NYSBA WINTER 2000 | VOLUME 11 | NO. 2

Entertainment, Arts and Sports Law Journal

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

Remarks from the Chair

Our Section anticipates an extremely active—and productive—fall season. First, I'd like to welcome some additional new appointments to our Executive Committee: Elissa D. Hecker, as our new Publications Editor, David Sternbach as our new Co-Chair of our New Technologies Committee, Mark Allen who will now be Chair of our Music and Recording Industry Committee, taking over from Ronald S. Bienstock and Gary F. Roth, the Committee's former Co-Chairs, who will now be our Section's liaisons to the NYSBA's newly formed (and extremely timely) multi-Section Cyber Law Committee, and Douglas P. Jacobs, our new Chair of our Section's Broadcasting and Cable Committee. I also note with pleasure that Alan D. Barson, our Section's Assistant Secretary, has now been appointed Secretary, taking the place of Edna Weiner, who has served us well.

By the time you read this, we will have had, as of this writing, a Copyright and Trademark Committee meeting, chaired by Alan J. Hartnick entitled "Archives—A Virtual Goldmine," and a Literary Works and Related Rights Committee meeting chaired by Jay Kogan entitled "Publishers' Deals with the New E-Middlemen." We will have also have had a Section Program—a day-long joint venture with the Annual Meeting of the Appraisers Association of America—entitled "Attorneys and Appraisers: Forging Professional Relationships: The Law and Business of Art," offering 6 CLE credits and featuring, among its panelists, both Ralph E. Lerner, Chair of our Fine Arts Committee, and your Section Chair. This Program will focus on Appraisers and Auction Law, Expert Opinions and Liabilities, Art and International Law, Appraisal Standards, Insurance Litigation, Art and Copyright Law, Art on the Internet, and

Inside

NYSBA

Appraisers as Expert Witnesses. The day after, we will have had another, very different Section Program (we're nothing if not varied): Our day-long 4th Annual Sports Law Symposium, presented in association with New York Law School—another great, CLE-accredited program. Among the featured participants in this program—serving as moderators—are Jeffrey B. Gewirtz, Co-Chair of our Professional Sports Committee, and Jeffrey A. Rosenthal, Co-Chair of our Professional Sports Committee as well as Vice-Chair of our Section. Among the topics to be covered in this program are Legal Ethics and Athlete Representation, New Media in Sports and the Law, and Developments in Sports Arbitration.

Speaking of sports, we have a blockbuster Annual Meeting planned for Friday, January 26, 2001. Entitled "Challenges Facing Professional Sports," we have procured, as of this writing, as panelists, Gary Bettman, Commissioner of the National Hockey League, Donald Garber, Commissioner of the Major Soccer League, Mark Miles, CEO of the ATP Tour, Inc., and Ty M. Votaw, Commissioner of the Ladies Professional Golf Association. When I say "we" have procured, I mean Jeffrey Rosenthal and Jeffrey Gewirtz, and I heartily thank the two Jeffreys for their inexhaustible efforts in putting together such a sensational program! Don't forget to put this date on your calendar. In closing, I'd like to equally thank Elissa Hecker for her devoted enterprise in putting together such a terrific first issue under her editorship. You've set the bar high, Elissa! We look forward to three such issues a year. I'd also like to thank each and every one of the writers who have taken the time and effort to make this issue what it is: A timely, varied, robust *Journal*. Please contribute to it!

See you at the Annual Meeting!

Judith Bresler

Editor's Note

The Year 2000 was a tremendous year for the Entertainment, Arts and Sports law fields. Our issues grabbed the headlines, were debated in Congress and were heard by the courts. The Olympics, golf and tennis tournaments and Mets/Yankee excitement captured hopes and showed the world extreme emotions. Great houses fell as Sotheby's and Christie's faced anti-trust issues. MP3.com, Napster and Scour brought out the best and the worst in music and film lovers. The Internet, and how to apply the law, was a continuous challenge—with new technologies rising fast while lawyers ran to keep up. It has been terribly exciting.

It was a wonderful year of topics. We have a remarkably large issue of the *Journal*, which subjects define a number of the issues that faced lawyers this past year.

