

Entertainment, Arts and Sports Law Journal



A publication of the Entertainment, Arts and Sports Law Section
of the New York State Bar Association

Inside

- Repatriation of Artwork Displaced During the Holocaust
- When a Copy Work May Become Transformative for Fair Use Purposes
- Trademark Injunctions in Franchise Actions
- A Call to Reform Art Auction House Regulations
- A Right to Publicity in Mug Shots
- The Communications Decency Act
- Music Tax or ISP Fee Party?
- EASL Section Annual Meeting Transcript
- The Day the Lone Ranger Lost His Mask



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Counseling Content Providers in the Digital Age

A Handbook for Lawyers

For as long as there have been printing presses, there have been accusations of libel, invasion of privacy, intellectual property infringements and a variety of other torts. Now that much of the content reaching the public is distributed over the Internet, television (including cable and satellite), radio and film as well as in print, the field of pre-publication review has become more complicated and more important. *Counseling Content Providers in the Digital Age* provides an overview of the issues content reviewers face repeatedly.

Counseling Content Providers in the Digital Age was written and edited by experienced media law attorneys from California and New York. This book is invaluable to anyone entering the field of pre-publication review as well as anyone responsible for vetting the content of their client's or their firm's Web site.

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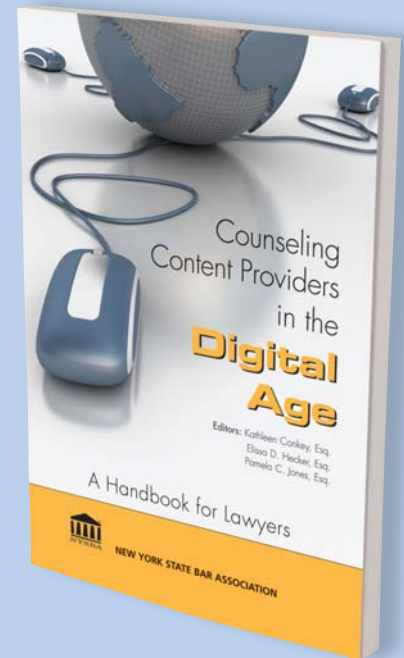
Introduction; Defamation; The Invasion of Privacy Torts; Right of Publicity; Other News-gathering Torts; Copyright Infringement; Trademark Infringement; Rights and Clearances; Errors and Omissions Insurance; Contracting with Minors; Television Standards and Practices; Reality Television Pranks and Sensitive Subject Matter; Miscellaneous Steps in Pre-Broadcast Review.

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Remarks from the Chair

I am honored and privileged to serve as the new EASL Chair for the next two years.

For the benefit of those who do not know me, I divide my professional life among academic, law practice and ADR services. I am Senior Lecturer in Art Law and Ethics & Policy in the Art Profession at Sotheby's Institute of Art Master's of Art Business Program in New York. In my law practice, I concentrate in intellectual property, art and entertainment law, and represent artists, galleries and other arts organizations (not-for-profit and private), as well as authors and other creative individuals in publishing, as well as business entities in commercial transactions. In the past several years, I have also developed an ADR practice, and serve as mediator for the New York State Commercial Division and Volunteer Lawyers for the Arts, and as arbitrator for the American Arbitration Association.

I have very big shoes to fill, following our Immediate Past Chair Kenneth Swezey, who solidified our Section in the midst of challenging economic times.

During Ken's tenure as Chair he managed to bring the Section's budget out of the red and well into the black. He encouraged a redoubling of pro bono efforts within the New York City arts community. During his term, our Section launched the Entertainment, Arts and Sports Law Blog, which has become an important outlet for members of our practice area to share important legal developments from all corners of the entertainment business. Additionally, Section membership has increased, we have fostered ongoing relationships with important industry players, and we have sponsored, organized and presented many enormously popular CLE programs, including the Annual Entertainment Business Law Seminar in conjunction with CMJ.

Our Annual Meeting, held at the Hilton and co-chaired by our innovative and tireless Program Co-Chairs Tracey P. Greco-Meyer of dELIA*s, Inc. and Rebecca A. Frank of Patina Restaurant Group, was a resounding success, with two outstanding and timely panels. (See page 51 for transcript of the Annual Meeting panels.) The first panel, titled "From Conception to the Public Domain or Perhaps to Infinity and Beyond: The Life Cycle of Fictional Characters," was moderated by Jay Kogan, Vice President, Business and Legal Affairs and Deputy General Counsel of DC Comics (and Co-Chair of EASL's Copyright and Trademark Committee), and featured Neil J. Rosini, partner at Franklin, Weinrib, Rudell & Vassallo PC and Co-Chair of EASL's Copyright and Trademark Com-



mittee; Edward H. Rosenthal, partner at Frankfurt Kurnit Klein & Selz PC; Joseph Salvo, Senior Vice President and Global General Counsel of Hit Entertainment; and Eric S. Brown, partner at Franklin, Weinrib, Rudell & Vassallo PC. The panelists engaged in a spirited discussion about character rights, how to license and expand a character's image, and what happens when the character's owner's rights expire.

Our second panel, "Players Off the Field... How Do You Protect Your Client When Negotiating an Athlete-Driven Merchandising, Endorsement, or New/Traditional Media Deal?," featured leading sports marketing and legal experts. Michael Bracken of Cowan DeBaets Abraham & Sheppard LLC did a fantastic job moderating a talented panel, including Terry Prince, Director, Legal and Business Affairs, Creative Artist Agency Sports; Ethan Orlinsky, General Counsel, Major League Baseball; Stephanie Vardavas, Assistant General Counsel, Nike; and Peter Welch, Vice-President and Counsel, Take-Two Interactive Software.

In addition to Ken's hard act to follow, I am also the third woman Chair of EASL, and have two pairs of very high heels to follow.

Our first woman Chair, Judith Bresler (2000-2002), my mentor and dear friend, is truly a leader and role model of excellence and accomplishment in the legal profession. Together Judith Bresler and I co-founded and co-chair the EASL Committee on ADR. Judith also initiated the BMI/Phil Cowan Memorial Scholarship for law students. She never ceases to amaze all of us with her capacity for fresh ideas.

Elissa Hecker, our second woman Chair (2004-06), was the recipient of the Young Lawyers Award in 2005, has been our *Journal* Editor for 10 years, started our widely read blog last year, and edited two EASL-related legal handbooks published by the Bar Association. Elissa also co-founded and is a member of the Pro Bono Steering Committee and has generated superb programs for EASL lawyers to donate legal services.

I look forward to working with a wonderful group of officers: Vice Chair Rosemarie Tully (and I point out that this is the first time EASL has had both a woman Chair and Vice-Chair), Treasurer Diane Krausz, Secretary Monica Pa; and Assistant Secretary Jason Baruch. I will continue to serve as a Delegate to the House of Delegates, along with Bennett Liebman, and with David Faux as Alternate.

My first order of business as Chair-nominee was to nominate a District Representative for each of the 13 Judicial Districts in New York State—for the first time in EASL history! We will now hear voices from all around the State. This list of District Representatives (approved at the Annual Meeting) is as follows:

First	Alan J. Hartnick
Second	Innes Smolansky
Third	Bennett Liebman
Fourth	Edward Flink
Fifth	Jaime Mavie Previte
Sixth	Mark Dodds
Seventh	Mark A. Costello
Eighth	Leslie Mark Greenbaum
Ninth	Alan D. Barson
Tenth	Rosemarie Tully
Eleventh	David Faux
Twelfth	Lauren Fae Silver
Thirteenth	Daniel C. Marotta

One of my goals is to focus on current legislation with a committed group of people (similar to our dynamic Pro Bono Steering Committee) and to make recommendations when appropriate. I would like the District Representatives to be involved in this effort. To that end, I have appointed Bennett Liebman (Third District and Section Delegate) to serve as Co-Chair with Steven Richman on the Legislation Committee.

I am excited to announce that I have already formed four new Committees within EASL. First, I would like to recognize the outstanding work done by Judith Bresler (as mentioned above) and Gary Roth, who co-founded and co-chair the Phil Cowan Memorial/BMI Scholarship. Since its founding in 2005, the Scholarship has been awarded to student winners of a writing competition. By giving this Scholarship initiative the status of a Committee, we will strengthen our ties with law schools throughout the State and country and continue to find a talented pool of law students to participate in the competition.

In addition, mindful of the difficult job market affecting many of our members, I have formed a new and dynamic EASL Lawyers in Transition Committee and appointed as Co-Chairs Saryn Leibowitz and Leila A. Amineddoleh. As part of its mission, the EASL Lawyers in Transition Committee has already started to hold programs (topics include job search strategies, re-entering the job market, networking, mentoring) and create a job bank to connect job seekers and employers. The first of these programs was a breakfast panel held on April 9th at the Sotheby's Institute of Art and was a great success with nearly 30 attendees. The panel was composed of three attorneys at different stages in their careers, as well as a career strategist, all providing valuable job-seeking advice to EASL Lawyers in Transition.

One of the exciting programs in development is the mentoring program. The Committee will initiate a "lifeline" system, where a new attorney is matched with a more experienced attorney in order to learn the basics of practice that are not taught in law school. The EASL Lawyers in Transition Committee will also organize a series of informal breakfast panels/lectures, inviting

attorneys from different areas of the entertainment, art and sports areas of practice to discuss their experience with our members. Possible topics include "Basics of the USPTO and Trademark Prosecution," "Trademark Docketing Systems," "Filing with the U.S. Copyright Office," and "Beginning an Action—How to File a Complaint in County, State, and Federal Court."

The third new Committee is the Digital Media Committee, co-chaired by Vejay Lalla and Andrew Seiden. The scope of this Committee will include all out-of-home media (i.e., non-traditional advertising venues apart from television, radio and theatrical motion picture), such as in-cinema advertising and alternative content, and taxi hat ads.

The fourth new committee is the Ethics Committee, chaired by Pery D. Krinsky, who concentrates his practice on attorney ethics and criminal law. As part of its mission, the EASL Ethics Committee will address ethics issues encountered by attorneys in their day-to-day practice in the diverse fields of entertainment, arts and sports law. Indeed, as the legal profession enters a new and more "global" decade, lawyers are facing challenging questions concerning when, where and how the "practice" and the "business" of law are interconnected. Many of these novel questions—having local, national and international dimensions—will need to be considered, some for the first time, in the context of the much anticipated, newly adopted "New York Rules of Professional Conduct" (effective April 1, 2009). In order to further examine some of these "high-impact" ethics issues, the EASL Ethics Committee will organize a series of informal discussions and formal (and always sought after) Continuing Legal Education ethics programs, inviting experts in the fields of entertainment, arts, sports, criminal and ethics law to discuss multi-faceted ethics questions such as trans-jurisdictional lawyering, the unauthorized practice of law and multi-disciplinary practices.

I have also appointed Cameron Myler and Ken Swezey as new Co-Chairs of the Committee on Literary Works, and Edward Rosenthal and Barry Werbin as Co-Chairs of the Committee on Publicity, Privacy & Media. In addition, I have appointed Christine A. Pepe as Co-Chair with Alan Barson of the Music and Recording Industry Committee and Kathy Kim as Co-Chair of the Pro Bono Committee with Elissa Hecker, Monica Pa and Carol Steinberg.

One of the many strengths of EASL is our wide range of wonderful Committee programs, both CLE and non-CLE, which are usually held in New York City. I hope to make many of those programs available to members who are unable to attend through the creation of DVDs and webcasting.

Three years ago, the NYSBA President challenged each Section to grow by 10 percent by December 31, 2010. In 2008 EASL had 1,592 members. On February 1, 2010,

(Continued on page 6)

Editor's Note

This issue of the *EASL Journal* marks my 10th Anniversary as Editor.

In 2000, I answered an advertisement circulated among Section members from then-Chair Judith Bresler. Since then, I have been honored to work with hundreds of wonderful authors on topics covering all areas of entertainment, art and sports law. In addition, it was a privilege to celebrate EASL's 20th Anniversary with a special edition of the *Journal*, which was a singularly spectacular experience for me.

I urge all of you who read the *Journal* to continue writing about and staying active in our areas of practice. Please send articles to me for the *Journal* and the EASL Blog. In this job market in particular, it is even more important to be visible publicly, and to show how you are an expert in practice areas that are in demand. I have been told countless times that having articles published in the *EASL Journal* have helped authors get speaking engagements, job interviews and were integral in hiring decisions. Having an article published in the *Journal* can also earn you CLE credit.



© Janine Thompson

Thank you for having me as your Editor for these wonderful 10 years. I look forward to many, many more.

Elissa

The next *EASL Journal* deadline is Friday, May 21, 2010

Elissa D. Hecker practices in the entertainment and business fields, focusing on copyright, trademark and business law. Her clients encompass a large spectrum of the entertainment world. In addition to her private practice, Elissa edited the books *Entertainment Litigation—Know the Issues and Avoid the Courtroom* and *Counseling Content Providers in the Digital Age*. Elissa is the Editor of the EASL Blog, <http://nysbar.com/blogs/EASL/>. She is Past Chair of the Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association, Editor of the *EASL Journal*, member of the Editorial Board of the *NYSBA Bar Journal* (circulation 74,000), and Co-Chair and founder of the EASL Pro Bono Committee. She is also a frequent author, lecturer and panelist, a member of the Copyright Society of the U.S.A. (CSUSA) and a member of the Board of Editors for the *Journal of the CSUSA*. Elissa is the recipient of the New York State Bar Association's 2005 Outstanding Young Lawyer Award. She can be reached at 914-478-0457 or via email at: EHeckerEsq@yahoo.com.

Remarks from the Chair

(Continued from page 5)

my first official year as Chair, our membership was at 1,689. Doing the math, we need only 59 new members to meet the three-year, 10 percent challenge of 1,748, and I believe we can do that and more. I am hoping that we will top 2,000 members by the end of my term as Chair.

I look forward to serving as Chair of EASL, along with the other EASL Officers, members of the Executive Committee, and colleagues in Albany—Doug Guevara, Dan McMahon, Leslie Scully, Lori Nicoll, Barbara Beauchamp—and everyone else.

I would like to hear from EASL members throughout the State and to invigorate the Section by extending its reaches to every corner of the State and beyond, and to work hard to serve not only EASL members, but also the New York Bar and the public.

Judith B. Prowda

Pro Bono Update

We welcome Kathy Kim as our newest Pro Bono Steering Committee member. She will be working with Monica Pa on litigations and helping with clinics.

EASL's Pro Bono Committee is planning to present a joint program in September at Cardozo with Cardozo's Art Law Society and the Fine Art Committee on Creative Time, the downtown not-for-profit arts organization that presents cutting edge public art throughout New York City and international art fairs. We are also working on setting up a panel/program entitled "Setting Up Your Arts Business," to present information to artists/entertainers about establishing business entities, how to register a trademark, implications of being an employee or independent contractor, and related issues. Members of EASL's Speakers Bureau with expertise in business and related areas will participate on the panel, as well as professional artists who can bring a practical perspective. We initially plan to make the program available to New York City-based arts organizations.

We are also working closely with the Brooklyn Arts Council to provide free legal seminars to artists and the general public. The first lecture on "What Is a Copyright?" was held in March. In addition, we are in contact with the Lower Manhattan Cultural Council and the Harlem Arts Alliance, which are currently programming some sort of seminar series for artists and the general public. We would like to provide training on basic art and intellectual property law and/or discussions about the "nuts and bolts" of entertainment litigation.

Finally, we are working on organizing the next EASL Pro Bono Clinics with the Dramatists Guild in June.

* * *

For your information, should you have any questions or wish to volunteer for our pro bono programs and initiatives, please contact the Pro Bono Steering Committee member who best fits your interests as follows:

Clinics

Elissa D. Hecker and Philippa Loengard are coordinating walk-in legal clinics with various organizations.

- **Elissa D. Hecker**, heckeresq@yahoo.com
- **Philippa Loengard**, loengard@law.columbia.edu

Litigations

Monica Pa is coordinating pro bono litigations.

- **Monica Pa**, monicapa@dwt.com
- **Kathy Kim**, kathykim2007@gmail.com.

Speakers Bureau

The Pro Bono Committee's Speakers Bureau provides speakers on entertainment, art, and sports law issues for not-for-profit organizations, art schools, local high schools, and other groups that can benefit from the wide and enormous expertise of EASL's members. One of the most satisfying aspects of a successful career can be to speak to working artists to help them understand their rights and the critical issues that affect their careers. Please think about volunteering for this wonderful opportunity to share your expertise with students, artists, and young entertainers who can benefit so much from your knowledge. We are also compiling a list of organizations/entities that may want to avail themselves of this great opportunity.

Please send your name, area of expertise, and contact information to Carol Steinberg. In addition, please also let her know about excellent speakers whom you have heard speak, so we may contact them, and of organizations that may be interested in having speakers.

- **Carol Steinberg**, CS9@hpd.nyc.gov

We are looking forward to working with all of you, and to making pro bono resources available to all EASL members.

ENTERTAINMENT, ARTS AND SPORTS LAW SECTION

Visit us on the Web at WWW.NYSBA.ORG/EASL



Law Student Initiative Writing Contest

Congratulations to LSI winner:

David S. Gold, of Rutgers School of Law—Newark, for his article entitled:

“Is There Any Way Home? A History and Analysis of the Legal Issues Surrounding the Repatriation of Artwork Displaced During the Holocaust”

The Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association offers an initiative giving law students a chance to publish articles both in the *EASL Journal* as well as on the EASL Web site. The Initiative is designed to bridge the gap between students and the entertainment, arts and sports law communities and shed light on students’ diverse perspectives in areas of practice of mutual interest to students and Section member practitioners.

Law school students who are interested in entertainment, art and/or sports law and who are members of the EASL Section are invited to submit articles. This Initiative is unique, as it grants students the opportunity to be *published and gain exposure* in these highly competitive areas of practice. The *EASL Journal* is among the profession’s foremost law journals. Both it and the Web site have wide national distribution.

Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form:** Include complete contact information; name, mailing address, law school, law school club/organization (if applicable), phone number and e-mail address. There is

no length requirement. Any notes must be in *Bluebook* endnote form. An author’s blurb must also be included.

- **Deadline:** Submissions must be received by **Friday, May 21, 2010.**
- **Submissions:** Articles must be submitted via a Word e-mail attachment to checkerresq@yahoo.com.

Topics

Each student may write on the subject matter of his or her choice, so long as it is unique to the entertainment, art and sports law fields.

Judging

Submissions will be judged on the basis of quality of writing, originality and thoroughness.

Winning submissions will be published in the *EASL Journal*. All winners will receive complimentary memberships to the EASL Section for the following year. In addition, the winning entrants will be featured in the *EASL Journal* and on our Web site.

**Next *EASL Journal* Submission Deadline:
Friday, May 21, 2010**

The Phil Cowan Memorial/BMI Scholarship

2009 Scholarship Winners:

Jacqueline Tate, Brooklyn Law School and Britt Simpson, New York Law School

Law students, take note of this publishing and scholarship opportunity: The Entertainment, Arts and Sports Law Section of the New York State Bar Association (EASL), in partnership with BMI, the world's largest music performing rights organization, has established the Phil Cowan Memorial/BMI Scholarship. Created in memory of Cowan, an esteemed entertainment lawyer and a former Chair of EASL, the Phil Cowan Memorial/BMI Scholarship fund offers up to two awards of \$2,500 each on an annual basis in Phil Cowan's memory to a law student who is committed to a practice concentrating in one or more areas of entertainment, art or sports law.

The Phil Cowan Memorial/BMI Scholarship has been in effect since 2005. It is awarded each year at EASL's Annual Meeting in January in New York City.

The Competition

Each Scholarship candidate must write an original paper on any legal issue of current interest in the area of entertainment, art or sports law.

The paper should be 12 to 15 pages in length (including *Bluebook* form footnotes), double-spaced and submitted in Microsoft Word format. PAPERS LONGER THAN 15 PAGES TOTAL WILL NOT BE CONSIDERED. The cover page (which is not part of the page count) should contain the title of the paper, the student's name, school, class year, telephone number and e-mail address. The first page of the actual paper should contain only the title at the top, immediately followed by the body of text. **The name of the author or any other identifying information must not appear anywhere other than on the cover page.** All papers should be submitted to designated faculty members of each respective law school. All law schools will screen the papers and submit the three best to EASL's Phil Cowan Memorial/BMI Scholarship Committee. The Committee will read the papers submitted and will select the Scholarship recipient(s).

Eligibility

The competition is open to all students attending eligible law schools. "Eligible" law schools mean all accredited law schools within New York State, along with Rutgers University Law School and Seton Hall Law School in New Jersey, and up to 10 other accredited law schools throughout the country to be selected, at the Committee's discretion, on a rotating basis.

Yearly Deadlines

November 15th: Law School Faculty liaison submits three best papers to the EASL/BMI Scholarship Committee;

January 15th: EASL/BMI Scholarship Committee determines the winner(s).

The winner(s) will be announced, and the Scholarship(s) awarded at EASL's January Annual Meeting.

Prerogatives of EASL/BMI's Scholarship Committee

The Scholarship Committee is composed of the current Chair of EASL, all former EASL Chairs who are still active in the Section, all Section District Representatives, and any other interested member of the EASL Executive Committee. *Each winning paper will be published in the EASL Journal and will be made available to EASL members on the EASL Web site.* BMI reserves the right to post each winning paper on the BMI Web site, and to distribute copies of each winning paper in all media. *The Scholarship Committee is willing to waive the right of first publication* so that students may simultaneously submit their papers to law journals or other school publications. The Scholarship Committee reserves the right to submit all papers it receives to the *EASL Journal* for publication and to the EASL Web site. The Scholarship Committee also reserves the right to award only one Scholarship or no Scholarship if it determines, in any given year that, respectively, only one paper, or no paper, is sufficiently meritorious. All rights of dissemination of the papers by each of EASL and BMI are non-exclusive.

Payment of Monies

Payment of Scholarship funds will be made by EASL/BMI directly to the law school of the winner, to be credited against the winner's account.

Donations

The Phil Cowan Memorial/BMI Scholarship Fund is pleased to accept donations. The donations are tax-deductible. All donations should be made by check, and be payable to **The New York Bar Foundation**. Each donation should indicate that it is designated for the Phil Cowan Memorial/BMI Scholarship. **All donations should be forwarded to The New York Bar Foundation, One Elk Street, Albany, NY 12207, Attention: Director of Finance.**

About BMI

BMI is an American performing-rights organization that represents approximately 350,000 songwriters, composers and music publishers in all genres of music. The non-profit-making company, founded in 1940, collects license fees on behalf of those American creators it represents, as well as thousands of creators from around the world who chose BMI for representation in the United States. The license fees BMI collects for the "public performances" of its repertoire of approximately 4.5 million compositions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the New York State Bar Association/EASL

The 76,000-member New York State Bar Association is the official statewide organization of lawyers in New York

and the largest voluntary state bar association in the nation. Founded in 1876, NYSBA programs and activities have continuously served the public and improved the justice system for more than 125 years.

The almost 1,700 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including headline stories, matters debated in Congress, and issues ruled upon by the courts today. The EASL Section provides substantive case law, forums for discussion, debate and information-sharing, pro bono opportunities, and access to unique resources including its popular publication, *EASL Journal*.

Are you feeling overwhelmed?

The New York State Bar Association's Lawyer Assistance Program can help.



We understand the competition, constant stress, and high expectations you face as a lawyer, judge or law student. Sometimes the most difficult trials happen outside the court. Unmanaged stress can lead to problems such as substance abuse and depression.

NYSBA's LAP offers free, confidential help. All LAP services are confidential and protected under section 499 of the Judiciary Law.

Call 1.800.255.0569



**NEW YORK STATE BAR ASSOCIATION
LAWYER ASSISTANCE PROGRAM**

NYSBA Guidelines for Obtaining MCLE Credit for Writing

Under New York's Mandatory CLE Rule, MCLE credits may be earned for legal research-based writing, directed to an attorney audience. This might take the form of an article for a periodical, or work on a book. The applicable portion of the MCLE Rule, at Part 1500.22(h), states:

Credit may be earned for legal research-based writing upon application to the CLE Board, provided the activity (i) produced material published or to be published in the form of an article, chapter or book written, in whole or in substantial part, by the applicant, and (ii) contributed substantially to the continuing legal education of the applicant and other attorneys. Authorship of articles for general circulation, newspapers or magazines directed to a non-lawyer audience does not qualify for CLE credit. Allocation of credit of jointly authored publications should be divided between or among the joint authors to reflect the proportional effort devoted to the research and writing of the publication.

Further explanation of this portion of the rule is provided in the regulations and guidelines that pertain to the rule. At section 3.c.9 of those regulations and guidelines, one finds the specific criteria and procedure for earning credits for writing. In brief, they are as follows:

- The writing must be such that it contributes substantially to the continuing legal education of the author and other attorneys;
- it must be published or accepted for publication;
- it must have been written in whole or in substantial part by the applicant;

- one credit is given for each hour of research or writing, up to a maximum of 12 credits;
- a maximum of 12 credit hours may be earned for writing in any one reporting cycle;
- articles written for general circulation, newspapers and magazines directed at nonlawyer audiences do not qualify for credit;
- only writings published or accepted for publication after January 1, 1998 can be used to earn credits;
- credit (a maximum of 12) can be earned for updates and revisions of materials previously granted credit within any one reporting cycle;
- no credit can be earned for editing such writings;
- allocation of credit for jointly authored publications shall be divided between or among the joint authors to reflect the proportional effort devoted to the research or writing of the publication;
- only attorneys admitted more than 24 months may earn credits for writing.

In order to receive credit, the applicant must send a copy of the writing to the New York State Continuing Legal Education Board, 25 Beaver Street, 8th Floor, New York, NY 10004. A completed application should be sent with the materials (the application form can be downloaded from the Unified Court System's Web site, at this address: www.courts.state.ny.us/mcle.htm (click on "Publication Credit Application" near the bottom of the page)). After review of the application and materials, the Board will notify the applicant by first-class mail of its decision and the number of credits earned.

ENTERTAINMENT, ARTS AND SPORTS LAW SECTION

Visit us on the Web at www.nysba.org/easl

Check out our Blog at <http://nysbar.com/blogs/EASL>



Is There Any Way Home? A History and Analysis of the Legal Issues Surrounding the Repatriation of Artwork Displaced During the Holocaust

By David S. Gold

I. Introduction

"There is an age old argument: which is more valuable, a work of art or a human life?"¹ It is impossible to compare the value of human life with that of a work of art, regardless of how great or unique that work may be. There is little debate that the systematic extermination of nearly six million Jews during the Holocaust was, by itself, one of the greatest humanitarian atrocities of all time.² This argument is not an attempt to diminish the human tragedy that defined the World War II era, but instead acts as a constant reminder that in myriad ways "[t]he Holocaust was not an event that ended in 1945—at least not for the survivors."³

This article presents a history and analysis of the legal issues surrounding the repatriation of artwork displaced during the Holocaust. Part II provides the reader with an historical background of the systematic and deliberate confiscation and displacement of art by the Nazi regime under Adolf Hitler from 1937 to 1945. It also includes some information regarding early post-war recovery efforts and the various practical and political barriers hindering these efforts. Part III discusses the development and application of certain major international conventions and repatriation agreements such as the Hague Convention of 1907, the 1970 UNESCO Convention on Cultural Property, the 1995 UNDRIT Convention on Stolen or Illegally Exported Cultural Objects, and the 1998 Washington Conference on Holocaust-era Assets. This discussion includes an evaluation of the inherent limitations of multilateral agreements in the successful repatriation of cultural property. Part IV focuses specifically on the United States' legislative repatriation efforts, including the Holocaust Victims Redress Act, the U.S. Holocaust Assets Commission Act of 1998, and the Nazi War Crimes Disclosure Act.

Part V introduces the reader to the legal issues surrounding Holocaust-era repatriation litigation in the United States. It unpacks the wide range of legal issues that must be addressed prior to reaching the merits of any repatriation claim. These issues include: (1) jurisdiction and the Foreign Sovereign Immunity Act, (2) the political question doctrine, (3) international comity and the act of state doctrine, and, most significantly, (4) the determination and application of state statutes of limitations. Part VI presents these legal issues through the lens of specific Holocaust-era repatriation claims that have been brought in United States courts.

Part VII analyzes *Vineberg v. Bissonnette*,⁴ a recent case in which the Rhode Island District Court, and later the Rhode Island Court of Appeals, overcame the abovementioned hurdles and reached the merits of a highly publicized repatriation claim. The courts ultimately ordered the return of "Girl from the Sabiner Mountains," a painting sold under coercion as part of the Nazi program, to its rightful owner. The analysis shows that although some commentators have rightly deemed the case a noteworthy moment in the history of Holocaust-era repatriation claims, the underlying legal obstacles to a successful claim remain unchanged.

II. Historical Background

From 1937 to 1945, the Nazi regime under Adolf Hitler not only attempted to deliberately and systematically exterminate an entire race of individuals, but also succeeded in looting and confiscating nearly a quarter of a million pieces of art throughout conquered Europe.⁵ According to some estimates, during World War II the Nazi party controlled between one-third and one-fourth of the art in Europe,⁶ approximately "one-fifth of all Western art then in existence."⁷ Described as "the greatest displacement of art in human history,"⁸ the total value of art stolen or displaced as a result of Nazi policies has been estimated as high as \$2.5 billion, or a present value of approximately \$20.5 billion.⁹

The seizure of art was a fundamental aspect of Hitler's plan to create a purely Germanic empire. "Being associated with great works of art became another characteristic defining the Aryan conception of moral, intellectual and genetic superiority, and looted artworks were considered treasures."¹⁰ In 1937, Hitler publicly declared that the Nazi regime would "lead an unrelenting war of purification...an unrelenting war of extermination, against the last elements which have displaced our Art."¹¹ As such, the systematic confiscation of European art "was carried out with typical German efficiency, planned beforehand and ruthlessly executed."¹² More specifically, Hitler had two main goals. First, he wanted to rid Europe of all "degenerate" art, works that he and his associates considered "barbarous methods of representation," "Jewish trash," and "total madness."¹³ Second, Hitler was attempting to fulfill his dream of creating the *Fuhrermuseum*, a complex series of museums that would be the centerpiece of a redevelopment plan in his hometown of Linz, Austria, a city that was to become a standing testament to Hitler and The Thousand Year Reich.¹⁴ Hitler initiated a three-

phase plan to achieve the *Fuhrermuseum*.¹⁵ First, the Reich Chamber for the Visual Arts removed over 16,000 works from public and state collections in Germany.¹⁶ Second, Hitler ordered the seizure or forced sale of all privately owned Jewish assets in Germany and Austria.¹⁷ Finally, Hitler passed the Ordinance for the Registration of Jewish Property, which officially transferred ownership of all Jewish property to the Third Reich.¹⁸

Over the course of World War II, the Nazis expanded their efforts to consolidate all Jewish art that had not yet been seized on behalf of the Third Reich. Agencies, such as the *Einsatzstab Reichsleiter Rosenberg* (ERR) were created to seize and secure any work of art in conquered territories that appeared to have value.¹⁹ To facilitate this effort, the ERR was provided with detailed lists of specific items that were to be confiscated and transported “back” to Germany.²⁰ When the art arrived in Germany, it was methodically distributed, with Hitler having first preference, high-ranking Nazi officers such as Reichstag President Hermann Göring having second preference, and the remainder of the art being relocated to Nazi-controlled German art museums.²¹

Due to the magnitude of the amount of art, the Nazis established mechanisms other than physical confiscation to transfer possession of art from the Jews and other “degenerate” individuals in conquered territories. The Reich Chamber of Culture (RKK) designated certain individuals as Nazi-approved art dealers and ordered Jewish art collectors to immediately sell all remaining inventory through these dealers, often for far below their actual market value.²² Also, the RKK established “Jew auctions” as a convenient and efficient forum to sell Jewish art for the financial benefit of the Third Reich.²³ While the forced sale of art is fairly well documented, less clear is the number of individuals who sold their art and art collections in order to escape, survive, or as a general consequence of, the persecution of the Nazi regime.²⁴ Moreover, in many cases, this art may have changed hands multiple times over the course of the war, which complicated estimating the amount of coerced sales even further.

In the period immediately following World War II, the Allied forces attempted to discover, document, and process the thousands of pieces of art now scattered throughout Europe as a result of the Nazi hoard. As part of this effort, the Allied forces established approximately 1,400 art collection points that were monitored and maintained by officers of the Monuments, Fine Arts and Archive Services Unit of the United States Army.²⁵ Small groups of “Monuments men” were assigned to seek out and recover the large quantities of art that had been stored for safekeeping in vaults, castles, monasteries, and other makeshift repositories throughout Europe.²⁶ By 1951, the Allied effort resulted in the collection and processing of several million pieces of cultural property and artwork.²⁷ Despite such efforts, final repatriation of this

art to the rightful owners was frustrated, in large part, by the actions of those entrusted to protect it.

Allied policy mandated the return of any recovered art to the respective government of the country from which the art was stolen.²⁸ These governments, focused primarily on the rehabilitation and reconstruction of their inhabitants and territories, were often less than thorough in their attempts to return displaced art to the rightful owners.²⁹ Furthermore, the government of the Soviet Union, which had accumulated a tremendous amount of public and privately owned art throughout its period of occupation, publicly declared all such art to be the property of the Soviet Union.³⁰ The Soviet government maintained that because Germany had control of the art at the time the art was seized, and because the Soviet Union was owed reparations for the destruction of its own cultural property throughout the war, the art now rightfully belonged to the Soviet Union.³¹ More recently, though, the Russian government agreed to establish a database in which it will archive displaced art in its possession, and has asserted that “in Russia there exists no law which would stand in the way of just and legitimate restitution of cultural assets...if convincing evidence...is provided.”³²

III. International Repatriation Efforts

The period immediately following World War II was one of “blissful ignorance” with regard to the repatriation of displaced artwork.³³ Although the Hague Convention of 1907 explicitly forbids any occupying force from “destroy[ing] or seiz[ing] the enemy’s property, unless such destruction or seizure be imperatively demanded by the necessities of war,”³⁴ the atrocities of World War II and the actions of the Third Reich required revisitation of international law regarding the confiscation, destruction, forced sale, and subsequent repatriation of cultural property.

The first major discussion of the repatriation of cultural property displaced during World War II took place at the United Nations Education, Scientific and Cultural Organization (UNESCO) Convention on Cultural Property in November 1970.³⁵ As part of this Convention, 102 of the 190 United Nations member states,³⁶ including the United States, agreed to combat the illicit movement of art in times of war and peace by passing legislation, creating and maintaining government agencies, compiling and maintaining lists of culturally significant art, and developing cultural education programs.³⁷ Unfortunately, what was ultimately agreed upon was a rather broad and general responsibility of these member states to actively work to repatriate displaced art, rather than dictating any specific actions to be taken.³⁸ As a result, a wide, and often conflicting, range of legislative approaches developed among signatory states.³⁹ Furthermore, any potential benefits were limited by the number of signatories who

failed to ratify the Convention.⁴⁰ Finally, the Convention failed to institute any adequate means for establishing and adjudicating claims of Nazi-looted art and cultural property.⁴¹

Recognizing the shortcomings of the UNESCO Convention, the United Nations requested that the International Institute for the Unification of Private Law (UNIDROIT) host the 1995 Convention on Stolen or Illegally Exported Cultural Objects.⁴² The resulting treaty, signed on June 24, 1995, expanded protection by giving private individuals the right to make a claim for repatriation but,⁴³ much like the UNESCO Convention, its effect remains limited by two significant factors.⁴⁴ First, as of June 2006, only 27 countries had joined the UNIDROIT Convention. Eleven others signed but did not ratify it.⁴⁵ Germany and the United States neither signed nor joined.⁴⁶ Second, under the UNIDROIT Convention, individual claims must be brought “within a period of [50] years from the time of theft.”⁴⁷ Given the 50-year time lapse between the end of World War II and the signing of the UNIDROIT Convention, those individuals seeking repatriation of art displaced during World War II do not have a claim under this Convention.

In 1998, the international community once again revisited the issue of artwork displaced during World War II. The Washington Conference on Holocaust-Era Assets was attended by 44 countries and 13 non-governmental organizations.⁴⁸ Although no formal agreement was drafted at that time, those in attendance agreed upon 11 moral principles that would assist in the repatriation of art displaced during the war.⁴⁹ Recognizing the failure to previously address many issues surrounding repatriation, and summarizing the newly established “set of substantive principles,” Stuart E. Eizenstat, then U.S. Under Secretary of State for Economic, Business, and Agricultural Affairs, stated that “the sale, purchase, exchange, and display of art from the [World War II period] would be addressed with greater sensitivity and a higher international standard of responsibility.”⁵⁰ According to Eizenstat, “it is not enough to identify art that was stolen,” the international community must also “establish a system to resolve issues of ownership and compensation.”⁵¹ This effort, he argued, would help to “restore that sense of individual dignity and personal humanity for those who amazingly survived and those who tragically perished.”⁵²

IV. United States Legislative Repatriation Efforts

Along with participating in, and actively applying, the covenants set forth in The Hague Convention of 1907, the UNESCO Convention of 1970, and the 1998 Washington Conference on Holocaust-Era Assets, the United States has passed legislation regarding the repatriation of art and cultural property displaced during the Holocaust. Beginning in April 1996, Congress held 14 hearings regarding Holocaust-era assets.⁵³ In 1998, largely as a result of those hearings, the 105th Congress passed three bills addressing issues relating to repatriation and restitution

for survivors and heirs of those whose art was displaced as a result of Nazi persecution: the Holocaust Victims Redress Act,⁵⁴ the U.S. Holocaust Assets Commission Act of 1998,⁵⁵ and the Nazi War Crimes Disclosure Act.⁵⁶

On February 13, 1998, in an effort “[t]o provide redress for inadequate restitution of assets seized by the United States Government during World War II which belonged to victims of the Holocaust,”⁵⁷ Congress passed the Holocaust Victims Redress Act (HVRA), a bill that reprimanded the Nazi looting during the War as a violation of the 1907 Hague Convention, and called upon

all governments [to] undertake good faith efforts to facilitate the return of private and public property, such as works of art, to the rightful owners in cases where assets were confiscated from the claimant during the period of Nazi rule and there is reasonable proof that the claimant is the rightful owner.⁵⁸

Furthermore, to “provide a measure of justice to survivors of the Holocaust all around the world while they are still alive,”⁵⁹ it authorized the transfer of up to \$30,000,000 of seized assets to charitable organizations that aid Holocaust survivors.⁶⁰ Finally, the HVRA authorized the President of the United States to appropriate up to \$5,000,000 for “archival research and translation services to assist in the restitution of assets looted or extorted from victims of the Holocaust.”⁶¹ While some have argued that this appropriation was inadequate and unjust,⁶² others, including then-President Clinton, recognized that while “there can be no way to deliver full justice for the many millions of victims of Nazi persecution, and we know that the unspeakable losses of all kinds that [Holocaust victims] suffered will never be made whole,”⁶³ the HVRA remained a positive initial legislative attempt to “help provide some dignity and relief to those who were subjected to the ultimate barbarism of the Holocaust.”⁶⁴

On June 23, 1998, Congress passed the U.S. Holocaust Assets Commission Act of 1998.⁶⁵ This legislation provided for the establishment of a 21-member Presidential Advisory Commission on Holocaust Assets⁶⁶ that was to “conduct a thorough study and develop a historical record of the collection and disposition of the assets”⁶⁷ obtained by the United States “before, during, and after World War II.”⁶⁸ In December 2000, the Commission presented its final report in which it made six recommendations: (1) the establishment of a foundation in order to “promote further research and education in the area of Holocaust-era assets and restitution policy and to promote innovative solutions to contemporary restitution policy issues;” (2) requiring all federal, state, and local institutions to review any assets in their possession; (3) increasing government preservation efforts of archival records and encouraging greater research into these records; (4) preparation by the Department of Defense to address similar issues that may arise as a result of future conflicts;

(5) utilize the position of the United States to pressure the international community in promoting and establishing effective repatriation policies; and (6) continue to pass legislation in order to remove any remaining impediments to Holocaust-era restitution.⁶⁹ Unfortunately, much like the principles developed at the Washington Conference, the majority of the recommendations set forth in this report have yet to be applied in any significant or productive manner.⁷⁰

Finally, on October 8, 1998, Congress passed the Nazi War Crimes Disclosure Act.⁷¹ This law created a new federal agency, the Nazi War Criminal Records Interagency Working Group (IWG), which sole purpose was to “locate, identify, inventory, recommend for declassification, and make available to the public...all classified Nazi war criminal records of the United States.”⁷² These records included those pertaining to any transactions believed to have “involved assets taken from persecuted persons during the period beginning on March 23, 1933, and ending on May 8, 1945,” or “completed without the assent of the owners of those assets or their heirs or assigns or other legitimate representatives.”⁷³ Since its inception, the IWG has declassified and made available to the public nearly 8.5 million pages of records that could be used to help determine the location and ownership of art and other assets displaced as a result of Nazi persecution.⁷⁴

V. Holocaust-Era Art Repatriation Litigation in the United States

Since the end of World War II, a relatively small number of Holocaust-era repatriation claims have been brought in the United States.⁷⁵ Nonetheless, the increasing availability of resources and databases that have resulted from recent federal legislation, funding and new technologies has provided the foundation for a resurgence in such claims. Despite this resurgence, however, procedural barriers that once completely prevented survivors and heirs from bringing repatriation claims remain a significant obstacle facing those attempting to reclaim possession of their displaced artwork.

Jurisdiction and the Federal Sovereign Immunities Act

Under United States law, the fact that an individual is a good faith purchaser will not preclude a claim of rightful ownership of a piece of art.⁷⁶ An action of replevin (recovery of goods) is available to any individual who can prove that his or her personal property was wrongfully taken or detained by another individual.⁷⁷ However, an individual claiming ownership rights to a work in the possession of a foreign government or government-owned museum must first establish subject matter jurisdiction over that foreign entity in United States federal courts.

The first obstacle in establishing jurisdiction is the fact that the United States has historically granted absolute immunity to foreign governments from claims brought

in federal courts.⁷⁸ Over the past 50 years, however, as a result of increasing levels of globalization and commercial activity between private companies and foreign governments, the United States has limited the doctrine of sovereign immunity in order to enable the bringing of lawsuits against foreign governments engaged in commercial activities, as well as in certain other enumerated situations.⁷⁹ Although sovereign immunity does not present a significant obstacle with regard to a wide range of present-day repatriation claims, it continues to limit the justiciability of Holocaust-era claims in federal courts.

On January 6, 1999, Congress considered, but has yet to pass, the Justice for Holocaust Survivors Act. This act would establish federal jurisdiction over any claim made by a United States citizen against the Federal Republic of Germany relating to “personal injury...occurring in... Germany, or in any territories or areas occupied, annexed, or otherwise controlled...and caused by an act of genocide against that citizen during World War II.”⁸⁰ While this proposed legislation is commendable, it focuses exclusively on personal injuries and provides no redress for those attempting to recover assets displaced during World War II. Instead, the only legal mechanism that may be used to establish jurisdiction in United States federal courts is discretionary judicial interpretation of the exceptions to the Foreign Sovereign Immunities Act of 1976 (FSIA),⁸¹ and a determination as to whether such exceptions should be applied retroactively.⁸²

Under the FSIA, “a foreign state shall be immune from the jurisdiction of the courts in the United States” unless the claim fits into one of seven enumerated exceptions.⁸³ Under the “expropriation exception”⁸⁴ to the FSIA, a foreign state is not entitled to immunity when “rights in property taken in violation of international law are in issue.”⁸⁵ Although post-war repatriation claims fit this exception, the question remains whether the FSIA applies to events that occurred prior to enactment. Although the preamble to the FSIA has been interpreted to suggest that the law was to be applied retroactively, the legislative history and text do not expressly prescribe any such application.⁸⁶ As a result of this ambiguity, courts have historically reached different conclusions when determining the retroactive effect of the FSIA.⁸⁷

In June 2004, the Supreme Court settled any discrepancy in the interpretation of the retroactive application of the FSIA in *Republic of Austria v. Altmann*,⁸⁸ determining that the FSIA “applie[d] to conduct...that occurred prior to 1976 and, for that matter, prior to 1952 when the State Department adopted the restrictive theory of sovereign immunity.”⁸⁹ While the precedent set forth in *Republic of Austria* has yet to have a tremendous impact on the number of art repatriation claims brought against foreign governments, it may ultimately “represent a sea of change in the fortunes of Holocaust plaintiffs” as federal courts now maintain jurisdiction over any potential claims arising from the World War II era.⁹⁰

The Political Question Doctrine

Early attempts to establish jurisdiction over foreign governments also failed because of the political question doctrine. The political question doctrine “restrains courts from reviewing an exercise of foreign policy judgment by the coordinate political branch to which authority to make that judgment has been ‘constitutionally committed.’”⁹¹ While the political question doctrine may limit the adjudication of issues committed to non-judiciary branches of the federal government, its application requires a “delicate exercise in constitutional interpretation,”⁹² and does not prevent the adjudication of “every case or controversy which touches foreign relations.”⁹³ Instead, courts apply a multi-factor test to determine when action is non-justiciable under the political question doctrine.⁹⁴

The factors used in determining justiciability include the commitment of foreign policy issues to other branches, as well as the importance of adhering to previous political decisions and any potential embarrassment that may result from trying a particular case.⁹⁵ In determining the justiciability of Holocaust-era repatriation claims, several courts have determined that the adjudication of any such claims would be perceived as a “declaration to the Executive branch that more than [50] years of treaties, agreements, and other foreign policy determinations... are unacceptable or otherwise inadequate.”⁹⁶ Claims specifically relating to property and other assets displaced during the Holocaust have similarly been dismissed as non-justiciable under the “safeguards of separation of powers.”⁹⁷

Furthermore, courts may consider whether there exists “a lack of judicially discoverable and manageable standards for resolving” a claim.⁹⁸ This factor, often applied in class action suits involving large numbers of claimants, remains largely irrelevant to repatriation cases due to the easily justiciable nature of individual claims concerning specific works of art.⁹⁹ While the political question doctrine may have played a significant factor in the dismissal of earlier Holocaust-era art repatriation claims, it has not seemingly played a determinative role in more recent justiciability determinations.

