movements, and can determine if a user is sitting or standing. Moreover, the software required to run the Rift includes an internet-connected process that is continuously running and routinely sending information to Facebook’s servers, even when the user is not using the device.¹⁷ In other words, Facebook, through Oculus, knows what content users are viewing on Rift, where they are viewing it, and the positional tracking of the HMD.¹⁸ Concerns over user privacy and security have already been articulated.

Growing concerns over Oculus’ privacy policy caused Senator Al Franken to ask Oculus’ CEO, Brendan Iribe, some hard questions regarding “the company’s collection, storage, and sharing of users’ personal data” to enable consumers to “make informed decisions about whether and with whom they share such sensitive information.”¹⁹ Oculus responded that it “collects information about physical dimensions to help improve its services” and admitted that it shares such information with its developers, including Facebook, “as necessary to provide our services and enhance the ability of relevant VR products for people.”²⁰ Notably, however, Oculus did not address whether it sells such information to third parties, despite being specifically questioned on the subject.

The unique (and arguably sensitive) information collected through VR products will likely be coveted by advertisers, hackers, and potentially government agencies. VR companies that collect this data must be careful not to mislead consumers by failing to implement or maintain “reasonable” and “appropriate” controls to secure such information, or by making materially misleading statements or deceptive omissions of material facts to consumers concerning the use, disclosure, or safeguarding of such information (e.g., in a privacy policy or other public-facing materials). Otherwise, they could be subject to enforcement actions by the Federal Trade Commission, as well as litigation brought by consumers for invasion of privacy.

Like other uses of private information, those selling VR products and experiences will be well-served by providing clear policies and choices with respect to the information collected. Responsible safeguarding of private information collected from users will also protect consumers and insulate developers from liability. No matter what policies and practices are adopted, the trove of information collected from the marketplace of VR users will make a tempting target for hackers and thieves. In this respect, the emerging VR community will not be breaking new ground; it will merely be joining the ranks of countless other interactive businesses who are entrusted with protecting customer information. A wide range of businesses, from banking and credit card companies to entertainment and dating services, already struggle to balance the quality of the services and products they provide against the need to protect user privacy.

c. Intellectual Property

VR may also implicate intellectual property issues where the virtual environment contains real world corporate logos, copyrighted works, or a person’s name or likeness. As with video games, the laws of copyright, trademark, and right of publicity govern the use of such content in VR.

A copyright owner has the exclusive right to reproduce, distribute, perform, or display the copyrighted work, or to prepare derivative works based on that work.²¹ Thus, VR content creators must secure a license from the applicable rights owner before displaying or performing material subject to copyright protection within a VR experience.²² Likewise, software developers must be cautious when it comes to enabling VR users to generate content (such as avatars). If users are provided with the means to incorporate protected material into the content they create, software developers may be held secondarily liable for the user’s infringing conduct.

With respect to the use of another’s trademark in VR, solely including another’s mark in VR is not per se
trademark infringement. Rather, the mark’s owner would have to establish the mark was used “in commerce” in order to state a claim for trademark infringement. For instance, if a VR user sells virtual cars bearing the BMW logo to other VR users, the use of the mark may be found to meet the “in commerce” element of trademark infringement.

Similarly, invoking the name or likeness of a celebrity in VR could amount to an unauthorized use – forming the basis for a right of publicity action – if the use was commercial in nature. Because right of publicity laws vary from state to state, content providers must take additional care to ensure that use stays within the bounds of the law in every jurisdiction in which the products are distributed. Addressing this inconsistency is a common issue in the creation of entertainment and other creative content already, and that problem will remain a concern with respect to VR products.

As far as intellectual property issues in the virtual space are concerned, it appears that existing law will apply to protect the intellectual property rights of owners in the virtual world. If VR content is deemed to be an expressive work, however, as with video games, the First Amendment may provide a defense to future intellectual property lawsuits arising out of the use of a trademark, copyrighted work, or a person’s name or likeness within VR.

d. First Amendment Issues

Like movies, television, books, and other expressive works before it, VR communicates ideas. Given that the Supreme Court has held that even violent video games qualify for First Amendment protection,23 it would seem that, by extension, most VR content should receive First Amendment protection as well. The highly immersive and interactive nature of VR, however, is encouraging the creation of some content that is less clearly within the protection of the First Amendment.

For instance, the adult film industry is developing X-rated VR experiences that seek to turn pornography into an active experience. But the less than PG VR uses go far beyond ordinary pornography. VR users may be able to engage in behavior that is illegal and unacceptable in the real world, such as virtual prostitution, torture, murder and other illegal sexual activities. This dark side of VR raises many moral and legal questions. It is foreseeable that legislators will be called upon to regulate VR to preclude user access to some types of experiences, which will surely garner the attention of First Amendment advocates. VR is lauded by users for the realistic and completely immersive experiences it provides. For example, users participating in a horror-themed VR experience display palpable signs of fear, signifying that the experience is quite real. By analogy, performing illegal acts in the virtual, yet life-like world, that one rarely, if ever, gets to perform in the real world would arguably feel even more real to the user and bring the action closer to a real-life crime. It is unclear whether VR’s incomparable realism and interactivity, coupled with the obscene nature of certain VR content, would render such content outside of the First Amendment’s protective cloak.

III. Conclusion

Because VR and the new HMDs have only recently gone public, many interesting issues arise as new uses and experiences with VR are created and reported. The number of products, experiences, and services utilizing VR will certainly continue to explode in the near future as the technology evolves, so will the legal issues surrounding it. Some anticipated hurdles will turn out to be non-issues, while other issues may arise and surprise everyone. With all of the uncertainty surrounding VR, one thing that can be said with confidence is that we have only just begun – and a new world of technology and law lies ahead.

David E. Fink is managing partner of Kelley Drye & Warren, LLP’s Los Angeles office and former chair of the Media and Entertainment practice group. Mr. Fink’s practice includes business, employment and entertainment matters, with an emphasis on First Amendment, entertainment and intellectual property litigation. He may be reached at dfink@kelleydrye.com

Jamie N. Zagoria is an associate in Kelley Drye & Warren, LLP’s Los Angeles office. Her practice focuses on entertainment, intellectual property, and complex business litigation. She may be reached at jzagoria@kelleydrye.com.
Endnotes

17. http://uploadvr.com/facebook-oculus-privacy/
22. Unless such use comes under the “Fair Use” doctrine of copyright law, which will require a fact-intensive analysis of the use.
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