In addition to all of the legal issues that developed and that will be addressed in these pages, the *Journal* is also expanding its scope to include contributions from non-lawyers. Each issue will include articles written by those who are personally involved with topics that affect many in the Entertainment, Arts and Sports Law fields. These contributions will hopefully bring to light non-legal analyses of subjects that may effect your clients on a regular basis. In this issue, there are companion pieces that address a subject that is quickly coming to the forefront in theatrical rights discussions—should a playwright and director share the copyright in the final production? The articles are written from two viewpoints, one from that of a director and one from a playwright. The attempt to try and determine which, if not both parties, should own the copyright, or if the bundle of rights should be shared, is hardly a black and white issue.

This *Journal* also contains an article regarding the commercial actor strike of 2000. This strike affected the entertainment industry in immeasurable ways, and both united and divided key players in the business of commercials. The author presents an organized analysis of the issues resulting from the strike, and the possible repercussions it will have on the entire entertainment industry, including the businesses involving television and film.

We are fortunate to have two articles from a gifted writer regarding controversial issues that have impacted the music industry. The Intellectual Property and Communications Omnibus Reform Act of 1999, which included an addition to the work-for-hire provision, was passed without debate and only limited discussion, and which was repealed as a result of the reaction from artists in the industry, is the focus of the first piece. The second addresses the Fairness in Music Licensing Act, which to some, was quite the opposite of "fair."

This issue of the *Journal* also includes a thought-provoking and thorough analysis of the liability of expert opinions in the field of Fine Arts. The author walks the reader through specific examples and situations, laying out the factors that an expert must consider when giving an opinion—whether solicited or not. The result from each analysis may differ depending on an evaluation of several circumstances.

We also have an article about an opinion regarding product photography. The question recently came before the Ninth Circuit Court of Appeals as to whether the photograph of a vodka bottle can be a derivative work, worthy of copyright protection and independent from the product itself. This decision will be one of great interest to professional photographers.

This issue contains an all-encompassing discussion about New York State's Civil Rights Law §§ 50 and 51, which address the rights of privacy and publicity. The author argues that it is time for New York to enter the 21st century, and to update the law granting broader rights, rather than what he claims to be a narrowing of such rights resulting from Appellate Court decisions. The question is left open as to which branch of government will take on the responsibility of broadening the law—the courts or the legislature.

It is very unusual to find an issue that is non-controversial, that everyone not only can agree with, but one which unites everyone towards a common goal. The *Journal* has devoted a section of this issue to an innovative and wonderful program, Musicians On Call. This organization was founded at Memorial Sloane-Kettering Cancer Center. The Musicians On Call programs provide forums for anyone who has the talent, time and/or desire to help hospitalized patients, their families and loved ones, by using music in therapeutic ways. The programs are currently operating in the New York Metro area, but the goal is to extend nationwide, if not further. Each person who contributes to Musicians On Call gains invaluable insight into how profound it is to help others.

Unfortunately, there are no sports articles included in this issue of the *Journal*. However, I promise that the next issue (Spring) will contain some addressing Sports-related topics, and I hope that the Annual Meeting forum, which will be focusing on issues facing sports Law practitioners, athletes, and agents, to name a few, will prove fruitful, in that writers will be inspired to contribute pieces of interest to the readership.

In addition to articles, I encourage Letters to the Editor. Differing opinions are what makes the practice of law so interesting, and for every topic there are many, many issues that may be addressed. Write to the *Journal* about your opinions. Encourage others—be they members or non-members, lawyers or non-lawyers, to contribute to the *Journal*. It should be a forum for ideas and a repository for legal analyses and theories.

Finally, I want to thank Judith Bresler for bringing me on the team and for having faith in my abilities, and Jeff Sanders for his invaluable help in mentally preparing me for this job.

I look forward to working for and with all of you.

Elissa D. Hecker

Elissa D. Hecker is Associate Counsel to The Harry Fox Agency, Inc., licensing subsidiary of The National Music Publishers' Association, Inc., where she is involved with legal, educational and policy matters concerning the world's largest music rights organization and the U.S. music publishing industry trade group. In addition to membership in the NYSBA, Ms. Hecker is also a member of The Copyright Society of the U.S.A., Co-Chair of the FACE Initiative children's Web site, Associate Member of the Graphic Artists' Guild, and a member of other Bar Associations.