International Comity and the Act of State Doctrine

Complementing the political question doctrine are two similar doctrines that limit federal courts from adjudicating claims against foreign governments. International comity is a doctrine of abstention under which federal courts are to refrain “from examining the legitimacy of actions taken by another government in its territory.”¹⁰⁰ The purpose of this doctrine is not to immunize foreign governments, but to provide deference to foreign administrative procedures when the United States is confident that the actions of foreign governments are sufficient.¹⁰¹ As United States national interests, law, and policy may outweigh any comity interest in recognizing the sufficiency of foreign administrative tribunals, the international

comity doctrine is a non-determinative factor of justiciability, but may, at times, be employed in tandem with the application of the political question doctrine.¹⁰²

Similarly, the act of state doctrine is based on the idea that “the courts of one country will not sit in judgment on the acts of the government of another.”¹⁰³ Supporting this with regard to property seized by foreign governments, the Supreme Court has stated that “the Judicial Branch will not examine the validity of a taking of property within its own territory by a foreign sovereign government, extant and recognized by this country at the time of suit.”¹⁰⁴ Since the Nazi regime has never been recognized as a legitimate state actor, and because most Holocaust-era art repatriation claims allege violations of international law, courts have regularly dismissed the act of state doctrine when determining justiciability.¹⁰⁵ Regardless, certain repatriation decisions made by the German government since the end of World War II have been viewed by federal courts as sovereign acts protected by the act of state doctrine and, as a result, related cases have been dismissed accordingly.¹⁰⁶

The Statute of Limitations and Laches

Perhaps the greatest barrier to Holocaust-era art repatriation claims is state statutes of limitations. As the existence and location of displaced artwork may be unknown for many years, the statute of limitations on bringing such a claim will often “cut off any hope” for repatriation to the rightful owner of a work.¹⁰⁷ While most would agree that “there is no justified ‘statute of limitation’ for an eternal injustice that didn’t have any limits,”¹⁰⁸ the reality is that “[i]n virtually all cases of stolen art, the specter of the statute of limitations must be confronted.”¹⁰⁹

Since most domestic repatriation claims are brought as a diversity action, federal courts must apply the substantive law of their states’ jurisdiction.¹¹⁰ In general, the period of statutory limitations begins when a cause of action accrues.¹¹¹ In the case of stolen property, the statute of limitations begins to run at the time the theft or forced sale occurred, unless the property has somehow been concealed.¹¹² In the case of Holocaust-era art, the individual in possession is often a good-faith purchaser who is unaware that the availability of the work for sale was the result of Nazi persecution and is therefore not knowingly concealing it.¹¹³ Due to this multi-faceted complexity, and in order to avoid the dismissal of an otherwise meritorious claim for repatriation, courts must use some discretion in determining the starting point of the statute of limitations period.¹¹⁴

In a majority of states, including New Jersey, California, Indiana, Ohio, and Pennsylvania, the statute of limitations period for art displaced during the Holocaust begins when the plaintiff discovers, or should have discovered through reasonable diligence, the whereabouts of a work of art.¹¹⁵ This rule presents obvious problems in that the definition of diligence may vary greatly based

on the knowledge, expertise, and resources available to an individual.¹¹⁶ Similarly, it may be extremely difficult to pinpoint any specific time that the work of art “should” have been discovered. The ambiguity inherent in this rule has forced several courts to dismiss otherwise potentially meritorious causes of action after determining that the state statute of limitations period had expired.¹¹⁷

A minority of states, most notably New York, invoke the “demand and refusal” rule set forth by the New York Supreme Court in *Menzel v. List*.¹¹⁸ The case involved a work of art stolen by the Nazi regime in 1941 that, despite a diligent search by the original owners, was not located until 1962.¹¹⁹ According to the court, the statute of limitations period is based “not upon the stealing or the taking, but upon the defendant’s refusal to convey the chattel upon demand.”¹²⁰ Applying this rule, the *Menzel* Court permitted the heirs of the original owner to bring the cause of action against the present owner.¹²¹ Federal courts have similarly invoked this rule, stating that “[u]ntil demand and refusal, the purchaser in good faith is not considered a wrongdoer...even though this rule somewhat anomalously affords the owner more time to sue a good faith purchaser than a thief.”¹²²

Some courts that apply the “demand and refusal” rule have also allowed for a laches defense when a good-faith owner can prove there was an unreasonable and “unexcused lapse of time” in bringing a claim,¹²³ and that there was prejudice or harm as a result of that delay.¹²⁴ In *Solomon R. Guggenheim Foundation v. Lubell*,¹²⁵ the New York Court of Appeals encouraged the use of “demand and refusal” as the “rule that affords the most protection to the true owners of stolen property.”¹²⁶ In doing so, the Court also recognized that “it would not be prudent to...impose the additional duty of diligence before the true owner has reason to know where its missing chattel is to be found.”¹²⁷ While the Court did not impose a duty of diligence similar to those utilizing the “discovery rule,” under which consideration is given to when the owner *should* have discovered the missing work, it did state that when addressing the merits of a laches defense, courts should consider whether the owner conducted “a reasonably diligent search” for a missing work of art.¹²⁸ Although the “demand and refusal” rule may be considered “quite favorable to plaintiffs,”¹²⁹ it remains applicable in only a few jurisdictions.¹³⁰

VI. Case Analysis: The Coerced Sale of Art and Repatriation

As discussed, there exists a wide range of legal concerns that must be addressed prior to reaching the merits of a Holocaust-era repatriation claim. In the absence of any all-encompassing legislative mandate regarding such claims, courts are continuously asked to weigh the rights of good faith purchasers against those of the original owners or heirs of displaced art while, at the same time, discouraging litigants from bringing stale or unjustifi-

able claims. Among Holocaust-era repatriation claims that have been brought since the end of World War II, few serve as a better example of the inherent difficulties in bringing such claims than those involving the coerced sale of art.

In *Orkin v. Taylor*,¹³¹ perhaps the most highly publicized case regarding the repatriation of art displaced during the Holocaust, the United States District Court for the Central District of California was asked to determine whether a painting by Vincent Van Gogh, *Vue de l’Asile et de la Chapelle de Saint-Remy*, owned by actress Elizabeth Taylor, was the rightful property of the Orkin family, the great-grandchildren of Margarete Mauthner, a Jewish woman who fled Nazi Germany in 1939.¹³² The Orkins claimed that their great-grandmother sold the painting under duress prior to fleeing the persecution of the Third Reich, a method of transfer that is the equivalent of confiscation under the laws of the United States.¹³³ Taylor countered that the painting was sold through Jewish art dealers and that there was no evidence of Nazi coercion in the transactional history of the work.¹³⁴ Furthermore, Taylor argued that the claim was untimely under the three-year statute of limitations in California.¹³⁵ Rather than addressing the extremely contentious, and potentially meritorious, claims, the court, applying the “discovery rule,” dismissed the complaint, finding that because Taylor’s acquisition was highly publicized, documented in a reputable art catalog, and later offered for public sale through Christie’s auction house in London, the displaced work should have been discovered approximately 25 years before the claim was brought by the Orkin family.¹³⁶

In 2006, a pair of coerced-sale Holocaust-era repatriation claims were brought against the Toledo Museum of Art and the Detroit Institute of Arts by the heirs of Martha Nathan, the widow of a wealthy art collector who was forced to flee Germany in 1937.¹³⁷ Attempting to expand the scope of justice beyond that of the traditional Holocaust-era repatriation claim, the heirs argued that although Nathan sold much of her collection to prominent European art dealers that she had known for many years, the sales remained a direct result of Nazi persecution and her need to flee Nazi Germany.¹³⁸ To support their claim for restitution and damages, the heirs presented both the original sale price as well as the re-sale price of the works as proof that the art was sold under duress.¹³⁹ A novel approach to repatriation litigation, the evidence in these cases was never considered as both the Eastern District Court of Michigan and the Northern District Court of Ohio dismissed the cases as time-barred under the statute of limitations in their respective jurisdictions.¹⁴⁰

VII. *Vineberg v. Bissonnette*: A New Direction or More of the Same?

In *Vineberg v. Bissonnette*,¹⁴¹ the District Court of Rhode Island, and later the Rhode Island Court of Appeals, considered whether a claimant can prove that the

sale of a work of art during the World War II period was coerced by comparing the sale and re-sale price of the work. This case was one of a series addressing the repatriation of art owned by Jewish gallery-owner Dr. Max Stern of the Galerie Julius Stern in Dusseldorf, Germany.

Under the Nuremberg Laws of 1935, all Jews were subject to official persecution, deprived of German citizenship, the ability to hold certain jobs, and, most significantly, the right to own any property.¹⁴² Consequently, in August 1935, under the authority of these edicts, Stern received a letter from the Reich Chamber of Culture ordering him to dissolve his family art business.¹⁴³ A copy of this letter was forwarded to the German police, warning them that “[t]he person in question [was] non-Aryan.”¹⁴⁴ A subsequent letter, sent directly to Stern, noted the finality of the decree, including “an ominous note” to the German authorities that “Stern is a Jew and holds German citizenship.”¹⁴⁵ This message acted as a final reminder that because he was a Jew, Stern no longer had the right to own a private art collection.

In November 1937, after being denied the opportunity to transfer his collection to a German art professor, the Reich Chamber of the Fine Arts determined that “Dr. Stern lacked the requisite personal qualities to be a suitable exponent of German culture,”¹⁴⁶ and ordered him to sell his entire inventory and private collection to a Nazi-approved art dealer.¹⁴⁷ In response, Stern consigned the majority of his artwork to the Lempertz Auction House in Cologne, Germany where it would be sold as part of the infamous “Jew auctions”¹⁴⁸ to benefit the Third Reich.¹⁴⁹ After Stern fled to Paris in late 1937, the German government froze his assets, eliminating any possibility that Stern would receive additional proceeds or other compensation from the Lempertz sale.¹⁵⁰ Stern left Paris prior to the outbreak of World War II, moving to London temporarily, and ultimately emigrating to Canada where he would re-enter the art world as a respected collector and dealer.¹⁵¹ Although he initially received some, albeit inequitable, payment from the Lempertz sale, most of this money was later spent on taxes the Reich had added to the cost of securing exit papers for his mother, an expense that Stern deemed a form of blackmail, “totally unjustified...and...out of thin air.”¹⁵²

Immediately following the end of World War II, Stern began the enormous task of locating and recovering his displaced art.¹⁵³ In doing so, he placed advertisements in several magazines and newspapers, filed restitution claims with the military government, and visited Europe to personally “hunt” for his missing artwork.¹⁵⁴ The specific painting in dispute in the *Vineberg* case was “Girl from the Sabiner Mountains.” Although Stern had nearly no information regarding the location of this missing work,¹⁵⁵ he nevertheless “accessed diplomatic channels, personal resources, post-War claim procedures set up by the Allies and by West Germany, and the press in an effort to publicize and recover his [lost work].”¹⁵⁶ Upon his

death, his estate continued the search by registering the work on the United States Art Loss Registry (ALR) and Germany’s Lost Art Internet Database.¹⁵⁷ According to Stern Estate representative Clarence Epstein, to date, only 25 of the approximately 400 works of the original Stern collection have been located.¹⁵⁸

In April 2003, “Girl from the Sabiner Mountains” appeared at the Estates Unlimited Auction House (Estates Unlimited) in Cranston, Rhode Island. The painting was on consignment for sale from Maria-Louise Bissonnette, who had inherited the painting from her mother.¹⁵⁹ It was originally purchased by her stepfather, Dr. Karl Wilharm, a member of the Nazi party, at the 1937 Lempertz Auction in Cologne for 4,140 Reichmarks (a present value of approximately \$24,000).¹⁶⁰ Immediately prior to the auction, Estates Unlimited was notified by the ALR that the painting had been registered and claimed by the Stern Estate. Estates Unlimited then withdrew the painting from the auction pending resolution of the dispute.¹⁶¹ Bissonnette also received a notification letter from the Holocaust Claims Processing Office of New York (HCPO) in which she was informed of the pending dispute, and was reminded that “[t]he art market does not look favorably at items with a potentially tainted past.”¹⁶²

In its consideration of the merits of the claim, the District Court of Rhode Island granted summary judgment for the plaintiffs (the Stern Estate), accepting evidence that the art in consignment was previously sold at the Lempertz Auction for “well below market value” as indicative that the art was sold under duress.¹⁶³ Although the *Vineberg* decision has been described as a “landmark” and “historic” turning point in the repatriation of Holocaust-era displaced artwork,¹⁶⁴ the claim itself may have been no more meritorious than other cases of art sold under duress during this period. Instead, the underlying reason the Rhode Island court was able to overcome the various procedural barriers that have prevented other courts from addressing the merits of Holocaust-era repatriation claims was that Bissonnette failed to present and develop the proper legal arguments that have historically precluded other courts from reaching the merits of similar cases. As such, the case presents a wonderful opportunity to apply and analyze the legal issues surrounding such claims. In doing so, it is clear that the *Vineberg* case, although ultimately resulting in the return of the painting to its rightful owner, was not a turning point, but rather an example of how the success of such a claim may be dictated entirely by the ability of a defendant to present and develop a range of well-established, although seemingly misplaced, legal doctrines.

Early efforts to dismiss the Stern Estate’s claim for “Girl from the Sabiner Mountains” were based on the jurisdiction of the Rhode Island federal courts.¹⁶⁵ In her Motion to Dismiss, Bissonnette argued that because the plaintiffs were citizens of Canada, and because they had “no substantial contact with the State of Rhode Island,”

other than the fact that Bissonnette lived there, the Rhode Island Court's jurisdiction should be found to be defective.¹⁶⁶ Instead, Bissonnette argued that "Germany [should be] the focal point of the proof of ownership... [because] the subject events took place in Germany relative to ownership, sale and inheritance of the subject painting...[and] Germany [had] significant interest in the painting, its ownership and the parties."¹⁶⁷ In developing her *forum non conveniens* argument further, Bissonnette argued that because Stern had previously "availed himself of the German courts" in 1964, under the common-law doctrine of international comity, it would be prudent to permit the German courts, and the laws governing those courts, to determine the outcome of the *Vineberg* case.¹⁶⁸ Although this case may have been unique in that Stern had previously sought relief from German courts, the Rhode Island District Court dismissed the international comity argument and permitted the case to proceed based on diversity jurisdiction.¹⁶⁹

In the introduction to her Brief in Opposition to Summary Judgment, Bissonnette set forth her chief defenses, "argu[ing] the equitable doctrine of laches and the legal defense of statute of limitations."¹⁷⁰ Ironically, though, the brief focused entirely on laches, never returning to any discussion of the statute of limitations.¹⁷¹ The plaintiff's reply brief posited that this may have been a tactical maneuver in which "Bissonnette trie[d] to preserve her statute of limitations defense by mentioning it in passing...and mak[ing] no other effort to press her argument...[or] even clarify which of the Plaintiff's claims [were] untimely or what statute of limitations she relie[d] upon."¹⁷² The plaintiff then went on to explain, in detail, why the claims were timely under Rhode Island law, seemingly attempting to diffuse any statute of limitations argument that may have been developed later.¹⁷³

The Stern Estate began by reminding the court that "it has long been black-letter law in Rhode Island that a conversion claim does not accrue against one whose initial possession of an object is not considered wrongful until there has been a demand and refusal to turn over the property to the true owner."¹⁷⁴ Similarly, in regard to the replevin claim, the Stern Estate argued that "a cause of action in replevin does not accrue against one not in wrongful possession, and the statute of limitations does not begin to run until the true owner makes a demand for return and has the demand rebuffed."¹⁷⁵ The Stern Estate closed its discussion of the statute of limitations by reminding the court that "Bissonnette [had] not explained or supported her statute of limitations defense."¹⁷⁶ The court agreed, finding that "the Defendant failed to adequately develop and argue [and therefore waived] the affirmative defense of statute of limitations."¹⁷⁷

It remains extremely curious why the statute of limitations defense was never developed by Bissonnette.¹⁷⁸ For hypothetical analysis purposes, it appears that had Rhode Island adhered to the widely applied "discovery

rule," this case might have simply been dismissed under the statute of limitations. To do so, Bissonnette could have argued that Stern himself knew this work was missing, as exemplified by his efforts to retrieve it following the end World War II. Furthermore, despite Rhode Island's adherence to the traditionally plaintiff-favorable demand-refusal statute of limitations analysis, there is evidence in this case that Stern had previously made a demand, and had gone so far as to file suit in German courts, in connection with this work. Had Bissonnette presented a proper statute of limitations defense, or argued it at all, there is a possibility that the court would have considered dismissing this case in a manner similar to others coming before it.

Instead of developing the statute of limitations defense, one that has been extremely effective in the dismissal of previous Holocaust-era art repatriation claims, Bissonnette chose instead to focus on the weaker, and far more case-sensitive, laches defense. In fact, the only substantive legal question that was discussed on appeal was whether the doctrine of laches prevented an entry of summary judgment against the defendant.¹⁷⁹ In support of her argument, Bissonnette presented the court with the question of whether "Dr. Stern did everything one would expect a theft victim to do to reclaim his property."¹⁸⁰ Although this may have been a legitimate and probing first question, a successful laches defense "involves not only delay but also a party's detrimental reliance on the status quo."¹⁸¹

To show unreasonable delay and a lack of diligence on the part of Stern, Bissonnette emphasized the fact that Stern "was well-known, well-respected, and had the means, ability, knowledge and skills to contact individuals and/or entities that could have assisted him in his quest."¹⁸² Furthermore, Bissonnette argued that Stern did not exhibit sufficient diligence in his search because he failed to include a picture or any specific reference to the painting in question when attempting to locate his lost works.¹⁸³ Despite these arguments, Bissonnette conceded that "due diligence should not be measured at the point that the plaintiff learned of the location of the lost work, rather, it should be viewed through a 'totality of the circumstances' lens."¹⁸⁴

Embracing the "totality of the circumstances" argument, the Stern Estate presented the court with the variety of diplomatic and personal mechanisms with which Stern attempted to locate and retrieve his lost painting.¹⁸⁵ Using extremely moving language, the Stern Estate specifically reminded the court that "[a]s early as 1948, Dr. Stern, who—thanks to the efforts of Nazi Germany—came to this continent as an impoverished refugee, worked through Canadian and British authorities to pursue recoveries."¹⁸⁶ The court seemed to understand the unique nature of this particular "totality of the circumstances" analysis, asking "whether efforts to locate the Painting were 'reasonable' in a 'contextual analysis' of the chaotic

events of World War II in Europe and the perverse actions of the Nazi regime as directed against the Jewish population of Germany and other European countries.”¹⁸⁷ Using this question as a guide, the court found that “[b]ased on the particular times and the circumstances Dr. Stern faced, he took ‘substantial and meaningful’ steps to locate his paintings as quickly as he was reasonably and safely able to do so.”¹⁸⁸ For example, it noted that because “the Nazi regime moved to divest Dr. Stern of the inventory in his gallery in gross...to require Dr. Stern to list every item lost in any attempt he made to locate the artwork would be unreasonable.”¹⁸⁹

Bissonnette made two arguments with regard to the prejudice aspect of her laches defense. First, “as a result of the claim, she [was] involved in protracted litigation that ha[d] disparaged her family name.”¹⁹⁰ Second, “she ha[d] changed her position because, but for the claim, it is likely that she would have sold the painting and benefited from the sale.”¹⁹¹ In opposition to these arguments, and throughout the course of the litigation, the Stern Estate reiterated the notion that any such prejudice “is not the fault of any alleged delay in Stern Estate making its claim, but is due to [nature of] the claim itself.”¹⁹² Any “disparagement” stemmed directly from the fact that Bissonnette was in possession of a work previously owned by Stern, later purchased by her stepfather, a member of the Nazi party, and now subject to an ownership dispute in which Bissonnette conceded Stern’s previous ownership. Similarly, the fact that she could not sell the work at auction was a direct consequence of the questionable title of the work itself. The District Court agreed, finding that any claimed prejudice “[did] not rise to the level of material prejudice [in order to invoke the defense of laches].”¹⁹³

Recognizing the weakness of her prejudice argument at the district court level, or perhaps acting in anticipation of the appellate level ruling, Bissonnette presented, on appeal, an entirely new prejudice argument based on the notion that “potential witnesses and evidence [were] likely unavailable at this late date.”¹⁹⁴ The Court of Appeals overtly questioned this “deeply flawed” argument that had now been presented to the court “without the slightest elaboration,” and, before rejecting the substance of this “belated reference,” noted that “the court of appeals [was] not a place in which a party should be allowed to pull a rabbit out of a hat” by presenting new legal arguments.¹⁹⁵ The court went on to assert that a successful laches defense “requires more than the frenzied brandishing of a cardboard sword,” and instead requires sufficient evidence of unreasonable delay resulting in “a loss of evidence, the unavailability of important witnesses, the conveyance of property in dispute for fair market value to a bona fide purchaser, or the expenditure of resources in the reliance upon the status quo ante.”¹⁹⁶

In determining why Bissonnette presented an entirely new prejudice argument on appeal, it should be noted that the only other issue on appeal was the District

Court’s refusal to re-open discovery after Bissonnette retained new counsel in the case.¹⁹⁷ In fact, the Stern Estate noted that “Defendant Bissonnette has had no shortage of lawyers to advise her with regard to this lawsuit and related matters.”¹⁹⁸ Although the Stern Estate does not provide specific details why Bissonnette retained multiple attorneys, it did note “differences with [the] defendant [that] had existed for ‘several months.’”¹⁹⁹ Over the course of the lawsuit, Bissonnette retained at least four different attorneys in both the United States and Germany.²⁰⁰ Although not critical to the substantive legal analysis, the fact that Bissonnette retained this number of attorneys may explain why her legal arguments changed over time. With regard to the prejudice argument, and in assenting to replacement counsel, the Stern Estate specifically requested that “these proceedings not be unreasonably delayed thereby, and that defendant be required to engage substitute counsel promptly to minimize any prejudice to the Plaintiff that may be caused by [the lawyer’s] withdrawal.”²⁰¹

Another speculative explanation for her weak and fluctuating legal arguments may be that Bissonnette was focused predominantly on the restoration of her family name rather than possession of the painting for any monetary or other purpose. It is possible that Bissonnette believed by winning this suit, and therefore clearing the tainted title of the painting, Bissonnette would somehow be able to vindicate the name of her stepfather, Dr. Karl Wilharm, a man who “gave [her] everything...[provided] a good education,...[and] treated [her] actually as his own daughter.”²⁰² To this end, Bissonnette asked others to “understand [her] position” that “[her] father was not a Nazi,”²⁰³ but “a physician, who had joined the Nazi party (as did many, at the time).”²⁰⁴

While one may argue that all members of the Nazi party were not inherently evil, but were instead individuals caught up in the chaos of the day, it has been noted that Wilharm “was anything but a young, confused man who thought the Nazis could help him out finding a job.”²⁰⁵ In fact, there are records showing that Wilharm joined the paramilitary force *Sturmabteilung* (SA) as a doctor in 1932, rented a factory on his property to the SA during the war, and participated in at least one instance of questionable Nazi activities when, in 1933, he allowed for Nazi prisoners to be kept on his property.²⁰⁶ Following the war, Wilharm was arrested and detained for 16 months and was later tried and convicted of low-level crimes for which he was fined and sentenced to one day of reconstruction service.²⁰⁷ At trial, Wilharm asserted that throughout the war he “continued to care for all people, even Nazi victims and foreign prisoners[,]...tried to keep a Jewish dentist from being kicked off a local medical board[,] and wanted to quit the SA.”²⁰⁸ Despite any hope that her parents’ name would be cleared through this litigation, or any potential impact such a desire might have on the litigation process, neither Rhode Island court considered it when making its final determination.

After consideration of these newly developed legal arguments, the Court of Appeals agreed with the District Court's determination that "Dr. Stern and the Stern Estate had exercised reasonable diligence in searching for the Painting and...the defendant had not been prejudiced by any delay."²⁰⁹ On November 18, 2008, the Court of Appeals affirmed the District Court's ruling, powerfully concluding that "a de facto confiscation of a work of art that arose out of a notorious exercise of man's inhumanity to man now ends with the righting of that wrong through the mundane application of common law principles."²¹⁰

VIII. Conclusion

The inherent value of a work of art may be based on many factors, including age, creator, previous owner, and aesthetics. To some, value may be based entirely on how much a work may be sold for. To others, the value of a work of art is highly contingent on the memories associated with that work. There is no greater example of the sentimental value of art than works once decorating the homes and galleries of those persecuted or killed during the Holocaust. To survivors and victims' heirs, a work of art may act as the only lasting memory of loved ones, their homelands, or simply happier times. To such individuals unable to differentiate the aesthetic and monetary value of a work of art from those memories the work may represent, the argument that a work of art is as valuable as a human life becomes ever more compelling. In such a situation, "[w]orks of art take on a level of meaning that is not simply about their value or meaning as works of art."²¹¹ As such, there must be special consideration given to the various repatriation mechanisms available to those in search of works displaced during this period.

Few would deny the extremely sensitive and complex nature of any Holocaust-era repatriation claim and the number of individuals or institutions that may be affected by any such claim: the heir of the rightful owner who has a sentimental and legal connection to the work; the museum that displays the work; the good-faith purchaser or collector with little or no knowledge of the transactional history of the work; the individual who inherited the work and may now learn that his or her loved ones were directly or indirectly involved in suspected Nazi activity; the auction house that did not uncover any questionable provenance when researching the work before sale; and/or the public at large who may benefit from the public display of a painting that has changed hands once or numerous times over the last 50 years. From each perspective comes a different set of moral, legal, and ethical considerations that must be addressed both privately and publicly.²¹²

The United States and the courts of its various states have failed to recognize the underlying characteristics of a Holocaust-era repatriation claim. Most individuals lack the knowledge, resources, and expertise necessary to locate displaced art. Expecting a survivor or heir to conduct an exhaustive and expensive search for Nazi-looted art,

much of which is still unaccounted for, imposes too arduous a duty for those with little expertise in such matters. In some cases, survivors and heirs, particularly descendants of those who lost their lives during the Holocaust, may be entirely unaware that they have a rightful claim to a work of art. Information regarding stolen art is, in many cases, only recently becoming available through greater discovery, disclosure, and developing technologies and databases. Finally, and most importantly, there is historical evidence that the atmosphere in post-War Europe was such that claimants justifiably feared the adverse results of making such claims.²¹³ Still today, some individuals may not be prepared to confront the atrocities of their past.

There are some who have put forth additional arguments for an all-encompassing statute of limitations for Holocaust-era art repatriation claims: "[t]he world should let go of the past and live in the present[;]...we should not be overly obsessive about the worst of the past—[because] it is not useful either to individuals or society as a whole[;]...[e]ach person should invent him or herself creatively in the present, and not on the back of the lost wealth of ancestors."²¹⁴ Dismissing for a moment the underlying characteristics of a Holocaust-era repatriation claim already discussed, there exists a fundamental basis for embracing, rather than rejecting, the past in regard for the future:

Just as man cannot live without dreams, he cannot live without hope. If dreams reflect the past, hope summons the future. Does this mean that our future can be built on a rejection of the past? Surely such a choice is not necessary. The two are not incompatible. The opposite of the past is not the future but the absence of future; the opposite of the future is not the past but the absence of past. The loss of one is equivalent to the sacrifice of the other.²¹⁵

Regardless of why repatriation claims may have been delayed, there is no adequate reason to enforce unreasonable procedural barriers, such as a laches defense or the "discovery rule" in determining the statute of limitations, on those who are rightful owners of artwork displaced during the Holocaust. While scholars have argued the need for an international tribunal,²¹⁶ an international mediation/arbitration commission,²¹⁷ and/or legally binding international agreements,²¹⁸ in the absence and unlikely development of such mechanisms, the United States legislature must address the current barriers to repatriation that exist for an individual bringing suit in the United States.

The sale and purchase of art is an inherently risky business. With regard to the provenance of artwork, a good-faith purchaser must always bear the responsibility of researching and verifying the source of a work. There is

no adequate rationale for upholding a purchaser's rights to a work that was not purchasable. This is particularly true in the case of artwork displaced as a direct result of persecution during the Holocaust. Notwithstanding a formal and explicit waiver by the rightful owner of a work of art, United States courts should have the ability to address the merits of any such claim for repatriation. In sustaining the legal mechanisms precluding access to justiciability, the United States and its courts are blatantly ignoring reality and, more significantly, the rights of those who were subjected to the horrors and barbarism of the Holocaust.

Endnotes

1. *The Rape of Europa* (Menemsha Films 2006).
2. Julia Parker, *World War II & Heirless Art: Unleashing the Final Prisoners of War*, 13 CARDOZO J. INT'L & COMP. L. 661, 665 (2005).
3. Irena Klepfisz, *Dreams of an Insomniac: Jewish Feminist Essays, Speeches and Diatribes* 65 (1993).
4. *Vineberg v. Bissonnette*, 529 F. Supp. 2d 300 (D.C. R.I. 2007), *aff'd*, 548 F.3d 50 (1st Cir. (R.I.) 2008).
5. David Wissbroecker, *Six Klimts, a Picasso, & a Schiele: Recent Litigation Attempts to Recover Nazi Stolen Art*, 14 DePaul-LCA J. Art & Ent. L. 39, 40 (2004); Howard Spiegler, *Ownership and Protection of Heritage: Cultural Property Rights for the 21st Century*, 16 CONN. J. INT'L L. 297, 298 (2001).
6. Wissbroecker, *supra* note 5.
7. Spiegler, *supra* note 5.
8. *Id.*
9. *Id.* at 299.
10. Kelly Diane Walton, *Leave No Stone Unturned: The Search for Art Stolen by the Nazis and the Legal Rules Governing Restitution of Stolen Art*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 549, 553 (1999).
11. Lynn H. Nichols, *The Rape of Europa: The Fate of Europe's Treasures in the Third Reich and the Second World War* 20 (1994).
12. David Roxan & Ken Wanstall, *The Rape of Art* 11 (1964).
13. Nichols, *supra* note 11, at 21-22; *see also* Owen C. Pell, *The Potential for a Mediation/Arbitration Commission to Resolve Disputes Relating to Artworks Stolen or Looted During World War II*, 10 DePaul-LCA J. Art & Ent. L. 27, 30-31 (1999).
14. *See* Parker, *supra* note 2, at 668-70; Nichols, *supra* note 11, at 41-45.
15. *See* Pell, *supra* note 13, at 30-33.
16. *Id.* at 31.
17. *Id.* at 32.
18. *Id.* at 32-33.
19. Nichols, *supra* note 11, at 125.
20. *Id.*; Pell, *supra* note 13, at 34. Hitler also ordered the creation of the Kummel Report, a 300-page document that listed all major works of art that had been removed from Germany since 1500. Hitler ordered that all works listed in this document be located, seized, and immediately returned to Germany. *Id.*
21. Parker, *supra* note 2, at 670; Pell, *supra* note 13, at 34.
22. Andrew Adler, *Expanding the Scope of Museums' Ethical Guidelines With Respect to Nazi-Looted Art: Incorporating Restitution Claims Based on Private Sales Made as a Direct Result of Persecution*, 14 Int'l J. Cult. Prop. 57, 59-60 (2007). The Reich Chamber of Culture was an umbrella organization to which all artists and art dealers were required to join in order to produce, purchase, and/or sell works of art. Those excluded from membership included Jews, Communists, and, later, any individual whose product and style did not conform to the standards set forth by the Nazi leadership. Nichols, *supra* note 11, at 9.
23. Sacha Pfeiffer, *Artwork Lost to Nazis at Center of Legal Battle*, The Boston Globe, Sept. 10, 2006, at A1. For an account of a 1939 "Jewish auction" in Lucerne, Switzerland, *see* NICHOLS, *supra* note 11, at 3-5.
24. Adler, *supra* note 22, at 58. For example, in 1938, Hitler issued a decree declaring that the German government would not pay compensation for confiscated art. This decree created a widespread panic within which owners and dealers hastily sold their works in an effort to retain some value for that which was soon to be taken from them. Nichols, *supra* note 11, at 17.
25. Pell, *supra* note 13, at 37.
26. Stephan J. Schlegelmilch, *Ghosts of the Holocaust: Holocaust Victim Fine Arts Litigation and a Statutory Application of the Discovery Rule*, 50 Case W. Res. L. Rev. 87, 95 (1999). *See also* Nichols, *supra* note 11, at 327-67 (describing the work and challenges of the Monuments men); Seymour J. Pomrenze, First Director, Offenbach Archival Depot, Address at the Washington Conference on Holocaust-Era Assets: Personal Reminiscences of the Offenbach Archival Depot, 1946-1949: Fulfilling International and Moral Obligations (April 1999) (presenting a personal account of the work and challenges of the Monuments men).
27. Pell, *supra* note 13, at 37.
28. Wissbroecker, *supra* note 5, at 43.
29. *Id.*
30. Parker, *supra* note 2, at 674-75.
31. *Id.*; *See also* Schlegelmilch, *supra* note 26, at 95.
32. Valeriy D. Kulishov, Chief of the Office of Restitution, Department for the Preservation of Cultural Assets, Ministry of Culture, address at the Washington Conference on Holocaust-Era Assets: Plenary Session on Nazi-Confiscated Art Issues (April 1999). For an interesting discussion on the current state of art seized by the Soviet Union, *see* Toby Axelrod, *Loss and Return*, ARTNEWS, Oct. 2008, at 90.
33. Wissbroecker, *supra* note 5, at 43.
34. Hague Convention Respecting the Laws and Customs of War on Land art. 23(g), Oct. 18, 1907, 36 Stat. 2277, 1 Bevans 631.
35. Kelly Ann Falconer, *When Honor Will Not Suffice: The Need for a Legally Binding International Agreement Regarding Ownership of Nazi-Looted Art*, 21 U. PA. J. Int'l Econ. L. 383, 388 (2000); *see also* Leah J. Weiss, *The Role of Museums in Sustaining the Illicit Trade in Cultural Property*, 25 Cardozo Arts & Ent. L.J. 837, 845-47 (2007).
36. Weiss, *supra* note 35, at 845.
37. Falconer, *supra* note 35, at 389.
38. *Id.*
39. *See* Weiss, *supra* note 35, at 847-58.
40. Onimi Erekosima & Brian Koosed, *Intellectual Property Crimes*, 41 Am. Crim. L. Rev. 809, 856 (2004).
41. Falconer, *supra* note 35, at 389.
42. Erekosima & Koosed, *supra* note 40, at 856.
43. Falconer, *supra* note 35, at 389.
44. Erekosima & Koosed, *supra* note 40, at 856-57.
45. UNIDROIT, Status of the UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects—Signatures, Ratifications, Accessions, available at <http://www.unidroit.org/english/implement/i-95.pdf> (last visited April 11, 2010).
46. *Id.*
47. UNIDROIT Convention on Stolen or Illegally Exported Cultural

Objects art. 3(3), June 24, 1995, 34 I.L.M. 1322.

48. Stuart E. Eizenstat, Concluding Statements at the Washington Conference on Holocaust-Era Assets (last visited January 31, 2010), available at http://www.state.gov/www/policy_remarks/1998/981203_eizenstat_heac_conc.html (last visited April 11, 2010).
49. Falconer, *supra* note 35, at 390.
50. Eizenstat, *supra* note 48.
51. *Id.*
52. *Id.*
53. Greg Bradsher, Research, Restitution, and Remembrance: The Federal Government and Holocaust-Era Assets 1996-2001, address before the B'Nai Israel Synagogue (Apr. 20, 2002), available at <http://www.archives.gov/research/holocaust/articles-and-papers/federal-government-and-holocaust-assets-1996-2001.html>.
54. Pub. L. No. 105-158, 112 Stat. 15 (1998).
55. Pub. L. No. 105-186, 112 Stat. 611 (1998).
56. Pub. L. No. 105-246, 112 Stat. 1859 (1998).
57. Pub. L. No. 105-158, preamble, 112 Stat. 15 (1998).
58. *Id.* at § 202.
59. *Id.* at § 101(b)(1).
60. *Id.* at § 102(b).
61. *Id.* at § 103(b).
62. Parker, *supra* note 2, at 686.
63. Statement of President William J. Clinton on Signing the Holocaust Victims Redress Act (Feb. 13, 1998), available at <http://www.presidency.ucsb.edu/ws/print.php?pid=55479> (last visited April 11, 2010).
64. *Id.*
65. Pub. L. No. 105-186, 112 Stat. 611 (1998).
66. *Id.* at § 2(b)(1). For more information, see Presidential Commission on Holocaust Assets in the United States, <http://www.pcha.gov> (last visited April 11, 2010).
67. *Id.* at § 3(a)(1).
68. *Id.* at preamble.
69. Presidential Advisory Commission on Holocaust Assets, Plunder and Restitution: Findings and Recommendations of the Advisory Commission on Holocaust Assets in the United States and Staff Report (Dec. 2000).
70. Benjamin E. Pollock, *Out of the Night and Fog: Permitting Litigation to Prompt an International Resolution to Nazi-Looted Art Claims*, 43 Hous. L. Rev. 193, 206 (2006).
71. Pub. L. No. 105-246, 112 Stat. 1859 (1998).
72. *Id.* at § 2(c)(1).
73. *Id.* at § 3(a)(2).
74. Nazi War Crimes and Japanese Imperial Government Records Interagency Working Group, Final Report to the United States Congress, 1 (2007), available at <http://www.archives.gov/iwg/reports/final-report-2007.pdf> (last visited April 11, 2010). Of the 8,422,637 documents found to be relevant, 8,399,599, or 99.7 percent, have been declassified. *See id.* at 44.
75. Pollock, *supra* note 70, at 208. "Only [10] [Holocaust-related] suits were filed in American courts from 1945 to 1995, and less than a handful of cases concerning looted art have been brought since World War II." *Id.*
76. Walton, *supra* note 10, at 578.
77. Black's Law Dictionary 1325 (8th ed. 2004).
78. Vanessa A. Wernicke, *The "Retroactive" Application of the Foreign Sovereign Immunities Act in Recovering Nazi Looted Art*, 72 U. Cin. L. Rev. 1103, 1104 (2004). Sovereign immunity was first established in the United States following the holding in *The Schooner Exchange v. McFaddon*, in which the court recognized the importance of immunity as a matter of "grace and comity." *Id.* at 1104-05 (discussing and quoting *Schooner Exchange v. McFaddon*, 11 (7 Cranch) 116, 132 (1812)).
79. *Id.* at 1106.
80. H.R. 271, 106th Cong. § 2 (1st Sess. 1999).
81. 28 U.S.C. §§ 1602-11.
82. Wernicke, *supra* note 78, at 1122.
83. 28 U.S.C. §§ 1604-05.
84. *Republic of Austria v. Altmann*, 541 U.S. 677, 685 (2004).
85. 28 U.S.C. § 1605(a)(3).
86. *Republic of Austria v. Altmann*, 541 U.S. at 694.
87. *Compare Princz v. Fed. Republic of Germany*, 26 F.3d 1166 (D.C. Cir. 1994) (favoring the retroactive application of the FSIA for Holocaust-era art repatriation claims), with *Carl Marks & Co. v. USSR*, 841 F.2d 26 (2d Cir. 1988) (denying retroactive application of the FSIA because it would defy settled expectations of immunity).
88. 541 U.S. 677 (2004).
89. *Id.* at 700.
90. Pollock, *supra* note 70, at 212.
91. *Goldwater v. Carter*, 444 U.S. 996, 1006 (1979) (Brennan, J. dissenting) (quoting *Baker v. Carr*, 369 U.S. 186, 211-213, 217 (1962)).
92. *Baker*, 329 U.S. at 211.
93. *Id.*
94. *See id.* at 217.
95. *Id.*
96. *Frumkin v. JA Jones, Inc.*, 129 F. Supp. 2d 370, 389 (D. N. J. 2001).
97. *Anderman v. Fed. Republic of Austria*, 256 F. Supp. 2d 1098, 1118 (C.D. Cal. 2003).
98. *Baker*, 369 U.S. at 217.
99. Pollock, *supra* note 70, at 218.
100. *Frumkin*, 129 F. Supp. 2d at 387.
101. Pollock, *supra* note 70, at 219.
102. *Id.*
103. *Underhill v. Hernandez*, 168 U.S. 250, 252 (1897).
104. *Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 428 (1964).
105. Pollock, *supra* note 70, at 221-22; *see, e.g., Menzel v. List*, 267 N.Y.S.2d 804, 816 (Sup. Ct. 1966), modified, 279 N.Y.S.2d 608 (App. Div. 1967), *rev'd*, 24 N.Y.2d 91 (1969).
106. *See, e.g., Wolf v. Fed. Republic of Germany*, No. 93 C 7499, 1995 WL 263471, at 14 (N.D. Ill. May 1, 1995) (denying plaintiff standing under the act of state doctrine to sue the Republic of Germany for war reparations as provided by the Conference on Jewish Material Claims Against Germany); *see also* Pollock, *supra* note 70, at 221.
107. Walton, *supra* note 10, at 579.
108. Carla Schulz-Hoffman, Deputy General Director, Bavarian State Paintings Collection, Address at the Washington Conference on Holocaust-Era Assets: Break-out Session on Nazi Confiscated Art Issues: Principles to Address Nazi-Confiscated Art (April 1999).
109. Lawrence M. Kaye, *Avoidance and Resolution of Cultural Heritage Disputes: Recovery of Art Looted During the Holocaust*, 14 Willamette J. Int'l L. & Dispute Res. 243, 258 (2006).
110. *DeWeerth v. Baldinger*, 836 F.2d 103, 106 (2d Cir. 1987).
111. Spiegler, *supra* note 5, at 303.
112. Walton, *supra* note 10, at 579.
113. *Id.*

114. Spiegler, *supra* note 5, at 303-04.
115. *Id.* See, e.g., *O'Keeffe v. Snyder*, 416 A.2d 862 (N.J. 1980); *Naftzger v. Am. Numismatic Soc'y*, 49 Cal. Rptr. 2d 784 (Ct. App. 1996); *Autocephalous Greek-Orthodox Church of Cyprus v. Goldberg & Feldman Fine Arts, Inc.*, 917 F.2d 278 (7th Cir. 1990), *cert. denied*, 112 S. Ct. 377 (1991); *Charash v. Oberlin Coll.*, 14 F.3d 291 (6th Cir. 1994); *Erisoty v. Rizik*, No. 93-6215, 1995 U.S. Dist. LEXIS 2096 (E.D. Pa. Feb. 23, 1995), *aff'd*, No. 95-1807, 1996 U.S. App. LEXIS 14999 (3d Cir. May 7, 1996). For a discussion of these cases, see Ralph E. Lerner & Judith Bresler, *Art Law: The Guide for Collectors, Investors, Dealers, and Artists* 236-40 (1998).
116. Spiegler, *supra* note 5, at 305.
117. See, e.g., *Orkin v. Taylor*, 2005 U.S. Dist. LEXIS 43321 (C.D. Cal. Apr. 20, 2005), *aff'd*, 487 F.3d 734 (9th Cir. 2007) (determining that because the ownership of the art had been public for several years, and because the plaintiffs were aware that the cause of action was time-barred, the limitations period had expired) *id.* at 742; *Toledo Museum of Art v. Ullin*, 477 F. Supp. 2d 802 (N.D. Ohio 2006) (determining that the plaintiff should have made inquiry into the provenance of a disputed painting following Congressional hearings on Nazi-era artworks and other indicators that they may have possessed a right to a work of art stolen during the Holocaust) *id.* at 807; *Detroit Inst. of Arts v. Ullin*, 2007 U.S. Dist. LEXIS 28364 (E.D. Mich. 2007) (determining that previous claims made by the original owner was adequate evidence that the heirs to the property should have been able to recover the stolen painting) *id.* at *10.
118. 267 N.Y.S.2d 804 (Sup. Ct. 1966), *modified*, 279 N.Y.S.2d 608 (App. Div. 1967), *rev'd*, 24 N.Y.2d 91 (1969).
119. *Id.* at 806-07.
120. *Id.* at 809.
121. *Id.*
122. *DeWeerth*, 836 F.2d at 106-07.
123. See, e.g., *id.* at 107.
124. Walton, *supra* note 10, at 581.
125. 77 N.Y.2d 311 (N.Y. 1991).
126. *Id.* at 318.
127. *Id.* at 320.
128. *Id.* at 315.
129. Falconer, *supra* note 35, at 409.
130. In addition to New York, Connecticut and South Carolina are among the "two or three other states" that have applied the "demand and refusal" requirement for establishing the starting point of the statute of limitations period. W. Page Keeton *et al.*, *Prosser and Keeton on the Law of Torts* 94 (5th ed. 1984).
131. 2005 U.S. Dist. LEXIS 43321 (C.D. Cal. Apr. 20, 2005), *aff'd*, 487 F.3d 734 (9th Cir. 2007).
132. See generally, Karen Gullo, *Liz Taylor Declared Owner of Van Gogh: Suit Claimed Nazis Forced Sale in 1939*, WASH. POST, May 19, 2007, at C3; Linda Greenhouse, *Elizabeth Taylor to Keep Van Gogh*, N.Y. Times, Oct. 30, 2007, at E0; Bob Egelko, *Elizabeth Taylor to Keep Van Gogh*, S.F. Chron., May 19, 2007, at B1.
133. *Orkin*, 487 F.3d at 737.
134. *Id.*
135. *Id.* at 738.
136. *Id.* at 741-42.
137. *Toledo Museum of Art*, 477 F. Supp. at 804; *Detroit Inst. of Arts*, 2007 U.S. Dist. LEXIS at *4.
138. *Toledo Museum of Art*, 477 F. Supp. at 804-05.
139. *Toledo Museum of Art*, 477 F. Supp. at 805; *Detroit Inst. of Arts*, 2007 U.S. Dist. LEXIS at *5. See also Arabella J. Yip & Ronald D. Spencer, *Untouched by Nazi Hands, but Still...*, WALL ST. J., Feb. 28, 2008, at D6, available at http://online.wsj.com/public/article_print/SB120416063008298329.html (last visited April 11, 2010).
140. *Toledo Museum of Art*, 477 F. Supp. at 809; *Detroit Inst. of Arts*, 2007 U.S. Dist. LEXIS at *12. For a detailed discussion of *Toledo Museum of Art v. Ullin*, see Andrew Adler, *supra* note 22, at 61-63.
141. *Vineberg v. Bissonnette*, 529 F. Supp. 2d 300 (D.C. R.I. 2007), *aff'd*, 548 F.3d 50 (1st Cir.(R.I.) 2008).
142. Arthur Gold & William Coulson, *The Nuremberg War Crimes Trials: 60 Years Later*, Chicago Bar Ass'n Record, Feb./Mar. 2006, at 40, available at <http://gcjustice.com/PDF-Law-Chicago/The%20Nuremberg%20War%20Crimes%20Trials.pdf> (last visited April 11, 2010).
143. Ray Henry, *Painting Dispute Raises Specter of Nazi Past*, USA TODAY, Feb. 02, 2008, available at http://www.usatoday.com/news/world/2008-02-02-painting_N.htm (last visited April 11, 2010).
144. *Id.*
145. *Id.*
146. *Vineberg*, 548 F.3d at 53; Henry, *supra* note 143.
147. *Vineberg*, 548 F.3d at 53.
148. Pfeiffer, *supra* note 23. For an account of a 1939 "Jewish auction" in Lucerne, Switzerland, see NICHOLS, *supra* note 11, at 3-5 (1994).
149. *Vineberg*, 529 F. Supp. 2d at 303.
150. *Id.*
151. *Id.*; Henry, *supra* note 143.
152. Henry, *supra* note 143.
153. *Vineberg*, 548 F.3d at 53.
154. *Id.*
155. From 1945 to 2003, the painting was unpublished and unexhibited, save a local exhibition that took place in Kassel, Germany in the 1950s. Stern Estate's Reply in Support of Its Motion for Summary Judgment, *Stern Estate v. Bissonnette*, 529 F.Supp.2d 300 (D.C. R.I. 2007) (No. 06-211), 2007 WL 4768103 (D.R.I.), at 6 [hereinafter Stern Estate's Reply].
156. *Id.*
157. *Vineberg*, 548 F.3d at 53. For more information about Dr. Max Stern, his gallery and private collection, and the repatriation efforts for his displaced artwork, see generally Max Stern Art Restitution Project, <http://maxsternproject.concordia.ca/> (last visited January 31, 2010).
158. Melissa Eddy, *Jewish Estate Shows 2 Paintings Originally Stolen by the Nazis*, Huffington Post, Dec. 10, 2008, available at http://www.huffingtonpost.com/2008/12/10/jewish-estate-shows-2-pai_n_150018.html (last visited April 11, 2010).
159. *Vineberg*, 529 F. Supp. 2d at 303-04.
160. Defendant Maria-Louise Bissonnette's Memorandum in Support of Her 12(b) Motion to Dismiss and/or For Stay, *Stern Estate v. Bissonnette*, 529 F.Supp.2d 300 (D.C. R.I. 2007) (No. 06-211), 2006 WL 4055804 (D.R.I.), at 1 [hereinafter Bissonnette's Memorandum in Support of Her 12(b) Motion]; Henry, *supra* note 143.
161. *Vineberg*, 529 F. Supp. 2d at 304.
162. Henry, *supra* note 143. In the letter to Bissonnette, the HCPO intermediary seemed to recognize the delicate nature of the upcoming legal battle by stating "I am sure that you will also agree that there are moral considerations in this case." *Id.*
163. *Vineberg*, 529 F. Supp. 2d at 303-04, 307.
164. Yip & Spencer, *supra* note 139; Ray Henry, *RI Woman Loses Appeal in Nazi-Era Art Lawsuit*, Nov. 19, 2008, available at <http://www.cfhu.org/node/573> (last visited April 11, 2010).
165. See Bissonnette's Memorandum in Support of Her 12(b) Motion, at 1-2.

166. *Id.*
167. *Id.* at 4-5.
168. *Id.* at 6-7.
169. *Vineberg*, 529 F. Supp. 2d at 304. In asserting jurisdiction, the court found that “[t]he named Plaintiffs are trustees of the Stern Estate and are citizens of Canada. Defendant is a citizen of the state of Rhode Island. Defendant does not dispute the parties’ citizenship nor does she dispute that the amount in controversy exceeds \$75,000. An exercise of this Court’s diversity jurisdiction is, therefore, proper.” *Id.*
170. Defendant, Maria Louise Bissonnette’s Memorandum of Law in Opposition to Plaintiff’s Motion for Summary Judgment, *Stern Estate v. Bissonnette*, 529 F.Supp.2d 300 (D.C. R.I. 2007)(No. 06-211), 2007 WL 4768102 (D.R.I.), at 2 [hereinafter Bissonnette’s Memorandum in Opposition Summary Judgment].
171. *See generally id.*
172. Stern Estate’s Reply, at 8.
173. *See generally id.* at 8-10.
174. *Id.* at 8 (citing *Clafin v. Gurney*, 17 R.I. 195, 187, 20 A. 932, 933 (R.I. 1890); *Goodbody & Co., Inc. v. Parente*, 358 A.2d 32 (R.I. 1976)).
175. *Id.* at 9.
176. *Id.* at 10.
177. *Vineberg*, 529 F. Supp. 2d at 305-06.
178. According to the District Court opinion, Bissonnette also failed to develop, and therefore waived, defenses of collateral estoppel and *res judicata* in connection with this case. *Id.* at 306 n.10.
179. *Vineberg*, 548 F.3d at 55-58.
180. Bissonnette’s Memorandum in Opposition Summary Judgment, at 2.
181. *Vineberg*, 548 F.3d at 56 (citing *Adam v. Adam*, 624 A.2d 1093, 1096 (R.I. 1993)).
182. Bissonnette’s Memorandum in Opposition Summary Judgment, at 3.
183. *Vineberg*, 529 F. Supp. 2d at 309.
184. Bissonnette’s Memorandum in Opposition Summary Judgment, at 3 (citing *Houle v. Collatos*, No. 77-1295, 1982 U.S. Dist. LEXIS 10693 at *12 (D. Mass. Feb. 2, 1982)).
185. Stern Estate’s Reply, at 6.
186. *Id.* at 7.
187. *Vineberg*, 529 F. Supp. 2d at 309.
188. *Id.* at 310.
189. *Id.* at 309.
190. *Id.* at 311.
191. *Id.*
192. Stern Estate’s Reply, at 7.
193. *See Vineberg*, 529 F. Supp. 2d at 311 (citing *Junkins v. Spinnaker Bay Condo. Ass’n*, 2002 Ohio 872, 2002 WL 337780 at *12 (Ohio Ct. App. 2002)).
194. *Vineberg*, 548 F.3d at 57.
195. *Id.*
196. *Id.* at 57-58.
197. *See id.* at 54-55.
198. Plaintiff’s Objection to Motion to Modify Pretrial Order, *Stern Estate v. Bissonnette*, 529 F. Supp. 2d 300 (D.C. R.I. 2007) (No. 06-211), 2007 WL 4768100 (D.R.I.), at 3 n.1.
199. *Id.*
200. *Id.*
201. *Id.* at 3-4.
202. Henry, *supra* note 143.
203. *Id.*
204. Bissonnette’s Memorandum in Support of Her 12(b) Motion, at 1.
205. Henry, *supra* note 143.
206. *Id.*
207. *Id.*
208. *Id.*
209. *Vineberg*, 548 F.3d at 54.
210. *Id.* at 58-59.
211. Robin Cembalest, *The Trouble With Placing Time Limits on War-Loot Claims*, ARTNews, Mar. 2009, available at <http://theartlawblog.blogspot.com/search?q=nazi> (last visited April 11, 2010).
212. The Jewish Museum Berlin, as part of a recent exhibition, “Looting and Restitution: Jewish-Owned Cultural Artifacts from 1933 to the Present,” created an epilogue activity titled “What Would You Decide” in which visitors to the museum are asked to weigh various interests when confronted with a Holocaust-era art repatriation claim. Basing their choices on “about 300 real-life cases,” the creators present the visitor with genuine scenarios in which “[n]o one is the bad guy...but it is a bad situation.” *See Cembalest, supra* note 212; *see also* Jewish Museum Berlin, What Would You Decide?, <http://www.jmberlin.de/raub-und-restitution/en/spiel.html> (last visited January 31, 2010).
213. Spiegler, *supra* note 5, at 305.
214. Sir Norman Rosenthal, *The Time Has Come for a Statute of Limitations*, ART NEWSPAPER, Nov. 12, 2008, available at <http://www.theartnewspaper.com/article.asp?id=16627> (last visited April 11, 2010).
215. Elie Wiesel, Nobel Lecture (Dec. 11, 1986), available at http://nobelprize.org/nobel_prizes/peace/laureates/1986/wiesel-lecture.html (last visited April 11, 2010).
216. *See generally* Jennifer Anglim Kreder, *Reconciling Individual and Group Justice With the Need for Repose in Nazi-Looted Art Disputes: Creation of an International Tribunal*, 73 Brooklyn L. Rev. 155 (2007).
217. *See generally* Pell, *supra* note 13.
218. *See generally* Falconer, *supra* note 35.

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Could This Be Legal Alchemy? When a Copy Work May Become Transformative for Fair Use Purposes

By Andrew Berger

Predicting a fair use outcome in copyright litigation is not for the faint of heart. There are no bright-line rules; instead, the statute calls for case-by-case analysis, directing courts to weigh four illustrative and non-exclusive factors.¹

Yet there is one guidepost that parties often overlook when attempting to determine if the defense of fair use applies to a claim of copyright infringement. When a new work makes “transformative” use of the original work, a court will almost always find the use fair.² The transformative standard asks “whether the new work merely supersedes the objects of the original creation...or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning or message....”³

“What does ‘altering the first’ work mean? Does the new work have to physically change the old or simply copy it for a new purpose?”

A New Purpose Is Enough

What does “altering the first” work mean? Does the new work have to physically change the old or simply copy it for a new purpose? A number of cases, including *Kelly v. Arriba Soft Corp.*,⁴ *Bill Graham Archives v. Dorling Kindersley Ltd.*⁵ and *Blanch v. Koons*,⁶ indicate that copying the old work for a new purpose is enough if two other criteria are also present. Understanding the criteria necessary to create a transformative copy may be useful to parties facing a fair use issue.

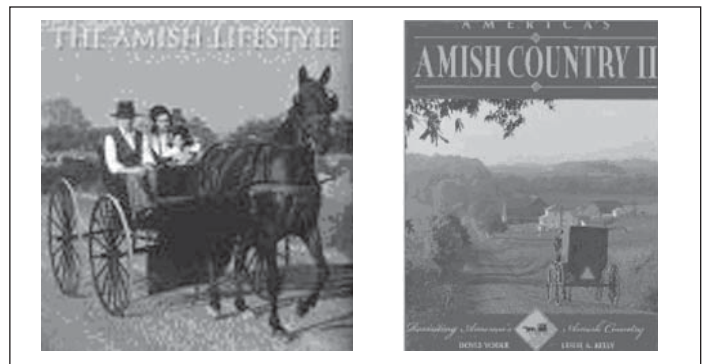
Arriba: A New Technological Purpose

In *Kelly v. Arriba*, the defendant’s search engine contained some two million thumbnail versions of photos, which it had copied, posted and made available for viewing on its site.⁷ Thirty-five of those thumbnails were Kelly’s photos that Arriba had copied and posted without permission. The district court granted the defendant summary judgment, finding that Arriba’s use of the images was fair.⁸

The district court held that Arriba’s search engine was transformative because it served a new function and made a new use of the photographs. The plaintiff’s pho-

tographs were intended to be “artistic” and “esthetic.” In contrast, the defendant’s search engine was “functional” and “comprehensive,” designed “to catalogue and improve access to images on the Internet.”⁹ The district court also noted with approval that the search engine did not exploit the plaintiff’s photographs “in any special way,” but instead reproduced them as part of Arriba’s “indiscriminate method of gathering images.”¹⁰

The Ninth Circuit affirmed, adding that “Arriba was neither using Kelly’s images to promote its site nor trying to profit by selling Kelly’s images.”¹¹



Samples of Kelly’s photos that were copied and posted by Arriba.

Kindersley: A New Creative Purpose

In *Bill Graham Archives v. Dorling Kindersley Ltd.*, the defendant also made a new, non-exploitive use of an inconsequential amount of original authorship. There, the defendant copied without authorization a few Grateful Dead concert posters, reduced them in size, combined them into a collage of text and images and used them on seven pages of its 480-page biography of the band.¹²

The Second Circuit affirmed the district court’s fair use finding. The circuit court noted that, although the band used the posters for artistic expression and promotion, the defendant employed them for a new purpose. The court stated that the defendant used the posters as “historical artifacts” to enhance “the book’s biographic information about the Grateful Dead and provide a “visual context” for the book’s text.¹³ Further, the defendant ensured that the posters were not exploited “for commercial gain” in “advertising” or “to promote the sale of the book.”¹⁴ In addition, the posters constituted a tiny portion of the book.¹⁵

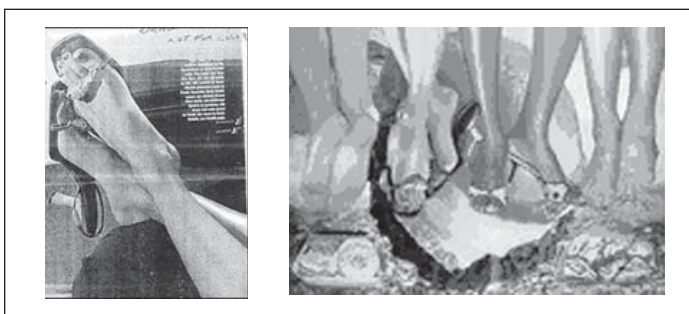


The first page of the book and an inside page containing a poster.

Koons: A New Satirical Purpose

Blanch v. Koons also involved a creative reproduction of a copyrighted work. The plaintiff's photograph depicted a woman's lower legs and feet wearing sandals resting on a man's lap. The legs and feet appeared at close range and dominated the photo.¹⁶ The plaintiff testified that she wanted her photograph to "show some sort of erotic sense."¹⁷ Jeff Koons, a self-styled appropriation artist, borrowed the image to further his purpose of commenting on "commercial images...in our consumer culture."¹⁸ He copied the legs and feet from the photograph, changed their color and inverted their orientation so they pointed vertically downward. He then incorporated them into a collage with three other pairs of women's feet and legs all dangling over images of food and landscapes.¹⁹

The Second Circuit, finding fair use, affirmed the dismissal of the plaintiff's infringement action.²⁰ The appellate court stated that Koons did much more than find a new way to exploit the creative virtues of the plaintiff's image.²¹ Instead, Koons made transformative use of that image by employing it for a new purpose "as fodder for his commentary on the social and aesthetic consequences of mass media" and "to satirize life as it appears when seen through the prism of slick fashion photography."²² The court concluded "[w]hen, as here, the copyrighted work is used as 'raw material' in the furtherance of distinct creative or communicative objectives, the use is transformative."²³



Blanch's photo and Koons' collage; the legs and feet borrowed from the photo are the second pair to the left in the collage.

Some Conclusions

These cases indicate that old wine in new bottles is not fair use. Instead, the reproduction must do more than repackage the original. It must instead serve a new technological purpose, as in *Arriba*, or a new creative function, as in *Kindersley* or *Koons*. Further, the reproduction must minimize the expressive elements in the original work rather than exploit or seek to profit from the elements. Thus, *Arriba* never offered Kelly's images for sale or sought to use them to advertise its site. Similarly, *Kindersley* never attempted to use the posters for commercial gain; and *Koons* employed the plaintiff's photograph simply as raw material. Finally, these three cases demonstrate that the amount of original authorship that is copied in the reproduction must be insignificant.

In sum, these cases may help predict a fair use outcome when a party seeks to reproduce original authorship in a new work.

"[Arriba, Kindersley and Coons] indicate that old wine in new bottles is not fair use. Instead, the reproduction must do more than repackage the original."

Endnotes

- 17 U.S.C. § 107 sets forth four factors that are "to be considered" in determining fair use.
- Warner Bros. Entm't, Inc. v. RDR Books*, 575 F. Supp. 2d 513 (S.D.N.Y. 2008), and *Castle Rock Entm't v. Carol Publ'g Group, Inc.*, 955 F. Supp. 260, 268 (S.D.N.Y. 1997), are the only two cases the author has been able to find that rejected fair use despite the transformative nature of a defendant's work. Yet in *Warner Bros.*, the court was careful to note that the defendant's work (a reference guide to the *Harry Potter* books) was not "consistently transformative" because it failed to "minimize the expressive value" of the original expression." *Id.* at 49, 62. Further, the Second Circuit on appeal in *Castle Rock* held that "[a]ny transformative purpose possessed by...[defendant's work, a trivia book about the *Seinfeld* television comedy series] to be slight to non-existent." 150 F.3d 132, 142 (2d Cir. 1998).
- Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).
- 77 F. Supp. 2d 1116 (C.D. Cal. 1999); *aff'd in part and rev'd in part*, 336 F.3d 811 (9th Cir. 2003).
- 448 F.3d 605 (2d Cir. 2006).
- 467 F.3d 244 (2d Cir. 2006).
- 77 F. Supp. 2d at 1118.
- Id.* at 1121.
- Id.* at 1119.
- Id.*
- 336 F.3d at 818.
- 448 F.3d at 607.
- Id.* at 609.
- Id.* at 612.
- Id.* at 611.

16. 467 F.3d at 248.
17. *Id.* at 252.
18. *Id.* at 248.
19. *Id.*
20. *Id.* at 259.
21. *Id.* at 252.
22. *Id.* at 253, 255.
23. *Id.* at 253.

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Dollars to Donuts: The Dark Side of Trademark Injunctions in Franchise Actions

By Matthew David Brozik

When a franchisor sues a franchisee to obtain judicial blessing of a notice of default and termination—on the franchisor’s own initiative, or because the franchisee challenges the validity of the termination—typically the franchisor will include a cause of action for trademark infringement and move early, perhaps immediately, for a preliminary injunction enjoining the franchisee from continuing to use the franchisor’s intellectual property. Such an injunction, if granted, effectively shuts down the franchisee, inasmuch as it is typically the use of the franchisor’s intellectual property that the franchisee is paying for, principally.¹

The franchisor’s main argument to the court would be that the continued use of its trade marks by the allegedly defaulting franchisee is a violation of contract and/or law that will cause the franchisor irreparable harm.² This is probably true if the default at issue concerns a systematic violation concerning health, safety, or the quality of goods or services provided by the franchisee.

Yet what if the default is simply something like an alleged failure to pay? The franchisor might likely prevail on this cause of action, and in the end would be entitled to terminate the franchise agreement (and the included license to use its marks), but there is no harm to the public during the pendency of the action. If the donuts are the same as they ever were, for example, then there is no risk of consumer confusion, the *sine qua non* of trademark protection.³ Accordingly there is, arguably, no reason to enjoin the franchisee’s use of the marks pending trial of the action.

To the contrary, injunction would require the franchisee to go dark, almost always ruining its business. Therefore, even if trial reveals that the franchisor is not entitled to judgment, potentially irreparable damage to the franchisee will have been done—damage against which an injunction bond might not adequately protect.⁴

The law is, for better or worse (that is, better for franchisors, worse for franchisees), that a franchisor is entitled to stop a franchisee from using a franchisor’s marks, even while it remains to be decided by a court whether the franchisee has defaulted in its obligations under its franchise agreements.⁵ Yet should it be so?

The franchisor will typically assert, in support of its application for a preliminary injunction, that it has *already* terminated the franchise of the franchisee and therefore the franchisee is *already* using the franchisor’s marks without a license to do so. However, often the lawsuit

that provides the context for the injunction application is intended to ratify the termination, and accordingly, unless and until the court rules in favor of the franchisor ultimately that the franchise is no longer in effect, the franchisee possesses a valid and continuing license to use the marks at issue under the terms of the franchise agreement. Under those circumstances, then, the franchisor would seek a preliminary injunction to do the opposite of what a preliminary injunction is generally intended to do: preserve the *status quo* pending a determination on the merits of the claims asserted.⁶ A grant of a preliminary injunction would be tantamount to a grant of summary judgment on a claim of trademark infringement (and perhaps claims of trademark dilution, trade dress infringement, and unfair competition, which often accompany the primary trademark claim)—likely before any discovery has been had.

“The law is, for better or worse (that is, better for franchisors, worse for franchisees), that a franchisor is entitled to stop a franchisee from using a franchisor’s marks, even while it remains to be decided by a court whether the franchisee has defaulted in its obligations under its franchise agreements. Yet should it be so?”

The franchisor will also typically assert that it will lose control over its trademarks because of the purported termination. Such an assertion can be misleading. The franchisee that has contested the purported termination will continue its business pending the determination of the court. In continuing its business, the franchisee will provide to the consuming public the same products or services that it has been providing all along. There will be, therefore, *no variation in the quality of the goods or services sold under the marks of the plaintiffs*. The goods or services will continue to be “authentic,” and the franchisor will suffer no damage to its reputation and will lose no customers.

There is case law that a demonstrated likelihood of success on the merits of a trademark infringement cause of action almost inevitably leads to irreparable injury... but, as courts have acknowledged (“almost”), such is not always the case.⁷ The franchisor will argue that a franchi-

sor will lack control over its trademarks when a franchise agreement is terminated, yet the franchisee continues to use the franchisor's marks...a situation that the franchisor will claim results in irreparable harm. However, the franchisor might create this situation itself, or the illusion thereof, and not just by purporting to terminate the franchisee. The franchisor might be less than forthright with a court by intentionally pretending that it will have no control over the franchisee's continued use of its marks during the pendency of the plenary action.

Were the parties at the end of the action, with the court having determined that the franchise agreement at issue has been terminated properly and effectively, then the franchisor might have a legitimate complaint. Yet with only the franchisor's assertion that the agreement has ended (but the franchisee's assertion to the contrary), the franchisee concedes the franchisor's right to continue to control the franchisee's use of the marks at issue. The franchisee will desire to continue doing business as usual, including by discharging all obligations under the franchise agreement, loath to run (further) afoul of the franchisor. Additional defaults or purported terminations will do the franchisee no good at all.

So the franchisor will have no true reason to suspect or to assert that it will be unable to control the franchisee's use of the trademarks at issue. Any such loss of control would be created by the franchisor itself (or merely suggested as a possibility as a means to persuade the court to grant the preliminary injunction sought). However, self-inflicted harm cannot be deemed irreparable as a matter of law.⁸

Finally, the court will typically take into consideration the public interest.⁹ The relevant consuming public—those who patronize the franchisor's franchise locations—likely do want to be able to depend on getting true products and services from sources operating under the licensed names. The public, on the other hand, cannot be said to care whether the franchisee in question has paid its franchise fees. If the franchisee were selling inferior products or services, then the public interest might be implicated. In a minor contract dispute about the payment of money only, and so long as the public is not informed that the franchisor has purported to terminate the license of the franchisee, there will be no consumer confusion. Certainly, the franchisee will not inform the public, for to do so could mean the ruin of its business almost as surely as if its store were to go dark. If the franchisor intends to publicize its purported revocation of the franchisee's license, then the franchisor would again be inflicting the alleged harm upon itself.

Nevertheless, almost without exception, any lawsuit by a franchisor against a franchisee includes a claim of trademark infringement (which has the added not-insignificant benefit of opening the doors of federal courts¹⁰).

A motion for a preliminary injunction, however, is often overkill, and merely a tactic intended to ruin the franchisee. Until courts realize this, the option remains available.

Endnotes

1. A "franchise" is defined by New York General Business Law § 681 as "a contract or agreement, either expressed or implied, whether oral or written, between two or more persons by which: (a) A franchisee is granted the right to engage in the business of offering, selling, or distributing goods or services under a marketing plan or system prescribed in substantial part by a franchisor, and the franchisee is required to pay, directly or indirectly, a franchise fee, or (b) A franchisee is granted the right to engage in the business of offering, selling, or distributing goods or services substantially associated with the franchisor's trademark, service mark, trade name, logotype, advertising, or other commercial symbol designating the franchisor or its affiliate, and the franchisee is required to pay, directly or indirectly, a franchise fee."
2. The standards that govern the issuance of a preliminary injunction are well established. "A party seeking a preliminary injunction ordinarily must show: (1) a likelihood of irreparable harm in the absence of the injunction; and (2) either a likelihood of success on the merits or sufficiently serious questions going to the merits to make them a fair ground for litigation, with a balance of hardships tipping decidedly in the movant's favor." *Stokely-Van Camp, Inc. v. Coca-Cola Co.*, 646 F. Supp. 2d 510, 2009 WL 2390245 (S.D.N.Y.) (quoting *Doninger v. Niehoff*, 527 F.3d 41, 47 (2d Cir. 2008)).
3. The *sine qua non* of an action for trademark infringement, dilution of a trademark or unfair competition is a showing by the plaintiff of the likelihood of confusion as to the origin of the goods in issue at the consumer level. *Berlitz Schools of Languages of America, Inc. v. Everest House*, 619 F.2d 211 (2d Cir. 1980).
4. Fed. Rules Civ. P. Rule 65(c) provides, in pertinent part:
The court may issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained.

As the Second Circuit stated in *Commerce Tankers Corp. v. National Maritime Union of America*, AFL-CIO, 553 F.2d 793, 800 (2d Cir. 1977), cert. denied, 553 F.2d 793, 98 S. Ct. 400 (1977), "The purpose of the injunction bond rule is to provide protection to a defendant who is under injunction in an equity action, but who ultimately prevails on the merits." Notwithstanding the typical suggestion of a franchisor plaintiff that the harm to be suffered by the defendant franchisee if the court grants the preliminary injunction is small compared with the harm to be suffered by the franchisor otherwise, in fact the harm to the franchisee if it is enjoined from using the intellectual property at issue—and therefore rendered unable to continue its business in any fashion—is likely to be devastating, inasmuch as it would be effectively forced simply to forfeit its franchise to the franchisor entirely on the franchisor's terms, potentially meaning the loss of the franchisee's entire investment in the franchised business.

5. See, e.g., *Dunkin' Donuts Inc. v. Northern Queens Bakery, Inc.*, 216 F. Supp. 2d 31 (S.D.N.Y. 2001), a particularly favorite decision of Dunkin' Donuts, to date cited in support of at least 20 motions for preliminary injunction. The *Northern Queens Bakery* court held that where the party seeking a preliminary injunction in a trademark case shows that it "will lose control over the reputation of its trademark pending trial," then the requirement of irreparable injury is satisfied. 216 F. Supp. 2d at 40 (quoting *Power Test Petroleum Distributors v. Calcu Gas*, 754 F.2d 91, 95 (2d Cir. 1985)).

In *Northern Queens Bakery*, the franchisee defendants argued that there was no irreparable harm to their franchisor because they, the franchisees, were promoting the franchisor's trademarks for free, advertising the franchisor's name and building up the franchisor's goodwill. The court noted that such was "exactly the type of promotion, however, that the [franchisor sought] by this motion for preliminary injunction to stop, due to the fact that [the franchisees'] establishments are in violation of... standards for health, sanitation, and safety...." *Id.* The author does not disagree that in such circumstance preliminary injunction is warranted.

6. "The purpose of a preliminary injunction," held the United States Court of Appeals for the Second Circuit in *Checker Motors Corp. v. Chrysler Corp.*, 405 F.2d 319, 323 (2d Cir. 1969), *cert. denied*, 394 U.S. 999, 89 S. Ct. 1595, 22 L.Ed.2d 777 (1969), "is to preserve the status quo pending a determination on the merits." See also *Hamilton Watch Co. v. Benrus Watch Co.*, 206 F.2d 738, 742 (2d Cir. 1953).

7. *Helene Curtis v. Nat'l Wholesale Liquidators, Inc.*, 890 F. Supp. 152, 160 (E.D.N.Y. 1995):

The Second Circuit has clearly explained that "[i]n a trademark case, irreparable injury is established where 'there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.' " *Lobo Enters., Inc. v. Tunnel, Inc.*, 822 F.2d 331, 333 (2d Cir.1987) (citation omitted). Thus, where a plaintiff in a trademark case has demonstrated a likelihood of success on the merits "'irreparable injury...almost inevitably follows' and, indeed, is presumed." *Multi-Local Media Corp. v. 800 Yellow Book Inc.*, 813 F. Supp. 199, 205 (E.D.N.Y.1993) (quoting *Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190, 1195 (2d Cir. 1971)).

8. See, e.g., *Caplan v. Fellheimer Eichen Braverman & Kaskey*, 68 F.3d 828 (3d Cir. 1995).

9. The public interest is not strictly a factor taken into consideration by the Second Circuit (for example) on a motion for a preliminary injunction generally, but it might be given weight nonetheless when the motion is for preliminary injunction of alleged trademark infringement. See, e.g., *Church of Scientology Intern. v. Elmira Mission of the Church of Scientology*, 794 F.2d 38, 44 (2d Cir. 1986) ("Finally, the public interest is especially served by issuing a preliminary injunction against a former licensee as the licensee's status increases the probability of consumer confusion. A licensee or franchisee who once possessed authorization to use the trademarks of its licensor or franchisor becomes associated in the public's mind with the trademark holder. When such party, as defendants here, loses its authorization yet continues to use the mark, the potential for consumer confusion is greater than in the case of a random infringer. Consumers have already associated some significant source identification with the licensor. In this way the use of a mark by a former licensee confuses and defrauds the public.").
10. Federal courts have original jurisdiction over trademark infringement actions, of course, that invoke the Lanham Act, 15 U.S.C. § 1125(a); 28 U.S.C. § 1338.

As a practitioner of "ice cream and donut law," Matthew David Brozik has more than once seized counterfeit Mister Softee® trucks in New York City (armed with a court order and accompanied by United States Marshals). Matthew thanks Lydia VanDorn Newcomb for her help with this piece.

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The House Always Wins: A Call to Reform Art Auction House Regulations

By Jacqueline Tate

Introduction

On September 16, 2008, Sotheby's issued a press release confirming the record-breaking two-day sale of new works by the living artist Damien Hirst.¹ The auction, titled *Beautiful Inside My Head Forever*, earned a total of \$200,752,179.² In striking contrast to this unprecedented affair was another kind of extraordinary incident: the collapse of Lehman Brothers Holdings, Inc. due to a shortage of capital to meet its debts.³ Ostensibly, the simultaneity of these two events displays the vast differences between the dynamics of the financial and art markets.⁴ Likewise, the juxtaposition would seemingly highlight stocks, bonds and fine art as inherently divergent investments.⁵ However, on November 13, 2008 the auctioneers' failure to sell Hirst's work effectively burst the art market's bubble.⁶ In actuality, just as the value of stocks and bonds crashed in the third quarter of 2008 in the wake of the Lehman Brothers, Wachovia and WaMu imploded,⁷ the fall auction season saw giants like Warhol, Bacon, and Rothko follow the same fate as Hirst on the auction block.⁸ Indeed, this recent financial crisis has shown that the art market is no longer a lagging economic indicator.⁹

"The 'secrecy' facilitated by current regulations neither generates interest nor spurs competition. Rather, it serves to create artificially high prices, which make artworks less accessible and unjustly enrich the auction houses."

In response to this downturn, both analysts and investors in the financial sector have made calls for greater transparency.¹⁰ Likewise, a call should be made for greater transparency in the art markets. In fact, during the last decade, art auction houses were greatly criticized for their so-called veil of secrecy, and requests for greater disclosures were generated.¹¹ Three main practices of these institutions have prompted this request: the use of reserves, guarantees, and third-party guarantees.¹² Additionally, auction houses have been challenged for not disclosing their own security or financial interests in artworks.¹³ This article analyzes the regulation of such customs and calls for their reform through the implementation of more transparent requirements for New York City auction regulations, and for a stricter interpretation of New York General Business Law § 349, which regulates deceptive business practices. The "secrecy" facilitated by current regulations neither generates interest nor spurs

competition.¹⁴ Rather, it serves to create artificially high prices, which make artworks less accessible and unjustly enrich the auction houses.¹⁵ Accordingly, this piece closely examines the extent to which the law regulates this field by exploring the interconnectivity between publicizing information and sustaining a robust art market. Consequently, this article argues for reform that enables art auction houses to strike a balance between their dual roles of conduit and taste-maker.

I. Reserves

The current statutory regulations in New York regarding reserve prices have been heavily influenced by the practices of the world's two most prominent international auction houses, Christie's Fine Art Auctioneers (Christie's) and Sotheby's.¹⁶ Domestically, auction house sales in general account for approximately 50 percent¹⁷ of all the art sold. Internationally, Sotheby's and Christie's share 95 percent of the estimated \$4 billion art auction market.¹⁸ As a result of their prominence, litigation against these institutions directs and affects the ways in which commercial transactions within the realm of fine arts auctions are conducted and completed.¹⁹ Additionally, litigation has fueled critiques aimed directly at the custom of auction houses setting reserves and auctioneers taking chandelier bids.²⁰

Criticism toward the practice of setting reserve prices stems from the fact that they are an *unpublicized* minimum selling point of an artwork to be auctioned.²¹ The auction house recommends this figure to the consignor, who, according to standard practice, agrees to this price.²² Until the reserve price has been achieved at auction, the house will bid on the object²³ in an effort to incite interest.²⁴ This is referred to as "chandelier bidding," and the auctioneer will actually accept unsolicited bids from "the chandelier" on behalf of the house. When bids from the floor surpass the reserve, the house drops out.²⁵ However, if bidding fails to reach the reserve, the object is considered to be "bought in" or rather, the house has the last bid. The property will then be returned to the seller, held for auction at a later date, or privately sold.²⁶

The first major lawsuit prompting reform of reserve legislation was brought against Christie, Manson & Woods International, Inc., in 1986.²⁷ This action formed a guideline that helped shape New York's current procedures for establishing reserves.²⁸ In *Cristallina S.A. v. Christie, Manson & Woods International, Inc.*,²⁹ Cristallina—a Panamanian corporation that dealt in art—consigned eight paintings to Christie's in the beginning of 1981.³⁰

These works were to be auctioned anonymously and with set estimates and reserves.³¹ However, when the paintings actually arrived in New York, Christie's specialists questioned their purported value, and subsequently set the high sale estimates for the group below their reserve prices.³² At auction, the paintings fared far worse than even low expectations, and of the eight paintings that went on the block, only one was purchased by a floor bidder.³³ In an effort to make the sale look less disastrous, Christie's claimed in its press release that three of the paintings sold, when in actuality, the remaining seven paintings were "bought in" on behalf of Cristallina³⁴ and sold privately for less than the low estimate.³⁵ Subsequently, Cristallina sued Christie's on account of fraudulent misrepresentation, negligence, breach of contract and breach of fiduciary duty.³⁶ Though the case was eventually settled out of court, New York's legislature responded by promulgating stricter regulations that remain in place today.³⁷ Most notably, auction houses are now required to "...announce 'bought-in' lots upon the fall of the hammer, and to provide further disclosures in the areas of estimates and reserve prices."³⁸

Unfortunately, proposals for full disclosure of reserve prices have never been adopted.³⁹ The Rules of the City of New York, Title 6, Department of Consumer Affairs, § 2-122(f)(1) currently states the following:

If the consignor has fixed a price below which an article will not be sold, the "reserve price," the fact that the lot is being sold subject to reserve must be disclosed in connection with the description in relation to the sale.⁴⁰

Indeed, this measure necessitates a certain amount of disclosure, though it is far from demanding publication of reserves.⁴¹ In fact, the requirement is met by the publication of a general statement regarding the use of reserves in an auction house's catalogue.⁴² However, the New York Administrative Code, Regulation III, #23, states that the reserve price may not "exceed the maximum estimated value...as published in any catalogue or other printed material distributed by the auctioneer."⁴³ Additionally, Christie's takes this practice one step further by publicly stating that its reserve prices "will not exceed the low of the presale estimate."⁴⁴

Criticism facing both auction houses and the state legislature regarding the current and inadequate regulations of reserves elucidates this practice as tantamount to fraud. Only requiring auction houses to inform buyers that there is a reserve price set for the artwork can hardly be considered a disclosure.⁴⁵ By leaving bidders in the dark regarding the amount of the reserve, the auction house, in essence, conducts a fake auction by accepting "chandelier bids" until this unknown price is met.⁴⁶ This custom creates artificially high prices by allowing buyers to bid up the price of an artwork, even when no other

interested party exists.⁴⁷ Such a deceptive practice inflates the values of artworks for those buyers who bid under the assumption that auctions create fair market values.⁴⁸ These individuals are unable to turn around and sell their artworks because competing interest in the works was feigned from the start by the auction house, and did not stem from other genuine market participants.⁴⁹

Proponents of the current regulations, mostly auction houses themselves, use faulty logic to defend their actions. One such supporter, Felix Salmon, a contributor to *Portfolio Magazine*, observes, "[A]n 'artificially high' price would be one which isn't real."⁵⁰ He then states the obvious by asserting, "[I]f a painting sells for a certain amount at auction, you know that the buyer is paying the whole sum, in cash."⁵¹ However, substantiating the theory that prices are not artificial because a transaction has occurred only sidesteps the critique. Salmon refutes the theory that "secret" reserve prices foster artificially high prices by stating, "[T]he value of a painting is simply whatever someone is willing to pay for it."⁵² Likewise, he purports that chandelier bids do not inflate prices because "[i]f you're willing to pay a certain amount then you should bid that much; it really doesn't matter whether you're bidding against a real person or a chandelier, since if you don't bid that much you won't get the painting either way."⁵³ By only commenting on the superficial and mechanical acts of bidding and purchasing, Salmon overlooks the illusion created by the auction house acting as an interested party.⁵⁴ People would not be "bidding anyway" as Salmon suggests, if the house was not allowed to bid, because potential buyers would knowingly increase their own offers without reason.⁵⁵

As a compromise between full disclosure and partial-disclosure, Stuart Bennett, author of *Fine Art Auctions and the Law: A Reassessment in the Aftermath of Cristallina*, makes two proposals.⁵⁶ First, he suggests that New York require auction houses to make "a single-figure estimate," in contrast to the standard range provided by the low and high estimate, which he presumes would "encourage consignors to concentrate on specific prices at which their works of art might be sold and encourage buyers to make their own hard decisions about the true value of the works."⁵⁷ Second, he advocates having "a range of figures with the reserve fixed at or below the low estimate."⁵⁸ While both of these options would be improvements upon the current regulations, they do not go far enough to protect buyers' and sellers' interests.

Bennett's first proposal does away with reserve prices altogether. However, reserve prices do serve a purpose: they protect sellers.⁵⁹ First, they eliminate risk by ensuring profit.⁶⁰ This makes artworks more accessible because greater numbers of people are willing to consign when they are not concerned about losing money.⁶¹ Second, they help protect against collusive bidding practices.⁶² It would be easy for groups of dealers to "reduce salesroom

bidding competition by not bidding against each other” if reserves did not exist.⁶³ However, publicizing the amount of the reserves and discontinuing the practice of accepting “chandelier bids” does not detract from either of these benefits.

Bennett’s second proposal mirrors Christie’s current practice.⁶⁴ While this idea ensures that reserves will be under a certain figure, it also supports the belief of many auction houses regarding secrecy.⁶⁵ Leslie Hindman, owner of Leslie Hindman Auctioneers, epitomizes this self-interested notion by claiming that “[t]he public doesn’t need to know what the reserve is.”⁶⁶ She even goes one step further and proclaims that such disclosure “would prohibit competition.”⁶⁷ Again, auction houses want reserve amounts to remain secret so they can bid up the prices, thus making more in transaction fees.⁶⁸ Merely requiring the amount of the reserve to be less than the low estimate does nothing to rectify this predicament. Additionally, increasing the amount of information available to bidders will not deter them from bidding.⁶⁹ Requiring the disclosure of reserve prices and dissolving the custom of accepting chandelier bids is, however, the only way to allow for fair competition.

II. Guarantees and Third-Party Guarantees

The current statutory regulations in New York regarding guarantees⁷⁰ have been heavily influenced by changes in the composite of auction-goers and increased competition for their consignments, or rather, an arrangement under which items are delivered by a consignor to a consignee to be resold and paid for by the consignee.⁷¹ The increase in buyers has led to the trend, in recent years, of auction houses paying out guarantees to sellers.⁷² This climate has been fostered by competition for consignments.⁷³ In order to shore up business, auction houses offer guarantees, or a specified amount of money to sellers to garner their consignments, and “[i]f a picture sells for more than the guaranteed amount, the auction house keeps the extra money.”⁷⁴ However, in the event that an object fails to generate bidding to reach the guarantee, the house “risks losing all or part of the guarantee if it can’t resell the picture for enough money later.”⁷⁵

The Rules of the City of New York—Title Six of the Department of Consumer Affairs, § 2-122(d), on guarantees, as it stands, state as follows:

If an auctioneer or public salesroom has any interest, direct or indirect, in an article, including a guaranteed minimum, other than the selling commission, the fact such interest exists must be disclosed in connection with any description of the article or articles in the catalogue or any other printed material published or distributed in relation to the sale. Such

notice may be denoted by a symbol or letter which will refer the reader to an explanation of the nature of the interest the symbol or letter denotes.⁷⁶

This measure should be reformed to require even greater transparency, because in its current state, it does not inform potential bidders of the amount of any guarantee.⁷⁷

Supporters of the current regulations, again, mostly the auction houses themselves, oppose reform because they stand to profit more by keeping potential bidders uninformed.⁷⁸ An auction house, while aiming to profit, is supposed to function as a conduit for buyers and sellers of artworks. Guarantees help them profit by enticing owners to become sellers, thus creating greater revenue through transaction fees. This practice works because, as Bloomberg contributor Linda Sadler asserts, “[G]uaranteed minimum prices encourage sellers by transferring the risk of a drop in the market to the auction house.”⁷⁹ Additionally, guarantees are good for sellers because as auction houses compete for property, individual sellers are given both a clear and realistic idea of the value of their art, and a direct point of comparison.⁸⁰ Potential bidders should be entitled to this same information, because failure to disclose the amount of guarantees, as with reserve prices, inflates the value of the artwork.

Third-party guarantees are in theory similar to basic guarantees, but in actuality, are a far more troubling mechanism used by auction houses to garner consignments. Prior to the auction, a potential collector agrees to purchase an artwork at a guaranteed price if the bidding at auction does not exceed that price.⁸¹ However, in the instance that bidding surpasses that price, the third party shares in the proceeds from the difference between the final purchase price and the agreed upon guarantee.⁸² As with basic guarantees and reserves, auction houses harm both bidders and the market itself by not providing the amount of the guarantee to the public, thus artificially inflating the value of artworks.⁸³ However, third-party guarantees harm the seller as well by taking a potential competitive bidder out of the market.⁸⁴ Art critic Greg Allen describes this as “secondary market activity posing as open market liquidity.”⁸⁵

Supporters of third-party guarantees claim that this practice is standard in other economic sectors that mitigate risk,⁸⁶ and point specifically to insurance underwriters and mortgage lending companies.⁸⁷ In the abstract this might make sense, because both of these professions protect individuals from financial loss by assuming risk. For instance, an auto insurance underwriter calculates risk and determines the appropriate premium to charge, then writes a policy that covers this risk.⁸⁸ However, the crucial difference is that in the auction world, a piece of artwork is auctioned after the seller, auction house and

third-party guarantor agree on a set guarantee. With car owners, auto insurers and underwriters, the transaction is finished after the auto insurance agent finds the car an underwriter who will approve the best policy for the owner. The car owner is not attempting to auction his car after he insures it, and the underwriter is not a potential purchaser. As third-party guarantors would have been potential bidders on the auction floor, this practice should be banned.

III. Security and Financial Interests

The most disputed contemporary issue is to what extent auction houses are required to disclose both security and financial interests.⁸⁹ This practice is currently being debated in New York in *Sotheby's v. Minor*⁹⁰ and is governed by the same rule as guarantees. The Rules of the City of New York—Title 6 of the Department of Consumer Affairs, § 2-122(d), states, in pertinent part:

any interest, direct or indirect...other than the selling commission...must be disclosed in connection with any description of the article or articles in the catalogue or any other printed material published or distributed in relation to the sale.⁹¹

Sotheby's believes that the New York City Department of Consumer Affairs has interpreted this regulation to mean that loan collateral does not constitute an interest, which it interprets as economic interest.⁹² Additionally, Sotheby's asserts that auction houses do not need to disclose their security interests in a painting "on a lot-by-lot basis."⁹³ Rather, they only need to acknowledge "the general practice of making loans to consignors" in catalogues.⁹⁴ In contrast, Minor claims that loan collateral is indeed an interest and that the "amount of indebtedness, as well as the identity of the counter-party debtor," should be disclosed.⁹⁵

On May 22, 2008, Halsey Minor placed the winning bid of \$8.6 million⁹⁶ for the Edward Hicks' painting, "The Peaceable Kingdom with the Leopard of Serenity."⁹⁷ Shortly thereafter, Minor found out that Ralph Esmerian was the consignor of the painting, and that Esmerian owed Sotheby's \$11.5 million.⁹⁸ Minor felt that Sotheby's violated New York auction and business regulations by not disclosing this information in its catalogue.⁹⁹ Additionally, he maintained that Dara Mitchell, Sotheby's Executive Vice President and director of the American Paintings Department, deceived him by failing to inform him of this information.¹⁰⁰ When Minor refused to pay for not only "The Peaceable Kingdom," but also the two other paintings he won at that same auction, Sotheby's filed suit.¹⁰¹

Minor's claim that Sotheby's has a duty to disclose an economic interest in the painting should be seen as cor-

rect.¹⁰² Loan collateral should be seen as an interest, and therefore should be disclosed.¹⁰³ In defense of Sotheby's actions, Debra Force, former head of Christie's American Paintings, points out, "[I]f the piece doesn't get sold, the owner has to pay the auction house back."¹⁰⁴ However, what she fails to state is that if Esmerian becomes insolvent, he will be incapable of paying the auction house back. Therefore, Sotheby's had an even greater interest in the painting than Esmerian, because he would not be paying the remainder of his debt, regardless of the sale's success.

It is notable that Ralph Esmerian's state of affairs was widely publicized for months before the auction, and appeared in prominent articles in *The New York Times* and Bloomberg.¹⁰⁵ More specifically, both sources stated that the Hicks painting was loan collateral and that Sotheby's had unsuccessfully attempted to sell the work privately for \$10 million.¹⁰⁶ As Donn Zaretsky, author of an art law blog and associate at John Silberman, asserts, "[W]e can assume that this widely publicized piece of information was fully reflected in the price of the work."¹⁰⁷ This observation assumes that every bidder would have read those articles and known of the failed sales attempt at \$10 million. However, Halsey Minor did not know this, and was under the assumption that Sotheby's would have disclosed its interest in the painting to him, either in the catalogue, or when he was being counseled by Dara Mitchell, or both.¹⁰⁸

Any interest held by an auction house in a lot, including the amount of indebtedness, should be a requisite disclosure.¹⁰⁹ This information is necessary for potential bidders to make their own assessments of what they wish to bid.¹¹⁰ Unfortunately, Judge Jones saw things differently, and granted Sotheby's motion for summary judgment.¹¹¹ Essentially, the court properly categorized Sotheby's interest as a security interest, but held that a security interest does not merit disclosure.¹¹² Additionally, the court held that Minor failed to put forth sufficient evidence to show that Sotheby's knew Minor was unaware of its security interest in the painting.¹¹³ If Minor fails to get to the issue of disclosing security interests again on his appeal, the law on the books should be amended to mandate disclosure of security interests on a lot-by-lot basis. Additionally, such information should be disclosed by auction houses themselves, regardless of its publication in newspapers, because as Minor himself analogized, "[w]hen a broker shows you a home and sells you on its merits and you find out later the broker owned the home, the law has been broken."¹¹⁴ However, Minor's requests go too far by asking for the amount of debt and the name of the counter-party debtor to be disclosed. This information is superfluous with regard to potential bidders making fair assessments if the aforementioned requirements are met.

Conclusion

This article assesses the regulations of the secretive practices of the two leading auction houses in New York.¹¹⁵ The duties of the auction houses and auctioneers to their fiduciaries are plainly laid out, and when seen in this light, are unmasked as inadequate. While art itself is not simply a financial investment, the business of selling art is just that—a business.¹¹⁶ The current New York auction house regulations fall short of balancing the interests of both the public and the business sector and wreak havoc on the art market by inflating prices and undermining public trust.¹¹⁷ New York should require auction houses to uphold their fiduciary duties to sellers, buyers, and the public at large by becoming more transparent. The difficulties of dealing with a unique asset¹¹⁸ would be reconciled if the regulations were amended to require the disclosure of interests, reserves and guarantees on a lot-by-lot basis, and to forbid the practices of third-party guarantees and chandelier bidding.

Endnotes

1. Press Release, Sotheby's Ground Breaking Two Day Auction of New Works by Damien Hirst (Sept. 16, 2008).
2. *Id.*
3. Martin Gayford, *Hirst's Pigs May Not Fly as Crisis Investment*, http://www.bloomberg.com/apps/news?pid=20601088&sid=ajl_yQprK1xA&refer=home, 1 (April 15, 2010).
4. Jenny Anderson, *Nation's Financial Industry Gripped by Fear*, *The New York Times* (Sept. 14, 2008).
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60. See Andrew Decker, *Going, Going...N.Y. Investigators Not Sold on Art Auction Practices*, Chicago Tribune (Aug. 18, 1985). ("reserves... ensure a reasonable sale price for the seller).
61. Felix Salmon, *In Defense of Auction Houses*, Figure Painting (Nov. 2, 2007).
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92. Donn Zaretsky, "A Minor Update" The Art Law Blog, <http://theartblog.blogspot.com/2008/10/minor-update.html>, (October 13, 2008).
93. *Id.*
94. *Id.*
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A Right to Publicity in Your Mug Shot? Maybe if You Are Lindsay Lohan

By Britt Simpson

Lindsay Lohan has a bone to pick with the American Beverage Institute (ABI). ABI used Lohan's highly publicized 2007 mug shot in a full-page spread in *USA Today* to display a message against proposed legislation what would install breathalyzer ignition locks (ignition locks) in many cars in the U.S.¹ If Lindsay Lohan decided to bring suit against ABI for its use of her picture without her permission, she would most likely argue that it violated her state publicity rights.² This article will discuss the likelihood of Lohan's success for a claim against ABI and ABI's likelihood of success in raising a First Amendment defense.