Request for Articles

If you have written an article, or have an idea for one, please contact

Entertainment, Arts and Sports Law Journal Editor
Elissa D. Hecker, Esq.
The Harry Fox Agency, Inc.
711 3rd Avenue
New York, NY 10017
ehecker@harryfox.com

Articles should be submitted on a 3-1/2" floppy disk, preferably in Microsoft Word or WordPerfect, along with a printed original and biographical information.

The Commercial Actor Strike of the Year 2000

By Michael L. Landsman

Introduction

The streets of midtown Manhattan and downtown Los Angeles were particularly boisterous over the last several months of 2000, due to a series of protests by striking workers from various labor unions. Perhaps the most rambunctious and well-choreographed of these protests, however, were conducted by members of the Screen Actors Guild (SAG) and the American Federation of Television and Radio Actors (AFTRA).

These protests commenced soon after officials from SAG and AFTRA, which collectively represent about 135,000 actors in the United States, announced that their members would strike ("strike" or "commercial actor strike") against the Association of National Advertisers (ANA) and the American Association of Advertising Agencies (AAAA) on May 1, 2000.[1] There are several reasons why it is important for attorneys and other professionals who work in the entertainment industry to understand the key aspects of this strike.

The first reason is that this strike provides a preview to the negotiations and major issues in at least three additional labor disputes that are expected to hit the entertainment industry over the next two years.[2] The first two of these disputes are expected to occur when the contracts between the Alliance of Motion Picture and Television Producers (AMPTP) and the Writers Guild of America (WGA), and between the AMPTP and SAG/AFTRA both expire. These contracts expire in May and June of 2001 respectively.[3] The third such dispute is expected to occur when the Directors Guild of America's (DGA) contract expires in June of 2002.[4] Based on the fact that many of the central issues in the commercial actor strike are strikingly similar, if not identical, to the potential issues in the three contracts mentioned above, the outcome of this strike will most definitely have an impact on future negotiations in the industry.

The second reason is that this strike highlights the need to understand and foresee the impact technology has on the entertainment industry and the fundamental economic assumptions that support it. For example, the advent of cable, satellite and Internet broadcasting have dramatically increased the quantity of content available to consumers, loosened the three major networks' (i.e., ABC, CBS, and NBC) stronghold over the industry, and increased the amount of options available to advertisers. It is much too early in the information revolution to predict the long-term effects of these changes, but it is clear that many of them will have a profound impact on the industry. It is therefore imperative that people remain informed about them.

The third reason why this strike is important is that it illustrates the benefits of using the Internet to disseminate information and influence public opinion during a labor dispute. As a recent editorial in the *Wall Street Journal* pointed out, this is the "first labor war waged to a significant extent on the Internet."[5] Although parties in previous labor disputes have placed information on their Web sites, the parties in this strike were particularly effective at using the Internet to provide information about the negotiations and positions on the issues. For example, both SAG/AFTRA ("commercial actors" or "unions") and AAA/AAAA ("advertising industry" or "management") devoted significant portions of their Web sites to providing information about the strike, and such sections were constantly updated.[6] In fact, a substantial portion of the research used to prepare this article was obtained via the Internet.

Although the overall impact of the Internet on this strike was difficult to measure at the time this article was written, there is no question that it played a major role in informing people about the issues. Accordingly, readers should be aware of the benefits associated with using the Internet when informing and influencing public opinion about a client's position, and plan on capitalizing on such benefits in the future.

The balance of this article provides a brief background of the commercial actors strike, discusses the four major issues therein, and concludes that the best resolution for this dispute is one that accounts for the rapid and unforeseeable technological changes facing the entertainment industry over the next several years.

Background

The dispute between the commercial actors and the advertising industry has its genesis in a contract that was first negotiated back in the 1950s, well before the arrival of the Internet, cable and satellite television. As Ira Shepard, who is one of the attorneys representing the Joint Policy Committee on Broadcast Talent Union Relations (JPC) recently pointed out, this "contract has not been changed since the television was invented," and it was "geared to a time when three networks controlled virtually 95% of the national audience."[7]

In 1997, SAG and JPC (which includes the ANA and the AAAA) agreed to a new contract ("1997 Contract") that commenced on April 1, 1997 and continued to March 31, 2000.[8] The 1997 Contract set the minimum compensation for on-camera principal performers at $478.70 per day, and contained compensation schedules for various markets, commonly referred to as pay-per-play provisions.