I. Background

A. The Parties Involved

ABI is a restaurant trade association that, along with representing many of the nation's restaurants and having a close relationship with alcohol distributors, serves as the self proclaimed "voice of the hospitality industry on adult beverage issues."³ ABI's message is clear: there is such a thing as responsible adult drinking and driving.⁴ ABI sponsors many studies that purport to support this message and uses these studies against "overzealous activists" to show the truth about responsible adult drinking.⁵ ABI wants its message to ring loud and clear with both the public and policy makers in order to fight against proposed legislation in many states that would put ignition locks in most cars on the road.⁶

Lindsay Lohan is a Hollywood actress who currently receives more media attention for her personal life than for her acting career.⁷ Lohan has been in and out of rehabilitation several times in the last couple of years due to arrests for drunk driving and possession of drugs.⁸ Lohan's famous mug shot from her 2007 arrest for drunk driving and drug possession is widely available on the Internet.⁹

B. The *USA Today* Spread

In the Friday May 2, 2008 edition of *USA Today*, ABI took out a full-page spread to display a message very near to its heart: ignition locks are a bad idea for the general, responsible, drinking and driving American public, and should only be used in cases of repeat drunk driving offenders.¹⁰ Specifically, the message read: "Ignition interlocks: A good idea for," followed by a picture of Lindsay Lohan's 2007 mug shot, "but a bad idea for us," followed by a picture of a couple drinking champagne at their wedding, a group of friends out for drinks, and a group of businessmen out for dinner.¹¹ Needless to say, Lohan was not happy about the use of her mug shot to exem-

plify what a subject of "good idea" looks like.¹² Lohan's attorney released a statement purporting that Lohan in fact supports the use of ignition locks and is not happy about ABI's use of her image in its campaign against the proposed system.¹³ If Lohan decides to sue in her home state of New York,¹⁴ she would probably base her claim on New York State Civil Rights Law § 50 (§ 50) and § 51 (§ 51).¹⁵

II. New York State's Right to Publicity

A. New York's General Standard

Many states have a common law right to publicity that if violated gives rise to a tort cause of action.¹⁶ In New York, the right of publicity does not exist at common law, but is codified in Article Five of the Civil Rights Law § 50 and § 51. Section 50 provides that "[a] person, firm or corporation that uses for advertising purposes, or for the purposes of trade, the name, portrait or picture of any living person without having first obtained the written consent of such person, or if a minor of his or her parent or guardian, is guilty of a misdemeanor."¹⁷ Section 51 provides for a cause of action for an injunction or damages if the right to publicity is violated.¹⁸ The statute is "semi penal in nature and [is] to be construed strictly."¹⁹

In ABI's *USA Today* spread, most of the factors for a § 50 violation are easily established. ABI is an organization that used a picture without the subject's consent. The first issue is: how exactly did ABI use the picture? More specifically, did ABI use the picture "for advertisement purposes"? Although the statute does not define what it means by advertisement or trade,²⁰ the Court of Appeals of New York has noted that these are "separate and distinct statutory concepts and violations" and has defined "for advertising purposes" liberally.²¹ The Court defined "for advertising purposes" as: use of a name, portrait or picture "in a publication which, taken in its entirety, was distributed for use on, or as part of, an advertisement or solicitation for patronage of a particular product or service."²²

In *Beverley v. Choices Women's Medical Center*, the defendant, a for-profit medical facility, used the plaintiff's picture, name, and title in a calendar that the defendant printed and distributed.²³ The issue the court decided was whether the defendant's use of the plaintiff's name, picture and title was "for advertising purposes."²⁴ The court found that the calendar was an advertisement for three reasons: (1) the placement of the defendant's name and information on every page; (2) the calendar had been widely disseminated; and (3) the calendar made "glowing characterizations and endorsements concerning the

services [defendant] provides.”²⁵ Further, the court found that the defendant’s use of the plaintiff’s name, title, and picture was not merely incidental to the advertisement but in full-fledged furtherance of the advertisement.²⁶ The court stressed that because the plaintiff was a doctor and the advertisement was for medical services, the use clearly furthered the purpose of the advertisement.²⁷

B. Was ABI’s Use “for Advertising Purposes?”

Under the *Beverly* precedent, could it be said that ABI’s *USA Today* spread was an advertisement? If the answer is “yes”, then was ABI’s use of Lohan’s picture in furtherance of this advertisement and not merely incidental to it?

It is true that ABI’s message has been characterized as an advertisement.²⁸ However, it warrants taking a closer look under the standard set forth in *Beverly*. ABI is a trade association made up of restaurants determined to protect an adult’s ability to responsibly enjoy “adult beverages” outside of the home, namely while dining at a restaurant.²⁹ In furtherance of this objective, ABI has publicized different messages: there is such a thing as responsible drinking and driving;³⁰ use of extreme measures like ignition locks should be limited to repeat drunk driving offenders;³¹ and mandatory ignition locks are comparable to prohibition.³² In displaying these messages, in particular the message in *USA Today*, did ABI “advertise” as defined by § 50 and § 51?

It seems that the answer to the question is “yes.” The purpose of ABI’s message was to voice its concern over the new proposition of installing ignition locks in all cars on the road.³³ ABI’s managing director, Sarah Longwell, stated that the association supports such a system in cases of repeat drunk drivers, like Lohan, but not average, responsible drinkers and drivers.³⁴ When it displayed a message in furtherance of its express mission in a widely disseminated publication, ABI seemed to be advertising in much the same way as the hospital in *Beverly*. One key difference is that, unlike the defendant in *Beverly*, ABI had not placed its name anywhere on its message.³⁵ However, this is unlikely a distinguishing factor because ABI is not in the business of selling a service like the hospital in *Beverly* and, therefore, ABI does not need to display where its services can be purchased. ABI is in the business of selling a message to the public and policy makers in hopes of fighting proposed legislation.³⁶

The next issue is whether ABI’s use of Lohan’s image was merely incidental to its advertisement or was it in furtherance of promoting its message. Again, under the *Beverly* standard, it seems that the use of Lohan’s image was in furtherance of ABI’s advertisement. In *Beverly*, the defendant’s use was found to further its advertisement because the plaintiff was a doctor and the defendant was selling doctors’ services.³⁷ Here, it seems that ABI also used the image in furtherance of its advertisement. The

very purpose of the spread was to point out that there are certain people who should be required to have ignition locks, those who repeatedly and irresponsibly drink and drive, like Lohan.³⁸ In fact, the ABI specifically chose to use the image of Lohan to make “an example that people understand, of what a repeat offender looks like.”³⁹ The choice to use a celebrity was not merely incidental to the advertisement, but its main attraction.⁴⁰ The very purpose was to call attention to Lohan and her problems with drinking and driving and distinguish her from the ordinary public.⁴¹ A court would probably find that ABI used Lohan’s image in violation of § 50 and § 51.

III. Freedom of Speech

Although it seems that ABI violated § 50 and would be liable under § 51, there is one major exception for a defendant otherwise in violation of the statute: freedom of speech as protected by the First Amendment.⁴² Courts have interpreted the First Amendment to protect against liability under § 51 for certain § 50 violations.⁴³ Most important in this case would be the “newsworthiness exception” which courts have applied to “news stories and articles of consumer interest” as well as “reports of political happenings and social trends.”⁴⁴

A. Matters of Public Interest

The court in *Beverly* addressed the nature and extent of the newsworthiness exception, specifically as applied to news and matters of public interest.⁴⁵ After the court found that the defendant’s use was in violation of § 50 and the defendant was liable under § 51, the court assessed whether the theme of the calendar, namely the history of the Women’s Movement, could be considered an area of sufficient public interest and therefore exempt the defendant from liability.⁴⁶ The court noted that liability under the statute for the defendant’s use of the plaintiff’s picture to disseminate matters of public interest or news conflicted directly with the First Amendment.⁴⁷ The court explained that the First Amendment trumped § 50 and § 51 when the speech is truly newsworthy or a matter of public interest.⁴⁸ However, the exception would not apply if the use of the picture “has no real relationship to the article” or “is an advertisement in disguise.”⁴⁹ The court explained that this exception typically applied to a media enterprise’s use of a picture in “periodical[s] or newspaper articles or documentary films concerning newsworthy events.”⁵⁰

Applying this rule, the *Beverly* court found that the defendant medical facility was not a media enterprise and the theme of the calendar did not save the use of the plaintiff’s picture from violating § 50 and § 51 liability.⁵¹ The use of this theme did not save the calendar from being an advertisement, no matter how “commendable the educational and informational value” was.⁵² The court explained its holding by noting that the Women’s Movement was no longer a “current news item” and a defen-

dant could not simply claim an exemption from § 50 and § 51 by “wrapping its advertising message in the cloak of public interest.”⁵³

B. Political Speech

The court in *Davis v. Duryea* discussed the nature of the political speech or political happenings exception.⁵⁴ In *Davis*, the defendant was a candidate in the race for Governor and the plaintiff was a former Attica inmate who had been pardoned by the incumbent Governor.⁵⁵ The Supreme Court of New York held that the defendant's use of the plaintiff's image in his political campaign was not a violation of the plaintiff's publicity rights, as the use was a matter of public interest and political speech.⁵⁶ The defendant used the plaintiff's image to highlight and promote his election promise to make “prisons more secure and toughen policies on pardons and paroles.”⁵⁷ The court held that § 50 and § 51 did not apply because information that “enable[s] our citizens to best exercise their electoral franchise, and thereby facilitate the election of leaders” is protected under the freedom of speech guarantee of the First Amendment.⁵⁸ Although the court said that this use was protected as a matter of sufficient public interest because “[t]he incident became a relevant central issue in a vigorously contested campaign for the election of a Governor,” it also implied that matters debated in the electoral process are sufficiently political and should be protected under the First Amendment.⁵⁹

C. The Defense

If Lohan sued ABI, the latter might argue that matters concerning ignition locks and responsible drinking and driving are matters of public interest or political happenings. On ABI's Web site there is an advertisement that compares ignition locks to Prohibition.⁶⁰ Furthermore, ABI has a link to the Interlock Facts Web site, which describes the development of the ignition lock system as a “neo-prohibitionist movement.”⁶¹ It has been reported that the Interlock Facts Web site is a “special project” of ABI's and it therefore seems likely that ABI would characterize the proposed system in a similar way.⁶² According to ABI, the phrase “neo-prohibitionist movement” is a matter of public interest, because the proposed laws would “reduce the per capita consumption of adult beverages” and make it impossible for Americans to drink, even responsibly, outside of the home unless they are not driving, thereby changing the way that many Americans live their daily lives.⁶³ Furthermore, advocating against a “neo-prohibitionist movement” is inherently political, as it triggers discussion about the 18th Amendment, which established Prohibition, and the 21st Amendment, which repealed it.⁶⁴

If ABI invoked this characterization in order to fall into the public interest and dissemination of news exemption, as did the defendant in *Beverley*, a court may see through this characterization, as did the *Beverley* court.⁶⁵ Both the Prohibition era and the Women's Movement

may facially look like matters of public interest, as both are historical periods that helped shape our country into what it is today.⁶⁶ However, similar to the defendant in *Beverley*, ABI did not use the image of Lohan to illustrate an article about the era or in a documentary about the era. Furthermore, the Prohibition era, like the Women's Movement, is not a matter of “current” news as required for the dissemination of news or public interest exception.⁶⁷

However, if ABI invoked this characterization in order to fall into the political speech exception, it may have more luck. Although characterizing the proposed legislation as a “neo-prohibitionist movement” may be an exaggeration of the effect of the system, ABI is responding directly to proposed legislation and trying to influence the public and policy makers not to pass any such legislation.⁶⁸ As this issue is relevant to the public and is an issue currently, or recently, before state legislatures,⁶⁹ a court under the standard set forth in *Davis* may find that ABI's advertisement was sufficiently political in nature. The advertisement is related to the political process in trying to influence the public in opposing proposed legislation.⁷⁰ The passage of laws seems to be as much a part of the political process as an election for a state Governor.

On the other hand, a court may not find that the use of Lohan's image was really part of protected political speech. It could be argued that ABI's use of Lohan's image in its advertisement is not really political speech at all, as the image itself really was not central to the debate about mandatory ignition locks.⁷¹ The use could be characterized as merely an exploitation of Lohan and her personal troubles, used for shock value.⁷² This use seems to be different than the use in *Davis*, where the plaintiff's image and story were actually the topic of a hotly debated issue surrounding executive pardons.⁷³

IV. Conclusion

Although Lohan has not yet brought the matter to court, if she decides to bring a claim against ABI for violating her state publicity rights, a court's ruling on the matter will be highly important for other celebrities and public figures. If a court allows ABI's use under the newsworthiness exception, this may open the door for use of other celebrity images in promoting all types of interests that the celebrities themselves do not endorse. Sarah Longwell has even stated ABI's interest and intent to use other celebrities in this campaign.⁷⁴ However, the precedent could be limited to the specific facts of the case and the seemingly political aspect of the speech in response to actual proposed legislation in states across the country.

Endnotes

1. According to interlockfacts.com, New York State has considered legislation that would put ignition locks in every car on the road. See Interlock Facts Web site, <http://interlockfacts.com/legislation.cfm> (last visited April 12, 2010).
2. The idea for this paper was inspired by a short article written by Professor Marc Edelman. Marc Edelman, *Sports and the Law: Fate of*

- Athletes' and Entertainers' Publicity Rights May Lie With LiLo*, Above the Law, http://abovethelaw.com/2008/05/sports_and_the_law_athletes_an.php (last visited February 2, 2010) (no longer live).
3. ABI Web site, About Us, <http://www.abionline.org/aboutUs.cfm> (last visited April 12, 2010).
 4. *Id.*
 5. *Id.*
 6. *Id.*
 7. See generally Koran Miller, *Lindsay Lohan: Samantha Ronson break-up is like 'Mean Girls'*, N.Y. DAILY NEWS, available at: http://www.nydailynews.com/gossip/2009/04/08/2009-04-08_lindsay_lohan_on_samantha_ronson_breakup_this_is_like_mean_girls.html (last visited April 12, 2010).
 8. Dui.com, <http://www.dui.com/dui-library/celebrities/lindsay-lohan> (last visited April 12, 2010).
 9. See The Smoking Gun, <http://www.thesmokinggun.com/mugshots/lohanmug1.html> (last visited April 12, 2010); Hollywood Gossip, <http://www.thehollywoodgossip.com/gallery/lindsay-lohan-mug-shot/> (last visited April 12, 2010); Absolute Celebrities, http://www.absolutecelebrities.com/mugshot/lindsay_lohan.html (last visited April 12, 2010).
 10. Gil Kaufman, *Lindsay Lohan's Lawyer Blasts USA Today Over Use of Star's Image in Drunk-Driving Ad*, MTV.com (2008), http://www.mtv.com/news/articles/1586769/20090502/lohan_lindsay.jhtml (last visited April 12, 2010).
 11. *Id.*; USA Today spread available at http://3.bp.blogspot.com/_XCWUd8FFjQ/SBsgVMCjyI/AAAAAAAAADPs/iuoKTqQs0cs/s1600-h/Lohan.jpg (last visited April 12, 2010).
 12. See Kaufman, *supra* note 10.
 13. *Id.*
 14. Edelman, *supra* note 2.
 15. N.Y. CIV. RIGHTS § 50 (McKinney 2009); N.Y. CIV. RIGHTS § 51 (McKinney 2009).
 16. Eleanor Grossman, 62A Am. Jur. 2d Publicity § 3 (2008).
 17. N.Y. CIV. RIGHTS § 50 (McKinney 2009).
 18. N.Y. CIV. RIGHTS § 51 (McKinney 2009).
 19. *Vogel v. Hearst Corp.*, 116 N.Y.S. 2d 905, 906 (App. Div. 1952).
 20. *Stephano v. News Group Publications*, 474 N.E.2d 580, 584 (N.Y. 1984).
 21. *Beverley v. Choices Women's Medical Center, Inc.*, 587 N.E.2d 275, 278 (N.Y. 1991) (citations omitted). As New York courts define "for advertising purposes" claims more liberally than "for purposes of trade claims," Lohan would be more likely to succeed if she brought a claim based on the former. See *Gautier v. Pro-Football, Inc.*, 106 N.Y.S.2d 553, 556 (App. Div. 1951). For this reason, this article will focus on Lohan's possible "for advertising purposes" claim.
 22. *Beverley*, 587 N.E.2d at 278.
 23. *Id.* at 276–277.
 24. *Id.* at 277.
 25. *Id.* at 278.
 26. *Id.*
 27. *Id.*
 28. Kaufman, *supra* note 10.
 29. ABI Web site, About Us, *supra* note 3.
 30. USA Today spread, *supra* note 11.
 31. *Id.*
 32. ABI Web site, Home, <http://www.abionline.org/index.cfm> (last visited April 12, 2010).
 33. See *id.*
 34. Kaufman, *supra* note 10.
 35. *Id.*
 36. See ABI Web site, Home, *supra* note 32.
 37. *Beverley*, 587 N.E.2d at 278.
 38. See Kaufman, *supra* note 10.
 39. *Id.*
 40. Edelman, *supra* note 2.
 41. *Id.*
 42. U.S. CONST. amend. I.
 43. *Beverley*, 587 N.E.2d at 278.
 44. *Stephano*, 474 N.E.2d at 585.
 45. *Beverley*, 587 N.E.2d at 278–279. Courts switch back and forth between the phrases "consumer interest" and "public interest." It appears that courts use the terms interchangeably. See *Stephano*, 474 N.E.2d at 584–585.
 46. *Beverley*, 587 N.E.2d at 278–279.
 47. *Id.* at 278.
 48. See *id.* at 278–279.
 49. *Id.* at 279.
 50. *Id.*
 51. *Id.*
 52. *Id.*
 53. *Id.*
 54. See *Davis v. Duryea*, 417 N.Y.S.2d 624 (App. Div. 1979).
 55. *Id.* at 626.
 56. See *id.*
 57. *Id.*
 58. *Id.* at 627.
 59. See *id.* at 628.
 60. See ABI Web site, Home, *supra* note 32.
 61. Interlock Facts Web site, *supra* note 1.
 62. ABC News Web site, *Lohan Mugshot Launches Drink-Driving Ad*, <http://www.abc.net.au/news/stories/2008/05/03/2234374.htm> (last visited April 12, 2010).
 63. ABI Web site, Home, *supra* note 32.
 64. U.S. CONST. amend. XVIII, § 1; U.S. CONST. amend. XXI, § 1.
 65. *Beverley*, 587 N.E.2d at 278–279.
 66. See generally U-S-History.com, <http://www.u-s-history.com/pages/h1054.html> (last visited April 12, 2010).
 67. *Beverley*, 587 N.E.2d at 278 – 279.
 68. ABI Web site, About Us, *supra* note 3.
 69. See Interlock Facts Web site, *supra* note 1.
 70. *Id.*
 71. Edelman, *supra* note 2.
 72. *Id.*
 73. *Davis*, 417 N.Y.S.2d at 628.
 74. Kaufman, *supra* note 10.

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An Intellectual Approach to the Communications Decency Act

By Alan J. Hartnick

There has been much discussion about how judges rule. Does gender and ethnicity play a part? Should judges try to forget their background and rule impartially based upon a strict reading of the law? Are judges automatons?

A wonderful example of a pure intellectual approach to the law is the Ninth Circuit opinion in *Barnes v. Yahoo, Inc.*¹

The Facts

Judge Diarmuid F. O'Scannlain, writing for a unanimous court, stated:

This case stems from a dangerous, cruel, and highly indecent use of the [I]nternet for the apparent purpose of revenge. In late 2004, Cecilia Barnes broke off a lengthy relationship with her boyfriend. For reasons that are unclear, he responded by posting profiles of Barnes on a website run by Yahoo!, Inc....

Barnes did not authorize her now former boyfriend to post the profiles, which is hardly surprising considering their content. The profiles contained nude photographs of Barnes and her boyfriend, taken without her knowledge, and some kind of open solicitation, whether express or implied is unclear, to engage in sexual intercourse....

In accordance with Yahoo policy, Barnes mailed Yahoo a copy of her photo ID and a signed statement denying her involvement with the profiles and requesting their removal. One month later, Yahoo had not responded but the undesired advances from unknown men continued; Barnes again asked Yahoo by mail to remove the profiles. Nothing happened.... Yahoo broke its silence; its Director of Communications, a Ms. Osako, called Barnes and told Barnes that she would "personally walk the statements over to the division responsible for stopping unauthorized profiles and they would take care of it." Barnes claims to have relied on this statement and took no fur-

ther action regarding the profiles and the trouble they had caused. Approximately two months passed without word from Yahoo, at which point Barnes filed this lawsuit against Yahoo in Oregon state court. Shortly thereafter, the profiles disappeared from Yahoo's website, apparently never to return.²

The Complaint and Motion to Dismiss

Barnes' Complaint alleges two causes of action under Oregon law. The first is a species of negligence—"a negligent undertaking"—based upon non-provision of services which Yahoo undertakes to provide. The second is Yahoo's "promise" to remove the indecent profiles and the plaintiff's reliance on such promise.

Yahoo moved to dismiss the Complaint under Federal Rule of Civil Procedure 12(b)(6), contending that Section 230(c)(1) of the Communications Decency Act (the Act) renders it immune from liability in this case. The district court granted the motion to dismiss, finding that the Act did in fact protect Yahoo from liability as a matter of law.

The Law at Issue

Section 230(c)(1) of the Act³ states: "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider."

The origin of this law came after an Internet service provider was sued successfully for defamation for third-party speech.⁴ The Act changed that result. The law's policy includes the promotion of interactive computer services and the competitive free market for such services. Therefore, the Internet received preferred treatment—more than print publishers.

Yahoo relied exclusively on the provision that bars courts from treating certain Internet service providers as publishers or speakers. It appears that subsection (c)(1) only protects from liability (1) a provider or user of an interactive computer service (2) whom a plaintiff seeks to treat, under a state law cause of action, as a publisher or speaker (3) of information provided by another information content provider. Item (2) is consequential in this case.

The Issue

The main issue became whether the Act protected an Internet service provider from suit where it undertook to remove from its Web site material harmful to the plaintiff but failed to do so.

The cause of action most frequently associated with Section 230 is defamation, but the statute does not limit its application to such cases.⁵ Courts must ask whether the duty that the plaintiff alleges the defendant violated derives from the defendant's status or conduct as a "publisher or speaker." If it does, Section 230(c)(1) precludes liability.

Judge O'Scannlain explained:

Indeed, many causes of action might be premised on the publication or speaking of what one might call "information content." A provider of information services might get sued for violating anti-discrimination laws, see, e.g., *Roommates*, 521 F.3d 1157; for fraud, negligent misrepresentation, and ordinary negligence, see, e.g., *Doe v. MySpace, Inc.*, 528 F.3d 413 (5th Cir. 2008), cert. denied, 129 S. Ct. 600; for false light, see, e.g., *Flowers v. Carville*, 310 F.3d 1118 (9th Cir. 2002); or even for negligent publication of advertisements that cause harm to third parties, see *Braun v. Soldier of Fortune Magazine, Inc.*, 968 F.2d 1110 (11th Cir. 1992). Thus, what matters is not the name of the cause of action—defamation versus negligence versus intentional infliction of emotional distress—what matters is whether the cause of action inherently requires the court to treat the defendant as the "publisher or speaker" of content provided by another.⁶

Negligent Undertaking

Judge O'Scannlain wrote:

And what is the undertaking that Barnes alleges Yahoo failed to perform with due care? The removal of the indecent profiles that her former boyfriend posted on Yahoo's website. But removing content is something publishers do, and to impose liability on the basis of such conduct necessarily involves treating the liable party as a publisher of the content it failed to remove. See *Craigslist*, 519 F.3d at 671 (finding defendant protected because "only in a capacity as publisher could [the defendant] be liable under § 3604(c) [of the Fair Housing Act]"). In other

words, the duty that Barnes claims Yahoo violated derives from Yahoo's conduct as a publisher—the steps it allegedly took, but later supposedly abandoned, to de-publish the offensive profiles. It is because such conduct is *publishing conduct* that we have insisted that Section 230 protects from liability "any activity that can be boiled down to deciding whether to exclude material that third parties seek to post online." *Roommates*, 521 F.3d at 1170-71.⁷

Promissory Estoppel

Judge O'Scannlain continued:

In a promissory estoppel case, as in any other contract case, the duty the defendant allegedly violated springs from a contract—an enforceable promise—not from any non-contractual conduct or capacity of the defendant. See *GTE Corp.*, 347 F.3d at 662 ("Maybe [the] plaintiffs would have a better argument that, by its contracts..., [the defendant] assumed a duty to protect them."). Barnes does not seek to hold Yahoo liable as a publisher or speaker of third-party content, but rather as the counter-party to a contract, as a promisor who has breached.

How does this analysis differ from our discussion of liability for the tort of negligent undertaking? After all, even if Yahoo did make a promise, it promised to take down third-party content from its website, which is quintessential publisher conduct, just as what Yahoo allegedly undertook to do consisted in publishing activity. The difference is that the various torts we referred to above each derive liability from behavior that is identical to publishing or speaking: publishing defamatory material; publishing material that inflicts emotional distress; or indeed attempting to de-publish hurtful material but doing it badly. To undertake a thing, within the meaning of the tort, is to do it.

Promising is different because it is not synonymous with the performance of the action promised. That is, whereas one cannot undertake to do something without simultaneously doing it, one can, and often does, promise to do something without actually doing it at the same time. Contract liability here would come not from Yahoo's publishing conduct,

but from Yahoo's manifest intention to be legally obligated to do something, which happens to be removal of material from publication. Contract law treats the outwardly manifested intention to create an expectation on the part of another as a legally significant event. That event generates a legal duty distinct from the conduct at hand, be it the conduct of a publisher, of a doctor, or of an overzealous uncle.⁸

Conclusion

The holding is that Barnes properly pleaded a breach of contract claim under the theory of promissory estoppel, but Section 230(c)(1) barred her claim for negligent provision of services that Yahoo undertook to provide.

In the long ago, I remember learning about the common law 17th and 18th century pleadings in my Civil Procedure course under the illustrious Professor Benjamin Kaplan at the Harvard Law School. How I enjoyed footnote 14, discussing "assumpsit," which stated:

We are aware of some potentially countervailing history. Both promissory estoppel and ordinary breach of contract actions evolved from the common law writ of assumpsit. J. B. Ames, *The History of Assumpsit*, 2 Harv. L. Rev. 1, 2-4 (1888). Assumpsit originally sounded in tort, for only formal contracts were enforceable as such until the refinement of the doctrine of consideration. *Id.* at 15-17; 1 Williston & Lord, *supra* § 1.16. The tort of negligent undertaking is the vestige of this original tort; promissory estoppel, too, retains some of the originally delictual nature of assumpsit. *Cf. Schafer v. Fraser*, 290 P.2d at 205-06; 1 Williston & Lord, *supra* § 8.1. Indeed, "it is not uncommon under modern rules of pleading for a plaintiff to assert

one count based upon negligent failure to perform a gratuitous undertaking [under Restatement (Second) of Torts section 323] and another based upon promissory estoppel." 1 Williston & Lord, *supra* § 8.1.

All the same, we believe the distinction we draw is sound. Though promissory estoppel lurks on the sometimes blurry boundary between contract and tort, its promissory character distinguishes it from tort. That character drives our analysis here and places promissory estoppel beyond the reach of subsection 230(c)(1).⁹

Happy Day! Is not some of the practice of law, by lawyers and judges, *intellectual*? I might add that the holding in *Barnes* is not only intellectual but, in my opinion, just.¹⁰

Endnotes

1. 565 F.3d 560 (9th Cir. 2009).
2. *Barnes v. Yahoo Inc.*, 570 F.3d 1096, 1098-1099 (9th Cir. 2009).
3. 47 U.S.C. § 230(c)(1).
4. *See Stratton Oakmont, Inc. v. Prodigy Serv. Co.*, 1995 WL 32 37 10 (N.Y. Sup. Ct. May 24, 1995) (unpublished), which held that an Internet service provider could be liable for defamation.
5. *Batzel v. Smith*, 333 F.3d 1018 (9th Cir. 2003); *Fair Housing Council v. Roommates.com*, 521 F.3d 1157 (9th Cir. 2008).
6. *Barnes*, 570 F.3d at 1101-1102.
7. *Id.* at 1103.
8. *Id.* at 1107.
9. *Id.*
10. For further proceedings see *Barnes v. Google*, 2009 U.S. Dist. LEXIS 116274 (Dist. Ct. for Dist. Oregon).

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**Upcoming *EASL Journal* Deadline:
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Taxation Without Qualification: Music Tax or ISP Fee Party?

By James "Mitch" Mitchell

By 1773, the British East India Company was on the verge of bankruptcy.¹ Smugglers to the American colonies had undercut much of the monopoly's tea business on the other side of the Atlantic.²

In response to the quandary, the Tea Act gave license to the East India Company to import its tea to the colonies free from all duties whatsoever. Lord North was quoted in his support of that Act, saying, "[M]en will always go to the cheapest markets."³ This proved to be a fatal assumption, though neither Parliament nor the East India Company had much of an option to hope otherwise.

As a result, only the giant East India Company had duty-free passage into America's harbors to offload her tea. This effectively outstripped the business of existing merchants, primarily homespun operations that still had to pay pre-Tea Act duties. Unfortunately, the colonists resented the cheapest tea because—among other things—the tea was forced upon them by a power that did not adequately consider their interests. This in turn spawned widespread unrest.⁴ What followed was that slice of history that birthed a new nation.

At present day, the Recording Industry Association of America (RIAA) (more accurately, its members) is not necessarily on the verge of bankruptcy. Most everyone recognizes, however, that the Big Four⁵ conglomerates that make up the bulk of the RIAA face a substantial decline in revenue from their sales of music. Instead of smugglers, the RIAA points to pirates of the online variety as the source of its decline. To date it has spared little expense in pursuing legal action against individual defendants for filesharing, most notably college students. However, faced with continued financial trouble despite persistent litigation, the RIAA now believes it needs its own Tea Act to capture a monopoly in the cheapest market.

I. The RIAA's Business Model

A. Change in the Air

In late 2009, the RIAA announced that its current practice of suing would-be customers is not a viable option for the long term.⁶ The failure of the litigation to achieve its end goal, the vanquishing of file sharing, did lead to significant introspection. It contributed to a reevaluation of not only the RIAA's battle against online piracy, but has also been a valuable lesson for others as well.

Professional sports leagues, including Major League Baseball (MLB), have also faced off against piracy. The

MLB combats pirated online streams of live sporting events, but it says that suing individuals is out of the question. Michael Mellis, general counsel for MLB.com, says, "I'd like to think we've learned some cautionary lessons from the music industry...what is the utility in suing individuals who are part of a larger chain of events?"⁷

Hardly anyone retains the position that civil litigation is the means to achieve a favorable end for any of the parties involved. Many have spoken about seeking out a new industry model.

"Instead of smugglers, the RIAA points to pirates of the online variety as the source of its decline. To date it has spared little expense in pursuing legal action against individual defendants for filesharing... However, faced with continued financial trouble despite persistent litigation, the RIAA now believes it needs its own Tea Act to capture a monopoly in the cheapest market."

B. Some Suggested Models

In his most recent book, Professor Lawrence Lessig considers another option in lieu of the more litigious route, namely a decriminalization of music piracy.⁸ That idea seems to be fairly isolated to Professor Lessig himself, given his position as an advocate for a Free Culture movement and association with the Creative Commons Project.

Yet others have suggested some sort of levy or licensing on music file sharing without mention of decriminalization,⁹ while at least one paper has proposed an all-out socialization of music.¹⁰ That proposition, though, appears to rely all too heavily on government in developing an organization for collecting payments and distributing them to the artists.¹¹

C. The Choruss Plan

The RIAA is more likely to follow the creation of one of its own, Warner Music Group (WGM), rather than the other options mentioned. Dan Griffin, by way of One-House, LLC, has established a nonprofit spinoff of WGM called Choruss. Already three of the Big Four have put their stamps of approval on Choruss, with Universal be-

ing the holdout.¹² Since this is the likely option that the RIAA will pursue, this article details the consequences of an adoption of Choruss as it is currently proposed.

Choruss, at its most basic, is an unbelievably simple answer to the current peer-to-peer (P2P) filesharing dilemma. A university or Internet Service Provider (ISP) pays a small fee per user on its network in exchange for a “covenant not to sue” on the part of the RIAA and other Choruss participants. The end users receive the benefit of unlimited sharing of sound recordings via P2P services for that small fee.

D. The Choruss Problem

The problem, however, is that Choruss is a currently ill-conceived skeleton that has been hastily announced. It begs the Lord North question: Will people always go to the cheapest markets? The Tea Act was a failure, though it created a cheaper market, because it was enacted without concern for anyone but the East India Company. In like form, Choruss creates the cheapest legitimate market, but it does so without concern for anyone except the RIAA.

Choruss as proposed is burdened with three primary problems: (1) it gives license to waning industry giants to compel participation in a “voluntary music licensing” regime without reassurances that consumer and artist interests are adequately protected; (2) it raises concerns about the entity’s neutrality and conflict of interest; and (3) it places a substantial burden upon ISPs and universities that, as of yet, remain uncompensated for their roles as copyright police.

This article recommends a solution, which is to modify the Choruss plan in order to ensure that all interested parties are protected and that ISPs and universities receive something in return for playing copyright cop.

II. Concerns About the Benefit of a Compulsory Plan

A. Compelled Participation

Though the Choruss plan is currently marketed as a “voluntary blanket licensing” regime to ISPs and universities, it appears that such customers have little say in the matter. The ISP or university signs on and pays a small fee (presumably less than \$10 a month)¹³ per customer or student, respectively. It is, of course, up to the ISP or university to pass that cost onto the end user as a separate fee, to otherwise raise its costs, or to absorb the additional expense.

WMG in its pitching of Choruss has only been in talks with select major universities to date.¹⁴ At the University of Colorado at Boulder, university officials evidently decided against the Choruss plan after hearing the pitch, citing difficulties in obligating students to participate in it.¹⁵ Other universities say they have not made definitive decisions. However, if met with a favorable response by

enough institutions of higher education, it is almost certain that the RIAA will next be in serious talks with ISPs.

Concerns that such a sweeping plan may not protect student or customer interests should exist on the part of more interested, yet cautious, parties. Universities and ISPs submitting to the Choruss plan obligate their end users to be participants, whether those end users know it or not.

It is highly unlikely that every student or customer would be a willing participant. Hence the theory of a “voluntary blanket licensing,” or tax. Each user owes a fee for his or her usage of the network regardless of use or nonuse of P2P services. This is equivalent to a tax.

B. The Role of Students

For the student, this no doubt becomes yet another fee tagged on with fees for other student services that he or she may not use but is nonetheless obligated to pay (i.e., an exercise facility).

Students with laptops that they use both off-campus and on have a problem of particular interest. If their universities have signed on to Choruss but their ISPs have not, what happens when they continue to use their P2P services off campus? It is clear that they are no longer using the universities’ networks. The shield from legal action, though, does not follow them wherever they might go.

The students cannot be assured of protection if it is not adopted universally. This makes a Choruss system almost completely free from incentive for students—who may find it puzzling that P2P services may only be used without fear of reprisal at school and not at home.

C. The Plight of ISP Customers

Likewise, for the customers of an ISP who has signed on to Choruss, the same sort of problem arises. When they travel, how will the customers know what ISPs have also signed on to Choruss? Will they even know to look? It is difficult to imagine that anyone with a wireless-equipped laptop and permission to use a P2P service at one will appreciate the lack of freedom elsewhere.

The difficulty is that it may be utterly baffling to a layperson that P2P sharing rules change so readily based upon location and whose network is in use. This is why an idea like Choruss must be universally accepted, or else the incentive to students and customers alike be removed completely.

D. Nonparticipating Artists and Record Companies

Another side of the problem comes into play with those record companies that are not represented by Choruss. They still maintain the right to go after students and ISP customers who trade their songs on P2P services. A consumer of music will surely not be able to tell the

difference between an artist whose record company has signed on to Choruss and one who has not. This adds even more uncertainty to the effectiveness or worth of a Choruss promise not to sue in return for a small fee.

III. A Conflict of Interest

It is troubling, to say the least, that the party effectively brokering the Choruss plan is, though veiled by some sort of separation, WMG. Yet, this fact is at least a positive sign that the RIAA and some of its members recognize an opportunity for drastic change.

Jim Griffin, the mastermind behind the Choruss plan, says he wants to “monetize the anarchy of the Internet”.¹⁶ This is a very popular concept as of late. Professor Lessig, in his *Remix*, sounds a call to decriminalize file sharing and “license the anarchy.”¹⁷

Yet how is it that the artist is protected in this scenario, especially when the entity is a brainchild of one huge record conglomerate? Is that not letting the fox guard the hen house? Although it may not be, such concerns call into question the birth of Choruss when there are many licensing clearinghouses already in existence.¹⁸ SoundExchange, a fairly recent child of the RIAA,¹⁹ appears to be the least effective of all such license clearinghouses. In contrast there are others that have reputations for being more sympathetic to artists’ interests, and which receive little criticism for their established bureaucracies.²⁰

To be fair, the existing licensing clearinghouses, or performing rights organizations (PROs) as they are commonly known, cover a very specific line of licensing, namely a public performance right. ASCAP, BMI and SESAC are all structured to primarily monitor public performances. These public performances cover radio and television stations, auditoriums, clubs, restaurants, and hotels, which are granted blanket licenses from the PROs for a fee.²¹ The remaining others track wholly different forms of licensing. The Harry Fox Agency, Inc. facilitates mechanical licensing,²² and SoundExchange tracks digital performances of sound recordings on Internet radio, satellite radio, and cable and satellite television audio channels.²³

Choruss is bound to face problems as the newest entity to join the licensing game. First, it has to solicit participation of both content-holders and users. This could be easy enough—given that even SoundExchange had little difficulty getting the necessary parties on board. Then, Choruss will have to convince ISPs and universities to marshal the P2P traffic and account to Choruss so that it may in turn distribute revenues accordingly.

If Choruss is organized hastily, without bringing all interested parties to the table, universities and ISPs may lose out on the benefit of a neutral entity. This will in turn add even more disincentive for a university or ISP to

agree to the plan. WMG and the rest can only be expected to organize a body favorable to them if not first forced to consult other interested parties.

IV. University and ISP Concerns

Universities and ISPs will need incentives to participate in the plan before they approve of Choruss. The track record of cooperation between the RIAA and those who maintain networks has been less than impressive. For Choruss to succeed, it will have to win the uphill battle to garner university and ISP cooperation.

A. Unwilling Universities

As a university, it is difficult to see good reason to sign on to Choruss in its currently proposed form. The University of Kansas decided to stop forwarding pre-litigation papers to students after seeing a rise in RIAA cease-and-desist notices.²⁴ It cited concerns about being a middleman for a third party wanting information about its students, raising privacy issues as well as a drain on its IT personnel time.²⁵

Those concerns may cause other universities to draw the same conclusion. If universities have already been wearied with their overly active participation in the RIAA’s battles against P2P file sharing, it is unlikely that they will sign on a dotted line to volunteer to be a middleman in another one of the RIAA’s ill-conceived schemes.

B. Indignant Internet Service Providers

ISPs, too, may find that the incentive to put a stamp of approval on Choruss is modest at best. Already, at least one smaller ISP, Jerry Scroggin, has rather publicly objected to playing “copyright cop” for the RIAA without receiving payment in return. When Scroggin receives notice from RIAA representatives, he asks for their billing information—a request that is typically ignored.²⁶ Scroggin’s call for compensation may not seem so outlandish when ISPs are no longer just tracking down subjects of cease-and-desist orders, but are tracking all P2P traffic indiscriminately for Choruss’ benefit.

Verizon has shirked the police role in the past due to privacy concerns for its customers.²⁷ Whether big or small, ISPs—if not deterred by some benevolent privacy interest for their customers—will eventually resent the cost of sampling or tracking file sharing while receiving nothing in return.

V. Reforming the Idea: A Proposed Solution

A. The Truly Independent PRO

Any of the existing PROs could be given the authority to track P2P traffic and issue blanket licenses to universities and ISPs to cover all of the P2P sharing of copyrighted sound recordings.

This is a viable solution to the conflict of interest problem mentioned above. Choruss would never have to face the challenge of soliciting a large base of participants, and the RIAA could avoid any suspicions of foul play or ulterior motives it would face in using Choruss. At the same time, artists and publishers could be assured that their interests would be guarded by a truly independent entity.

"[W]hat is the fee paying for but a little bit of false peace of mind?"

B. Compensation Shared with ISPs and Universities

Universities and ISPs are still an indispensable party to any Choruss-like system, and they will rightly want a slice of the pie when they are the ones monitoring the traffic. Even the nonprofit PROs have an operating cost for tracking public performances. Universities and ISPs likewise will have a tangible operating cost attributable to tracking P2P traffic for digital sound recordings. They should not be expected to fulfill their costly role for free.

The loyalty and goodwill of universities and ISPs can likely be won with some form of payment. The payment could be in the form of an infinitesimally small percentage credit back to the ISP or university of each monthly fee paid to make up for resources expended sampling P2P traffic. Alternatively, Choruss can negotiate individually with the ISP or university to determine a flat fee per month to be credited, factoring in the number of end users covered coupled with hardware and administration expenses. Any manner in which the expense gets credited back is much more desirable than the current model, which assumes that ISPs and universities will devote their effort and expense to the RIAA completely free of charge.

VI. Conclusion

Choruss is a drastic change in RIAA strategy. It is also attractively simple to explain to laypersons. Yet the simplicity is also the mirage. Many details need to be ironed out. Universities and ISPs cannot (or will not) expend time and resources without receiving concrete compensation in return. Furthermore, the mainstay of the proposal, the wonderful "covenant not to sue," is particularly troublesome. It is fairly obvious by the careful wording that it cannot be equated with a full-blown indemnification. This presents the question: what is the fee paying for but a little bit of false peace of mind? A better agreement would at least provide indemnification for participant universities and ISPs and their users instead of an illusory "covenant not to sue."

Choruss may have the feeling of creating the cheapest market to which Lord North said men would readily go, but the problem persists: people will go to the cheapest market, but they will generally do so on their own terms. Choruss in its current form neglects to realize that.

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James "Mitch" Mitchell is a 3L at Baylor Law School. He grew up in the Houston area, where his family still lives. Mitch is primarily interested in trademark and copyright law, and has a budding interest in probate and estate planning, consumer protection, and electronic commerce. Before law school, Mitch attended Dallas Baptist University (DBU), where he majored in Music Business with a concentration in vocal performance. Ultimately, he hopes to work in some capacity as an advocate for creative artists.

New York State Bar Association
Entertainment, Arts and Sports Law Section
Annual Meeting
Monday, January 25, 2010
Hilton New York

WELCOMING REMARKS

Section Chair

KENNETH N. SWEZEY, ESQ.

Cowan, DeBaets, Abrahams & Sheppard LLP
New York City

PROGRAM INTRODUCTION

Program Co-Chair

TRACEY P. GRECO-MEYER, ESQ.

dELiA*s, Inc.
New York City

**FROM CONCEPTION TO THE PUBLIC DOMAIN OR PERHAPS TO INFINITY AND BEYOND:
THE LIFE CYCLE OF FICTIONAL CHARACTERS**

Moderator: JAY KOGAN, ESQ.

Vice President of Business and Legal Affairs and Deputy General Counsel, DC Comics
New York City

Panelists: NEIL J. ROSINI, ESQ.

Partner, Franklin, Weinrib, Rudell
& Vassallo P.C.
New York City

EDWARD H. ROSENTHAL, ESQ.

Frankfurt Kurnit Klein & Selz PC
New York City

JOSEPH P. SALVO, ESQ.

Senior Vice President and
Global General Counsel
Hit Entertainment
New York City

ERIC S. BROWN, ESQ.

Franklin, Weinrib, Rudell & Vassallo PC
New York City

**PLAYERS OFF THE FIELD... HOW DO YOU PROTECT YOUR CLIENT WHEN NEGOTIATING AN
ATHLETE-DRIVEN MERCHANDISING, ENDORSEMENT, OR NEW/TRADITIONAL MEDIA DEAL?**

Moderator: MICHAEL BRACKEN, ESQ.

Cowan DeBaets Abrahams & Sheppard LLC
New York City

Panelists: ETHAN ORLINSKY, ESQ.

Senior Vice President
General Counsel, Legal Business Affairs
Major League Baseball
New York City

TERRY PRINCE, ESQ.

Director, Legal and Business Affairs
Creative Artist Agency Sports
New York City

PETER WELCH, ESQ.

Vice President and Counsel
Take-Two Interactive Software, Inc.
New York City

STEPHANIE VARDAVAS, ESQ.

Assistant General Counsel
Nike, Inc.
Oregon

MR. KENNETH

SWEZEY: Good afternoon and welcome everyone. We're about ready to start with our Entertainment, Arts and Sports Law Section 2010 Annual Meeting, part of the State Bar Annual Meeting. And I'm Ken Swezey; I'm the outgoing Chair of the Section. I'm thrilled to see so many people here for our Section's Annual Meeting and the two great panels we have coming this afternoon.



MS. SUSAN LIN-

DENAUER: Good afternoon. I want to thank Ken Swezey, and Incoming Chair Judith Prowda, both for the opportunity to speak with you today. Speaking on behalf of the Bar Foundation in the vein that Ken did speak about the pro-bono opportunities that EASL has made available, I want to talk about something that is very much related.

This is a chance for me to step back, reflect on two years of involvement at an intense level with the State Bar and our Section. And I think that what our initiatives were in both communication with our membership through our new blog that we developed and also our publication program, which was very ambitious. Oh—and we've got the forthcoming book, too, which you can't promote enough. It's a wonderful book and it's very useful, and these are practitioner oriented publications we've been making.

We've worked to develop quite an extensive pro-bono activity, both clinic programs and also pro-bono communications opportunities, where we've spoken to student groups and communicated with the communities that are in need of legal information, be it students or underprivileged people and also with organizations directly affected—arts, entertainment, sports groups—that have been able to avail themselves of our pro-bono. And it's a chance for us to give something back to our communities, and also to promote the good name of our State Bar and our Section in our community. So, I'm very pleased.

It's been a pleasure serving all of you as Chair, and I am thrilled that the Incoming Chair in many ways is about to take on the mantle.

And so I think at this point in the meeting we formally announce the new slate, which is in your materials that are out there. And I think as a Section we adopt the slate and then I get a chance to turn over the meeting to Judith Prowda, who is our Incoming Chair and has served with me as Vice-Chair. And a lot of what we've done in the last two years is because Judith has been working with me and the rest of the Executive Committee to make things happen, and now she gets two years to make even more things happen. So, Judith, I welcome you and the new slate. Congratulations.

MS. JUDITH PROWDA: Thank you very much. Before I make my remarks, I'd like to introduce you to Susan Lindenauer from the Bar Foundation, who is going to speak to us for about five minutes.

The Bar Foundation is the charitable arm of the State Bar. Funds raised through the Bar Foundation provide monies for grants to non-profits throughout New York State for things such as legal services or other aspects of access to justice. Improvements in the administration of justice, and support for public education about the law, both to primary and secondary level teachers, and also to students. The Bar Foundation has a very proud 60-year history.

From whom does the support come? The support comes from Fellows of the Bar Foundation and I am, in fact, Chair of the Fellows of the Bar Foundation. How many Fellows are there in the audience today? Are any of you Fellows? Well, I do hope that some do become Fellows.

The Fellows are elected by Board of the Bar Foundation and outstanding members of the legal community who agree to provide over a period of 10 years \$200 a year, or a total of \$2,000, to become supporters of the work of the Bar Foundation. In addition, there are circles of giving for those who are interested in continuing to provide support for the work of the Foundation following their initial contribution.

Another way funds come to the Bar Foundation is something that each of you do, when you renew your membership—and pay your dues to the Bar Association—there's a spot for a voluntary \$25 checkoff, and I do hope that all of you will consider making that checkoff, because it's really critical for the support of the programs that we bring throughout the state. We also get gifts from Sections when they have surpluses. And we have a legacy society for those who pledge to at least have a gift of \$1,000 or more in their wills.

What types of grants do we make? Well, we make small grants, seed grants with generally three-year limits for novel programs that expand availability of services in areas like foreclosure prevention, domestic violence, support for youth courts, support for consumer debt programs, education for teachers on the Constitution and the legal process, mock trial competitions for teenagers. We

make grants on immigration issues, eviction prevention, and internships with non-profits.

And why do I come here today? What do I ask of you? I ask you to support the Bar Foundation through gifts to the Bar Foundation at the minimum, the \$25 voluntary checkoff, and to consider making other gifts to honor a lawyer that you respect who has a major achievement, as a memorial to a friend who has died. And we hope that you will stop at the table that is on this floor and pick up a copy of the Annual Report of the Bar Association to learn a bit more about its work. Thank you very much for your attention.

MS. PROWDA: Good afternoon. I'm honored and proud to serve as the new EASL Chair for the next two years. I have very big shoes to fill following the outgoing Chair, Ken Swezey, who solidified our Section in the midst of challenging economic times in the past two years.



I would like to thank our dedicated and tireless program Co-Chairs for today's program, Tracey Greco-Meyer and Rebecca Frank, for planning this meeting and putting together two outstanding panels.

I am the third woman Chair of EASL and I have two pairs of very big high heels to follow. Our first woman Chair, Judith Bresler, my mentor, colleague, and dear friend, is truly a leader and role model of excellence and accomplishment to women lawyers and to all lawyers. Together Judith and I co-founded and co-chaired the EASL Committee on Alternative Dispute Resolution. Judith never ceases to amaze all of us with her capacity for fresh ideas.

Elissa Hecker, our second woman Chair, was the recipient of the Young Lawyers Award and has been our *Journal* Editor for 10 years and started our blog this past year. Elissa also Chairs the Pro-Bono Steering Committee and has generated superb programs for EASL lawyers to donate legal services.

I have assembled an amazing slate of officers. Vice-Chair Rosemarie Tully and I point out that this is the first time EASL has had both a woman Chair and a woman Vice-Chair; Treasurer, Diane Krausz; Secretary, Monica Pa, and Assistant Secretary Jason Baruch.

I will continue to serve as Delegate to the House of Delegates, along with Bennett Leibman and with David Faux as alternate. Initially, I have appointed a District Representative for each of the 13 Judicial Districts in New York State. This is the first time in EASL history that we will hear voices from all around the state.

So in addition to the names that are already listed on your program, I would announce the following names of people who have accepted to serve as District Representative in their districts. The Second Judicial District, Innes Smolansky. The Fourth Judicial District, Edward Flink. Fifth Judicial District, Jaime Previte. Seventh Judicial District, Mark Costello. Twelfth Judicial District, Lauren Fae Silver. And Thirteenth Judicial District, Daniel Marotta.

I plan to focus on current legislation with a committed group of people similar to our dynamic Pro-Bono Steering Committee, and to make recommendations where appropriate.

I would also like to form three new committees within EASL. First, I would like to recognize the outstanding work done by Judith Bresler and Gary Roth who co-founded and co-chaired the Phil Cowan Memorial/BMI Scholarship in 2005. Since its founding, the scholarship has awarded scholarships to one or two law student winners of a writing competition. By giving this scholarship initiative the status of a committee, we will strengthen our ties with law schools throughout the state and the country and continue to find a talented pool of law students to participate in this competition.

In addition, mindful of the difficult job market affecting many of our members, I intend to form a new and dynamic EASL Lawyers in Transition Committee. As part of its mission, the EASL Lawyers in Transition Committee would hold programs such as job search strategy, re-entering the job market, networking, and create a job bank so that job seekers and employers can find each other and would liaise with the New York State Bar Association Lawyers in Transition Committee.

The third new committee will be the Digital Media Committee, which would cover Digital Aspects of entertainment, art and sports law. One of the many strengths of EASL is our wide range of wonderful committee programs, both CLE and non-CLE, which are usually held in New York City. I hope to make these programs available to members who are unable to attend through the creation of DVDs and webcasting.

Three years ago the New York State Bar Association's President challenged each section to grow by 10 percent by December 31, 2010. I am pleased to report that in 2008 we had 1,592 members. And I learned today that we have 1,764 members. So we have already met that challenge. I urge others, anyone here who is not a member of EASL, to consider joining.

I would like to hear from EASL members throughout the state and to continue to invigorate the Section by extending its reaches to every corner of the state and beyond. And to work hard to serve not only EASL members, but the New York Bar, and the public.

I look forward to continuing to work with the folks from Albany, Pam McDevitt, Carolyn Clayton, Lori

Nicoll, Doug Guevara, Dan McMahon and Leslie Scully. Enjoy the meeting, I'll see you at the reception. Thank you very much.

We'd like to announce winners of the BMI/Phil Cowan Memorial Scholarship. Judith Bresler.



MS. JUDITH

BRESLER: Good afternoon. As Judith Prowda had mentioned, five years ago we had established a scholarship in memory of Phil Cowan who was a former Section Chair, and who died precipitously. This scholarship is given to two students each year based on a writing competition on the subjects of either art, entertainment,

sports law, or copyright law. And these are students who have committed to entering practice as a lawyer in one of those fields.

The scholarship is open to all of the accredited law schools in the state of New York, as well as up to 10 other law schools outside of New York State that are chosen each year on a rotating basis by BMI. So in teaming up with BMI we are able to issue two scholarships.

I should say that the first couple of years until this got traction, we had an award based on the submission of one or two papers. Since then the papers have gotten better and better by quantum leaps, and the submissions have gotten much larger by quantum leaps.

So it is my pleasure to award the two scholarships here. The first one is to Jacqueline Tate. Jacqueline, please come on up. Jacqueline Tate, who is a student at Brooklyn Law School, submitted a paper entitled, "The House Always Wins, A Call to Reform Art Auction House Regulations." It calls for greater transparencies in the auction process for auctions taking place within the State of New York. Jacqueline, come on up here. It was a fabulous paper.

Jacqueline is a third-year law student at Brooklyn Law School. She graduated with honors from the University of Michigan with a BA in Art History. She went on to receive her Master's degree in Modern Art History from Richmond, the American International University in London. Currently Jacqueline holds the



position of notes and comments editor of the *Journal of Corporate Financial and Commercial Law*, and serves as the Co-Chair of the Art Law Association. She spent this past summer at Cowan, DeBaets, Abrahams & Sheppard, and will clerk for the Honorable Mary F. Thurber, Superior Court Judge in Bergen County, this fall. Congratulations.

MS. JACQUELINE TATE: Thank you very much.

MS. BRESLER: And we will look forward to having Jacqueline's article published in an upcoming *EASL Journal* (see page 32).

Our second winner—and I don't mean second in terms of runner-up—our second and equal winner is a woman by the name of Britt Simpson. Britt, come on up here, please.

Britt is a student at New York Law School. She wrote an article entitled, "A Right to Publicity in Your Mug Shot? Maybe if You Are Lindsay Lohan" (see page 39). It's with respect to the tension between New York's statutory right of publicity and the First Amendment. And as an aside, she was a former art law student of mine, but I had nothing—I didn't read the paper—so this was totally anonymous. So congratulations, it's fabulous.

Britt grew up in Los Angeles, born to an artist and an intellectual with strong family ties to the arts and entertainment community. Her mother is an avid metalsmith, her father an entertainment attorney, and her uncle, the late legendary film producer Don Simpson. Never one to dodge a challenge, Britt chose law school after graduating from the University of Colorado. Currently in her last semester at New York Law School, Britt continues to excel and is an honor student and is senior editor for the *New York Law School Law Review*.

Having landed a job at Weil, Gotshal upon graduation, Britt has chosen to defer her employment and volunteer for a year at the acclaimed dance company and dance school Alvin Ailey. Congratulations.

MS. BRITT SIMPSON: Thank you.

MS. BRESLER: I would also like to add for the first time—since we've had an unprecedented number of submissions and that the quality of the papers is the finest to date—for the first time we are awarding an Honorable Mention because the scores were so close.

The Honorable Mention Award goes to James "Mitch" Mitchell of Baylor University of Law in Waco, Texas. He's

the first winner outside of the state of New York. And Mitch's paper is entitled, "Taxation Without Qualification: Music Tax or ISP Fee Party?" (see page 46). Thank you very much, and I would like to thank the Scholarship Committee for all of their hard and diligent work. It really bore fruit. Thank you.

MS. TRACEY GRECO-MEYER: Good afternoon, thank you for joining us. We have a wonderful program today. Our first panel will discuss the life cycle of fictional characters. And our second panel will discuss endorsements and licensing deals and various issues dealing with athletes.

And now to get started with the program. Jay Kogan, Vice President and Deputy General Counsel of DC Comics and Mad Magazine, will be moderating our first panel. Jay is also the Co-Chair of the Copyright and Trademark Committee of EASL, and an Adjunct Professor at New York Law School where he teaches Intellectual Property Licensing and Drafting.

Joining Jay on the panel is Neil Rosini. Neil is a partner at the entertainment law firm of Franklin, Weinrib, Rudell & Vassallo. Neil is also Co-Chair of EASL's Copyright and Trademark Committee. His practice focuses on opinion work and counseling regarding copyright, right of publicity and defamation matters, and content clearance in all media.

Next we have Ned Rosenthal. Ned is the Chair of the Intellectual Property Litigation Group at Frankfurt, Kurnit, Klein & Selz. Ned represents businesses and individuals in the television, publishing, motion picture, advertising, and media fields. He currently is defending the author and publisher of the book, *60 Years Later: Coming Through the Rye*, in a lawsuit brought by J.D. Salinger.

Next we have Joe Salvo. Joe is a Senior Vice President and Global General Counsel of Hit Entertainment, an international children's entertainment company that owns such preeminent preschool brands as Barney, Thomas the Tank Engine, Bob the Builder, and Angelina Ballerina. Joe also serves as Trustee and Secretary of the Copyright Society, and is an Adjunct Professor of Law at St. John's University School of Law.

Last but not least we have Eric Brown. Eric is also a Partner at Franklin, Weinrib. Eric represents fiction and non-fiction authors in book publishing and motion picture and television rights agreements, the negotiation of employment agreements for book publishing executives, and serves as production counsel for motion picture and television productions. And now without any further delay, I will turn the meeting over to Jay and the first panel. Thank you.

MR. JAY KOGAN: Thank you, Tracey, and thank you, Ken and Judith, for putting the program together,

and all your work over the last two years. Ken and Judith, good luck with the next two years.

First I'd like to say it's an honor to be able to speak before this group, because it was 19 years ago the first time I attended one of these EASL Section Annual Meetings. And at that program, one of the panelists was the general counsel at DC Comics. I got to speak to her during the break and I ended up getting a job out of it. I remember Howard Leib used to tease me about making me the poster child for the Section because I got a job out of attending one of these meetings. So for you young lawyers or students out there, you know, good luck, hope the same happens for you.



Just a quick sort of summary of what we're going to talk about during this panel. I'm going to give a general overview of the legal protections available to characters. After that, Eric will talk about protecting characters through contracts when you're licensing characters for film, television, and publishing.

After that Joe will talk a little bit about the challenges character owners are facing from today's economy and from the emerging and changing technologies. After that we'll change gears a little bit and Ned will talk about how character creators can terminate the rights granted to assignees decades after those assignees have spent nurturing, and protecting, and exploiting those characters and building big franchises with those characters.

And then after that, Ned will talk about how third parties can use somebody else's characters whether it's the character creator or character owners, without any authorization from the owners or creators under the doctrine of fair use and the First Amendment.

I will pose one question to each of the panelists after they speak and at the end of the program we'll have plenty of time hopefully for questions from the audience to any of the panelists.

[Visual presentation]

Now, what I've got to do is, I was told that the sound is not working so well, so I may have to improvise a little bit—"but Yogurt, what is this place? What is it that you do here? Merchandising. What's that? Open up this door. Ha, ha, ha. Walk this way. This is where the real money is made. Merchandising. Merchandising, where the real money is made. Spaceballs the T-Shirt, Spaceballs the breakfast cereal, the lunch box—oh, there's Spaceballs the breakfast cereal, Spaceballs the flamethrower, the kids

love this. Last but not least, Spaceballs the Doll, me. May the Schwartz be with you.” Adorable. Moving on, just bear with me for a second.

So the reason why I start off with that movie clip—I think it’s got some valuable lessons regarding character licensing. First of all, the possibilities for character licensing are vast, as you can see from all that product. Secondly, there are certain licensing opportunities probably best not pursued, for example, Spaceballs the flamethrower. And finally, the valuable lesson is to recognize that if you’ve got a successful character, it’s going to be the target of infringers, pirates, parodists, and satirists.

So what are the legal protections available to characters? Well, I’ll go through these in more detail, but first of all, copyright to the extent a character constitutes an original work of authorship. Secondly, trademark rights are available to characters to the extent character elements signify source or origin of a product. And thirdly, rights of publicity might come into play to the extent a character incorporates a name or likeness of a real person.

[Visual presentation]

Why is it so important to understand the protections available to a character? Well first, when you are creating a character or your client is creating a character, you can design and name a character in a way that you feel will be most protectable and best to exploit. This is a Jessica Rabbit, I’m not bad, I’m just drawn that way.

And you want to think about being able to expand into new media. So, for example, Joe might have a property that starts out as a toy, but I’m sure in the back of his mind they’re thinking television, film, and everything else, and worldwide as well.

You want to make sure you avoid violating the rights of third parties. You want to recognize the causes of action that could arise from the use or creation of a character. You have to know what rights you can enforce. And you need to know if you want to use somebody else’s character, when and what rights need to be cleared and from whom.

So I find it helpful, I’ve created this—what I call my character nature spectrum. This is a list of kinds of characters. You’ve got the purely fictional characters on the far left, like E.T. Then you’ve got real person-inspired fictional characters like Citizen Kane, inspired by William Randolph Hearst. Then you’ve got characters that are really like stage personas of individuals like Groucho Marx. I can’t imagine that Julius Marx really walked around like this. Was that a persona? Was that a different character than the real person?

Then you’ve got fictionalized versions of real people, like Robert Stack playing Eliot Ness. And then you’ve got real people like Tiger Woods. On top of that, when you’re

thinking about potential causes of action, there’s another layer. You’ve got the actors that are portraying those characters and they’re a concern as well. And the various causes of action that can arise from the use of characters depend upon whether it’s really an intellectual property or whether you are dealing with a real person. You can see for real people, you’ve got claims like defamation, rights of publicity, intentional infliction of emotional distress, etcetera.

So in terms of copyright protection for characters, the Copyright Act does not include characters in its illustratable list of items that are protectable by copyright, but it’s been recognized for years that characters are eligible for copyright protection. Probably the main leading case on this was *Nichols v. Universal Pictures*,¹ decided by Judge Learned Hand, probably the greatest name for a judge in all time, and it’s not even a fictional name. But he said, “So long as a character is sufficiently delineated, it may be entitled to copyright protection.” And he goes on to say, “The more highly developed the character, the greater protection available.”

Now, sometime after that in the Sam Spade case,² this court actually seemed to back away a little bit from that. And the character—this is another sound effect, but I’m not going to repeat all of them. But this is from, what is the name of the movie, quick? *Maltese Falcon*, right, thanks. And what I was going to say is, the court didn’t say the characters have to be the stuff that dreams are made of, but they have to be more than a mere chessman in the story, they’ve got to be the story being told. The courts have backed away from that a bit and went back more to the *Nichols* test.

There’re a lot of cases that talk about character protection under copyright. *Stallone v. Anderson*³ sort of combines the test saying if it’s a highly delineated and central to the film. *MGM v. Honda*⁴ developed with enough specificity. And *The Wind Done Gone* case,⁵ a case that Ned might refer to, the court talks about the more idiosyncratic the character is, the more protectable it is as it crosses into the line of protectable expression.

Visual characters have always been recognized as being entitled to greater copyright protection or different copyright protection in addition to the literary works, because the visual images of the character are separately copyrightable.

It’s also important to note that the look and feel of a character may be entitled to copyright protection. So in this case, McDonald’s was held to infringe the copyright in the H.R. Puffnstuf characters from—I think the environment they live in was the living world.⁶ And there are some courts that have held that even component parts of a character may be entitled to copyright protection like Freddy’s glove from *A Nightmare on Elm Street*.⁷

What's helpful in terms of understanding what kind of characters are protectable is to understand when characters are not protectable by copyright. In *Scholastic, Inc. v. Spiers*,⁸ the court talked about a skeleton with baggy pants and a backwards cap and sneakers, and saying that's not sufficient delineation to give rise to copyright protection in that character. *Gaiman v. McFarlane*,⁹ a great case, talks about joint copyrights and different issues. I suggest you read that because there's a lot in there. But the court explores how a character can go from being a general uncopyrightable written description of a character to being a fleshed out fully protectable character.

Historic figures or real people generally are not protectable by copyright either. In this case, Chase-Riboud sued Dreamworks claiming that Steven Spielberg's movie *Amistad* infringed the copyright in the novel *Echo of Lions*.¹⁰ And one of the things the plaintiff tried to demonstrate was that both the movie and her novel included the character Joseph Cinque. Well, the court said if Joseph Cinque was a real historical figure, it wasn't especially distinctive in her book and it was not evidence of copyright infringement.

This brings me to one of my favorite topics, *scènes à faire*, stock genre characters. Stock genre characters are also not entitled to copyright protection. These would be sort of standard characters; every detective movie has the same sort of detective with the trench coat. There are a lot of cases out there about the Irish cop as sort of a stock genre character. What I like about this series of cases starting back in the 1940s, one case called *Detective Comics v. Bruns*.¹¹ Another case, *National Comics v. Fawcett Publications*,¹² both predecessors to DC Comics.

In those cases, the court talked about characters infringing Superman because they wore tight garb, they had superpowers, they could fly, and they had alter egos. And the court in those cases in the '40s and the '50s said that that's all evidence of infringement. By the time 1983 came and the Greatest American Hero case,¹³ where Warner Bros. sued claiming the Greatest American Hero infringed Superman, the court said things like tight garb, billowing capes, superpowers, alter egos, love interests, those are all sort of stock genre characteristics of the superhero genre and not evidence of infringement.

Characters existing in nature are not protected by copyright. This is—I love this case, although I've just seen blurbs of it because it's from France and I don't read French. In any event, a children's writer wrote this book, *Pierrot Le Poisson Clown*, and claimed that Disney infringed the copyright in that book because they also had a clownfish in *Little Nemo*. The court made a brilliant comment that a clownfish is a clownfish. A clownfish is orange, it has three white stripes. Everything is already there in nature, no infringement.

Now, Disney might have had a trademark claim if it had brought it against this producer of Sushi, the Little Nemo Sushi. I don't know what happened with this, but I love using it in the slide show.

The other thing to note is that public domain characters are not protectable by copyright. I don't know if anybody recognizes this character, but that's Mary Shelley's Frankenstein. Anybody could do a Frankenstein story. This is Universal's Frankenstein. Now Universal gets copyright protection in its own incarnation of Frankenstein just like Disney gets protection in Cinderella, an old public domain character. And Universal was able to make demands to Hammer Films in the 1950 film, *The Curse of Frankenstein*, to make sure *The Curse of Frankenstein* Frankenstein did not violate the rights of Universal's Frankenstein character.

Moving on to trademarks. Characters are also protectable by trademarks to the extent their name, or their symbol, or their logo, can be used to signify source or origin. You probably recognize a bunch of these slogans, and names and images here. You've got Tony the Tiger from Kellogg's Cereal. I don't know if you could hear the sounds, there's also audio marks, that was Tarzan's yell, and this is Bugs Bunny doing, "What's up, Doc?," so sounds, too.

So trademarks provide different protection for characters. It's more to make sure somebody's not using your character for commercial purposes or in some sort of way that dilutes the famous name, or character name, or logo. This was a case involving somebody who charged to appear at commercial events. He would jump out of a helicopter or parachute out of a plane. He'd show up at mall openings or things like that. The court said that violates Warner Bros. and DC's trademark rights. What I loved was when the court went on to say, you know, we know it's a store-bought costume, it's not a copyright infringement, it's a licensed costume, you're allowed to use for private purposes like taking a walk on the beach. So if you ever see Batman walking on the beach, it's probably this defendant.

The Toho people who represent Godzilla, if anybody wants to use Godzilla they're very, very protective, so be careful. They went after Subway for one of the commercials—you might have seen it a while back for the five foot—five dollar foot-long.¹⁴ And an interesting case that the Zorro owners brought against Del Taco for using Zorro to promote Del Taco.¹⁵ And what was interesting about this case, I suggest you read it, is that the court talks about the fact that the copyright of the character Zorro may have expired, but that's irrelevant to a trademark claim.

Along the same lines as trademark, it's sort of your Section 43(a) Lanham Act claim. The courts have recognized certain elements of fictional works, be they TV shows or movies, developed such a recognition in the public eye that they've come to symbolize the plaintiff or the product in the public's mind. And therefore, anybody else using those characters in a commercial way could violate the Lanham Act Rights, even though the owners not using those marks or character images and things like that in sort of the traditional trademark sense.

DC Comics prevailed in a couple of cases with this theory involving Kryptonite, *Daily Planet*, and the Aquaman characters,¹⁶ and Warner Bros. prevailed in a case involving the General Lee car from *Dukes of Hazzard*.¹⁷

This matter gives me an opportunity to transition from functional characters to interests of real people. Carol Burnett sued the makers of *Family Guy*, Fox, for using a Carol Burnett-like character in one episode of *Family Guy*.¹⁸ The character that showed up in this episode was the custodian, the cleaning woman named Charwoman in the old Carol Burnett variety show. And Carol Burnett sued for copyright infringement, for trademark infringement, and for right of publicity violation.

Now, I think it raises an interesting question because fictional characters are protectable by copyright. Real people have rights of publicity protection. How can you bring both of those claims simultaneously, isn't there a conflict? I think it's an interesting question. I think in this case it wasn't really a problem because they actually used the character—the animated character from the show and they used Carol Burnett's name, so she could bring both those claims. She ended up losing on the intellectual property claim. The court said it was a fair use and First Amendment protected expression. As for her right of publicity claim, the court declined to rule on that, saying there was no jurisdiction once they removed the copyright and trademark claims, it was no longer a federal case.

Real people can get trademark rights, just a quick note. So you've got, like Elvis Presley and Marilyn Monroe, who have trademark rights and symbols. Tiger Woods is actually a registered trademark of his. So those real people can protect the rights of publicity under the Lanham Act.

Woody Allen prevailed in a claim saying the use of his likeness in a promotion for videos was a Lanham Act violation.¹⁹ And then more recently you might have seen this in the news, he brought a right of publicity claim against American Apparel for using an image from *Annie Hall* to promote American Apparel; that got settled.²⁰ But again, it's an interesting question as to is that Alvie, the character from *Annie Hall*, or is that Woody Allen? Could the studio have brought a claim as well? So the rights of publicity in characters—rights of publicity again protect the name and likeness persona of a real person.

Break this down for analysis: You've got an original character persona's that actors adopt, so you've got—like the Groucho Marx example and other examples—portrayals of third-party characters, and you've got new original characters that are based on or inspired by real people. All could bring up right of publicity potential claims.

This is the Naked Cowboy—you might have recognized him from Times Square. He brought some claims against M&M for having a blue M&M that looked somewhat like him, dressed like him.²¹ The court said this is not a right of publicity claim. They rejected the right of publicity claim, saying nobody's going to think that's you. But they allowed him to continue with this sort of false endorsement claim.

What are these guys' names? Are they Cliff and Norm or are they John and George? Sort of an interesting question that came up in a case, *Wendt v. Host Int'l*.²²—a license, a bunch of restaurants, airport restaurants, to use the *Cheers* theme and to make it feel more realistic, these robotic characters sat at the end of the bar who were sort of reminiscent looking of well who? Norm and Cliff, or John and George? They sued for right of publicity violation saying it violated the right of publicity even though the restaurants had actually cleared all the rights with Paramount and the case was in court for some time and they finally ended up—the rulings went in favor of the celebrities—ended up getting settled after the rulings went in their favor. Judge Kozinski writes a scathing dissent which I think is a brilliant dissent, and I suggest you read that as well.

Sort of getting close towards the end here. When somebody creates characters based on or inspired by real people—DC Comics had a lawsuit brought by Johnny and Edgar Winter.²³ We had a couple of characters in one of our comic books named Johnny and Edgar Autumn; the story was *The Winters of Our Discontent*. Our characters—again, this was targeted towards an adult audience, a mature readers audience—our characters were half human, half worm, they fornicated with pigs and they ate people. The Winter brothers did not take too kindly to this. They sued us for every possible thing you could think of other than public disclosure of embarrassing private facts.

We prevailed on all the claims initially, other than right of publicity. It went up through the courts and finally the court ruled in our favor. The court applied sort of a copyright analysis and said our use was transformative. It gave new message or new meaning to the characters.

On the other hand, the publisher of the comic book *Spawn* used a character named Tony Twist; he was a Mafia boss. And the reason he did that—and he publicly told this to the press—was that he was a big fan of the hockey player Tony Twist. And the hockey player Tony Twist sued, saying this violated his right of publicity.²⁴ And this was a Missouri court, which might give some

people less concern about it, but things get sold nationwide, so this is a big concern for a lot of media companies. The court didn't apply a transformative test, or a fair use, or First Amendment sort of test. The court applied a "predominant purpose" test, stating that if the predominant purpose of the use of the name is to exploit the identity of the celebrity rather than to make any sort of expressive comment, the case will be won by the celebrity.

And sort of—this is sort of where I am with the "That's all, folks." You've got Porky Pig, a licensed use of a character on postage stamps, just a quick sort of side on that. When you're doing business with the government or the Postal Service, it's an interesting negotiation, but it's a fun one.

And so some quick conclusions, statements: When you are creating characters, the more fully fleshed out or delineated they are, the greater protection will be available. Include visual representations of the characters if you can. Fanciful names, and logos, and imagery, include distinctive elements—all will help you with your trademark protection. You want to clear rights expansively throughout all media and territories if you can. Register your logos and names as trademarks when you can. Secure domain names before somebody else grabs those. And exercise caution whenever you're using pre-existing characters or real people for inspiration. And with that, I will turn it over to Eric.



MR. ERIC BROWN: So now that Jay has discussed the legal protections available for a fictional character, I'm going to discuss the issues which come up in a commercial transaction, most particularly the book—a book publishing agreement and a book-to-film deal in which that book is adapted into a motion picture.

Starting off we'll look at a book publishing agreement. The typical book publishing agreement provides that an author is required to deliver to the publisher a manuscript of a certain length and a description. Now oftentimes that description is incredibly vague. It'll be a book of 80,000 words featuring Detective X in a crime thriller. And then the author goes and writes the author's book, and delivers that book to the publisher by the delivery date included in the publishing agreement.

In most instances, the author remains the copyright owner of the book. If the book is accepted, and that's a key term which we'll come back to in a second, the publisher will have the right to exercise certain rights with respect to the book.

In addition to the print publishing rights which we all think of immediately, the right to publish the book, the author will have often audio book rights and electronic book rights. And as you probably all know, the electronic book rights are now discussed in the paper on a daily basis.

In addition, the publisher requires other rights. The right to authorize third parties, newspapers, or magazines to publish excerpts from the book, for example, before the book is published, that's the first serial rights. And the territory that the publisher requires varies from deal to deal, whether it's a North American deal, U.S., Canada, worldwide English, or some combination of those territories.

But for purposes of this discussion, what I want to focus on is the concept of acceptance, which I just mentioned. When a book is accepted, the publisher has the right to publish the book.

Most authors, if you speak to them, aren't really aware, particularly first-time authors, of the concept of acceptance, which basically gives the publisher an option on the book. It allows the publisher to read a manuscript and decide whether the publisher wants to publish the book or not. And there are some vague standards that surround how that decision has been made. But the book will often have been sold on a summary, or an outline, or a proposal. The parties negotiate and enter into a publishing agreement, and the author thereafter delivers the manuscript; the publisher reads and decides whether or not it is going to publish the book.

Before making that final decision as to whether the publisher is going to publish the book, the publisher will give the author notes and comments back on the manuscript and say, here are the changes we would like to see in the book, please make those changes. The author is not required to make the changes. The author maintains editorial control over the book. However, if the author doesn't make the changes, the publisher has the right to terminate the publishing agreement. They don't accept the book and they terminate. On that termination the author will have some responsibility for returning a portion of the advance which may have been paid.

Again, for character purposes this means that the publisher can't dictate to the author changes to the characters as they're presented in the book, but the publisher can exert significant financial leverage by saying that if you don't make the changes, I don't want your book. But again, ultimately it's the author retaining control over the content of the book and the characters in the book.

Even though the author does retain this control, there are two other clauses in a publishing agreement which may affect the character rights that the author controls. The first of these is an option clause, which is in most publishing contracts. While it's called an option, often-

times it's no more than a first look at it, sometimes goes to a full matching right for the publisher. And so when representing an author you need to focus on that clause. But the clause may impact what the author can do with the author's character in terms of the next book that the author wants to write.

The other clause to be aware of in a publishing agreement regarding characters is the non-compete clause, which will often be included in that contract, which affects the author's ability to publish certain types of books or all books. Sometimes it's as vague as any book which will impair the value of the book being published by the publisher can't be published. Query what happens with a second book featuring a character in the first book—will that be deemed competitive? And again, that needs to be addressed on a case-by-case basis.

The final issue I want to bring up in terms of publishing agreements has to do with certain books which are published on a work-for-hire basis. In those cases, the publisher will own copyright in the book, and so these protections I've been talking about for the author will likely not be present.

Moving on to the next form of exploitation might be a motion picture. Published books serve as the basis for many, many, many motion pictures. And so the Hollywood studios and independent producers are often seeking to acquire film rights in published novels.

The typical structure for a deal whereby a producer acquires the rights is generally set up or often set up as an option. The producer will pay some form of compensation, bigger for a studio hopefully, lesser for an independent producer, for an option period during which the producer engages in development activities. They seek financing, they hire screen writers, they try and solicit the interest of talent. And then before the end of that option period if they decide to proceed with production, the producer will pay a purchase price to the author and acquire whatever rights are designated in the agreement in the novel.

The typical studio agreement will provide that the producer is acquiring rights in the book and all elements of the book. And this description can go on for several lines of text as to what elements in the book are being acquired. But invariably in that list are the characters in that book. So when acquiring the book, the producer isn't necessarily saying, I'm going to produce a motion picture based on this book or this plot. It may be as simple as, I like this character, want to buy this character and use that character in a plot that I, the producer, create.

Again, an author may have feelings about this in seeing the author's character appear on screen for the first instance in a plot that's not related or doesn't draw from a book that that author has written. And that also may be of concern to the author's readership who have come to ex-

pect certain things from the character or may be expecting a certain adventure for that character to engage in.

If the book that's being bought is part of a series featuring a recurring character, it's likely that the producer will have acquired the right to produce motion pictures based not only on an individual work, but multiple pictures based on multiple works, or to draw from a series of books in order to form a composite story in one or more motion pictures.

These deals, just as an aside, raise a number of issues in addition to the character issues we're talking about today. For example, if there's an obligation that the subsequent pictures be based on the other books in the series, or whether the producer can create original screenplays commissioned by the producer, if there is a requirement that the additional motion pictures be based on additional books in the series, whether there's also a requirement as to the order in which those books need to be adapted into films, how the author will be paid for the subsequent films, particularly if they draw from the author's books as opposed to original screenplays. And the potential for reversion of rights at some point if the producer stops making motion pictures. Again, these are outside the scope, but something to just be aware of as we're going through the deals.

If the book's not part of an existing series, the author may wish to reserve for herself the right to include characters from the book she is selling and use those characters in other books the author wishes to write in the future. These books are generally referred to in the agreements as "author-written sequels."

Motion picture rights in author-written sequels—so this is now the second book, or third, or fourth book in the series featuring the recurring character—can be treated possibly as we just discussed for a pre-existing series of books where the producer requires rights in all of them. So that once the producer exercises the option in the original book and acquires rights in that book, the agreement could provide that if the author writes one or more author-written sequels, the producer automatically acquires rights in these books even though they weren't written at the time the original deal was done. And so again, this raises the same types of issues regarding compensation and reversion of rights.

On the other hand, and more interestingly, would be whether the author tries to reserve motion picture rights in an author written sequel. And just to be clear, the film agreement will generally allow, if not in the first draft, but if asked, for the author to write and publish author-written sequels. These are the reserved publishing rights. But what I'm going to focus on now are motion picture rights in those author-written sequels.

So the author sells the film rights of the original book to a studio, reserves the right to write and publish addi-

tional books in the series. And the question is what happens with the film rights in those additional books.

If the author is successful in reserving the author-written sequel motion picture rights, and that's quite a mouthful, the producer will nevertheless likely look to impose a holdback on the author exercising motion picture rights in the author-written sequel. And even following that holdback, the original producer will look for some sort of a first negotiation or matching right.

So, for example, a producer may say, okay author, you're allowed to reserve motion picture rights in your author-written sequel, but you can't exercise those rights for some period of time, five, seven, 10 years following the time we, the original producer, release our motion picture based on the first book. And even after that five-, seven-, 10-year period is over, if you want to sell motion picture rights in that author written sequel, you need to approach us first, negotiate with us first, and if we can't strike a deal, you're free to go out and try to sell them to third parties, provided that before you enter into that deal with a third party, you give us the opportunity to match the terms and conditions that you are willing to accept from that third party. So it's a relatively onerous requirement.

It becomes a little bit more onerous in certain circumstances when the producer takes the position that having acquired rights in the original book when the original option was exercised, the original producer acquired all rights and all elements in that original book, including the characters in the book. So now author, having waited out the holdback period, having given us the first negotiation and last refusal right, if we choose not to exercise that last refusal and you enter into an agreement with a third party, that's great for you, but you can't sell them any of the characters that were in the first book.

So now author's won the battle perhaps, but lost the war, because the author has been able to enter into a deal for the fourth Harry Potter book but can't sell Harry Potter along with the rights in the book. Clearly it impacts the market value of what the author is trying to sell.

Another sort of approach to protecting the character rights that an author may look to exercise has to do with seeking approval rights. The short answer is a studio is not going to want to give them. One sort of way to try and work around that is to see if the author can be engaged as a producer on the motion picture and try to exercise certain approval or consultation rights in that creative role as opposed to the role of the end of the underlying rights owner. Again, a difficult role to achieve for the author.

Okay, so now the book is sold, the author has no approval rights, the author has reserved the right to continue publishing books, but what happens if in producing

the motion picture the producer does something, makes a creative decision that impacts that character? The producer decides to have that character engaging in activities that are inconsistent with how the author sees the character? Or the producer decides to give the character physical traits that are different than what's in the book? There's an inconsistency potentially between what the readers are seeing in the book and what the viewers are seeing when they go to the theatre.

In the most extreme examples, the producer would have the right to physically disfigure a character or even kill that character. Now, that may be of significant concern to an author who has plans to write a series of books or is potentially contracted to write a series of books to find that the leading character has now been killed on screen. It's not good. Therefore, the author may seek in negotiating to impose on the producer limitations on what the producer can do to the character on screen. For example, you can't kill my character. It sounds funny and it sounds easy, but the studios are loath to do it. They don't want the author involved in their creative process. So again, while it sounds very, very reasonable, it's a very difficult protection to achieve.

And in the unlikely event that you are able to achieve it, a series of questions comes up as to what kinds of remedies are available to you in the event the producer breaches that part of the agreement.

The bottom line in all of this is that insofar as the film companies are concerned, it's an uphill negotiation for an author, but authors need to be aware of what they're getting into in terms of character rights when they sell film rights in a book.

MR. KOGAN: Thank you, Eric. You had mentioned remedies, and one of the questions I have and I've seen in a lot of contracts, publishers and studios will often insist there be a provision in the agreement where the underlying creator, artist, or writer, gets no injunctive relief. So even if there is a breach, let's say there's an integrity provision regarding the use of the character, there's no injunctive relief. What's your experience with those?

MR. BROWN: Talk about uphill battles. It's sort of Entertainment Law 101 that those contracts contain that waiver of injunctive relief. And you can try to negotiate it and you'll hear all sorts of things coming back to you in terms of well, the standards you're looking to impose are subjective and we can't risk our \$70 million movie and our \$50 million advertising campaign with some ambiguity or let a court decide that. So if you have a problem, sue us, and we'll deal with it, but you cannot stop the process from going, the train's left the station.

MR. KOGAN: Okay, thank you. We'll now turn it over to Joe.



MR. JOSEPH SALVO:

Thank you. Thank you, Jay, thank you EASL for inviting me to join you here. I'm going to approach this—I sit in a slightly different position from the other gentlemen on the panel here because I work in-house. And one of the differences, as I have explained to some of my classes, between working in-house and working as

outside counsel is, as outside counsel you get the 1,000-foot helicopter view of the industry overall. When you work in-house you basically get a little more myopic in terms of what your particular company is doing.

And so I'm going to talk a little bit about trends, new and emerging technologies, how that's impacting on licensing. But I think it's important that you understand the prism through which I am making these observations, which is what is it that my company does.

So as I think Jay eluded to at the outset, we, Hit Entertainment, is a worldwide sort of preschool children's entertainment entity. We represent a number of different brands; Thomas the Tank Engine is probably our single largest one. Barney, Bob the Builder, Angelina, Pingu, a number of secondary properties that many of you may not have heard of, one that hopefully you will soon, which is a property we're introducing called Mike the Knight, which will be coming out of the U.K.—those properties we own in a number of different ways and that's some of what I'm about to say.

For example, Barney started as a home entertainment property. Started out as the idea of an adventurous mother who came up with an idea to keep her child occupied for periods of time when she was trying to get other things done, something I'm sure we can all relate to.

Thomas and Angelina started out as book publishing properties. Thomas we own outright, Angelina is on a license to us. We have a number of properties that started out as television properties. Pingu, which is a penguin, which is very popular in the Far East, started out as a German Swiss television property.

We are in a number of different lines of business as a result of that. Probably our single largest area of business is merchandising, merchandising, merchandising. We do not sell flamethrowers, but we are in consumer products. So we will license everything from apparel, to toys, to games, and the like. We are also—we have a very big home entertainment, home video business that involves making DVDs and selling those, and we'll talk about that in a second.

We are also very active in live attractions and events. So we will take our characters out on the road. Barney

Road Show, Bob Road Show. Brings me back to my 13 years of working at the record business. When I get the call that Barney has gone over the edge and thrown a television out the window into the swimming pool. No, Barney doesn't really do that. But there is an active market for live events and attractions now. And we are actually into Six Flags and a number of other permanent attractions I'll talk about shortly.

We're also very heavily involved in television production and licensing. In fact, that is probably in some ways one of our biggest and most important aspects of our business.

Book publishing, I won't touch on that too much since Eric covered that. We also have a fledgling audio business, and unfortunately, quickly diminishing audio business. And we're involved in film to some extent.

And then finally, we are pretty geographically diverse. Our principal offices are in New York and in London. But we also have offices in Hong Kong and Tokyo, and we have pretty active Far East presence. In fact, I just came back on Saturday from over there, so if I start to fall asleep in the middle of this, you'll know it's my body clock sort of catching up with me.

So let's talk a little bit about new and emerging technologies and converging technologies, because in some ways I think the converging technologies are more of the issue for us. So let me just talk a little bit about home entertainment. This is a business model that is under siege, not unlike my former colleagues in the audio business. Unfortunately, the way of hard physical media is going out the door the same way that eight-tracks, and cassettes, and other things that are near and dear to my heart, have disappeared from the scene.

We are seeing a diminution in people's appetites for buying finished home video product. And we're seeing in general, industry-wide, somewhere between an eight percent to 12 percent decline year-on-year in terms of the home video business. Ex-U.S., we are seeing sort of a direct inverse relationship between television licensing and the home video business. So, for example, in areas like Japan where the broadcasting platform is very, very limited for children's programming, we see much increased home video sales. In areas like Korea or Taiwan, which are very heavily cabled and have very strong Internet infrastructure, we are seeing a much more challenging home entertainment market.

There are new pressures related to home video that are coming now in the form of video on demand. The more that—and this again goes back to music in the same way that if you can get audio on demand, there's no need to buy a CD. In the same way if you can see an episode of Thomas when you want wherever you want on demand, then that diminishes the demand for going out and purchasing an actual home video.

So what we're seeing in the licensing field is a couple of things. First, our home video distributors are more and more either seeking to affirmatively obtain a grant of video on demand rights, or alternatively, at least a blocking right to prevent us from taking our product and making it available in that way in order to protect the base for home entertainment.

Interestingly, we're starting to see the emergence in some markets, and the one that jumps to mind is the United Kingdom, for an appetite for an exclusive VOD licensee. So, in other words, making our content available exclusively to one purveyor for purposes of making that content available for video on demand, that licensee would then sell it to the various distributors or the broadcasters and make that content available that way. But it's a real challenge from a licensing aspect to try to hold on to your video on demand rights separate and apart from your home entertainment rights. And as we'll talk about in a second, from your television exhibition rights. There is a bleed-over from market to market. And what we're seeing is a real attempt to kind of control those markets or at least have the licensees obtain some sort of control over that so that sales in one market are not undermining sales in another market.

Interestingly, we're also seeing on the television exhibition side, which I'll talk about, a demand for those video on demand rights. And in accordance with that, restrictions on what we can do in the digital world in terms of digital downloads or digital streaming, or even making content available on websites.

So what we're seeing is with these new sort of converging technologies is a lot more bleed-over from the traditional home video on one hand, television licensing on another hand. And you're seeing sort of cross licensing and concerns between the different markets.

Television production sales, I said before, for us, for our children's characters, television platforms are really, really critical. Kids have an uncanny ability to sit and watch the same things over and over and over again, which is wonderful for us, sort of reinforces things. For us, we spend a lot of money in terms of television production. A single episode of television programming can run several hundred thousand dollars per episode, and typically we're—when we go into to talk to a television exhibitor, they want to know that we have at least 13 to 26 episodes. So you're looking at somewhere between a \$4 to \$8 million investment for a particular series for a particular character. And the challenge is how do we make that money back.

And more importantly, one of the evolving trends that we're seeing are programming costs going up. Why are they going up? Because we have a lot more interesting programming tools available. CGI, computer graphics, has elevated the cost. Most of the programming that you

see on children's television today is in CGI format, so that's increased our production costs.

I was just out in Japan on Thursday, met with Sony, and Sony was demonstrating to us their 3-D television. So you will sit in front of your television set and you will actually be able to perceive these programs in 3-D. We were told by the Sony people that that would roughly double our television production costs for making content available on that.

So the costs are going to continue to go up as the technology gets better. And the demand for better stuff increases. We've gone from old analog audio visual, to digital, to high def, to Blu-ray, and now we're going onto stereoscopic. So those costs are going to continue to increase.

At the same time, we're seeing a decrease in the licensing fees that the television exhibitors are willing to pay us. Why? Because the unspoken promise for years and years was that we will put your television programming on our station and we will make that programming available to the public for free as long as the public tunes in and watches the ads. Well, with the advent of the DVR, nobody is watching ads anymore. Advertising rates are going down, advertising spending is going down on the economy. As a result of that, most of the television exhibitors and cable casters are facing shortages in terms of revenues and they are basically pushing back in terms of licensing fees. So at the same time we've got program costs going up, we've got licensing fees coming down and that is a challenge for us.

We're also as a result of that, seeing as that I started to allude to before, challenges in the scope of television rights. So when I go out and I license my programming to a television exhibitor, it's not uncommon these days for that television exhibitor to demand, as I said, VOD rights, to insist on holdbacks or windows, in terms of where I can put the content in terms of secondary markets. So there's a lot of restrictions that are being imposed on us. And the big battleground these days is in the web and what we can do on the Internet, and what content we can post, and can we put it on our website, and if it's on our website how do we insist—you know, how do we ensure that it's not interfering with the programming that the distributor or the television broadcaster is putting up there and not interfering with their website.

So there's a lot of arm wrestling that goes on in terms of maintaining control over our content, ensuring that we can preserve as many markets as we can. And ensure that we can therefore license our content in a number of different ways to make the money back that we need in order to justify the investment in more programming, so it's a big cycle.

Live events and attractions, very interesting sort of new area. It's a growing market, especially outside of the Americas, both with touring shows and permanent attractions. We've been able to get our characters in a number of third-party parks like Universal, Six Flags, Merlin. We just concluded a deal in Malaysia for a stand-alone park for our characters. Seeing a lot of interest in a lot of territories outside the United States and that the challenge there are local adaptations. In other words, taking our characters and perhaps making them more culturally assimilated. We recently added for Pingu in Japan a little headband consistent with what our local licensee felt would help his impression in the local language.

The other thing that we found is a burgeoning market for using our characters for English as a learning tool. There is a lot of interest in foreign territories in English being taught, and using our characters for that purpose has started to pay some dividends to us in the licensing field. So there's a lot of opportunities. The risks are long delay time in getting these projects up. I mean Malaysia, we signed the deal, it's not going to open until 2013. It takes a while to design a park, get it all in place, get people coming.

In another area we have been—the challenge for us there, as the markets have shrunk a little bit, we've been pushed to include things like home entertainment, a DVD, with a toy. Or alternatively, when we are selling a DVD, attaching a copy to it, in other words, value adds.

Overall, just the last thing I'll talk about is the economy. The economy's impact is felt in the character licensing area. We've been blessed, knock on wood, in the children's area, to be a little more immune perhaps from some of the pressures that you are seeing from the economy. Basically, all lines of business are off to some extent. You know, we are seeing increases in terms of sales in discount stores. The high-end stores are the ones that are suffering the most, the high-end products. The more expensive products are the ones that are suffering the most, so there's a lot of pricing pressure on us. And as I said, pressure to try to find ways to license your content in ways that are perceived as a value add by throwing a toy in with a home video or vice versa.

So that's basically in a nutshell my overview of the world, and what's going on in the world of children's licensing.

MR. KOGAN: Thank you, Joe. I understand trying to break it down into all the various licensees who all want exclusive rights. Do you find there's any sort of motion to have fewer licensees with each licensee getting broader rights, and insisting that if they really want these other rights they've got to pay for them to help break it up a bit?

MR. SALVO: I mean two particular trends. One of the things that we're trying to do is to do larger deals

with one or two licensees that cover a broader range, as opposed to multiple licenses with multiple licensees. The problem with having 100 or 200 licensees is we've got to do 200 contracts, and track 200 contracts, and track 200 royalty reports. So there is, for purposes of efficiency, an interest in doing smaller, larger, licensees. But also to your point, it does allow us to then sort of break out various rights and add-on costs. It becomes an *a la carte* menu—Oh, you want SVOD rights, subscription video on demand rights, in addition to television broadcast, that's going to cost you an additional X in terms of the minimum guarantee or an advance.

MR. KOGAN: Right. Okay, thank you.



MR. NEIL ROSINI:

So far you've been taken through this life cycle from the point where someone invents a character, someone licenses or assigns that character, to a global conglomerate, or the licensee of your choice. We're not going to talk about the circumstances under which the creator of a character or that creator's statutory successors can

recover part of the extended copyright. You may have heard of this process before, it appears in the Copyright Act in several places. It's somewhat complicated.

In your materials, you'll see on page 65 a more detailed treatment, but the place you really have to go if you are interested in this is to go to the statute, which you'll find on page 81 and 85, and also it takes some reading of interpretive cases really to get the flavor of what these termination provisions are about.

In '78 and again in 1998 under the Sonny Bono Copyright Term Extension Act, the 28-year renewal term of copyright for pre-'78 works was extended first by 19 years in 1978 and then 20 years more in 1998, the total being 67 years for the renewal terms. Remember in pre-'78 works there was a 28-year first term, a 28-year second term. That second term has been extended for a total of 67 years providing the work didn't fall into the public domain along the way, for a total of 95 years of copyright protection for pre-'78 works. That's what we're talking about first here.

The author and statutory successors. Who are statutory successors—spouse, children, executor, folks like that, were given a right under section 304(c) and (d), to terminate pre-1978 grants to recover some of that extended renewal term for pre-1978 works. Throughout most of this presentation, that's what we're talking about. Pre-'78 grants, pre-'78 works.

We're not talking about the old *Rear Window* problem, the *Abend* decision,²⁵ that's not what we're talking about.

That was an automatic reversion of rights having to do with the second term of copyright and a lot, depending in most circumstances on whether the author survived into the second term of copyright, as to whether there would be this automatic reversion or not, that's what we're not talking about. That statute kind of peaked several years ago, 2005, the 28th year after—sorry, the 56th year—no, the 28th year, the 28th year after 1977, which was the last year of the old Copyright Act. We're not talking about that. We're talking about Sections 304(c) and (d), which came into being since 1977, and these allow statutory successors to terminate exclusive or non-exclusive pre-'78 grants of a transfer, that's assignment, or license of the renewal term, remember there are two terms, first and second. Or any right under it by affirmatively serving notices of termination effective within specified five-year windows, unlike that Section, now passé for the most part, which was an automatic right. This one requires effort.

Grants that are subject to termination are agreements conveying copyrights or rights under copyright between the author or after the author's death by the author's statutory successors. In other words, this answers the question—what kind of grants are terminable, those made by the author or those made by certain specified statutory successors?