Negotiations for a new commercial actors' contract began on February 14, 2000 in New York City. According to press reports from that time, neither labor nor management were willing to make any concessions, and five weeks later SAG and AFTRA members voted to give the Board of Directors of both unions the power to call a strike if it became necessary to obtain a fair contract.[9] By April 19, 2000, the Joint National SAG/AFTRA Board of Directors instructed their members to withhold performing services and auditioning for television commercials and recorded radio commercials as of May 1, 2000.[10]

The four major issues in the commercial actor strike were (a) whether to expand the "pay-per-play" formula to cable, (b) broadcast Network Class A payments, (c) the monitoring system used to determine how often commercials are broadcast, and (d) Internet broadcasting.[11]

Discussion

Pay-Per-Play for Cable

The first and perhaps most important issue in the commercial actor strike concerned the pay-for-play residuals, which, as the phrase implies, are based on how often a commercial is broadcast. The underlying principal of the network compensation schedules in the 1997 Contract is that the more a commercial is used, the more actors are paid.

In contrast to the compensation system used for the networks, when commercials are broadcast on cable, actors are paid $1,014 for a 13-week cycle, regardless of how many times the spot is used.[12] This fee is in addition to the amount actors receive the time spent filming the commercial, which is at least $478 per day.[13]

The major reason why the system for compensating actors for commercials broadcast on cable became such a significant issue is that the increase in the number of channels available on cable and the amount of revenue necessary to support them, disturbed the balance achieved under the 1997 Contract. In order to compensate actors for the increase in the number of times many commercials are broadcast on cable, the unions wanted to expand the pay-per-play residuals to this medium for the next contract.[14]

Based on the median number of times a commercial is broadcast on cable, an actor's compensation for a 13-week cycle would increase from $1,014 under the 1997 Contract to $2,564.28. This compensation would also continue to increase as new cable networks arrive over the next few years. In other words, if the current pay-per-play system for compensating actors for commercials broadcast on the networks is applied to commercials broadcast on cable, the increase in wages would be about 400% per principal performer.[15]

In contrast to the unions' proposal, management wanted to eliminate residuals altogether and replace this method of compensating actors with a flat-rate scale that would cover commercials broadcast over the networks and cable. Management's proposal would bring the 1997 Contract's 13-week guarantee for cable to $1,627.47, which is a 60% increase over current compensation rates.

According to the most recent information available at the writing of this article about the contract negotiations in the commercial actor strike, the unions compromised on their demand that the pay-per-play system be expanded to cover cable broadcasting, and accepted an increase in cable residuals payment of over 100% by the third year of the next contract.[16] In any event, the final outcome of the negotiations over cable broadcasting residuals in this strike will most definitely influence the negotiations concerning the three labor disputes expected to hit the industry over the next three years.

Broadcast Network Class A Payments

The second major issue also relates to the pay-per-play provisions. As mentioned above, the 1997 Contract set forth different compensation rates for commercial actors, and such rates also varied according to the medium on which a commercial is broadcast. Under the 1997 Contract, compensation for use of commercials is divided into several classes.[17] For example, actors are paid a daily rate of $478.70, which includes the first network broadcast, for commercials broadcast pursuant to the Network Class A schedule. Actors are then paid each time the commercial is subsequently broadcast on a network. This per broadcast rate starts at $122.70 and decreases over 13 weeks to $46.65.[18]

In an effort to modernize and simplify this system for calculating compensation, the advertising industry decided that it would offer the unions a guaranteed residual (a/k/a flat rate) for the next contract. Under the 1997 Contract, an actor was paid $2,045.30 for a Network Class A commercial.[19] In contrast, under the industry's new guaranteed residual offer, the same actor would make $2,575 for each 13-week usage on a network.[20]

The president of SAG and other union leaders have characterized management's guaranteed residual proposal as a "roll back." At the same time, ANA's Web site has claimed that management's proposal actually constitutes a 17% increase over the pay-per-play residuals for actors in a typical commercial.[21] Regardless of whether one views this as a rollback or an increase, the management eventually agreed to drop the proposal in order to help settle the strike.