First, let's look at Section 304(c). This provides for termination of grants with effective dates between the 56th and 61st years, that's what I'll call the first five-year window. And it's measured from the date copyright was originally secured, that's the date of first publication, or for an unpublished work, first registration.

Section 304(d) provides a limited second chance for those who missed the first boat, that five-year window came and went, another window comes along between the 75th and 80th years, a second five-year window, also measured from the date of original copyright, either publication or registration. However, the second bite is limited. It's only for copyrights secured between January 1, 1923 and October 26th, 1939, according to the Copyright Office, what they call the better interpretation of the statute. And you'll see that in your book materials actually at page 93.

Now both Sections 304(c) and (d) provide that notice must be served anytime between two years and 10 years before the effective date of termination. And that effective date of termination has to be planted somewhere between one of those five-year windows.

Further, both sections provide that these termination rights survive notwithstanding an agreement to the contrary. And what that really gets at is that you can't ask the author in the first instance to waive his right of termination or waive her statutory successors rights of termination. Those agreements are null and void.

Now, let's just do some math under Section 304(c). Assume a copyright date of March 1, 1956, we're just picking one for pre-'78 work. That first five-year window opens March 1, 2012, which is 56 years later. The first five-year window was a five-year period from the 56th to 61st years. So that five-year window would close five years later on March 1, 2017. The effective date of termination has to be selected somewhere within that five year period. So let's pick one arbitrarily, April 1, 2012. The time to serve notice is no more than 10 years, no less than two years prior to that arbitrarily selected effective date, which in this case would be somewhere between April 2002 and March 2010. Clear as a bell? All right.

If you think that's complicated, it's the tip of the iceberg. These statutes are not easy to apply and for that reason, as a district court judge recently noted, they're little utilized by authors or their heirs, and consequently little explored by the courts. So they're not exactly, that's the worst of all possible worlds. They're not clear as a bell on their face, and they haven't been interpreted much. But they have been interpreted somewhat in the context of characters, which we'll get to in a moment.

Just some complicated areas that have been addressed. It's not always easy to identify the grantee, that is, the person who is supposed to get this termination notice, particularly given corporate changes, mergers and acquisitions. It's especially the case with film rights, tracking down who has the current license or assignment. It's sometimes hard to determine who can serve the notice, it's sometimes even the effect of the notice is unclear.

Furthermore, there are major exemptions to 304(c) and (d)'s termination scheme; one is grants related to works for hire cannot be terminated. This looks to the nature of the copyrighted work which was the subject of the grant that somebody might like to terminate. If there was a work for hire, forget it, these sections don't apply to works for hire.

Furthermore, a derivative work that was created during the term of the grant by the assignee or the licensee can continue to be used according to the terms of the grant after the termination occurs, can affect derivative works already in place.

And third, the exploitation of works outside the U.S.A. is not affected at all, this is only U.S.A. exploitation. These statutory exemptions raise issues, especially for character rights, which may be assigned in the first instance—say, 30 years ago, and then evolve across decades in countless work for hire derivative works, because that's what a global conglomerate will be doing inside its offices. It will be creating new iterations, new versions, new powers, new illustrations of the character. And because those are derivative works, one's power to terminate the use of those derivative works is often in doubt.

The Superman case,²⁶ which all of these cites, by the way, of cases I'm referring to you'll find on page 77. The Superman case was heavily litigated and continues to be heavily litigated. Among the things that it looked at was, what are the works subject to termination? What were the works created prior to employment agreements that made subsequent works, works for hire? Just figuring those out 75 years after the fact is a challenge.

Also the effectiveness of grants that are not explicitly identified in the termination notice can be a subject of litigation for years on end. To avoid that, one has to list all of the grants; that's easy for one grant, one character, difficult when there are multiple grants.

Other issues raised in the Superman litigation included the distinction between domestic revenues and foreign revenues. If the revenues are generated overseas, that grant has nothing to do with this termination scheme. The fair market value of intra-corporate licenses can be a hot subject for litigation. And also, here's a very important one, distinguishing copyright versus trademark rights in connection with characters, because as we've heard all afternoon here, there are many merchandising and other trademark related rights that cannot be terminated except to the extent they're copyright oriented as opposed to trademark oriented. This termination scheme has nothing to do with trademark.

Is there a simpler alternative to observing these statutory formalities in creating these termination notices and sending them out? The answer is yes—to negotiate a new post-1978 agreement which is not subject to termination under 304, with the current grantee. You can't go to a new grantee, you've got to go to current grantee, and revoke and replace the current pre-'78 agreement. Remember the 304 grants only apply to pre-'78 agreements. If you can revoke and replace the pre-'78 agreement with a post-'78 agreement, that one is no longer subject to termination and you can get a better deal and go on your way. But do new contracts that don't involve formal termination notices survive that pesky statutory rule, that termination may be effective notwithstanding any agreement to the contrary? If you revoke and make a new agreement are you running against that brick wall? In other words, can a statutory successor be barred from terminating a pre-'78 contract after making a new post-'78 deal with the same grantee without a formal termination?

In other words, what we're talking about here, is you call somebody up and you say, I can terminate you, here are the reasons why, but let's save me the trouble. Let's use the leverage of my termination to make a new deal, revoke and replace the pre-'78 deal with a post-January 1, '78 deal and take it from there.

The Second Circuit and Ninth Circuit in *Winnie the Pooh*²⁷ and *The Grapes of Wrath*²⁸ cases say yes, this works, if the new contracts are made during that two- to 10-year

period during which the termination notices could have been served. It's also helpful for avoiding that agreement-to-contrary hitch is first making sure there's evidence in the record of a knowing waiver of termination rights by the author of the statutory successors who could have exercised that termination right between the second and tenth year.

Second, you'd like to see an explicit revocation of that pre-'78 grant in the post-'78 contract. Thirdly, it really helps if there's a substantially better deal for the statutory successor in the new deal. In other words, some evidence that they used that bargaining leverage to good effect.

The *Lassie* case,²⁹ Ninth Circuit shows an opposite result. A pre-'78 result that arguably was replaced by a new post-'78 deal was still subject to termination. The pre-'78 deal was still subject to termination notwithstanding the post-'78 pre-grant because the new deal was (a) not made between that two- and 10-year period prior to the effective date of termination that has to land within the five-year window. Secondly, it was made without knowing waiver of termination; there's no evidence that the *Lassie* successor intended to waive that right. And thirdly, there's not much of an improved deal for the statutory successor.

In summary, termination rules are complicated but potentially rewarding to statutory successors and authors. And during the period when termination notices may be sent, a renegotiation and a new post-'78 grant may make more sense for everybody than a formal termination.

One reason it makes more sense for the grantee to do this, say, information re-up, is because if there's a formal termination, after the effective date of termination, the terminating party can do a deal with anybody, but prior to that effective date of termination, after termination notices are sent, the terminating party can only do a deal with the party who already has the right.

One more point about another termination provision I haven't talked about yet, and that is Section 203(a), which provides a right of termination for post-'78 grants made by the author, only the author, not the statutory successors. This one's applicable to both pre-'78 and post-'78 works, and this one has a five-year window that opens during the 35th and 40th years, with a twist for publication rights that I won't go into here. And this time the window is measured, that is, the date on which the window opens, 35 to 40 years, is measured from the date of the grant, not the date copyright was originally secured.

The Section 203(a) five-year window opens for the first time, grand opening, 2013, 1978 plus 35 years takes us to 2013. Termination notices can be sent now for effective dates 2013 to 2020, no fewer than two, no more than 10 years prior to the effective date of termination, which can be arbitrary, just has to be selected within that five-year window.

What will we expect from Section 203(a)? Well, we can probably expect more of the same. It's still difficult to apply, many of the same rules are simply carried over from Sections 304(c) and (d). And I'll take questions later. Thank you very much.

MR. KOGAN: Neil, I've got one question for you before Ned starts. Is there anything in the text of the statute that addresses differences between a static work versus one that has in fact evolved over the years?

MR. ROSINI: The statute doesn't anticipate that very well. It's a lot easier to terminate, say, publishing rights in *The Grapes of Wrath*, because it's just—it's not really a character driven—there's no illustration, and there's really zero development of that character after the original grant.

I think the authors of this statute had more—that kind of termination in mind than terminating Superman or terminating Winnie the Pooh, which have had many iterations and a great deal of evolution after their original incarnations.

MR. KOGAN: Thank you very much. And that's a great lead into Ned and the J.D. Salinger, *The Catcher in the Rye* case.



MR. EDWARD ROSENTHAL: Thank you. So I'm going to talk mostly about the Salinger case that raises a number of the issues we're talking about today or that were part of the topic as described.

Most of you probably know that the author of this book, J.D. Salinger, has sued the author, publisher, and U.S. distributor of the book called *60 Years Later: Coming Through the Rye*, for copyright infringement based upon the alleged copyright infringement of the book, *The Catcher in the Rye*.³⁰ And I think very interesting for today's discussion the character, Holden Caulfield. And so there are a number of things that this case raises, including the copyrightability of a single literati on a character like Holden Caulfield and fair use, whether there's a fair use to use *The Catcher in the Rye* or Holden Caulfield in a subsequent work and also remedy—whether or not you should be able to get an injunction to stop a book if there is some sort of copyright infringement. Probably that issue I won't spend very much time on, but everybody here should know that the case here, the Southern District enjoined publication of the book. There was argument in the Second Circuit first week of September, no decision yet. And so while I can read and talk about what's in *60 Years Later*, most of you, if not all of you, can't. And that's a pretty good lead into a discussion about injunctions, and prior restraints, and so on.

I think what's important to a little bit of a discussion here is an understanding of what exactly *60 Years Later: Coming Through the Rye* is because it is not simply—and I know I'm an advocate, I'm representing the defendant, so with full disclosure, it's not simply a telling of the next day in the life of Holden Caulfield and what happened after he's institutionalized at the end of *The Catcher in the Rye* if people remember the book. It's something quite different. It is an exploration of the relationship between J.D. Salinger and his character with the hypothesis that Salinger is so paralyzed by the success of Holden Caulfield that he's been unable ever to really create meaningful work again or at least he hasn't been for the last 40, 44 years since he's last created anything that's been published. And that he has to bring this character back in this work of fiction in order to finally kill him off so that he'll be free of Holden Caulfield.

And the structure of *60 Years Later* is kind of interesting. The Salinger character is interspersed with the descriptions of this 76-year-old character named Mr. C., who one cannot deny is supposed to be Holden Caulfield, 60 years later. The Salinger narrator is in italics, and the parts that are about Mr. C. are in regular type. And I'm going to just read you just very briefly something from the Salinger thing. He's talking about his characters. "I don't know what happens to them when we let them be without care for so long. Do they meet with others and create lives like yours and mine, or are they simply placed inside a cocoon and awakened only when you again sharpen your pen?" The author is Swedish, so sharpen your pen was an interesting use. And he actually says, "I have to build him from where I left off. I have to give him a pass for the simple reason that you can't kill what doesn't exist."

So the structure of *60 Years Later* is this character wakes up, doesn't really know where he is, and then as the book progresses he begins to fill in in his head kind of a back story of what his life was like. And he begins to remember things, but they don't really seem like real memories to him. He describes at one point, "They seem like faded Polaroids on a refrigerator. They seem like he's got some memory there, but he doesn't really know what it is." And as the book continues, the Mr. C. character becomes more and more alive and awake, the Salinger narrator tries to kill him off graphically. There's one chapter where there are repeated starts and stops to Holden Caulfield stepping—Mr. C. stepping into a street and getting run over by a bus, but somehow the bus never hits him. Finally, there's a scene where Mr. C. goes up to New Hampshire to confront Salinger, Salinger tries to kill by hitting him over the head with a porcelain dog, can't do it. And at the end of the book Salinger lets Mr. C. go free.

So the reason for all of that is not to try to convince anybody whether this is or isn't a wonderful work of literature, whether you should read it or not. But to at least discuss the fact that this book is actually an interesting

work about a character and an author, it's not just simply, *Harry Potter 8*, or whatever some people might call it.

So a couple of things to talk about for today. One is one of the claims that the plaintiff brought in this case was a copyright claim based not only on substantial similarity to *The Catcher in the Rye* or the violation of the right to make derivative works from *The Catcher in the Rye*, but an alleged infringement of the character Holden Caulfield himself. And that's a really interesting question. And Jay, in his introduction, talked a little bit about this. There are actually no cases in the Second Circuit that have held that a single iteration of a literary work is subject to copyright protection. In other words, one character who appears only in one work. There are lots of cases involving multiple iterations, or iterations that have a visual component, or iterations that span a variety of different kinds of visual and literary works. Clearly a single literary movie character may be different than a literary character.

So one preliminary question in the case is, is Holden Caulfield really copyrightable? And I think the—we argued he wasn't, the district court disagreed with us. I think that most people would probably say, of course Holden Caulfield is protected. But I just, in thinking about that issue, consider that one of the Second Circuit cases said, you have to consider the character at the time the book was written, not what's happened over time. So think about what Holden Caulfield was at time *The Catcher in the Rye* was written.

Also, we submitted that what we took in this case was not the character of Holden Caulfield but the idea of the character Holden Caulfield. In other words, we conjured up Holden Caulfield in this work about Salinger and Mr. C., because the reader would be able to understand and recognize him. But we didn't substantially use Holden Caulfield. And if you read the complaint, or at some point perhaps the book, you'll see that while there were certainly things taken of Holden Caulfield in *60 Years Later*—he remembers certain incidents that happened to him when he was wandering around Manhattan at the beginning of—or during *The Catcher in the Rye*. He has a sister named Phoebe, and a brother who died named Allie. He has a roommate named Stradlater, there's some other red hunting caps, and a few other things that are similar between the two. This is not a situation where the character, Mr. C., is really clearly Holden Caulfield simply transplanted into a new work.

So I think that was an intriguing issue, but I don't think it's an issue that the Second Circuit is going to embrace.

The interesting thing about talking about this protection of literary characters is that the reason that there has been some concern, and I should just say that the Copyright Office will not permit the registration of characters separate and apart from the works in which they appear or visual depictions of them. The Copyright Office basi-

cally says like having a separate registration for plot summaries or synopsis. What you can register is the entire work, not the character himself.

And you know I think one of the reasons, and it doesn't really relate so much to *60 Years Later*, but one of the reasons this is significant is because there's one thing when you actually take a character and you put him in another work, there's another thing when you take the characteristics of a character like the Superman case that Jay talked about earlier, and you have—let's just imagine that somebody were to claim that they owned a copyright in a disaffected young man dissatisfied with his school life, unhappy with his parents, and revolting against societal norms, can that be copyrighted. And I think there's a lot of wariness about extended copyright protection too broadly because it would clearly restrict creative things.

If one could argue and people have argued that well, Dustin Hoffman in *The Graduate*, well, that's Holden Caulfield, it's the same basic kind of character obviously transplanted into a different situation.

So in terms of the issues about using a character in another work—another literary work, there haven't been that many cases and fortunately, unfortunately I've been involved in like all of them. At least in this literary context. We have *The Wind Done Gone* case.³¹ We had an earlier case involving *Lolita* written from the point of view of Lolita rather than from the point of view of the professor, called *Lo's Diary*, where there was a claim that was quickly settled. In *The Wind Done Gone*, it was *Gone With the Wind* told from the point of view of the slaves. And then *60 Years Later*, I've just described.

And it's interesting—you know it gets to a lot of literary schools of thought. There's a whole school of kind of post modern literary criticism meta-commentary where people, experts in the field, have said, well one form of literary criticism is in a fictional form. You criticize one work in another fictional work. And that the best way to get people thinking and talking about what *The Catcher in the Rye* or what Holden Caulfield means is to have another work of fiction accessible and so on where people will think about those issues. And I have to tell you that the discussion about Holden Caulfield and *The Catcher in the Rye* in my office after we got this case, about did we like Holden Caulfield? Didn't we like Holden Caulfield? Was he a hero or was he just a jerk as somebody said, somebody said give that kid some Prozac, you know this is a spoiled brat who has every privilege in the world and he goes around drinking and trying to pick up prostitutes. Other people think he's a hero of kind of the time. And so the work stimulates a lot of thought and there was a question of what the value is, which turns to fair use.

Any discussion of fair use really starts in and maybe even ends with the *Campbell* decision, the *Two Live Crew* case in the Supreme Court. *Campbell v. Acuff Rose*³² which dealt with a parody of Roy Orbison's, "Oh Pretty Wom-

an” called “Oh Hairy Woman.” And the case is wonderful because it touches on just about every issue of parody, of applying the fair use factors which most of you are probably familiar with, of injunctions, and so on. And in that case found that the “Oh Hairy Woman” was a parody enough to send the case back to the lower courts for further consideration. But the *Campbell* case really goes through the fair use factors in this kind of situation and many other situations. What’s the nature and character—nature and purpose of the use by the alleged infringer? What is the nature of the underlying work? How much of the underlying work was used? And what’s the effect on the market harm? And what’s the market harm of the alleged infringing work? And what *Campbell* says is that you kind of have to balance these factors, particularly the first factor and the fourth factor. The more transformative, as the Supreme Court said in *Campbell*, adopting Judge Laval’s article about fair use, the more transformative a work, the more it adds something of a new character and purpose than the original work, the more market harm you’d have to show in order to prove copyright infringement. The less transformative it is, the less market harm you really need to show.

And in the *Salinger* case, and in many of these cases, the issue really comes down to those two issues. Was this really commentary? The judge—the Southern District judge³³ who decided the case didn’t get it, she didn’t think there was any real commentary. Or is it simply a ripoff, where somebody used somebody’s pre-existing work, to quote the Supreme Court, to avoid the drudgery of coming up with something new and original? And was there any impact on the original work? We submitted in this case that in fact there would be no harm to *The Catcher in the Rye* among other things, *Salinger* has never licensed any kind of derivative work for *The Catcher in the Rye*. There’s never been a movie. He’s adamantly insisted that he never will allow a movie. That he will never write a sequel. But his representatives say, well but you know, he has heirs and things might change, and maybe there someday will be some value. Our answer to that is, well, even if there were to be a sequel, or a movie, or whatever, this work is not going to affect the market for that work. This is clearly an unauthorized use. Nobody’s going to say, I don’t want to read J.D. *Salinger*’s next *The Catcher in the Rye* book because I read *60 Years Later*.

So the question of fair uses is intriguing. In *The Wind Done Gone* case, the Court there found that the case which told *Gone With the Wind* from the point of view of the slaves had significant commentary about *Gone With the Wind* and the society it portrayed. And when they used the word “parody,” it’s a dangerous word because it—most people think it means funny, well there wasn’t really anything very funny about *The Wind Done Gone*. And there’s not that much funny probably about *60 Years Later*. What parody really means in this context is using a creative work in another creative work.

And then in just a couple of minutes, just let me talk about remedy. One of the things *Campbell* said is, the court should be very reluctant to issue injunctions in cases which raise difficult issues of fair use. Judge Souter in his decision said that cases like this, and he again quoting Laval, are worlds apart from cases of simple piracy, where the fact that there’s a copyright infringement should automatically issue an injunction. And so the *Campbell* Court suggests that maybe injunction shouldn’t be issued so quickly.

In the years since *Campbell* there are two interesting things that have gone on. One is most courts have continued simply to find copyright infringement, say there’s a presumption of irreparable injury. If there is copyright infringement, therefore, issue an injunction. And there are cases where there was no injunction issued are few and far between, *The Wind Done Gone* case being one.

But in the last few years, the Supreme Court has held in two different cases that courts should be very, very reluctant to issue injunctions based upon any kind of automatic criteria. On a case called *eBay*,³⁴ which was a patent case, but where the Court looked to its copyright precedent, the Court said, You can’t issue an injunction unless you really find there’s really going to be harm to the defendant, like actual harm to the defendant, and that you considered the public interest along with other factors.

And even since then, in a case that had nothing to do with copyright, a case called *Winter*, the Court again reiterated, no automatic injunction. So one of the intriguing things now before the Second Circuit is the question about okay, whether or not Judge Batts made the right decision about copyright, whether there was at least a showing of copyright infringement should the book be enjoined. And so we’ll all see where that goes in the months to come, or as I’d hope, the days to come. So thank you.

MR. KOGAN: Thank you Ned. I’ve got one question for you then we’ll open it up to the audience. Based on *The Wind Done Gone* case, and the case you’re dealing with now, and the *Lolita* case, if an author came to you today before he even started writing a book and he wanted to do something like this for another sort of classic book, other than advise him, you know, go for a public domain works, you can write *Pride and Prejudice and Zombies*. What advice would you give to that author? What sort of guidelines would you give?

MR. ROSENTHAL: Well, obviously coming to a lawyer is a huge, huge step in making smart decisions here. One of the biggest problems we have in this case is the fact that the author, publisher, distributor, didn’t do that. The author is from Sweden, the publishing company is Swedish and British. They put on the cover, they used the word “sequel” on the cover of the book. And while we’ve argued vehemently that that doesn’t mean any-

thing, you can't judge just because the author said it. The author didn't really know what the author meant when the author said it. The Supreme Court in *Campbell* talked about bad faith of an alleged infringer as being more or less irrelevant from a consideration of whether there is or isn't fair use. The question is, is there fair use or isn't fair use now, not what you were trying to do or what the book said?

Having said all that, though, there are a lot of things you could do like this book *60 Years Later*, it's written by—the pseudonym the author used was J.D. California. The fact that the book said it was a sequel. The fact that some of the press statements made by the author talked about with kind of like a generalized admiration about Salinger and *The Catcher in the Rye* without really explaining what the author was trying to do here. And having spent time with the author, he did have a very good idea of what he wanted to do, but it wasn't articulated very well. So I think in any kind of work like things you'd be very well advised to really talk to your lawyer and really make sure that you are positioning the book in the way that you want to position the book. And that you really think about the legal issues.

One of the things that Frederick Holting, the author, said was that, you know in Sweden people don't sue each other. The last thing he ever could imagine is that his book would be subject to a lawsuit. I think a U.S. lawyer would tell him that it had better go a little bit higher on your list of things that might happen if you're publishing in the United States.

MR. KOGAN: All right. Thank you. Questions? Right here, second row. If you could let us know who you're directing the question to.

AUDIENCE QUESTION: Okay, all right. This is for Mr. Rosenthal and the last topic. Is there something that we're missing here in terms of the claim, because if in fact that there's no Second or Ninth Circuit case that's ever held that copyright will vest in a sole iteration or use of a character, it seems that if they're trying to rely on that, they've really gone out on a limb. Kind of like the way somebody would try to make brand new law where the court has either held contrary or never held it at all. Or have they also brought every other claim under the sun, trademark, etcetera, etcetera, because it just seems that trademark would usually be the way to go for going after a character in terms of infringement?

MR. ROSENTHAL: The short answer is that I would not say everything under the sun, but they did bring as I said, they brought claims based on infringement of *The Catcher in the Rye* as a whole, the right to make derivative works, some sort of unfair competition concept, so they have brought the other claims. So they're not simply relying on the Holden character.

I think my view, again as a litigant, is that they were worried, at least concerned, that maybe the book didn't take enough of *The Catcher in the Rye*, and that this kind of idea that we had taken Holden Caulfield became a cleaner potential claim. Also, I do have to say that the issue about—I'm sure that some of the people on this panel would probably argue pretty vehemently that a Holden Caulfield character should be protected by copyright irrespective of the fact that there may not be a case that specifically says that.

AUDIENCE QUESTION: Thanks.

MR. KOGAN: In the back there, the young woman, yeah. Oh, it's Elissa.

MS. ELISSA HECKER: This is for Joe and Jay. Joe, you were talking about characters and setting up in amusement parks and things. What happens if your companies decide to sell or relicense or something, those characters, and you've got these huge amusement parks that you've invested millions of dollars in and you no longer own them?

MR. SALVO: Excellent question, it's one that we've had to deal with when we licensed into Malaysia. I mean in general, what you do is you make the grant survive any subsequent sale of the brand or assignment of the characters. The challenge obviously if you are the theme park operator after Hit has unloaded a property to some other company, as you now are in a situation where for things like refreshes, and other words, updating the park from time to time, now you've got to go some place else outside of your original contracting entity and have those discussions with a whole new group of people. But I think to your point, if you're a licensor, issuing a long-term license for something like a theme park or an attraction with a significant investment, you've got to acknowledge the fact that you're not going to be able to pull that license or terminate that license pending the sale of the brand.

MS. HECKER: Okay.

MR. KOGAN: I would just say that you watch what happens with Marvel and Universal Studios; they licensed Spiderman and a bunch of characters to the Universal theme parks. And as you know from the press, Disney acquired Marvel, so we'll see what happens there. Next.

AUDIENCE QUESTION: I'm curious if anyone has seen attempts by players and massive multi-player online games to take the personas they created with their avatars and exploit those and other media, or allege that someone in another media was ripping off their avatar from a virtual world and using it elsewhere?

MR. KOGAN: All I've seen is that they've become people's newly created characters in games will often be

governed by the terms and conditions of the agreement between the game operator and the game players. And if you look at those agreements, the game operators or producers will often claim copyright in all the contributions. So those individuals claiming rights might not have the rights they need to actually bring the claims you're discussing. But I think there are games in which they can claim some rights. And some of the cases that have come up involve their ability to sell those characters. There's been a whole sort of online sale of characters either through eBay or elsewhere, where you would sort of assign your membership name or whatever else to somebody else, and they can take over your place in World of Warcraft or whatever else. So there's case law out there but—

AUDIENCE QUESTION: What's come out in that?

MR. KOGAN: Most of it's either settled or I don't think there's any real decisions on anything like that. There was one case I know against Sony Online Entertainment, I believe, in which a couple got divorced, and there was a question as to who owned the points and the characters there, but I understand from the Sony lawyer that they tried to get that resolved outside the press and without a court.

MR. ROSENTHAL: The only other thing I'll add on that is when you get into issues, it's a very interesting question in terms of in a virtual world, to what extent is there virtual copyright? And do the rules of real copyright apply in a virtual world to virtual copyrights? I mean, because you can get into these weird things where things that would not ordinarily be copyrightable in the real world as we inhabit it, such as furniture or things like that, may nonetheless, take on protection—contract protection as Jay alluded to in a game situation. So I think to Jay's point, I'm not aware of any copyright cases that have determined this. But most of the cases that have come up have been settled on the issue of contract law. In other words, the rules governing the people that subscribe to the games, and how the games are played, and who owns what within that context.

MR. KOGAN: Thank you. Next.

AUDIENCE QUESTION: Hi, I wanted to ask Mr. Salvo at Hit, because I'm familiar with Angelina and Thomas the Tank Engine, I have kids, so I know the shows. So Judi Dench is associated with Angelina because she's doing the voice-over, right, or the narration? And then with Thomas the Tank Engine, if you look at the credits well you've got Alec Baldwin and I think George Carlin before he died. So I'm just interested to know more about how it affects the legal rights—the legal life of the character in terms of this overall discussion. And just the deal making involved with—you've got Angelina but you've also got—I don't know, at what point Judi Dench comes in or is part of the deal. Is it like the way it works

in Hollywood in terms of attachments of celebrities, or is it something totally different?

MR. SALVO: It's a couple of different facets to that, first and foremost is separating out copyright in the character from copyright in things like the audiovisual work. So for purposes of the audio visual works, if we retain a George Carlin or a Ringo Starr, in the earlier iterations generally that work is done on a work for hire basis, so we would obtain the rights to their voices, as part of the overall audiovisual work and obtain a copyright in that.

But you know, to the issues we've heard about on the panel, you get into potential termination rights issues, whether certain things can or cannot be works for hire, etcetera. So it's—I mean what we generally do in our production agreements is to try to ensure that at the end of the day when we're done with a finished work, be it an audiovisual work or a book that has illustrations in it, we make sure that we have as many of the rights, if not all of the rights, that we need to basically license that character in any aftermarkets.

AUDIENCE QUESTION: Thanks a lot.

MR. KOGAN: Thanks. Next.

AUDIENCE QUESTION: This is directed to Mr. Salvo. Thomas the Tank Engine had a fairly interesting, and if I might say so, perturbing victory in, I believe, the Seventh Circuit about 18 months or so ago where a photographer took some photographs of Thomas the Tank Engine products and licensed it for limited usage. The usage was exceeded by Thomas the Tank Engine. And the court, if I remember correctly, disallowed the copyright infringement suit for the exceeding of the license on the grounds that because the photographs depicted products, that it was not subject to copyright and that the photographer could not claim copyright of the image. Now, from my point of view—

MR. SALVO: That was the lower court decision. That was overturned.

AUDIENCE QUESTION: It was overturned?

MR. SALVO: It was overturned.

AUDIENCE QUESTION: I am so glad to hear that.

MR. SALVO: And I did not bring that claim, by the way.

AUDIENCE QUESTION: Hello, this question is for Attorney Rosini. I'm Susan Betchtitomer (phonetic), I do a fair amount of estate litigation. And in context of the statutory successors, I'm wondering by the time something gets to a state litigation I can assure you no one is in agreement. How do you help with the danger of the post-1978 waiver of termination and subsequent agreement when you have multiple statutory successors who may be in an estate litigation situation where they're not

agreeing even over who gets grandma's china, much less something like this?

MR. ROSINI: Well, you have that problem at two levels. If you do a formal notice of termination you have to gather the cats together or else it's not going to be effective. And if you try to avoid the formal notice of termination by doing a bargain, once you're within that two to 10-year period prior to the five-year window, again the same problem arises, because you have to be able to convince the grantee whose rights are being threatened that you have the goods to actually effectuate a termination unless they come to the table. So I don't have a good answer as to the psychology of herding cats, but that's what you have to do.

MS. SUSAN BETZJTMIR: It sounds to me that the statutory successor issue is separate from the executor or administrator of the estate issue, and it really may not matter what the executor or the administrator wants to do with those rights if he still has statutory successors who don't agree. Is that correct?

MR. ROSINI: Well, the statute has a succeeding list. One statutory successor succeeds the one before. In other words, you don't get to executor if you have widow or children. So you have to go down the list, so if your cat herding is at the sibling stage, that's where your problem begins and ends. You don't get to executor.

MS. BETZJTMIR: Thank you.

MR. KOGAN: All right, Dennis?

MR. DENNIS ANGEL: Hi, Jay. This is mainly directed to you, but the rest of the panel could chime in. There was a very interesting article in *The New York Times* a few days ago which I totally disagreed with, where in the article it said not only is the character Sherlock Holmes still under copyright in the United States for nearly 80 years, he's also been involved in a web of ownership issues. In any event, I gave an opinion a couple of years ago to Warner Brothers telling them that I thought that Sherlock Holmes was in the public domain and they shouldn't pay anybody to get the rights to it; they obviously didn't listen, because they did pay some rights, for other reasons possibly. But my question is, since the Sherlock Holmes stories, play, and several movies were all published before 1923 in the United States, and we'll go back to the 1890s, I've given at least a dozen opinions to different companies telling them they can use it, and they've never come back to me saying there was any issue.

The fact that the character was so well developed and so extensively used in works that have been in the public domain in the United States for 20 to 40 years, the argument of the Conan estate is that since there may have been one book that's still under copyright protection, that they can still protect the character. I was wondering if anybody agrees with that assessment?

MR. KOGAN: I don't agree with that assessment. *The New York Times* article said the copyright lasts till 2023, I believe they were in fact—it was really either grossly wrong or simply a misleading sentence. What lasts until 2023 is copyright in the post-1922 books, not anything else under U.S. law.

MR. ANGEL: Right, but I think the remaining heirs—representatives of the estate were trying to argue that the character would be protected because there's still one book left that's under protection. But apparently they used that to convince Warner Brothers to pay something.

MR. KOGAN: I'll let somebody else talk, because I'm not really at liberty to discuss my affiliates.

MR. ROSENTHAL: This comes up from time to time in exactly this scenario. And I think the works that are in the public domain are in the public domain and freely available to be used. Now there could be an instance where some aspect of some still protected work was used. And the example that I always give is the *Wizard of Oz*, where the novel has been in the public domain, but the movie is still protected. And the movie—I think the ruby slippers were part of the movie, not part of the original book, so you couldn't use the ruby slippers, but you could certainly use *The Wizard of Oz*—and all of those books, the whole series that are in the public domain.

MR. KOGAN: The one other thing that I'll add to that, and I'm not referring specifically to Sherlock Holmes or anybody else, is that a lot of times you have certain trademark rights that might still be in existence with respect to character names, logos, images. And you talked about U.S. copyright. The copyright worldwide might differ a little bit and there might be concerns in other countries regarding the survivability of copyright.

MR. ANGEL: That's true in some cases. And here the author died over 70 years ago, so it wasn't the issue.

MR. KOGAN: Like I said, I'm not giving an opinion on Sherlock Holmes. Thanks.

AUDIENCE QUESTION: For Mr. Rosenthal. I wondered if you could, if you are at liberty to share any information about the settlement in the *Lolita* case, at least for instance if *Lo's Diary* was allowed to be published?

MR. ROSENTHAL: My recollection is, and I was not involved personally, was that it was published under some sort of an agreement with the publisher and author. And that I believe the book is out and available.

AUDIENCE QUESTION: Was it the kind of agreement that they had to actually license the character from the original?

MR. ROSENTHAL: You know, I don't actually know that I've ever seen the agreement or that it was particularly complicated, or I just don't really recall.

MR. KOGAN: My recollection from talking to your former partner about it was that the plaintiff got to include some sort of statement in the next printing of the book about it.

MR. ROSENTHAL: That rings true, that sounds right.

MR. KOGAN: Oh, Bob Stein.

MR. BOB STEIN: Question for Ned. J.D. Salinger is a famously reclusive author. Were there any right of privacy or publicity claims asserted in connection with exploring the feelings and thoughts of a fictional character named Salinger in the book?

MR. ROSENTHAL: There were no right of publicity or such claims brought; however, one of the issues raised about whether—about kind of fair use and so on—is whether or not the right of an author not to have something published or something that has some extra something. And the case that everybody points to is the case that he—J.D. Salinger—brought 20 years ago over the use of his private letters in a biography where the Second Circuit kind of adopted this idea about the right not to publish being of some significance.

MR. KOGAN: All right. I think we've got time for two more questions.

AUDIENCE QUESTION: I just want to make a comment to the gentleman over there. The panelist was absolutely correct in the Sherlock Holmes case. There were—it was involved in trademark rights and licensing and merchandising rights within the trademark. So you always have to check both sides of the table and check into the trademark rights as well. And that was the case in the Sherlock Holmes.

MR. KOGAN: You represent the Sherlock Holmes estate by any chance?

AUDIENCE QUESTION: I was involved with the company overseas that had the rights connected to the estate. It was actually a separate entity, but connected to the estate.

MR. KOGAN: Okay. And final question.

AUDIENCE QUESTION: I was just wondering in light of the nature of with the children's books, a lot of time they're animals, and at the same time there's this issue of things that exist in nature—can't be characters that exist in nature, can't be copyrighted. Do you have any insight into the lines that might enlighten that distinction where an animal or a train becomes a character and



where that line is drawn in the courts? I think that affects—I think Mr. Salvo and Mr. Kogan might be able to address that.

MR. SALVO: Yeah, my sense, and Jay I'll welcome your views on this is, my sense is the case is—I mean the way I try to describe this in my class is it's a matter of line drawing. It's a matter of how much detail you hang on the skeleton. So if you're

talking about a spy, a British spy—probably not protectable. British spy drives an Austin Martin, drinks Martinis shaken, not stirred. At some point you add enough clothes or enough characteristics to that character that it becomes unique and identifiable, and I think that it is a continuum. I don't think there's any bright line. At this point, after some whatever 50, 60 years, 65 years of Thomas, at this point I believe that he is sufficiently delineated from the rest of the engines that are there that we have protection for him. And similarly with what we have done to anthropomorphize Angelina Ballerina, taking her from a mouse into a young dancer, I believe that what we have added to that character is sufficiently distinguishable enough to warrant protection for the character. Jay, I don't know if you have—

MR. KOGAN: Right, I would agree. The more anthro—I can't even say the word, whatever—

MR. SALVO: Make them like humans.

MR. KOGAN: Right, the more they look like humans the more likely somebody else's will, if it's substantially similar, will infringe. If you are talking about characters that are drawn to look like they're directly from nature, there's some case law out there regarding thin copyright. One in particular about sculptures of kinds of jellyfish. Somebody else does a sculpture looking almost the same, if the court finds that the similarity is based on the fact that they're both trying to depict a real world creature, then for there to be infringement you'll need striking similarity. Maybe the tentacles have to be exactly the same way as somebody else's. And there's some other law out there about some art of cardinals, the bird. So I think you know, there's a spectrum you look at. If it's Thomas the Train versus a real locomotive or a real clownfish versus one that's Charlie the Tuna from the Star-Kist commercials.

And I think we are done. So thank you all for coming and participating.

(FIVE MINUTE BREAK).

TRACEY GRECO-MEYER: We now have our panel discussing sports figures and television and event producers, team owners, Web site developers, digital media distributors, and providers of technical services. And without further delay, I will hand the microphone over to Michael Bracken. Thanks, Mike.



MR. MICHAEL BRACKEN: Thank you, Tracey. And while I'm thanking you, Tracey, I want to thank you for all your hard work, and thank you for asking me to moderate the panel. You've been a pleasure to work with. I also want to thank everybody; this is not the friendliest day to come out to one of these. I was soaking wet

when I came, so thank you all for being here. And my last thank-you, at least I think it's my last thank-you, is I'm going to get in line with everybody else and thank Ken Swezey. Ken not only recruited me to be at Cowen, DeBaets, Abrahams & Sheppard, so I thank him for that, but he also was the one who's idea it was that I get involved with this panel in the first place. So once again, thank you, Ken, and thank you for your years of service to the organization.

Okay, that being said, we're here today with a topic that's called "Players Off the Field." And it goes on to say, how to protect your client when doing an athlete-driven deal.

Now, to me the key words there are "your client," because that's who pays our bills, that's who we're supposed to represent, that's who counts at the end of the day. And I'm happy to say, and I'm very proud to have sitting next to me several eminent people in their field representing different kinds of clients in more or less the same field. Since it's an athlete driven deal, I think we can all imagine that one kind of client is going to be an athlete. And indeed we have Terry Prince from CAA Sports. Terry is the Director of Business and Legal Affairs for CAA Sports. On the other side of the table, of course, we have the person who, or the party who, gets the rights and pays the money. And we have two representatives in that field. Immediately next to me we have Stephanie Vardavas who is Assistant General Counsel for Nike. As you may imagine, I don't know if Nike is the biggest, but they've got to be up there in terms of licensing deals with athletes. And then a little more cutting edge, with all due respect to Nike, is—we have Peter Welch, who is Associate General Counsel for Take-Two Interactive Software. And then lastly, somewhere between the licensee and the athlete, we have the League. And Ethan Orlinsky, who is Senior Vice President and General Counsel of both Major

League Properties and Major League Enterprises is filling those shoes.

So I think we should just jump right in. Stephanie is going to speak first. And she's a little bit of a microcosm of the different kinds of clients, in terms of her career, that is, that I spoke about. She started with Major League Baseball. If I read her bio correctly, both before, during, and after, law school. Then she went over to the players side for a while working at ProServe, which at the time represented many high-profile, well-paid athletes. And she is now with Nike, which I think Nike needs no introduction and neither does Stephanie. So I will literally hand the microphone to her.



MS. STEPHANIE VARDAVAS: Wow, thank you very much. Since I hate PowerPoint and since we're having technical difficulties anyway, I thought the best way to sort of touch on the highlights of exactly what we're talking about when we talk about an athlete-driven endorsement agreement is to just walk you through some of the slides

in my presentation, which begin on page 99 of the book. And there are going to be areas here where, for example, Terry and I would disagree, and in fact, have disagreed over the years. And where Ethan and I probably have disagreed over the years. And yet I think for the most part we can at least agree that these are the critical elements of the deal whichever side of them you happen to come out on.

So the first thing you have to agree on is what you're getting. And at Nike we call that the athlete endorsement. You can call it whatever you want, but typically it would include the elements that are listed on page 100, the name, the likeness, any nicknames, autograph signature, any other indicia, or identification of the athlete. If the athlete has already developed a logo, then we would take a license of that logo. If Nike develops a new logo for an athlete, typically we own the logo with the understanding that since the logo is associated with the athlete, after the athlete leaves Nike, Nike no longer has the right to traffic in that logo.

And later we'll talk about some other forms of IP that can be created during an endorsement period. But typically, this is the bundle of rights that are included when you talk about what an athlete endorsement represents.

If there's an event sponsorship, it's a little bit different. It's typically obviously a shorter term agreement around a specific event, or series of events. There is an event name, there are logos, there are sponsor logos,

there's an event site. There's advertising and promotional benefits. There may be, depending on the level of the sponsorship, naming rights, or presenting sponsor rights. And just two weeks ago I heard on the radio a commercial for a whole new kind of name-ish sponsor rights that I was unfamiliar with. I live in Portland, Oregon, and there's a Broadway show on tour coming to Portland, Oregon. And the Broadway show is obviously not titled by anyone, and it's not even presented by anyone, but it is welcomed by a local sponsor. So I think welcoming must be cheaper than presenting, but more expensive than just being an official purveyor of whatever.

So then we get into the definitions in the agreement. So we talk about how long it will be. In what media the agreement—the endorsement rights are allowed to be used. Most of the deals that we would ever do are global deals, but it's quite common in the agent business for athletes to do deals that are limited to a particular territory. Japan is notorious for this; there are all kinds of movie stars, and musicians, and athletes, who will go over to Japan and do a Japan-only deal to endorse a beer, or a liquor product, or even a brand of consumer product. And that can be very lucrative. But at Nike we typically do only global deals.

Then we define what the endorsed products are, and if there are to be royalty-bearing products or signature products, we try to define with the greatest granularity possible what those are so that there can't be any disagreement later as to whether a particular product was intended to be royalty-bearing or not.

Then as we always say, the devil is in the details. When we talk about categories of exclusivity, this is above and beyond what the royalty-bearing or endorsed products are. And the example I'll give you applies perhaps better to, say, Coca Cola, than it does to Nike. But if you represent an athlete and you're doing a deal with Coca Cola, you're endorsing perhaps Coca Cola or Sprite, but the category of exclusivity may include all soft drinks. It may include all non-alcoholic drinks except for tea and coffee. You can design it to be whatever you want, but the sponsor obviously is always trying to get the largest possible category of exclusivity. And the agency always wants to shave the edges as close as possible so that there are other categories left to sell in the event that a deal becomes possible.

When you are talking about an elite athlete, or even a middle-of-the-road professional athlete, there are a couple of different types of endorsement that the FTC recognizes. One of them is an expert endorsement, and those typically are for tools of the trade: shoes, if you're a baseball player, bats, gloves, balls, things that you would actually use in playing your sport, apparel, footwear, and equipment. If you're a baseball player and you're endorsing Diet Coke, that's a celebrity endorsement. And so the standards for that are different.

The FTC expects that an athlete who is making an expert endorsement or anyone making an expert endorsement must have made an independent determination that the product he's endorsing is in fact the best for him and must use it on a regular basis. The FTC does not require of a celebrity endorser that the celebrity endorser have made any assessment of the quality of a product. But the celebrity endorser is still supposed to use the product.

We've already talked about types of an event sponsorship, so we don't have to go there. In discussing the forms of compensation that a sponsorship can take, there is often, but not always, base cash compensation. In the case of a lot of the players who play team sports, league sports in the United States, many of those players do not receive base cash compensation. They have a merchandise deal in which they are allowed to receive up to X thousands of dollars every year in merchandise from their sponsor, but many of them don't get any cash. At the very elite level athletes not only receive significant amounts of money, but also royalty bearing and/or signature products. And they don't have to be the same thing.

In basketball it's very traditional for a basketball player to receive a royalty on the shoe that is designated to him as the shoe that he will wear on the court during a particular season. That shoe doesn't necessarily have his name on it and it's not necessarily branded to him at all. And different athletes can receive royalties on different colors of the same shoe because the color that they wear is related to the color of their uniform.

A signature product is a product that's typically designed in conjunction with the athlete and bears either the athlete's logo, or the athlete's initials, or the name or photo of the athlete on the product or on the tag, however it's defined. But you can usually tell when you walk into a store whether you're looking at a signature product. Air Jordan is sort of the iconic signature product, but there are a lot of them.

There can be bonuses associated with quality of performance associated with event championships in golf or tennis, for example. It's common for athletes to receive very significant bonuses for winning grand slam events or for ranking in the top 10 in the world. And the young athlete who rises significantly in the rankings can increase his compensation or her compensation dramatically by going up in the rankings.

If the athlete has been established for a little while or has set up a foundation, he or she may also ask the sponsor to contribute merchandise or cash to that sponsor to the foundation. And we will sometimes agree to do that for an elite athlete, subject to, obviously, recognition of the foundation as legitimate by the Internal Revenue Service.

It's pretty well understood what the services are for an athlete to render to the company that the athlete is sponsored by. Exclusive wear and use of the products, al-

though there can be—there can be some tension. And this is something that Terry and I can agree that there can be some tension about, what constitutes exclusive wear and use of the products. And the best way to manage this is to be as specific as possible in the agreement about when the exclusive wear and use are expected. And, for example, you know, if the athlete goes to the supermarket wearing a Ralph Lauren Polo Shirt, and it's a Nike athlete, is that a violation of the exclusive wear and use provisions of the contract? And again, that all comes down to what was agreed and what the contract says.

We can talk a little bit about sponsorship benefits for an event, but they are pretty straightforward. The critical thing is that the parties discuss in some detail in advance exactly what it is that their mutual expectations are, because there's a whole host of interactive opportunities out there now that didn't exist a generation ago, certainly not when I was starting out. And the imagination is the only limit for some of what parties can agree to today to extract the most benefit from a sponsorship agreement. So it's best to try to work that out ahead of time.

Sometimes things go wrong, and when they do you look to the paragraph in the contract that contains the rights of termination. An event of termination does not have to be a breach of the contract, it is simply agreed in advance that if such a thing occurs it constitutes grounds for termination of the contract. And the best example I can give you is if you sign a tennis player who is number one in the world, and the tennis player has been maintaining a full schedule of 12 to 15 tournaments per year, and the tennis player decides that she would rather be a movie star and decided to play only two tournaments in a year, that's not necessarily, although it should be if you've drafted your contract properly, a breach of her contract, because she has an obligation to play a certain number of tournaments.

I'll use a different example: Suppose she drops—she plays tournaments but she's distracted so she drops from number one to number 103 in the world in the course of a year. That drop in her ranking might constitute an event of termination. And so the key thing about an event of termination is that it doesn't have to be a breach. But what it usually creates is an opportunity for the sponsor to say to the athlete, we don't want to terminate you, but we can't agree to continue paying you at the level that you are making today. So we'd like to sit down and work out a lower level of compensation with an upside for you so that if you return to your former level of performance you will be compensated at a fair level. And generally, with goodwill on both sides, it's possible to work those things out.

There can also be reductions in an agreement. In team sports Nike typically does this for athletes who fail to play in a minimum number of games in a season. And we then will take a percentage reduction against their

base compensation for that contract year. Now, one of the things that someone in Terry's position will often say to me when we're negotiating an agreement that contains a provision of this kind is, "Well, if my athlete gets injured, you're punishing him. Why should he be punished for getting injured"? And the answer is, this is not intended as a punitive measure, we're simply saying, this contract is a business transaction for the purchase essentially of advertising. We're buying the space on your client's feet for a minimum amount of exposure in his or her League, whether it's the WNBA, the NBA, Major League Baseball, every season. We're paying X dollars and we're giving you X amount of merchandise in exchange for that amount of exposure. And even if for no fault of the athlete's own, the athlete isn't able to deliver it, that means that we're not receiving the benefit of the bargain that we made. And so rather than terminate an athlete who's injured, which is less palatable for a lot of reasons, we will insert a right of reduction and so we can reduce the amount of compensation in a way that is aligned with the reduction and exposure.

One of the biggest issues that we often have with agents, and I'm sure Terry will jump on this in a little bit so I won't belabor it, is the right of first negotiation and first refusal. Nike has actively required rights of first negotiation and first refusal in athlete agreements. And the way we set it up is that if a third party makes an offer that the athlete wants to accept for a successor agreement, we require that they show us the offer in writing so that we can be sure that it's legitimate, and we are obligated to match terms that can be matched in a commercially reasonable way. So material, measurable, and matchable. And the example that I always use when people say, well, what does this mean, is, we used to compete for athletes in a specific category of equipment with a company whose owner owned a private island. And we would say—if you have an offer from company X and it includes three weeks use of the owner's private island every year, that's obviously not matchable, because in the law of real estate it is unique. So that's the kind of term that's not commercially matchable and, therefore, Nike would not be obligated to match a term like that.

At the end of the agreement there's miscellaneous terms that I'm sure you're all familiar with, selloff periods for signature products or licensed products, a reasonable time limit. We claim certain rights in perpetuity including archival, historical, and internal uses. We have a lot of videos that we use at employee meetings and so forth that show a lot of athletes that aren't still under contract to Nike. But we make only internal use of those videos and it's not a violation of anyone's rights because the athletes have expressly granted us the right to do that.

I want to talk briefly about the new FTC guidelines, and I will be as brief as I can because the PowerPoint here that starts on page 133, well, it's kind of read it and weep territory. But the main thing you need to be aware

of is the Federal Trade Commission has decided to clamp down on celebrities, athletes, celebrities, anyone, outside of the context of traditional advertising who are talking about products. So this means movie stars, this means athletes, this means celebrity in the loosest possible term, high profile bloggers. Anybody who talks about a product outside of the context of commercial, traditional advertising. The FTC expects those individuals to make disclosures that either they've been paid or that they got the product for free, depending on what the arrangements are.

So if LaDainian Tomlinson goes on *Late Night with David Letterman* wearing a pair of snazzy Nike shoes, and Dave says, "Well, L.T., those are cool," L.T. is obligated to say, "Well, you know, Nike's my sponsor."

If Jennifer Aniston goes to the Nike Hollywood office and gets a pair of cool Nike shoes and wears those on *The View* and Barbara Walter says to her, "Wow, those are great," she has to say, "Yes, my friends at Nike gave them to me," or words to that effect.

It seems shocking. When we first heard about it we were like, this is insane, why would anyone do this? The answer is, they're going to do it because the FTC is going to bring the hammer down on sponsors who don't do everything they can to make sure that this happens. So I won't make you walk through all the pages of the Kelley Drye & Warren presentation with me, but I would urge you to look at it closely, because there's a ton of information in there that is going to be very new to most of you. And which to the extent that you represent either people who receive product for free or who are sponsored by advertisers or the advertisers themselves, this is going to become an important part of your practice.

So I've talked long enough and I'm going to be quiet now and move onto the next person. Thank you.

MR. BRACKEN: Thank you very much, Stephanie. That was almost perfect timing. You came in at exactly 20 minutes, that's perfect. All right, well next again we said we were going to have somebody from the players' side, and that would be Terry Prince. Terry began a sports law career with one sports powerhouse, IMG, and he is now Director of Business and Legal Affairs for CAA Sports. CAA Sports, for those who aren't familiar with them, represent people like Derek Jeter, Peyton Manning, Eli Manning, LeBron James, and Andre Agassi. So I think that kind of probably says enough. And Terry, why don't you jump on in.

MR. TERRY PRINCE: Thanks very much. I kept some notes, Stephanie, when you were talking. This could be like the old *Saturday Night Live* skit with Jane Curtin and Dan Aykroyd, point, counterpoint. We can go through all these—Jane you ignorant—all right. Right, but I won't do that. I will address some of those points a little bit later in my presentation.

People ask me all the time, what's it like working at a sports agency? Especially because I spent five years in private practice first and then went over to IMG. So I thought maybe I'd talk kind of the big picture about what it's like being in a sports agency briefly and then start honing in on really what we were supposed to talk about today, which was endorsements, licensing. And I'll throw in a little bit about the new media stuff which I don't really know much about. I don't tweet, I have a Facebook—what do you call it, entry, page—only because clients of ours have pages and people are also making up fraudulent pages for some of our clients. So the only way I can get onto those pages was to actually be a member of Facebook. So I'm a bit of neophyte in this area, but I'll throw in some points of how in the ever-changing world of the Internet and new media, how that's affected our endorsement agreements and our license agreements, and also how we deal with our clients in representing them.



So big picture, working in a sports agency is great. It's very different than a law firm. In a law firm you get very focused, at least in my five years there as an associate, very focused on small items and small deals. You're not very close to the deal, you're not very close to the clients. At a sports agency you are very close to the deal, very close to the client, and very close to the agents that you work with doing the deals. So it's very exciting because not only do you get to influence the legal work, but also on the business side. After having done a number of these deals it's not really rocket science, right Steph? You see a lot of the same things, but we can add value based on our experience and based on our past negotiations and past deals. So we kind of play it both sides, legal and business, of the transaction, which is at least for me a lot of fun.

You also have to be very pragmatic in a sports agency, because at the end of the day what you're trying to do is get the deal done while protecting your client to the best of your ability. Again, you're not a law firm, you're down in the trenches and you're trying to make the deal happen as best you can, but it's a fine line between the legal side and then also the challenges of the business side. So being pragmatic is definitely a skill you have to learn quickly.

And finally, it's the diversity of what we do. While at IMG I focused more on team sports, I know the baseball, football, basketball, and hockey sports. But since I came over to CAA I have a broader role mainly because when I was hired I was the only lawyer. So I was the law department at CAA Sports when I was hired, so I was doing everything from Bode Miller deals to typical team sports to making the coffee and helping with the water deliver-

ies. So I covered a lot of ground. Luckily we've gotten some help recently, so I've been able to give up the coffee duties.

But at the agency you can kind of split it into two parts. There's the corporate side of it and then more of the client side. Very briefly, corporate, typical stuff. Making sure that you're qualified to do business in certain states. If you are doing work abroad, you make sure you comply with the local laws. That might require you setting up a subsidiary. We have a hockey practice where the guys are based in Stockholm. So CAA Sports has set up a subsidiary of CAA Sports AB in Sweden.

You do some real estate stuff for the company. One of my first assignments at IMG, because I had done some real estate work in my private practice, they asked me to come on board—when I came on board they asked me to help out with the sale and closing on Mark McCormack's house in Cleveland. So I got to find out all the nuances of his home, home life, and home style, which is—he's passed now, but a fascinating man, and really interesting to talk to him about all the stuff that transpired while he lived there. But anyhow.

Then on the corporate side also, if the agency owns, like IMG did, we owned certain events and tournaments, so we had to work on that on behalf of the company, not so much on behalf of the client. Sometimes there were conflicts with respect to IMG owning a golf tournament but having Tiger Woods as well, representing both sides of the fence, if you will. And then we had separate lawyers work on separate parts of it, and we got waivers from the clients and all the good stuff. So I worked on things like that.

In '94, we organized the Wayne Gretzky tour, which was the hockey tour, a kind of a barnstorming tour during the hockey lockout. We put together a four nation, eight game tour in less than six weeks, I think. It included television deals, getting all the players on our side, getting teams for the other side to play us, TV, radio, chartering a jet, hotels, fun stuff, especially that was '94 and I had been at IMG about a year. So much fun, a fun event to be involved in for me.

On the client side at a sports agency there's on the field stuff and then off the field stuff. People are surprised to learn that on the field stuff there's really not that much that the lawyers do by and large because—at least in the team sports area, because all the contracts between the player and the teams are collectively bargained. So baseball, for example, we have a form, a uniform player contract between the team and the player that's already negotiated, it's part of the collective bargaining agreement. It's in the basic agreement, it's there. We do add some provisions at the end; there's some special covenants that are added at the end, so you can negotiate that somewhat. But the guts of the deal are already done and that's the same for hockey, basketball, and football as well.

So a lot of my time is spent on off the field stuff. And I guess just on a sidebar for a second, working with the clients off the field, we do a lot of legal stuff but we can't practice law, we're not a law firm. We can't—if a client gets sued we can't go into court and represent him in whatever the litigation is. If he needs a pre-nup agreement done, we can't do that, we practice law. What we can do is work on deals that there is a benefit, financial benefit to the agency. So I can work on a Nike deal for Derek Jeter because we get a commission on that deal.

Kind of an interesting nuance, a lot of times clients, when they get in a situation whether it's a real estate closing, or they get sued, or whatever the case is, they want us to jump in and we can't. We certainly help them try and find an outside law firm that can assist them, but we can't actually practice law for them. So that nuance aside.

For the typical commercial agreements, if you will, some kind of big categories, I'll just run through those pretty quickly. You have the appearance agreements, which is just a one-off agreement. The Super Bowl is coming up in South Beach in Miami in a couple of weeks, all the players who aren't playing, all the football players will be generally very busy doing lots of one-off deals. They'll show up at a party for, I don't know, Microsoft, let's say. It's not an endorsement deal, it's not a licensing deal, it's just a one-off—I'll show up for an hour, two hours, we do a meet and greet, we shake some hands, take some photographs, sign some autographs, maybe tell a couple of stories, like Joe Montana could tell some Super Bowl stories. But it's a one-off event. Fees are whatever, it could be as high as \$100,000, it could be just a few hundred bucks, a few thousand dollars, but the appearance agreement is just that. The person, the company paying for the appearance, they can't use the person—let's just say Joe Montana for an example—they can't take pictures of him at that appearance and use him in advertisements if it's strictly an appearance agreement. They can't record his appearance and put it on their Web site. They can't advertise in advance because then it looks like to the public that there's some kind of a long-term long standing relationship, endorsement relationship between the athlete and the company. So those are appearance agreements.

We have some investment agreements, what are kind of investment/licensing agreements. Generally, Derek Jeter—you know, he opened a few Derek Jeter 24 Hour Signature Fitness Clubs here in the City—we worked on that for him. Again, there are royalties involved, he got paid, we take a commission, that's why we can work on it for him. If it was strictly just an investment deal without an endorsement or licensing component, we could not work on that for him. But we do quite a few of those in the investment area with the commercial tie-in of endorsements or licensing.

Then endorsement deals and licensing deals. As a general matter, I don't want to repeat what Stephanie said

because she set this up nicely for us. But generally, if you want to use a person's picture or name for your product or your company, you have to get their permission. If you don't get their permission, then we intervene. We send out a cease and desist letter to the person or company that's using the athlete's name and likeness without his or her permission. If that doesn't take care of the problem, then we will find the client, if the client so wishes, outside counsel to actually pursue, to file a lawsuit to stop that use.

Two stories on these cease and desist letters. One way back at IMG back in the mid '90s, there was a small town in Montana that wanted to change its name to Joe—Joe Montana. So they passed—they started to pass some city counsel bylaws or something to have Joe, Montana. And they're actually nice enough to say hey, do you mind if we call—if we name this town after you? He was really flattered. In the end he decided not to because it just—there are certain issues that arose that we elected not to have that town named after Joe.

And then probably the strangest cease and desist letter I've ever had to send was to—on behalf of Drew Brees, who's playing in the Super Bowl in a couple of weeks. I got a call that he wanted to send a cease and desist letter to a woman who was running a political campaign and using his name and picture without his permission. It turned out to be his mother. His mother was using his name and likeness. They were needless to say, a little estranged at the time. I said, are you sure you want me to do this because someone might pick it up, it won't look good in the press? He said, no, I've asked her not to and she won't do it, she continues to use my name and likeness. So I sent this strange letter on behalf of the son to the mother to ask her to stop using his name and likeness in her political campaign. She did, and then I think her parting shot was something like, it's okay because Phil Rivers is having a better year anyhow. So all kinds of interesting stuff.

So focusing for a second on endorsements and licensing agreements. They may seem similar and they are in lots of respects, but there is a difference. For example, Derek Jeter's Ford deal is an endorsement agreement. He endorses Ford, he endorses the car, but they don't—there's not a Derek Jeter SUV or a Derek Jeter sedan. So that's just an endorsement component. His deal with Avon, they do a cologne called the Derek Jeter Driven cologne. So his name is actually on the product, and that's a license agreement.

So a couple of important issues in endorsement agreements, and this is where I made some notes for Stephanie. For me always, at the end of the day, we're trying to protect our client as best we can. And so we keep—we try and keep the scope of the grant of rights as narrow as possible. We want to focus just on the product that he's endorsing and the company that makes the product. The

bigger the company that's in different areas of business, it becomes a challenge. I mean, as Stephanie said, if it's a Coca Cola and you're endorsing the soda Coke, they don't want you going out and doing a Gatorade deal that's made by—you know, Gatorade is made by Pepsi. So they usually get a lock on all beverages. Sometimes we get to carve out for the milk mustache ads if we're lucky. But generally, it's an all beverage deal and that's what they pay for.

Nike, however, with them, you know Nike is not only going to make shoes, but they're also now a retailer, they make equipment, not just tennis equipment, they make golf equipment. They are in lots of different areas. And so it's more of a challenge with a Nike-type of agreement, because they don't want—if you read their language, their form language—they don't allow you to, generally speaking—jump in if I'm overstating stuff—generally don't allow you to deal with any competitors. Now, that's not just a competitor like Adidas, which is fine. We get that. But if in theory the language would not allow you to do a deal at Dick's Sporting Goods because Nike is in the retailing business, and if our guy just wants to do a Dick's Sporting Goods deal just for the company, not for any of its products, technically under the first draft under the Nike agreement, he cannot do that. So we have lots of fun things we talk about with our friends at Nike.

But out of fairness, you guys are generally very reasonable and we just strike a nice balance between protecting—keeping the scope as narrow as possible, but for Nike to protect their business interests.

The other thing that's very important for us in the endorsement deals is the services, how much time does he have to give to the company? Time is in theory the athletes' most precious commodity. And for athletes who make these deals, the Derek Jeters of the world, the Peyton Mannings, they have lots of demands on their time. So if a company wants to do three personal appearances in a production day, ideally we try and make sure we keep the time to a set amount of time for each appearance. Two hours usually for personal appearances, maybe six or eight for the production day. We try and make them mutually agreeable in all respects. So not only the day of the appearance and the place, but also the content of the place, what the athlete is asked to do during that production shoot.

We had a Derek Jeter ad where they wanted him to dance this little jig and it just didn't—it just wasn't right. So we were able to not have that happen because it just didn't—the look and feel wasn't right.

And also I guess two other things. On services, one, ideally, you don't want the company to be able to carry forward or carry back those service days. If it's two appearances and one production date in that year, then it has to be used in that year. You use them or lose them,

because if you don't use them that year then they start to pile up in later years. And with all the demands on players' time, it becomes very difficult to try and manage that.

Also, the appearances shouldn't have to be made until they're requested by the company. We've had situations, not with Nike, but situations with some other companies where they never asked for the appearance, we don't grant the appearance because they haven't come to us. And they say, well, you breached the agreement because you didn't provide us the agreement—the language in the agreement—the appearances that are set forth in the language of the agreement. Yeah, crazy stuff, but—

AUDIENCE QUESTION: Cheesy, incredibly cheesy.

MR. PRINCE: Yeah, but it happens. Again, not Nike, but you have some companies that are looking for leverage points and sometimes they use those types of things.

So the other thing that's important in endorsement agreements is the assumption that maybe, just maybe the athlete might screw up. He may not make it to the appearance that he's supposed to be at on time. And if it's for a legitimate reason—he got called into a practice last minute, was supposed to be an off day, but they had a practice, or someone got sick in his family—then we have the force majeure clauses to try and cover those types of events.

Then we also—speaking of guys when they mess up, we have the conduct clauses, which most people call the morals clauses. On our side of the deal we try to keep them as narrow and as objective as possible. On the other side of the table, generally they want to keep them broader and more subjective so that they can fit more situations that might arise that aren't maybe specified in the language. I know Steph and I have gone back and forth on morals clauses a lot over the years, and usually I lose.

But things have changed so much in this area for endorsement arguments and licensing agreements, it's the same. I think because the value of the deals has gone up so much. I remember again, back when I first joined IMG in '93 or '94, we were working on a Pete Sampras deal, and back then the number one player in the world and very much in demand. And at the very end the guy representing the company on the other side of the phone said, "Oh, we should probably have some morals clause." And we're like okay, how about if he's convicted of a felony or an act of moral turpitude involving a minor? And he's like, all right, that's fine. And now, the clauses now have become very detailed and very, lots of times, in my opinion, very subjective and very overbroad. But again, I think it's the nature of how the business has really grown and the dollars involved and the investments that the company makes in that player and in that brand. I think you've used that line on me, the investment—okay.

And then again, something else that's important is no pass-through the rights, we want to make sure that if you

do a deal with Coca Cola, to use them again, the rights stay with Coca Cola. Or maybe if you do a deal with Sony for the TVs, you want to make sure that Sony doesn't do a third-party tie-in deal with Best Buy unless we grant the permission so that you don't have a guy who's a Sony guy but now looks like he's also a Best Buy guy or another electronics company, Circuit City, before it went out of business. So things—we're trying to protect those types of situations from arising.

Let me speed up a little bit, I know I'm a little behind here on time. But licensing for a second, two types of licensing deals. Your group licensing deals and then the individual licensing deals. Group licensing are deals that are structured between—in the team sports venue between the union for that particular sport, say the Baseball Players Association, and then the Commissioner's office. They get together and they say for trading cards or video games, they say—it makes sense to have all the players, hopefully all the players on board for a trading card set, because little Johnny buying the baseball card wants to see all of his favorite players, not just 90 percent of the players. So it makes sense to have those. Those we don't get involved in, those are already negotiated. Unless the player does a highlight deal so that if the player shows up on the package of Topps trading cards as the Derek Jeter for that year, then we do a side agreement, a highlight agreement where he gets paid extra compensation. Otherwise, everyone in the group license gets the same piece of the pie. So that's group licensing.

Individual licensing deals. Again, a lot of the same issues that we have with endorsement agreements, but generally there's a royalty component, so he gets paid, maybe he gets paid a base salary amount, but also gets royalties based on the sales of whether it's a sports club, how many memberships come in. Shoes, how many pairs of shoes he'll sell. So in those types of deals we want to make sure that we get to look at the books and records for the company that apply to the royalties, within reason. We're not trying to look at everything, just what applies to that particular deal.

Then when the guy's name is on the store or on the shoe, fair enough the company wants to have a sell-off period after the term ends. We negotiate what's a fair period of time, usually less than a year and more than 90 days is somewhere where we end up generally for sell-offs.

MR. BRACKEN: Terry, can we wrap it up? Is that okay?

MR. PRINCE: Yeah, yeah. Actually this is good, because I won't have to get into the whole new media stuff because I don't really know that much about it, except one thing just interesting to know. One of the biggest things we try to deal with or have to deal with are these fraudulent Facebook pages where someone claims to be a famous hockey player, or football player, or baseball player. And they find a picture of the guy on the Internet,

post it, and act like he's the guy, and then all of a sudden people think hey, this really is a famous athlete, my buddy that I haven't seen since high school. And they send it out—remember that time we all went out drinking and had a great time in high school—and it's not to the guy. So we spend a lot of time monitoring the Facebooks and the Twitter—also to some extent. Just to make sure that doesn't happen because it's a brand new area that whatever 15, 17 years ago, when I first got in the business, wasn't even on the horizon. I'll answer questions later if you have any.

MR. BRACKEN: Okay, thanks, Terry. And now we'd like to move on to Ethan. Ethan Orlinsky started his career at Simpson, Thatcher & Bartlett, and then in 1992 joined MLB Properties and has stayed there and is now Senior V.P. and General Counsel of both Major League Baseball Properties and Major League Baseball Enterprises. And those are the entities that deal with advertising, licensing, protection of intellectual property, and marketing. Ethan.



MR. ETHAN ORLINSKY: Thank you. I'm actually here to describe the relationship between Major League Baseball, leagues, and the players and issues that involve both. I represent, as you had said, Major League Baseball and the clubs for, among other things, licensing purposes and intellectual property protection purposes.

Our interaction with players is really through the Players Association, through the union. We liaise with the players on certain licensing and intellectual property issues.

In discussing the player rights, I think it's important to put it into context. The relevant constituents are basically four. You've got the player, the Players Association, the team, and the League. In our case, the League is represented by Major League Baseball properties for licensing purposes. We, like other entities here, have set subsidiaries, sister organizations, to deal with various issues that arise. But for purposes of our discussions, I'll just talk about us as a League and as MLB.

Each constituent has its own rights and you guys have gotten a good flavor of the types of rights that are involved today from hearing from the experts in the industry. There are times, though, that the individual doesn't control her or his right and those are controlled by the Players Association. And in our case, it's not the team who necessarily controls the right, but it's the League who controls the rights. And so when we are talking

about the four constituents, all the issues that arise typically require the involvement of all four in some capacity.

There are situations, too, actually where the League represents the players and the Players Association. An example in our League is MLB Advanced Media represents Players Association for interactive media and Internet rights. The NFL, the NBA, have broader agreements with their players and their players associations and represent them on a more robust basis.

From the League side, from the team side, primarily the IP issues relate to trademark issues, copyright issues, things involving the names, the logos, slogans, and things that are a bit more complicated, like trade dress issues.

With regard to the union and the players, their issues are, at least as it relates to the union, typically logo related. But as it relates to the players, all of the issues that you've described today—name, image, likeness, signature—there are times where we have disputes as to whether an issue is one for a player deal with or whether it's one for a team or league to deal with. And we'll touch on that a little bit today.

The relationships between or among those various entities are defined by contract. So Major League Baseball Properties, for example, has an agreement with all of the teams. It's an agency agreement. We're owned by the teams, but we also have an agency agreement whereby all the teams are the principals in the agency relationship. And similarly, the Players Association has an agreement with its players to represent them for certain purposes. That agreement, for example in Major League Baseball, is a one-page agreement that allows Major League Baseball Players Association to represent the players when there are three or more players involved. So if there's some commercial use involving three or more players, the Players Association's agreement with the players requires that the Players Association be involved in some capacity.

The rules with regard to the degree to which the players are involved or the Players Association is involved are complex, complicated. And we've had to deal with them from a Major League Baseball property standpoint quite often.

I think from a legal perspective, there are various issues you need to look at. The first is when discussing player rights, the first to consider is, what is the nature of the use? For example, is it a telecast? Is it a stream? Is it a DVD or is it a compilation? Is it an advertisement? Who is involved in the advertising? Is it a product? If it is a product, what's the nature of the product? Is the use by the League? Is it by the team? Or is it by a third party? So these are various issues that you have to think about relative to defining the issue in the first instance.

The second is, what are the applicable rights at issue? I talked earlier about what Major League Baseball Proper-

ties does, but from a players' perspective it's important to look first at whether there are rights of false endorsement under federal law or rights of publicity or privacy under state law. Are, for example, copyright rights implicated? Among the materials that I had suggested that people read for purposes of this presentation is the Baltimore Orioles case. The Baltimore Orioles case involved the cease and desist letter sent by the Major League Baseball Players Association to the 30 teams and to broadcasters claiming that they could not broadcast Major League Baseball games without getting permission from the union or the players. Imagine that. Well, the case was decided primarily on copyright grounds. And the decision ruled in favor of management was that the players' consent did not need to be obtained because those rights that involved the players were pre-empted by the copyright law and so the rights of publicity were already covered, because the copyright rights were procured or secured by the Major League Baseball teams.

I don't know, Stephanie, whether you have any thoughts on that, but we can talk about that later.

The third set of rights that are involved, implicated here are trademark rights and trade-dress rights. And then oftentimes and probably more so today than we've had in the past are dealing with First Amendment issues and rights of free speech issues.

For example, a number of the cases that I've asked you to read or suggested that you read touch on these issues. There were some issues in the context of the Orel Hershisser case that involved the for-sale doctrine and the ability to use something on a secondary basis if it's already been licensed by the player in the first instance.

There's the MLB Players Association case involving fantasy leagues, where ultimately the Eighth Circuit ruled in favor of the fantasy league operator not required to have to obtain the Players Association or the players' consent, notwithstanding the fact that for 10 years the Players Association had licensed CDM to produce the product and had obtained those rights.

So in all of these situations we'll look at the various laws that apply. And from your perspective in representing clients, we think that it's important that you look at all of these various IP issues. Even if at the end of the day they're irrelevant, you need to sort of tick them off as you go through the exercise.

The third issue that we look at is, who controls which rights? And again, involving the four constituents, we would look at whether it's the player, the team, the League, the union, or are there shared rights? It often—the answer to that question will often depend on how you answer the first two questions: what is the use, and what are the laws that are applicable?

And so again, harkening to the cases that I suggested that you read, and actually one of the things that you talked about earlier, is the Uniform Player Contract. There are certainly master/servant, employer/employee laws that apply in many of these circumstances. But virtually always, as it relates to the players, and the leagues, and the teams, it's going to be governed by contract. And to your point Terry, there is a Uniform Player Contract that every league has negotiated on behalf of its teams that is then presented to the player. Well, you'd think it would all be said and done with that, but of course if you get a lot of lawyers involved, there are going to be a lot of issues to negotiate over. And the issue that in our League that becomes most relevant is a provision that's affectionately known as Paragraph 3(c) of the Uniform Player Contract. Essentially what it says is that the player grants to the team the rights to use the players' rights "for publicity purposes." And so oftentimes we're negotiating or we're debating with the players, with the union, what does "for publicity purposes" mean? It's not statutorily defined. It's not spelled out in Major League Baseball as it is with the NFL, and the NHL, and the NBA. And so we're left to negotiating or discussing a provision that's existed in the Uniform Player Contract since 1947.

And so for our purposes and what we often deal with is having to define what is publicity purposes, and do publicity purposes extend to products? And this goes to the issues I was talking about before. Products, sponsorships, advertisements, in-parks issues, out of park issues, involving a third party, just when the League wants to do something and doesn't involve a third party. Those are the types of issues that are involved. And that's why you need to determine who controls which rights.

Even among the players in the union there are issues. Again, you talked about this a bit. There are issues as to when the players get to make decisions on their own. And in our League, our Players Association, basically the players vest the rights with the Players Association when there are three or more players involved. If there are fewer than three players involved, then you need to get the individual player's consent or the two players that are involved. But even if there three or more there are times where that's not enough, it's not one-stop shopping because the Players Association has a series of rules that involve the use of three players to six players. So if there are between three and six players used, you have to do a highlight deal. And then there are circumstances when there are over six players that are involved where even though the players union has by contract the rights to use those players' rights without having to get further consents, they still go back to the players, because at the end of the day, they're their constituents and they don't want to upset them.

So if a Ken Griffey Jr. has a deal with Nike and the Players Association wants to do a deal with Reebok, they

may not just grant Ken Griffey Jr.'s rights to Reebok, they'll go back and ask Ken what he wants to do. And Stephanie will say, "Let me suggest to you what you might want to do." And then they might pull him out of the deal.

Again, those are just illustrations of what might happen. That example is not a real life example. But those are the types of issues that come out. There are issues of highlighting and there are issues of opt-outs.

I talked briefly about the types of issues that arise under for-publicity purposes, discussions between us and the Players Association. The most relevant topic is the item that comes up most often, whether the use of the player is in-park or whether it's outside the park. Our view is that for-publicity purposes at a minimum means that if it's driving traffic to the ballpark and it's an activity that's going to be in the park, then no additional player consent is required.

So, for example, if you wanted to do a—I will borrow from one of your clients, a Derek Jeter bobble head doll day at Yankee Stadium, our view is that the Yankees do not need to obtain additional consent from Derek Jeter to do so on the principle that it's driving traffic to the park and on the principle that it's for publicity purposes, for purposes of publicizing the New York Yankees.

The flip side of that is, let's say there's a cup or a mug that you can get at the local McDonald's that essentially uses player images on the cup and in essence is driving traffic to McDonald's, outside of the ballpark. There are debates, healthy debates that go on about those sorts of issues as well, but that is not what I would call the safe harbor that we've all dealt with so far.

Again, those are just some illustrations. The Players Association represents only current players. So any time we talk about issues involving former players, those issues we have to deal with on a case-by-case basis with the players that are involved with their representatives. They do not have a union that represents them. Although, there are pension plans in place whereby the former players are compensated for their time having played. When they're no longer playing baseball, they're on their own. So the extent that there are issues, those issues get handled on a one-off basis. Now there are benefits to that and there are downsides to that. The downsides, of course, are Major League Baseball or the teams can't just go to the union in one place and say, Okay I'd like to address this issue with you, can we have a grievance procedure? Rather, you are dealing with a lot of different individuals who are represented by a lot of different people with different objectives and goals. And in many instances and I think your perspective is probably better and more healthy than mine, you're talking about people who are no longer in the limelight, and who do not get the attention they're accustomed to getting while they're players. These issues become much more relevant to them.

I've had the "benefit" if you will, and I use that in quotes, of having to deal with seven former player cases in the 1990s, ranging from old Brooklyn Dodgers players like Pete Coscarart, and I challenge any of you to tell me if you knew who Pete Coscarart was before he sued us, to Dolph Camilli, to Bernie Carbo, and Reggie Jackson. All of those cases involved different issues, but they primarily related to rights of publicity issues and having to basically debate whether player consent is required to make a particular use of that player in a commercial context.

MS. VARDAS: Can I ask you a question?

MR. ORLINSKY: Please.

MS. VARDAS: Okay, so I have a question. Talking about Derek Jeter Bobble Head Day. So the way the Major Leagues work obviously is that the Yankees don't want to pay for all the bobble head dolls. The Yankees want to get a sponsor to pay for all the bobble head dolls and they want to put that sponsor's logo somewhere on the bobble head doll. So the question becomes even though just to put out a Derek Jeter Bobble Head Day, the Yankees don't need his permission either as a matter of comity to avoid a dispute with the athlete. Would the Yankees feel themselves obligated to secure his approval of the sponsor of the bobble head?

MR. ORLINSKY: You didn't disclose the fact that you had worked at Major League Baseball before as part of the new requirement—no, I'm teasing. In that situation, and Terry, I'd be interested to hear from you how it has worked with regard to Derek and some of your other players—just from a pure legal perspective though, our view and the teams' view is no additional consents are required from the players. And in terms of marrying the sponsor of the giveaway and the actual giveaway and the individual depicted, the team would do that deal on their own. But I think to your point as a matter of comity, they don't want to upset their star athletes who are well compensated and don't necessarily need the additional revenues from bobble heads, but that's a separate issue. And what they would do is they would inform and talk with the players about what is likely to happen so that there are no surprises.

Typically, I believe what happens is the player would like to have a few bobble heads of his own for his own or his kid's collection. Terry, I don't know if your experience is much different.

MR. PRINCE: Well, I think our story in point would always be to say no, and then work backwards from that—

MR. ORLINSKY: Which is why we don't ask the question.

MR. PRINCE: Right. But for a long time you never utilized those rights, so as you say, they've been there since the '40s. That language, which in particular has been

there since the '40s, so it's I guess maybe because the business has gone so vague, or maybe there are more lawyers involved now, whatever the case is, but it's amazing that something that was a non-issue for so long, mainly because there wasn't much money in it I think, I think the economics have changed this. But now that there's real money involved for both sides, it now is a big issue and now is being discussed.

MR. ORLINSKY: I think by and large intellectual property rights have garnished so much more attention on all sides, whether it's the players, or the League, or the teams, that people are paying much closer attention to it, which is why you have flurries of trademark registrations, and applications, and the like. So thank you very much for the question, I appreciate it. I don't get mad, I get even. All kidding aside.

As far as understanding all of these issues, it's usually a balancing act. The courts typically look at all of the issues that are involved. There are very few clear-cut cases. There are very few situations where it's going to be on its face a rights of publicity case or a trademark case that's going to get decided in court, because those cases probably will never be brought and they'll get settled or resolved before they make their way to court. It's the cases such as those that I've described, the Hershisier case, the CDM case, that involve complex issues where there are very strong points of view on each side and the case law is not very clear.

The last issue as far as the four issues that I described that one would look at is which law applies. Typically it's defined by contract, but absent a contract, as many of you probably know, under rights of publicity law, issues of residency would be relevant. There are 28 different statutes around the country that involve rights of publicity. There is no uniform rights of publicity law, so unlike copyright we don't have the benefit of that.

How are the issues decided? Courts decide those issues, as in the Baltimore Orioles case, and the Coscarart and Gianfriddo cases that are in your packet. Grievance procedures, there are a couple and I won't get into them here, that basically under the collective bargaining agreement, a player and the League and team will grieve an issue and decide the outcome based on the procedure there. Oftentimes, in fact, I'd say it's probably 98 percent of the time, there's an amicable resolution in negotiation. And then oftentimes we draw on case law that involves not Major League Baseball or the players but others out there, NBA cases, NBA arbitration decisions, NFL decisions, and the like. I appreciate the time you've given me.

MR. BRACKEN: Okay, thank you. And batting cleanup we have Peter Welch. Peter is Associate General Counsel of Take-Two Interactive Software. And that may not be a household name, but some of their products are. If you've ever walked or driven, if you are in L.A. 10 blocks or more in a big city, you've surely seen an ad

for Grand Theft Auto. BioShock is another one of their products. But Peter is here because he's on the 2K side of Take-Two, and 2K handles their sports franchises, which are basically MLB2K, NHL 2K, NBA 2K—they also have a tennis game called Top Spin. Peter Welch.



MR. PETER WELCH:

I think I'm a good person to wrap up the great job done by the other panelists. Stephanie on the grievance side, and Terry and Ethan sort of talking from the right holders' perspective, because as a licensee of athletes, leagues, whether group or individual licenses, we rely extensively on athlete licenses, perhaps even

more than apparel manufacturers and others.

My eight-foot Kevin Garnett did not make it through the rain, but I did bring some products and some ancillaries. This bobble head was not given away at Yankee Stadium, it was free with purchase of MLB 2K10, but it's José Reyes who is our cover athlete. Athletes play a very large role in the marketing campaigns around our games.

What makes an athlete appealing to us as a video game company obviously is that athlete's personal performance, the athlete's individual performance. The extent to which their rating, jersey sales, etcetera, indicate that they're popular with the relevant consuming public, clearly. But also in a sort of unique way, to what extent they connect with our core consumers, gamers. We had a big promotion last year that was very interesting, in which eight or nine NBA players played fantasy basketball with the performance of gamers. So in other words, Kevin Garnett and some of the other NBA stars drafted their own teams comprised of people playing our basketball game and they had a bragging rights, sort of online competition, talking about whose fantasy team of 20,000 or so people would win the other season. So there are always interesting ways that you can leverage an athlete. And to the extent that they are aligned with your core consumer, it makes them a lot more desirable, obviously, for us.

As a licensee it's very important that we protect ourselves to the greatest extent possible in this substantial investment, given that almost all of our creative for sports titles is going to center around one or more players. Our tennis franchise had three athletes on the cover, but generally speaking, you'll have a cover athlete. Our last was Tim Lincecum, Cy Young award winner, I would point out, in the year that he worked with us. We have the last two NBA champions and sort of a reverse Madden, Jenks, Kevin Garnett, and Kobe Bryant both won championships when appearing on our cover. So Terry, advise your clients accordingly.

We do what we can to try to ensure that we are protected when we enter into agreements on an individual basis with an athlete. The rest of the panel spoke about morals clauses. Terry talked about keeping the grant of rights as narrow as possible, and the services as reasonable as possible, given the athlete's time. I'm obviously on the other side of that equation. It's clearly an area where we want to get the maximum value and exposure that we can to the extent we're in business with an athlete. We also want to get the most bang for our buck that we can, and the most effectiveness to their promotional activities on our behalf. So clearly we're on the other side of these things.

We always try to be as express and as specific as we can in our agreements, because as Terry said, these are people who have a lot of commitments. And so we can talk about being clear about what the athletes' responsibilities are in terms of meet and greets, in terms of production days, in terms of what sort of collateral they're going to appear in.

It's also important that we're specific, because as Ethan, I think, very succinctly explained, there are a number of approving parties involved in all of our advertising to the extent we've done a lead game. We have to deal with Major League Baseball Properties, who license us to trademarks of the member clubs. We have to deal with the Major League Baseball Players Association, which licenses us all of the baseball players, or the NHL PA, or deal with the NBA as the case may be. So there are a lot of stakeholders involved and the approvals process can be significant because you're dealing with so many different parties for one piece of creative.

As a result of that it's very important to keep things moving, to keep things express, and know very succinctly and clearly what you have to do in order to get all of the right stakeholders at the table approving your product.

As a result, termination clauses, morals clauses, and the like are not so simple for our products. We have to enter into extensive quality assurance testing with console holders, Microsoft, Sony. We have to work many, many weeks in advance not just to put a commercial on the air, but to put out a product that is enduring. To the extent that one of my cover athletes did something that I didn't agree with, it's not so simple as saying, I'm no longer going to run advertising featuring that person. They're on the cover of the game, they're very frequently coded through substantial engineering that takes a very long time, deep into the DNA of that game. The menu systems may have extensive player interactions. We may have done motion capture with our cover athlete that pertains only to their participation.

So as much as you can try to be specific and have termination rights, it's not really effective because you're sometimes dealing with a battleship that's just too unwieldy to turn around on short timing.

As a result, diligencing your relationships, working with athletes you might have had. A lesser interaction, whether through a highlight agreement in which they made a minor appearance in a commercial. Representation, whether you've done deals with their agents previously and are comfortable with their business folks. There's a lot of things that you can do and that we try to do to make ourselves as comfortable as we can. We're making a selection that's as enduring, challenging to change, and important to our product. I mean, ultimately these athletes are the face of our products.

You can try to—one thing that wasn't suggested and that's pretty standard I think is staggering compensation to milestones in a sponsorship agreement or an endorsement agreement such that if you do have a problem with an athlete showing up for an autograph signing, or a production day, or the like, you're not necessarily in a circumstance trying to claw back money from folks because that's always a challenge.

MR. BRACKEN: We don't like those provisions.

MR. WELCH: No, not at all. And as a result, we will claw tooth and nail to try to get there. Stephanie succinctly went through the endorsement guidelines the FTC has just put out. Athletes like to Twitter. I think I, like Terry, signed up for Twitter largely to follow my game designers and relevant athletes who always like to say all sorts of unendorsed things and unapproved things publicly. And when you get a very exuberant cover athlete, which we've been lucky enough to do sometimes, particularly in light of these new FTC guidelines, you can be in a circumstance where there's a concern that they come out and they're speaking for you. And their claims have to be accurate, and they say something that's totally crazy and not accurate. So you would like to be as specific as you could in that agreement around getting approval for product-related statements that they're going to make on your behalf. Having a chance to vet that, it's very, very important.

I agree with Stephanie; I think the FTC is waiting to grab some low-hanging fruit and make an example of someone. They've made examples of to this point, sort of more consumer driven plans where someone—you know hundreds of people receive free samples and the like. But I think the next thing is going to be them cracking down on individual endorsers, not disclosing receipt of free merchandise or the like.

I saw in *The New York Post* that Kim Kardashian had been taken to task for blogging and Twittering about various products for which it was alleged that she'd received compensation. Kim insisted that this was just personal to her and products that she endorsed. But that perhaps was the first rumble that I've seen in the media.

There are unique issues to video games, clearly, as a medium in that we're not just shooting a commercial,

we're creating a virtual approximation or amalgamation of a player. So we have not just approval of a finalized commercial, but often extensive approvals around how someone's face looks. To the extent we have a cover athlete who is coming in and doing motion capture for us who is going to be represented in three dimensions. If you put forward a version who they think is less attractive, strong, skilled, built, than they are, you might find yourself in an uncomfortable conversation. So it's important always to be mindful of things like that.

Also important, I think, dovetailing with what Terry had said is that there's a landscape out there. And every one of these athletes is, or the elite athletes are, highly sought after. They may have endorsed many, many products. I may have a video game that has a static advertisement tie-in with Nike, where Nike is presenting certain highlights or providing in game virtual shoes as it were, or virtual equipment in a hockey game. As a result of those things you want to be express when you are doing an individual deal to make clear exactly what is involved in your product such that no one shows up and says they're surprised, like, "I'm a Nike athlete and all of a sudden there was a Reebok tie-in."

Just be as specific as you can in these agreements when you are working for your clients, would be my best advice. Get the most detailed understanding you can of their business, their products. What they're expecting the talent to do. What they rely on the talent to do, such that you don't have angry representation, or an angry group licensor, or PA, or upset from the League itself to the extent that you do something and everyone acts surprised.

The approvals process I touched on briefly. In game behaviors and animations is another area where we've had some discussion with individuals, as well as with group licensors. We're able, by creating these sort of avatars of real life people, to have them do sort of whatever we need them to do. As a result, it's very important to make certain that the rights holders who are granting us these permissions don't say, "You've taken me and made a virtual version of me, and done something that's totally crazy, or untoward, or in some way damages my ability to endorse other products." I know it seems farfetched, but these discussions occur. I think that I've run very, very rapidly through my list of talking points, which I hope leaves us some time to take some questions.

MR. BRACKEN: We do, we do. And thank you very much, by the way. We have about 20 minutes and I was told and vowed to myself that I would leave 15 minutes for questions from the audience. So I am going to ask one of the many prepared questions that I've prepared. But it's a question that's been eluded to already again and again, and it's pretty simple and I'll try to make the question quick.

There's a golfer, we all know who he is. He did some bad things or alleged bad things depending on what

you consider bad. It certainly affects his licensing and his sponsorships, etcetera, his endorsements, including a company represented by the panelist to my immediate left. Now we certainly don't want to embarrass her, and we know that she's too professional to give us any gossip or any secrets, although we'd love to hear them, that's not what we're here for. But it does raise the whole issue of morals clauses. Yes, they can be extremely broad. Yes, the licensee can have all kinds of determination rights, sometimes they go to arbitration. So rather than me saying this because we want to hear it from the panelist, my question to everybody on the panel is, what are the most contentious pieces of the morals clauses today, when again the stakes are so much higher than they were 15, 20 years ago, and where if at all—I mean I was trying to think today, maybe I'm just stupid, I don't know, but do these things ever get litigated? Does anybody actually sue over a morals clause or is it all in the negotiation, and then people, because of embarrassment and because they know they're going to lose anyway? Those are my two related questions. In the negotiation, what happens, what's the hardest one, who works the hardest for what? And if accurate or appropriate, how, and when, and does it actually play out?

MS. VARDAS: Let me speak generally about the Nike version of what is generally referred to as a morals clause. It is quite broad, and I don't have it in front of me to quote to you the specific line, but it basically says that Nike has a right of termination in the event that anything that the athlete says or does casts a bad light on Nike. And there are specific callouts for disrespect for cultural norms, like diversity and so forth. We've had instances where athletes have said notorious things expressing their point of view about gay people or people of other races or whatever, and those types of statements are inconsistent with Nike's values. And so we feel that we made a point of putting a callout in the contract to the effect that we expect whatever the athlete's privately held views are, we expect that the athlete not to be out disparaging Nike's own values and not calling Nike into disrepute.

Having said that, and I've negotiated this language I don't know how many times, I've been at Nike for 12-and-a-half years. I don't know how many times I've negotiated this paragraph, it's really a lot. And I've never changed it. But the reason I've never changed it isn't because I'm such a great negotiator, it's because Nike has a really solid track record of not using the language in that paragraph abusively. Not using it to terminate agreements over minor, relatively minor, or in some cases, pretty major infractions that could be argued to show Nike in a bad light—certainly don't reflect well on the athlete who's accused of them. And one of the reasons that we do get this discretion is because ultimately the athletes and their representatives have come over the years to put some trust in Nike's exercise of its discretion. Terry's looking at me a little skeptically and I'm sure he'll have something to say. But my experience in negotiating this

language is that—and in discussions with Terry or someone like him although in truth there's no one like Terry, but other people who are doing Terry's kind of work—I will say to them, you know, there is—I'll name athlete A, athlete B, athlete C, athlete D—who are all known to have done something that would conventionally be considered a violation of the Nike morals clause and call out the fact that Nike for whatever bundle of reasons did not exercise its discretion. And so that's not to say that we never do.

When Michael Vick was sent to federal prison for dog fighting, when Rae Carruth put out a contract on his pregnant girlfriend, okay. When Rae Carruth put out a contract on his pregnant girlfriend, I signed his termination letter myself and it was the most fun I had—it was the most fun that I had probably that whole year, well maybe not, but certainly for a period of several weeks. In terms of momentary episodes of pure righteousness you do get moments like that.

And I'm not telling you that Nike looks the other way when athletes do whatever they may happen to do, but I will say that we have a track record of using discretion in using the rights that we have. And I believe that's one of the major reasons that we typically are able to get the language that we are looking for.

MR. PRINCE: Point, counterpoint. Often when we get into, not with Nike, because that's a pretty well established form, and I like your vernacular: "We negotiate, but we never changed it." Broad means draconian, but—and "we rarely enforce it." Certain situations, in all candor, there are certain situations that we all can agree on. Someone does something really bad, he probably shouldn't be making money from a company that has been adversely affected by that situation.

So that's kind of the narrow objective standard. You know, putting out a murder contract for someone, okay, not a good thing, go ahead terminate, I'm fine with that. But you get into situations that are in between or subjective. And companies that often I deal with, they say, well, we need some option. If a guy does something bad, or a woman does something bad, we need something to do, we need to be able to do something. I say, you can, you don't need a morals clause to terminate. You terminate, you terminate him, you pull your advertising, but you pay him. So what this always comes down to is just the money. At what point do you get to terminate and at what point does the company get to keep the money that they otherwise owe this person? So to say you need a morals clause, maybe on certain levels. But by and large, the way these have expanded—and I think again because the economics have expanded so much—and we see them now, they're not called morals clauses, they're called "for cause provisions" and "coaching contracts."

I worked on the Mike Leach contract back at IMG before I left to come to CAA, and he stayed at IMG, so I

don't know what's going on with that case. I don't know if they even used the contract I worked on for his new deal that he did last year. But the—and to your point, Mike, that's being litigated. He was fired by Texas Tech., and they were saying—the coach and his lawyers saying they didn't have the right to terminate, it's a wrongful termination. The University says that they did have the right to terminate. You know at the end of the day, it's all about economics, because you can always terminate, pull the advertising, get rid of the coach, but the issue is whether or not you pay him.

And I think as the Tiger Woods—I know every time I do a morals clause from now on for the next year, the next 10 years, 20 years, they're going to say, "What about Tiger Woods, he seemed like such a nice a guy and boy who would have known?" It's going to make the landscape get even more difficult, and more subjective, and more unfair for the athlete. And it's—I guess it is what it is, but it's disappointing.

AUDIENCE QUESTION: If any of you can comment on something that I think has been litigated, and you can probably all speak to with regard to when video games can use and when other companies can use references or uniforms and how it relates in terms of—how specific the uniform needs to be before it sort of triggers sensitivities and issues relating to athlete apparel?

MR. WELCH: To clarify, you're talking about variations or derivations from existing uniforms but that are not exact facsimiles of existent uniforms? So in other words, sort of how far away is far enough away? That's probably a better question for Ethan.

I think that when you're dealing with—I mean it's an issue of trade-dress, and trademark, and perhaps copyright. I think that would be—to the extent that I were considering something and trying to be far afield from—I suppose it would come up in the context of making a non-licensed game. We have licensed games and so, our uniform direction comes from the rightsholders. To the extent that someone were trying to be far enough away and far enough afield not to infringe on anyone's trade dress or copyright, I suppose that's just a regular question for litigation under the statutes.

MR. ORLINSKY: I thought where you were going was the plethora of cases involving the college athletes, or former college athletes, and the cases that are being brought by them, and in some cases, former NFL players against video game companies. But if it's strictly about the degree to which you could use a uniform or attire and essentially make it look like it is associated with a particular team or an entity, it is a trade-dress question and we would evaluate it from the perspective of whether the individual who is making the use is trying to trade off the goodwill of the organization whose uniform they're mocking.

So it—and we see a lot of that from Major League Baseball’s perspective. We see a lot of situations where people try to outfit individuals, whether they’re players, current, former players, or non-professional athletes in uniforms and try to make them look like they are associated with the team with whom they want to associate, and we take very aggressive actions, that’s probably no surprise to you.