Monitoring System

The next major issue concerns the system used to monitor the broadcast of commercials. Before the advent of cable, satellite and Internet broadcasting, this was a relatively simple matter, but as the proliferation of broadcast media outlets continues, monitoring the use of commercials becomes increasingly complex and problematic. Furthermore, there are several new products and services that may ultimately reduce the number of people who will actually view commercials. For example, several companies recently launched a line of consumer products known as personal television services (e.g., Tivo, ReplayTV). These products enable consumers to create personalized television networks by digitally recording their favorite programs. This technology also enables the consumer to skim through anything on the screen, including commercials.[22]

In addition to personal television services, within the next few years most network-affiliated stations and many cable networks in the United States will switch to broadcasting in digital, thereby enabling them to offer a plethora of new programming choices.[23] It is difficult to anticipate the effect of these and other technological advances on the advertising industry, but it is safe to predict that they will provide consumers with the ability to reduce the amount of time spent watching commercials, and undermine the feasibility of creating a system of monitoring commercials.

The unions proposed to solve the difficulties associated with counting how many times a commercial is broadcast by creating a monitoring system that would allegedly be able to track the usage of commercials on network and cable television, and ultimately ensure that commercial actors are paid for their work under a pay-per-play model of compensation. This monitoring system would be created by a third party and paid for through a special fund supported by the advertising industry.[24]

In contrast, management originally proposed to solve this problem by replacing the pay-per-play system with a flat rate, thus eliminating the need to create a commercial monitoring system altogether. More recently, the industry proposed a joint committee to explore different ways to identify commercials for eventual monitoring, and the parties agreed to meet about different approaches to solving this problem within six months. Regardless of the outcome of the strike, there is no question that eliminating the need for a monitoring system would be more efficient than attempting to develop such a system.

Internet Broadcasting

The fourth and final major issue in this strike relates to commercials broadcast over the Internet. As most people who have watched television broadcast over the Internet know, this technology has not been perfected, and often enables viewers to simply fast-forward over commercials. As the recent failures of several Internet television networks indicate, it is also unclear whether this will become a commercially viable or popular method of broadcasting within the near future.

Notwithstanding the uncertainty surrounding broadcasting over the Internet, the unions want to extend the jurisdiction of the commercial actor contract to include commercials made exclusively for the Internet. In contrast, management proposes an interim agreement under which the parties would evaluate this area as it develops over the next few years. Given that the future of television broadcast over the Internet is unclear, this issue should probably be confronted during the negotiations for the next contract.

Conclusion

As mentioned above, the best resolution for the commercial actor strike of the year 2000 is one that will account for the rapid and unforeseeable technological changes facing the entertainment industry in the near future. In the absence of such a resolution and given the magnitude of the economic damage this strike caused to various third parties (including commercial producers, production personnel, talent agents and editors), the second best solution would be for management and the unions to accept the federal mediator's proposal for a 90-day cooling-off period.[25]

This would enable everyone to begin repairing the damage caused by this strike, and allow the parties to continue negotiating a new contract. It would also offer a sign of hope for the thousands of people who will be affected by the three labor disputes that are expected to hit the entertainment industry over the next two years.

Addendum to Article:

After this article was submitted for publication, but before it was printed, labor and management agreed to a tentative pact. On Saturday, October 28, 2000 the joint SAG/AFTRA Boards met in Los Angeles and voted to approve the new agreement, recommend passage by the unions' members and issued a "back to work order."[26] These actions effectively ended the commercial actor strike.

Although it is too early to draw any conclusions, it will be interesting to observe how this strike will affect negotiations for the next WGA, SAG/AFTRA, and DGA contracts with the AMPTP. Stay tuned. . .