MS. VARDAS: Our language says that if you express, for example, disrespect for principles of diversity. So if you got up and ranted about a particular racial group, or ethnic group, or religious group, that is something that to Nike is sort of outside the realm of the kinds of activities that we would like to see Nike players engaging in. But as for players to become politically active in conventional ways

AUDIENCE QUESTION: Terry, do you have a clause in your contracts to address the possibility—let’s say it was some other shoemaker of a lesser renown and it were to turn out that the shoes were being produced by child labor in Guatemala. Do you have some sort of a clause that would cover something like that to terminate the agreement from the players’ side?

MR. PRINCE: A reverse morals clause?

AUDIENCE QUESTION: Yeah, sort of a reverse morals clause.

MR. PRINCE: We entertain those clauses from time to time with some of our partners and they’re not very well received. So while that’s often a counterpoint to the morals clause issue when it arises, we’ve had some success doing that, but not very often. And we keep it more general. If the company does something that brings the company into disrepute and by association the player, the player should have the ability to terminate. I guess the argument can be switched around. I mean either the player can try and get out and say I’m walking away, don’t pay him anymore. And who’s going to litigate that? Probably no one, really. So the short answer is sometimes, not very often, because it’s not well received. But again, I think the landscape is changing quite a bit, so we might see a change in that over time.

AUDIENCE QUESTION: Both of you have any discussions of the player’s possible political activism down the road? Imagine that one of the players decided to prominently come out for the Republican or the Democratic side during a contested election period, would that cause a sponsor problem? And is that even touched on in the contracts? From the sponsor’s perspective you wouldn’t want to have all the people from the opposite political party feeling angry towards the sponsor because they didn’t like the side the player came for.

MR. PRINCE: Sure. I have not seen specific language on that point, but I think Nike’s clause would cover, that it’s so broad.

by endorsing candidates or whatever, I don’t think Reebok has an issue with Curt Schilling being a very active Republican in Massachusetts. Nike would typically not have an issue with a player becoming a very active—you know, in any kind of mainstream political way. That’s not something we would have an issue with.

Again, if you get into fringe stuff where they’re just out making racist remarks, or sexist remarks, or remarks that are disrespectful to religious groups, or whatever, that in our view is in a different character.

AUDIENCE QUESTION: Also, is anyone trying to challenge those FTC rules with respect to bloggers? And what would happen if, say, Peter sent out some free games to random people who he knew used the console that his game was targeted for, and they received them without any agreement with him, and simply decided to blog about how incredibly wonderful this new simulation sports game was. And they didn’t say, of course, that they had gotten a free copy from him.

MS. VARDAS: Well, that’s exactly the kind of behavior that the guidelines are intended to prohibit. And while the FTC is, I think, is right now in warning mode, that’s precisely the kind of low hanging fruit that I think they’re going to be going after when they do get into serious enforcement, probably sometime in the next 30 to 90 days.

AUDIENCE QUESTION: So could the individual blogger himself be in trouble with the FCC and would he have any kind of recourse—

MS. VARDAS: Yes, the individual blogger himself would be in trouble, and the company that sent out the games would be in trouble if it had not instructed—the guidelines say that the company that provides the freebie has to instruct those who receive them and what their obligations are, has an obligation to monitor the activities of those who receive the free goods or the compensation in order to ensure that they’re complying with the guidelines. So the answer is that there would be potentially a world of pain on both sides depending on—

AUDIENCE QUESTION: Even for the blogger. Imagine the blogger received the game without any of those instructions, had no idea the FTC had promulgated anything, he just said I just loved this wonderful game—

MS. VARDAVAS: Well, the blogger is responsible for knowing what the law is that applies to him just as all of us are. And the company that sent out the game is also responsible for knowing what the law is.

MR. WELCH: One carveout I would add is that in some comments recently an FTC Commissioner was—I think she was being queried by a group of book reviewers who were sort of concerned about the galleys that they normally receive—and they had said, this is not what we’re talking about. To the extent that you’re a neutral journalist, etcetera, which I don’t think fits your hypothetical, but we’ll continue it with—

AUDIENCE QUESTION: No, Joe Blow—

MR. WELCH: It’s a random person on the street who gets it. And there are also networks and I think that drew the eye or the FTC, there are networks of bloggers now, groups of mommy bloggers who talk about parenting products, groups of sports bloggers. And a lot of companies have started sending out as a matter of course, I believe, free samples of things, in some instances as frequently as on a monthly basis. And as a result the thinking being they receive advertising, which isn’t properly disclosed as compensated speech.

AUDIENCE QUESTION: Back to the morals clause. My question is, I would love it if one of you knew about this, and I’m not sure since it involves the NBA, if one of you is familiar with their contracts. My point—and this involves Gilbert Arenas—my understanding is, is that the NBA contract, and I’ve only heard this from a lot of the talking heads on the news that the NBA has a very specific morals clause that’s standard in all of their contracts. And when dealing with a team like the Wizards who’s probably looking into if they can possibly terminate his contract, which is purely for probably monetary reasons and publicity reasons related to the name change and why all that happened. But do you think—and bringing into that, what happened with Latrell Sprewell, where I believe it was Portland lost and actually had to pay him the rest of the contract. Do you think that the Wizards have the ability to terminate his contract and win?

MR. PRINCE: I guess I’ll take this. Terminate yes, when—I don’t know. It would clearly be, I’m assuming,



it would be grieved. He’s not a client of ours, so I don’t know what’s going on with negotiations between the player and the team or the player and the League. But clearly it would be—and I’m assuming 99 percent sure, that the union—Players Association—would grieve that. And they would have—if arbitrated, and then determine whether or not what he did, his course of conduct actually rose to the level that it

triggered the termination for cause in his contract. Sorry, not very detailed. But I’m sure if they try and do that it would be, in fact, grieved—it would be a grieved process between the union and the League.

MR. BRIAN LASKOWITZ: Okay, I guess I get the last question on the floor before the reception, kind of a tough spot here. Anyway, Brian Laskowitz here, a great presentation. One of the things you said earlier about the conflicting endorsement deals that probably comes up every so often, I’m reminded that 1992 Dream Team, the gold medal ceremony where I think the jackets were Reebok jackets but players with other shoe contracts like Nike basically had an American Flag draped over the jacket, which first we thought was a nice show, and then we find out, oh there’s endorsement issues going on there. Anyway though, but it made me wonder, just as there are certain central registries and databases for trademark searches and patent searches—and I realize this is more of a private sector thing rather than a central governmental entity—but has there been any discussion among any of the leagues or any ideas about creating some sort of at least a private sector version of some sort of an endorsement registry so—to make due diligence for this sort of conflict a little bit easier?

MS. VARDAVAS: Well, there weren’t that many players involved and their endorsements were pretty public and well known. I mean in general when you are talking about an elite group of athletes like that, their endorsements are very high profile. So it’s not too difficult to figure that out.

As a practical matter, I think—I’m not aware of anything like that. I think that it would be—it’s a moving target for sure. Endorsements change daily, not on an individual level, but certainly it’s a very fluid environment. And so I think it would be an enormous undertaking to create, and an even more enormous undertaking to maintain, the kind of information database that you are talking about and to decide what deserved to go into it and what didn’t.

As a practical matter, it is well understood that when an athlete has an obligation to wear a team uniform that the company that is his or her apparel sponsor, that that's not a breach of the contract. And so none of the—certainly none of the Nike athletes on any Olympic team have ever been at risk of any kind of reduction, or penalty, or termination, or any kind of adverse action, by Nike in association with them wearing their uniforms. And certainly it's a great tribute to an athlete to be on the Olympic team and we would never want to dis-incentivize any Nike athlete from being on an Olympic team. And so whatever the uniform is, it's their job to wear it.

If they're a U.S.—and Nike itself sponsors a number of National Olympic organizations, including the USOC, you will see us on the medal stand in Vancouver. You've seen us on the medal stand in past years. And—but other shoe and apparel companies sponsor, other national Olympic committees sponsor other sport federations—it is what it is. Somebody has to wear their uniform, they wear their uniform. If you want to know who they really endorse, look at their feet.

MR. ORLINSKY: The one thing I would add, not to that colorful exchange, but rather to the practical issue of if you've got a question who do you go to? I would say that in League sports, if you start out with the Players Association, very short of six degrees of separation, you will get to the right person, because they will know who represents each player in sports that are individual sports. If you go to the CAAs, and the IMGs, and the Nikes of this world, they will tell you whether they represent the person or who else represents the person. I don't mean to volunteer work for you because if it is somebody who has some reputation, then they either have them or want them.

MR. BRACKEN: Okay, well, I guess that does it. I certainly want to thank all of our panelists. I think you were terrific.

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20. <http://cityroom.blogs.nytimes.com/2009/05/18/american-apparel-settles-lawsuit-with-woody-allen/>.
21. *Burke v. Mars, Incorporated*, 571 F. Supp. 2d 446 (S.D.N.Y. 2008).
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23. *Edgar Winter et al. v. DC Comics et al.*, 30 Cal. 4th 881; 69 P.3d 473; 134 Cal. Rptr. 2d 634 (June 2, 2003).
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26. *Siegel v. Warner Bros. Entertainment Inc.*, 542 F. Supp. 2d 1098, 86 U.S.P.Q.2d 1899 (C.D. Cal 2008), *Siegel v. Warner Bros. Entertainment, Inc.* __ F. Supp. 2d __, 2009 WL 2512842 (C.D. Cal. 2009), *Siegel v. Warner Bros. Entertainment Inc.* __ F. Supp. 2d __, 2009 WL 3526576 (C.D. Cal. 2009).
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33. U.S. District Judge Deborah Batts.
34. *eBay Inc. v. MercExchange, L.L.C.*, 547 U. S. 388 (2006).

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Forming Your For-Profit Arts Business

This workshop provides valuable information about starting an arts-related business. Covered issues also include: For vs. Nonprofit incorporation, fiscal sponsorship, selecting and protecting business names; the legal and tax characteristics of LLCs and publication requirements, partnerships, and type C and S corporations; choice of jurisdiction; financing your business; employees and independent contractors; and insurance.

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This class will provide an overview of the legal issues and common business arrangements used in film and television projects. In addition, option agreements for the acquisition of literary properties; distribution agreements and a comprehensive release for reality based television program will be discussed.

Legal Issues in Fashion (1 Prof. Practice, 1 Skills + .5 Ethics Credits)

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The Day the Lone Ranger Lost His Mask

By David Krell

For a champion of justice, the ruling triggered deep feelings of injustice.

On August 30, 1979, Judge Vernon Foster of Superior Court of the State of California for the County of Los Angeles issued a preliminary injunction preventing Clayton Moore from wearing an iconic emblem.

Judge Foster took the mask off the Lone Ranger.

The judge's ruling forbade Moore "to appear in public wearing the LONE RANGER mask or any mask which resembles the LONE RANGER [sic] mask."¹

Moore played the Lone Ranger in the television series *The Lone Ranger*. The series ran on ABC from 1949-57.² After the series ended its run on ABC, Moore continued to portray the Lone Ranger in personal appearances and commercials.

In the late 1970s, the Lone Ranger's owner—Wrather Corporation³—wanted a new Lone Ranger paradigm. It revolved around a younger Lone Ranger in a major feature film. An aging Lone Ranger in the public eye would detract attention from the character's relaunch.

To protect its rights, Wrather Corporation sued Clayton Moore. Not even a silver bullet could help the man who portrayed the Lone Ranger.

During the dog days of August 1979, the legal battle that took place in Los Angeles Superior Court contributed a chapter to the rich history of a 20th century popular culture icon.

Return with us now to those thrilling days of yesteryear!

WGHP

Our story begins with a man named George Harrison Phelps.



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Phelps graduated from Cornell University in 1903. He saw an advantage in the automobile industry, then in its infancy. In Worcester, Massachusetts, Phelps "opened what some said was the first automobile service garage."⁴

Phelps sold the garage to become assistant manager of the Buick office in Boston. He was 23 years old.

He climbed to the manager position, eventually departing Buick for the manager position at Everett, Metzger, and Flanders, an automobile company. "In 1910 or early 1911 E.M. and F. was taken over by the Studebaker Corporation financed by J.P. Morgan & Co. and that led to the next step up for George Harrison Phelps."⁵

Indeed, his climb continued—Phelps took over the New York branch of Studebaker. After Dodge incorporated in 1914, it tapped Phelps to "help organize a sales department and direct the company's advertising."⁶ Phelps sold the Studebaker business.

Goodbye, New York City. Hello, Detroit.

Phelps knew that the proper social calendar enhances a businessman's status, value, and image. He put his knowledge to the test.

"George lost no time firmly weaving himself and his family into the social fabric of Detroit. They joined the Detroit Athletic Club, affectionately referred to as the D.A.C. He was elected President of the Players."⁷

Phelps continued mastering the game of Detroit society. He moved his family to the exclusive area of Grosse Pointe Park. Additionally, Phelps and his wife "joined The Detroit Club and The Detroit Yacht Club; and they did a great deal of entertaining."⁸

Phelps left Dodge in February 1922 "to open his own advertising agency and was taking the Dodge account with him."⁹

At one of Phelps' parties, a conversation concerned the new medium of radio. Phelps proclaimed, "No question about it. Radio is the coming thing."¹⁰

Located in Pittsburgh, KDKA was the first commercial radio station. "What began in 1920 as a single station (KDKA), had grown to 30 stations in 1922, and 556 in 1923."¹¹

Consequently, demand for radio sets increased. 100,000 in 1922. 500,000 in 1923.¹²

Radio was in a state of chaos. The government had not yet established an agency to control it. Applicants got licenses to operate from the Department of Commerce. In the beginning all stations were assigned to one of the only two frequencies, but now, because of the rush, this was no longer sufficient. Following the urgent recommendation of another National Radio Conference, Herbert Hoover opened up the spectrum and assigned each applicant a definite frequency. There were still not enough to go around. Several stations in different parts of the country operated on the same frequencies.

The Department of Commerce was not allowed to deny any applicant a license to broadcast; it had no authority to restrict an operator as to what band he broadcast on. It could not prevent one station from taking over the frequency of another. Piracy was rampant.¹³

Into this turbulent sea plunged George Harrison Phelps—for fun. Through a friend in Washington he secured a Class B license and a wave-length far enough removed from other Detroit stations to eliminate the possibility of serious interference.¹⁴

Phelps launched his station in the evening of Saturday, October 10, 1925. He used his initials for the call letters—WGHP.¹⁵

Radio's boom continued. NBC debuted its network on November 15, 1926 with a "four-hour extravaganza transmitted live from the Grand Ballroom of the Waldorf-Astoria Hotel in Manhattan. Walter Damrosch conducted the New York Symphony Orchestra, the Metropolitan Opera's Tito Ruffo sang arias, Will Rogers impersonated Calvin Coolidge, and soprano Mary Garden trilled 'Annie Laurie' from her apartment in Chicago. It was an unqualified success. By the turn of the year NBC had two networks, the Red and the Blue, comprising [25] stations."¹⁶

William Paley and his family saw opportunity in a struggling broadcasting concern—United Independent Broadcasters. The Paleys took control of United and its Columbia network—CBS—on September 15, 1928.¹⁷

CBS selected WGHP to be its Detroit affiliate.

Between the landmark debut of NBC in 1926 and Paley's purchase of CBS in 1928, Congress passed the Radio Act of 1927. The Radio Act created the Federal Radio Commission (the Commission) to create order, quash chaos, and standardize the licensing process.

The license of every radio station then operating was automatically cancelled with the passing of this legislation. The Commission was given authority to issue new licenses, assign frequencies, and enforce the amount of power to be used by any station, and the hours it would be allowed to broadcast. 150 stations for which there was found to be no legitimate place were squeezed off the air.

WGHP survived.¹⁸

Phelps then made a deal with J. Harold Ryan and George B. Storer, businessmen from the oil and steel industries who prospered with WSPD in Toledo.¹⁹ Ryan and Storer took their counsel from Major J. Andrew White, who helped form CBS. White convinced them to form an Ohio corporation and bid on WGHP. The new corporation "leased WGHP for \$200 a month with an option to buy, and took over management of the station on October 1, 1928."²⁰

Coincidentally, George Harrison Phelps' last day in broadcasting was William Paley's first day in broadcasting—"October 1, 1928, the day he walked into his paneled office at United Independent Broadcasters in Manhattan."²¹

The Last Word in Radio

A year and a half later, WGHP changed hands again. On April 25, 1930, a trio of businessmen bought WGHP for \$250,000—John Kunsky, George Washington Trendle, and Howard Pierce.²² Kunsky, Trendle, and Pierce took a 40-40-20 interest in their new broadcasting venture.²³

Kunsky and Trendle had already been partners in the movie theater business. Kunsky was the entrepreneur. Trendle was the lawyer. "He practiced law for [12] years. Finally, [he] abandoned all his clients to devote full time to [Arthur] Caille and Kunsky and when that partnership broke up he 'handled their divorce papers.'"²⁴

Kunsky brought Trendle onto the payroll of Kunsky Theatrical Enterprises. Trendle suggested bringing Howard Pierce into the WGHP deal.²⁵ The team began a

rebranding campaign that began with a change in the call letters.

From the moment Kunsky, Trendle and Pierce had come into possession of Station WGHP in April, they had embarked upon a carefully plotted advertising campaign to promote the station, based on their long and successful experience in the theaters.

To begin with, George W. Trendle foresaw the slogan: "The Last Word in Radio," and in keeping with this idea he wanted to change his call letters to the last four letters in the alphabet. The "W" was a sure thing. Getting the XYZ was not so easy.²⁶

The Army and Navy jointly owned the call letters WXYZ. Trendle needed both entities to release their respective claims. He explained his situation to the Navy.

"Well, Trendle, if you can get the Army to do this job for you, we'll okay it. But, you can never get them to do it."²⁷

Trendle explained his situation again for the Army.

"Well, if you can get the Navy to do this thing, we'll be willing. But I'm sure they won't."²⁸

Trendle got a letter from the Army and produced it for the Navy. The Navy responded with a similar letter. Trendle applied for a license to the Federal Radio Commission and included both letters.²⁹

WXYZ debuted on July 1, 1930. An advertisement in the three Detroit newspapers boasted the rebranding. "TODAY! DETROIT'S GREAT NEW RADIO STATION! WXYZ! THE LAST WORD IN RADIO!"³⁰

Trendle and company parted ways with CBS at the end of 1931. Gone was the obligation of setting aside a portion of commercial air time for a parent network. As an independent station, WXYZ controlled all the commercial air time. Although independence seemed like a good idea in theory, the loss of a network parent created a programming void.

At the outset, it looked like catastrophe. But such was the caliber of all concerned both downtown and out at the station that the greatest burst of creativity WXYZ has ever known was ignited.

Out of the dilemma rode radio's greatest hero.³¹

WXYZ needed programming to compete with larger stations. Then, as now, content was king in the land of entertainment.

WXYZ also needed allies. Its Sales Manager, H. Allen Campbell, saw that competitor WJR had 10,000 watts. It dwarfed WXYZ's power of 1,000 watts. Campbell proposed building a network of stations throughout Michigan. WXYZ already had the Grand Rapids stations WOOD and WASH under its aegis. Campbell persuaded stations in Battle Creek, Kalamazoo, Jackson, Flint, and Bay City to join forces.³²

During a meeting with Trendle, Pierce praised WXYZ's Dramatic Director, James Jewell.

"I think Jimmy's doin' a great job with [police drama] Warner Lester."³³

Trendle's response set the stage for a popular culture phenomenon: "Cops and Robbers have always been box office, Howard. And I've been thinking of something else that always did well for us in the theaters. We never did bad business with a good western. In fact, we did good business with bad westerns. I've got a character in mind, Howard. He hasn't taken definite shape yet, but —"³⁴

Enter the Lone Ranger

The Lone Ranger debuted on February 2, 1933. On that date, WXYZ sent a press release to Pat Dennis, Radio Editor of the *Detroit Evening Times*:

Out in the wide open spaces, where men are not crooners and women are not radio actresses, where fast riding and quick shooting are the best arguments...yes sir, that's the location of the operations of the unique character, "The Lone Ranger," who makes his bow in a new dramatization series to be heard three times weekly on WXYZ starting at 9:00 p.m. today.³⁵

The release ends with a phrase that essentially became the core signature opening of the radio show. "A fiery horse with the speed of light, a cloud of dust, a hearty laugh—mystery, suspense, drama and above all, Mr. Dennis, purity and no naughty words."³⁶

Fran Striker wrote the initial scripts for *The Lone Ranger* from Buffalo, New York. Throughout the show's formative years, Striker remained the primary scribe.

Immediately, the character struck a chord with children. Cadillac Specialty Company offered to give 500 toy guns to WXYZ with the Lone Ranger name on the handle.

WXYZ's decision-makers saw the value in promoting the radio show with a giveaway:

I don't see where we can go wrong in doing this for it would give us a fairly accurate check on how many children are listening in. We could announce at the

end of the Lone Ranger program that the first 500 letters received from the boys and girls would be given a genuine Lone Ranger Six Shooter and explain in the announcement that the gun is harmless etc. etc. It might be just the check we need to offer to some commercial sponsor.³⁷

Cadillac lowered the amount to 300.³⁸

On Tuesday, May 16, 1933, Earle Graser made the announcement in character as the Lone Ranger.³⁹

By Saturday, May 20, 1933, the station received 24,905 letters.⁴⁰

The deluge occurred despite announcements subsequent to the May 16 program. These announcements explained “that the supply of Lone Ranger toy six shooters promised to the writers of the first [300] letters had been exhausted, [but] letters kept pouring in from all parts of Michigan.”⁴¹

The Lone Ranger became a bona fide phenomenon beyond the radio program. It spun off two movie serials for Republic, a feature film, comic books, and 18 novels written between 1936 and 1956.

Television provided yet another popular culture landscape for the Lone Ranger to dominate.

I Am That Masked Man

On September 15, 1949, the Lone Ranger galloped across television screens for the first time.

The first three episodes of *The Lone Ranger*—*Enter the Lone Ranger*, *The Lone Ranger Fights On*, *The Lone Ranger's Triumph*—comprise a story arc retelling the character's origin.

Initially, the Lone Ranger is a Texas Ranger named Reid. He belongs to a squad of six Texas Rangers⁴² tracking the notorious Cavendish Gang. Reid's brother leads the squad. Butch Cavendish leads the Cavendish Gang, wanted for murder, cattle rustling, and highway robbery. A sheriff's notice offers a \$7,000 reward for the gang's capture.⁴³

A double-crossing guide named Collins lures the squad into an ambush by Cavendish and his men. Five of the six Rangers die in the clash. Reid is presumed dead, but is really severely injured. A childhood Indian friend, Tonto, discovers the injured Reid.

Immediately, the Indian, Tonto, unsaddles his horse and sets up a camp at the entrance to the cave near the pool and the injured man. The Ranger's wounds are cleansed and expertly dressed by the Indian who calls upon all the lore he knows

to ease his white friend's suffering. Several days of patient vigil, tender care, and careful feeding bring results. The Ranger gradually regains his strength. He's going to live.⁴⁴

Reid makes a mask from his brother's vest to hide his identity. Tonto explains that he dug five graves for the dead Rangers. Reid wants to dig another grave to further protect his identity. With a sixth grave, Cavendish and other outlaws will continue to believe no Rangers survived the ambush. After Tonto and Reid dig the sixth grave, Tonto clarifies, “You all alone now. Last man. You are Lone Ranger.”⁴⁵

The Lone Ranger and Tonto capture Cavendish, a cunning criminal planning a conspiracy to take over the town of Colby by murdering the town's VIPs and replacing them with his henchmen.⁴⁶

The Lone Ranger captivated viewers. “Regardless of what the critics thought, within a year the Thursday night show was in the Nielsen top ten with a viewing audience of some five million people. It was ABC's highest rated program all season and the highest rated television Western up to that time.”⁴⁷

During the audition process, Trendle asked Clayton Moore, “Mr. Moore, would you like the part of the Lone Ranger?” Moore responded, “Mr. Trendle, I *am* the Lone Ranger!”⁴⁸

Moore's link to the Lone Ranger is undeniable. Yet after two years, Trendle replaced Moore with John Hart. Moore claimed he did not know the reason.

I believed in the show and in the character and in all the things they stood for. I was awfully proud to be the Lone Ranger.

That's why it came as such a shock to me when—without warning or explanation—George Trendle fired me. One day I was doing a job I loved, idolized by children all across the country. The next, I was out of a job.

And I didn't know why.⁴⁹

John Hart played the Lone Ranger for 52 episodes.⁵⁰ He reprised the role 30 years later on an episode of *Happy Days*, where Fonzie's friends arranged for Fonzie to meet his hero—The Lone Ranger.⁵¹

Moore returned to the role in June 1954, but he soon had a new boss. On August 3, 1954, Trendle-Campbell-Meurer, the entity owning the Lone Ranger character, merchandising, and exploitation rights, sold its interest to oil man and broadcasting mogul Jack Wrather for three million dollars.⁵² The last live radio broadcast of *The Lone Ranger* took place on September 3, 1954.⁵³

Wrather ordered the television series to be shot in color. When it wrapped production in 1957, *The Lone Ranger* television series had a portfolio of 182 black and white episodes and 39 color episodes. It also provided an opportunity for Clayton Moore and Jay Silverheels to star as the Lone Ranger and Tonto respectively in two feature films—*The Lone Ranger* (1956) and *The Lone Ranger and the Lost City of Gold* (1958).

Somewhat dormant for the next two decades, the Lone Ranger character enjoyed a brief run in cartoon form on CBS. *The Lone Ranger* aired during the 1966-67 season in the Saturday morning lineup. The show consisted of 26 episodes containing three stories each. CBS rebroadcast the show during the following two seasons.

Character animation was rudimentary, but the background art by Walt Peregoy—utilizing black marking-pencil borders and torn colored paper—was eye-catching and highly innovative. One could call the story material “innovative” too, but only in comparison to standard *Lone Ranger* scriptwork. The series’ emphasis on robots, space aliens, death rays, weather machines and costumed villains like The Black Widow, The Fly, The Fire God and Dr. Destructo, had more in common with the 1966 *Batman* TV series than the Lone Ranger’s customary “Thrilling Days of Yesteryear.”⁵⁴

A Champion of Justice Seeks Justice

By the mid-1970s, Clayton Moore had been making personal appearances as the Lone Ranger for nearly 30 years. After his final filmed appearance as the Lone Ranger in *The Lone Ranger and the Lost City of Gold* in 1958, Moore continued appearing as the Lone Ranger as a vocation.

But personal appearance tours were my bread and butter from that time on. I would sometimes do as many as 200 live shows a year. On occasions I performed my gun-twirling, story-telling, question-answering act. On others, I was a master of ceremonies or simply a guest of honor, there to meet and greet my fans at shopping mall openings, fairs, and amusement parks.⁵⁵

Moore’s personal appearances and television commercials portraying him in the Lone Ranger costume triggered a face-to-face meeting in 1975 with Stanley Stunnell, Vice President and General Manager of Operations of Lone Ranger Television, Inc.⁵⁶ Lone Ranger Television, Inc. was a subsidiary of Wrather Corporation.

Stunnell drew the proverbial line in the sand.

Look, you’re going to have to stop billing yourself as the Lone Ranger. The Wrather Corporation owns the rights to the Lone Ranger, and you are breaking the copyright by appearing as that character. We want you to stop immediately. You’ve been doing this for too long. You can’t make any more appearances as the Lone Ranger. If you do, we will have no recourse but to take legal steps.⁵⁷

Wrather Corporation’s position weakened Moore’s visibility and viability, the twin pillars for a celebrity promoting his image or, in this case, the image of the character he portrayed. “To stop doing these personal appearances would have caused me great personal and financial distress. It was the way I made my living. More than that, it was the way I lived my life.”⁵⁸

Stunnell made good on his promise. Lone Ranger Television sued Moore.

Plaintiff LRT [Lone Ranger Television] seeks the equitable assistance of this Court because one of these nine actors [to play the Lone Ranger since its 1933 debut on radio]—defendant Clayton Moore—has decided that he is entitled to be billed as the LONE RANGER and make public appearances for his profit wearing the famous LONE RANGER mask and/or other parts of the LONE RANGER costume without the permission and over the objections of plaintiff LRT. Defendant Moore maintains this position even in the face of a series of employment contracts he signed with plaintiff’s predecessors in the 1950’s in which he expressly recognized that he has no such rights to the LONE RANGER character and accoutrements belonged to plaintiff’s predecessor.⁵⁹

Lone Ranger Television claimed that Moore’s wearing of the Lone Ranger mask and/or costume in public “will cause immediate irreparable injury.”⁶⁰

It based its argument on four factors:

Moore’s age:

“Due to his age (approximately 65 years old), defendant Moore is no longer an appropriate physical representative of the trim, 19th century Western hero in his mid-30’s that the LONE RANGER character represents.”⁶¹

Lone Ranger Television's actions supported its argument. In 1975, it licensed the Lone Ranger character to Frito-Lay for four television commercials promoting a new product called SunChips during the 1975-77 seasons.

Under the terms of the contract, LRT maintained control over the casting of the LONE RANGER character. Wrather and LRT determined at that time that Clayton Moore—who then was about 60 years old—no longer had the youthful appearance necessary to play the LONE RANGER. Wrather and LRT approved the casting as the LONE RANGER in these commercials of an actor who had appeared in a LASSIE television program (a property also owned by LRT), Jack DeMave.⁶²

Moore's authority:

"Any public appearance by defendant Moore as the LONE RANGER or wearing a portion of the LONE RANGER costume will cause public confusion since the public will be misled into believing that his appearance is sanctioned by the owner of the LONE RANGER character and accompanying rights."⁶³

Number of actors who played the Lone Ranger:

"Any public appearance by defendant Moore as the LONE RANGER will cause public confusion since the defendant Moore was never the LONE RANGER, but only one of several actors who portrayed that role."⁶⁴

Future appearances of the Lone Ranger character:

"Appearances by defendant Moore as the LONE RANGER will cause substantial public confusion because plaintiff LRT plans to have future public appearances of the LONE RANGER made by another actor in connection with pre-release promotion for its new, multimillion dollar LONE RANGER motion picture scheduled for release next year."⁶⁵

Lone Ranger Television also relied on *Lone Ranger, Inc. v. Cox*,⁶⁶ a 1942 case involving the Lone Ranger character with a parallel set of circumstances. The case resulted in an injunction against Lee Powell, the actor who played the Lone Ranger character in the 1938 Republic serial, *The Lone Ranger*. The ruling prevented Powell "from advertising that he was the LONE RANGER, and against his implying a relationship with the official LONE RANGER properties."⁶⁷

Lone Ranger Television used an unfair competition argument in seeking the same result. Although it owned a valuable property that it wanted to exploit according to

its vision, strategy, and paradigm, it did not want to stop Moore from making public appearances altogether.

Plaintiff LRT has never had any objection to defendant Moore—or any other actor who portrayed the LONE RANGER—billing himself clearly and without confusion as an actor who played that role. What we do seek, for the sake of the public's right to not be confused, as well as plaintiff's own economic interest, is to stop defendant Moore from advertising or presenting himself in such a way that the public is misled into believing that it is seeing the LONE RANGER character.

Defendant Moore, when he accepted lucrative employment from plaintiff's predecessors in interest, willingly acknowledged in writing that all rights to the LONE RANGER character were owned by plaintiff's predecessor. The law of unfair competition does not permit defendant Moore to pass himself off now as the authorized character when he is only one of many actors who played the role. For these reasons, plaintiff seeks immediate and permanent equitable relief from this Court.⁶⁸

Lone Ranger Television also looked to another case involving an entertainment icon for legal precedence. In *Chaplin v. Amador*,⁶⁹ Charlie Chaplin won an injunction to prevent distribution of a film starring an imitator named Charles Aplin, who copied the "Little Tramp" character.

At the heart of the matter was the investment of time, resources, and money dedicated to the Lone Ranger franchise since 1933. According to LRT, Moore's continued use of the Lone Ranger character could nullify prior investments, jeopardize ongoing projects, and ruin goodwill.

Moore's threatened public appearances place at risk Plaintiff's [sic] LRT's motion picture, television, radio, literary and merchandising business—all of which are founded upon the name, character and persona of the LONE RANGER. By diminishing public regard for the LONE RANGER and its resultant goodwill, Moore threatens a business which has been built over a period of almost half a century at a cost of tens of millions of dollars. The fragile nature of the public regard and goodwill upon which Plaintiff LRT's business rests, requires an injunction for its protection from interference by Moore.⁷⁰

The strength of rights concerning the Lone Ranger property was also at risk. From Lone Ranger Television's standpoint, Moore's appearances as the Lone Ranger jeopardized a new marketing strategy hinging on a film starring a younger, sexier, and more dynamic Lone Ranger.

"In particular, Moore's threatened public appearances utilizing the name, character and persona of the LONE RANGER threaten to cause a serious change in the condition of Plaintiff LRT's property rights or to destroy such rights. Damage to Plaintiff LRT's rights would also produce a pecuniary loss which would be extraordinarily difficult to calculate."⁷¹

On August 30, 1979, Judge Foster issued the preliminary injunction sought by Lone Ranger Television.⁷²

Joel E. Boxer and Thomas Doniger of Kaplan, Livingston, Goodwin, Berkowitz & Selvin represented Lone Ranger Television.

In an interview for this article, Boxer recalled the legal mechanics that led to public confusion between Judge Foster and another member of the bench who received mistaken blame for the August 30 ruling:

Jerry Pacht was the original trial judge. On the injunction, his name is crossed off. In Los Angeles Superior Court, two judges hear arguments for injunctions on an emergency basis. The judge who drew the case wasn't in, so Pacht covered for everyone. He issued a Temporary Restraining Order and an order to show cause. You need an order to get into court, so you file the complaint. The judge says you're enjoined until the hearing on the preliminary injunction. Judge Pacht issued the TRO relatively quickly. He got flooded with hate mail for several years because he was covering for Judge Foster on that day, even though Judge Foster presided over the later hearing on August 30th.⁷³

Boxer also recalled Clayton Moore's appearance at the August 30 hearing, followed by a quick disappearance.

The day of the hearing took place during dog day time. A lot of publicity surrounded the case. And this was before the 24-hour news cycle. The courtroom is packed. Moore is not there. But he doesn't need to be present during the lawyers' arguments. The judge hears several arguments and motions. I was up at the counsel's table and I see Clayton Moore enter the courtroom wearing his Foster Grant sunglasses and a big cowboy hat. He sat down in the audi-

ence section on an aisle seat. Judge Foster asked the gentleman wearing the hat to please remove it. Moore left the courtroom. He is bald, so perhaps he did not want to reveal that to the press covering the hearing.⁷⁴

Clayton Moore's true vulnerability lay not in vanity, but in the core legal issues.

I think the reason we got the injunction as relatively easy as we did is that Moore had specifically promised in his employment contract that he would not depict himself as the Lone Ranger. I discovered at least two prior actors had marketed themselves as the character. That's what led to the clause in the Moore contract. Someone was cautious enough to realize a potential problem with a valuable property. We convinced the judge that Moore could not appear as the Lone Ranger without written approval. It was a contract issue as well as an intellectual property issue. We were not talking about a casual promise. It was a contract.⁷⁵

Judge Foster's ruling forced Moore to find an alternative to the iconic mask—wraparound sunglasses. "In a way the Wrather Corporation did me a tremendous favor. My fears that the loss of the mask would affect my ability to make a living proved unfounded. In fact, the number of my personal appearances actually increased during that time, giving me additional opportunities to tour and see more of my fans. I realized that my fans were as interested in the real person behind the mask as they were in the Lone Ranger."⁷⁶

Columnist Russell Baker satirized the ruling in his piece *Bye-bye Silver Bullets*:

Life for the lawyer has been a series of disappointments. In law school he had wanted to grow up to be Perry Mason and save the innocent from the noose and be admired afterward by Paul Drake and Della for refusing to take a fee.

Instead, here he was, pushing around heroes for getting long in the tooth. He hoped the Lone Ranger wouldn't cry. He couldn't stand it when they cried.⁷⁷

Wrather Corporation continued with its plans to reignite the Lone Ranger's mass appeal. The pursued resurgence began with a cartoon on CBS's 1980-81 Saturday morning lineup—*The Tarzan / Lone Ranger Adventure Hour* debuted on September 13, 1980. The character continued his adventures for one more season in *The Tarzan / Lone Ranger / Zorro Adventure Hour*.⁷⁸

Plans to revive the Lone Ranger on the big screen culminated in *The Legend of the Lone Ranger*, a 1981 feature film starring Clint Eastwood as the title character.

It lost \$11 million.⁷⁹

Where Wrather Corporation and Lone Ranger Television won a legal victory, Clayton Moore won loyalty, support, and sympathy. "I appeared on more than 250 talk shows in just a few months. And I received nearly a half-million passionate, supportive letters."⁸⁰

In 1980, Moore appeared on *Real People*, an NBC prime time show highlighting people "with offbeat professions, hobbies, and interests."⁸¹

Real People reflected the public opinion about Moore's legal battle.

This popular program filmed a segment showing me at personal appearances, greeting my fans and signing autographs, and also interviewing people regarding their outrage at the way I was being treated. It was a rousing and sympathetic piece of film, and when it was over, the curtains parted and I stepped out onto the stage to join the show's hosts. The audience went wild, giving a long, loud standing ovation. The producers later told me that nothing like it had ever happened on the program. In fact, I never had a chance to say a word. The applause and cheering lasted so long they finally had to cut to a commercial. I kissed cohost Sarah Purcell and gave her a silver bullet, then stepped out into the audience and began shaking hands with the fans. It was one of the most thrilling things that ever happened to me.⁸²

Coda

Jack Wrather died on November 12, 1984. Less than a month before Wrather's death, Moore received a message.

The court case had been dropped on September 20, 1984 and about a month later, on October 17, Bonita Granville Wrather [Jack Wrather's wife] typed a note, which she sent to Art Dorn [Moore's manager]. "Dear Arthur," it read, "please be advised that Wrather Corporation hereby grants to Clayton Moore the rights to wear the Lone Ranger mask."⁸³

As the lawsuit remained open before Wrather's decision to drop the case, the injunction barred Moore from wearing the mask.

No lawsuit, no injunction.

In turn, Superior Court of the State of California for the County of Los Angeles dismissed the suit.

Hi-Yo-Silver...Away!!!

Endnotes

1. *Lone Ranger Television, Inc. v. Clayton Moore*, Case No. C 295 187, Cal. Super. Ct., County of Los Angeles, Order Granting Preliminary Injunction, Aug. 30, 1979.
2. Tim Brooks & Earle Marsh, *The Complete Directory to Prime Time Network and Cable TV Shows: 1946-Present* 807 (9th ed., Ballantine Books 2007).
3. Wrather Corporation owned the rights to the Lone Ranger from 1954-1985.
4. Dick Osgood, *Wyxie Wonderland (An Unauthorized 50-Year Diary of WXYZ Detroit)* 7 (Bowling Green University Popular Press 1981).
5. *Id.*
6. *Id.*
7. *Id.* "A Gentleman's Amateur Theatre Group" is the tag line for the Players on its web site. <http://www.playersdetroit.org> (last visited Apr. 14, 2010).
"Founded in 1910 and incorporated in 1911 by a group of prominent Detroit businessmen, the Players Club of Detroit is a non-profit [501(c)(3)] gentlemen's club whose official purpose is to encourage amateur theater. On the first Saturday of the Season (October to April), Player members perform three one-act plays at what is called a 'Frolic.' In the Shakespearean tradition, all roles on stage are played by gentlemen. Player members also do the costuming, directing, producing, set construction, makeup and other technical jobs, including those involving lights and sound." *Id.* The theatre is located at 3321 East Jefferson Avenue in Detroit, <http://playersdetroit.org/contact.aspx> (last visited Apr. 14, 2010).
8. Osgood at 8.
9. *Id.*
10. *Id.* at 10.
11. Tom Lewis, *Empire of the Air: The Men Who Made Radio* 162 (Edward Burlingame Books 1991).
12. *Id.*
13. Osgood at 10.
14. *Id.*
15. *Id.*
16. Sally Bedell Smith, *In All His Glory: The Life of William S. Paley, The Legendary Tycoon and His Brilliant Circle* 56 (Simon and Schuster 1990).
17. *Id.* at 63. CBS stands for Columbia Broadcasting System.
18. Osgood at 12.
19. Ryan and Storer were brothers-in-law.
20. *Id.* at 14.
21. Smith at 64.
22. Osgood at 22.
23. *Id.*
24. *Id.* at 16.
25. *Id.* at 22.
26. *Id.* at 23.
27. *Id.*
28. *Id.*
29. *Id.* at 24.

30. *Id.*
31. *Id.* at 42.
32. *Id.* at 46. The group of stations became known as the Michigan Radio Network.
33. *Id.* at 48.
34. *Id.*
35. *Id.* at 85.
36. *Id.*
37. Inter-Office Communication from Howard Pierce to James Jewell, Kunsky-Trendle Broadcasting Corporation (April 8, 1933).
38. Holland at 93.
39. *Id.*
40. 24,905 Letters—One Announcement: Mail Record for Detroit, Michigan Radio Network, Volume 1, Number 1, 1933.
41. *Id.*
42. The Texas Rangers date back to 1823 because of Stephen F. Austin's efforts to protect settlers. "There was no regular army to protect them, so Austin called the citizens together and organized a group to provide the needed protection. Austin first referred to this group as the Rangers in 1823, for their duties compelled them to range over the entire country, thus giving rise to the service known as the Texas Rangers." Texas Department of Public Safety, http://www.txdps.state.tx.us/director_staff/texas_rangers/ (last visited Apr. 14, 2010).
43. *The Lone Ranger: Enter the Lone Ranger* (ABC television broadcast, Sept. 15, 1949).
44. *Id.* Holland places the time of the ambush as 1880. Holland at 413-414.
45. *Id.*
46. *The Lone Ranger: The Lone Ranger's Triumph* (ABC television broadcast Sept. 29, 1949).
47. Gary A. Yoggy, *Riding the Video Range: The Rise and Fall of the Western on Television* 16 (McFarland & Company, Inc. 1995).
48. Clayton Moore with Frank Thompson, *I Was That Masked Man* 115 (Taylor Publishing Company 1998).
49. *Id.* at 130.
50. Yoggy at 16.
51. *Happy Days: Hi Yo Fonzie, Away* (ABC television broadcast Feb. 9, 1982).
52. Osgood at 323.
53. *Id.*
54. Hal Erickson, *Television Cartoon Shows: An Illustrated Encyclopedia, 1949 through 1993* 315 (McFarland & Company, Inc. 1995).
55. Moore with Thompson at 203.
56. *Lone Ranger Television, Inc. v. Clayton Moore*, No. C 295 187, Order to Show Cause Re Issuance of a Preliminary Injunction and Temporary Restraining Order Pending Hearing on Order to Show Cause Re Preliminary Injunction, Decl. of Stanley Stunnell 2, Filed with County Clerk, Cal. Super. Ct., County of Los Angeles, Aug. 17, 1979). Stunnell had been Vice President and General Manager of Operations of Lone Ranger Television, Inc. since 1970.
57. Moore with Thompson at 205.
58. *Id.* at 206.
59. *Lone Ranger Television, Inc. v. Clayton Moore*, No. C 295 187, Order to Show Cause Re Issuance of a Preliminary Injunction and Temporary Restraining Order Pending Hearing on Order to Show Cause Re Preliminary Injunction, Pl.'s Mem. of Points and Authorities, Prefatory Statement 5-6, Filed with County Clerk, Cal. Superior Court, County of Los Angeles, Aug. 17, 1979.
60. *Id.* at 6.
61. *Id.*
62. Decl. of Stanley Stunnell 7-8. In his declaration, Stunnell also states that he cast DeMave in the role of the Lone Ranger for the 1978 Macy's Thanksgiving Day Parade in New York City. *Id.* at 8.
63. Pl.'s Mem. of Points and Authorities, Prefatory Statement 6.
64. *Id.* at 6-7.
65. *Id.* at 7.
66. 124 F.2d 650 (4th Cir. 1942).
67. Pl.'s Mem. of Points and Authorities, Prefatory Statement 7.
68. *Id.* at 7-8.
69. 93 Cal.App. 358, 269 Pac. 544 (1928).
70. Pl.'s Mem. of Points and Authorities 17.
71. *Id.* at 25.
72. *Lone Ranger Television, Inc. v. Clayton Moore*, No. C 295 187, Order Granting Preliminary Injunction, Cal. Super. Ct., County of Los Angeles, Aug. 30, 1979.
73. Telephone Interview with Joel E Boxer, Partner, Bird, Marella, Boxer, Wolpert, Nessim, Drooks & Lincenberg, a Professional Corporation (December 21, 2009).
74. *Id.*
75. *Id.*
76. Moore with Thompson at 214.
77. N.Y. Times News Service, September 1979. Different newspapers published the column on different days. Research indicates *Bye-bye Silver Bullets* appeared on September 6 or 7. Newspapers may also alter the title slightly, e.g., *Bye-Bye, Tarnished Silver Bullets*.
78. Erickson at 314.
79. Dell Omega Grant, *Lone Ranger Hides Again, By Mandate*, N.Y. TIMES, January 24, 1985, <http://www.nytimes.com/1985/01/24/movies/lone-ranger-hides-again-by-mandate.html> (last visited Apr. 14, 2010).
80. Moore with Thompson at 212.
81. Brooks and Marsh at 1134.
82. Moore with Thompson at 215.
83. *Id.* at 216.

David Krell is an attorney, media historian, and speaker. David calls himself The Writing Guy™ because of his passion for writing. His blog about writing at www.davidkrell.com is called Quills & Keyboards.™ His CLE writing workshop is called Stop Writing Like A Lawyer!™

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David has a B.A. in Communication Arts and Theatre from the University of Maryland, a J.D. from Villanova University School of Law, and an LLM in Intellectual Property from Cardozo Law School. He is a member of the bar in New York, New Jersey, and Pennsylvania.

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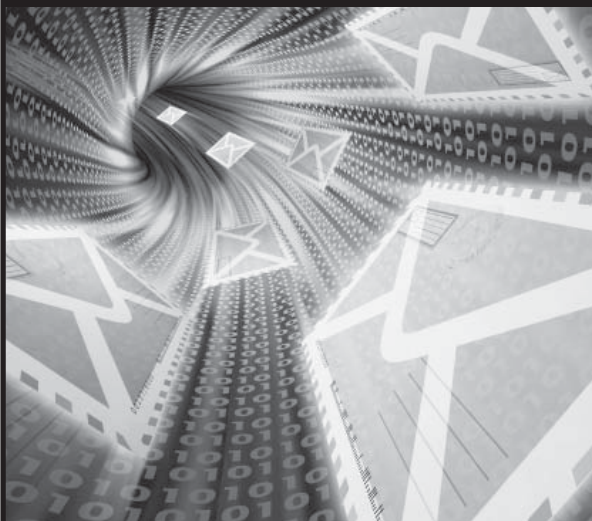
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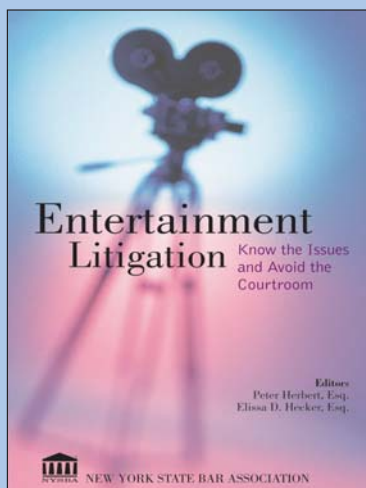
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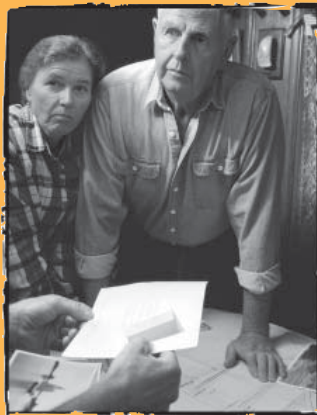
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