Endnotes

1. Kate Stone Lombardi, *Labor; Strike Compounds Struggle for Country's Struggling Actors*, N.Y. Times, June 18, 2000, Section 14 WC at 6.
2. Bernard Weinraub, *Strike Fears Grip Hollywood as Unions Flex New Muscle*, N.Y. Times, Oct. 1, 2000, Section A at 1.
3. Barbara Whitaker, *The Quiet on the Set is Sounding Like Thunder*, N.Y. Times, July 30, 2000, Section 3 at 4.
4. Daniel Fierman, *Quiet on the Set*, Entertainment Weekly, Sept. 15, 2000 at 24.
5. Editorial Board, *Labor Online*, The Wall Street Journal, Aug. 29, 2000 at A26.
6. Terry Pristin, *More Than Advertisers are Feeling the Effects of the Actors' Strike*, N.Y. Times, July 24, 2000, Section C at 1.
7. Sam Apple, *Striking Actors Find Idleness Too Familiar*, The Forward, Sept. 1, 2000 at 6.
8. The 1997 Screen Actors Guild Commercials Contract at 15. A copy of this contract is on file with the author. Copies can also be obtained from the New York City office of SAG.
9. SAG/AFTRA, Press Release, March 28, 2000.
10. SAG/AFTRA, Television & Radio Commercials Strike Notice, April 19, 2000.
11. Due to time and space constraints, several sub issues in this strike were not covered in this article. Information about these sub issues is available at www.sag.com and www.ana.net.
12. Whitaker, *supra* note 3 at 4.
13. Lynn Elber, *Unions, Agencies Battle Over Ads*, Associated Press, July 7, 2000.
14. Variety, *Actors' Unions Eye Compromise*, Aug. 18, 2000.
15. Matt Miller, Memo to the Association of Independent Commercial Producers, May 24, 2000.
16. ANA, Status Report, Sept. 28, 2000.
17. *See* Contract, *supra* note 8 at 41.
18. Whitaker, *supra* note 3 at 4.
19. This estimate is based on the median usage of all commercials broadcast last year.
20. Miller, *supra* note 15.
21. ANA, Press Release, July 18, 2000.
22. *See* www.tivo.com/what/faq_sub.
23. *See* Testimony of Dale N. Hatfield, Chief of the Office of Engineering and Technology and the Federal Communications Commission, before the United States House of Representatives Subcommittee on Telecommunications on July 25, 2000. www.fcc.gov/dtv.
24. ANA, Status Reports, April 6 and Sept. 28, 2000.
25. Amy Barrett, *The Unkindest 'Cut!',"* N.Y. Times, Sept. 10, 2000, Sunday Magazine Section at 22.
26. SAG/AFTRA, Press Release, October 30, 2000.

Michael L. Landsman is a 1998 graduate of New York Law School and currently serves as the Assistant to former Mayor Edward I. Koch at Robinson Silverman Pearce Aronsohn & Berman LLP.

The Status of the Law on Sound Recordings as Works Made for Hire

By Karen J. Bernstein

Entertainment attorneys know that it is common practice for record companies to use the contractual language "work for hire" in artist recording agreements.[1] For years, record companies employed this standard clause, and most recording artists who signed the contracts did not think twice about it. In an effort to codify this accepted practice, the Recording Industry Association of America (RIAA)[2] successfully lobbied Congress to change the Copyright Act.

On November 29, 1999, President Clinton signed the Intellectual Property and Communications Omnibus Reform Act of 1999 (the "new law"), which added Sound Recordings as a tenth category of works to the work-made-for-hire clause of the Copyright Act (the "WMH clause").[3] When artist coalitions and industry groups (the "artist rights groups") caught wind of the new law, they complained to Congress that they were not given the opportunity to be heard on the issue. Indeed, there were no Congressional hearings or debates on the new law. Moreover, they claimed that the new law essentially took copyright ownership away from them and gave record labels a legal basis to claim exclusive authorship rights in their copyrights. Surprisingly, nine months later, the RIAA sided with the artist rights groups,[4] and it recommended that Congress repeal the new law.[5]

Congress listened, and on September 6, 2000, Representatives Coble and Berman introduced legislation to repeal the addition of Sound Recordings as a new category of the WMH clause.[6] The proposed repeal was sent for Senate approval on September 20, 2000, and in an 11th hour victory for recording artists, the Senate approved the repeal on October 12 by a unanimous consent vote.

This article sets forth the history and issues surrounding Sound Recordings, the WMH clause, and the termination right provisions of the Copyright Act. It also explains the legislative history and the state of the current law in connection with the new law and its repeal.

There are many more questions surrounding this issue than answers. For example, as a result of the new law, will artist rights groups gain more leverage against record labels when negotiating contracts, or will authorship rights in record contracts return to the status quo?

History of the Work Made for Hire Doctrine, the Termination Right, and Its Relationship to the New Law

The 1976 Copyright Act

Before the 1976 Copyright Act, there was no statute that defined a work made for hire. It was a judicially created doctrine, which held that an employer may be an author for purposes of copyright ownership.[7] It was not until the 1976 Copyright Act that the WMH clause was given a statutory definition.

Section 101 of the 1976 Copyright Act defined and codified the WMH doctrine in two clauses:

(1) a work prepared by an employee within the scope of his or her employment or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.[8]

Section 201(b) of the 1976 Copyright Act provides that "in the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright."[9] Indeed, the commissioned work that is designated as a work made for hire must fit into one of the enumerated categories; otherwise, the contract can be declared void.[10]

The 1976 Copyright Act also extended the expiration of the so-called "artist termination right" from 28 years[11] to 35 years.[12] Recording artists typically assign their copyrights to record labels as part of the recording contract. Thus, the record label owns exclusive authorship rights for the statutory period of time. The artist termination right enables recording artists who contract with record labels after January 1, 1978[13] to recapture copyright ownership in their works as early as 2013.[14] Accordingly, since the 1976 amendment, notice of the termination right can be communicated as early as ten years in advance (commencing in 2003). The new law was favorable to the record companies, because it eliminated the recording artist's "second bite of the apple,"[15] as the termination right no longer applied to Sound Recordings that were classified as works made for hire.

There were numerous reasons why Congress extended the termination right and codified the work-made-for-hire doctrine in the 1976 Copyright Act. Not surprisingly, the book publishing industry was the driving force behind both changes. Book publishers felt strongly about the artist right of termination extension because 28 years, they claimed, was not enough time to capitalize on famous authors' works. [16] The WMH clause, on the other hand, was based on transaction costs.[17] Indeed, the book publishers lobbied Congress heavily to include compilations of literary works under the categories of works made for hire, because the publishers invested vast amounts of money in editing, marketing, and compiling articles.[18]

The New Law

The music industry, particularly the RIAA, used the same argument as the book publishers when it lobbied Congress for the new law, that "a record company invests time, energy and money into advertising costs, retail store positioning fees, listening posts in record stores, radio promotions, press and public relations for the artist, television appearances and travel, publicity, and Internet marketing, promotions and contests."[19] Accordingly, these are huge financial risks that a record label has to take. Further, the record labels and Congress reasoned that the new law should be passed because Sound Recordings had been registered by the Copyright Office as works made for hire since 1972, "even though they [had not been] statutorily recognized before the new law was enacted."[20]

Recording artists contend that the "predicate of a work-for-hire relationship is that the individual performing the work is paid a one-time fee—and one that's not recoupable."[21] Record labels, the artists argue, do not invest money. They advance sums to be recouped from the artists' royalties and hold all the power. [22] Their position is that they benefit from the termination transfer right because countless recording artists, who were unknown over 20 years ago, will have complete control to renegotiate the terms of their copyrights.

One constitutional law scholar argues that the addition of Sound Recordings to the WMH clause "fl[ies] in the face of the constitutional requirement that 'authors' hold exclusive rights and [the new law] fundamentally violate[s] the Framer's intent."[23] Many in the music industry assert that Sound Recordings have always been considered works for hire even before they were listed in the Copyright Act and that the marketplace should control free negotiation.[24]

Before the new law was enacted, a recording artist who sued a record label to recover royalties could rely on the Preemption Clause in the Constitution, which guarantees that any contracts written to circumvent the Copyright Act will be held to be unenforceable.[25] This right would have been eliminated had the new law remained in effect.

The Debate

Termination Rights and Works Made for Hire

Record labels projected that the termination right might cause "an employer to negotiate an assignment of copyright with each of dozens, or even hundreds, of employees each time they joined to create a copyrighted work. . . ."[26] The theory is that the addition of Sound Recordings to the WMH clause "promotes marketability by making it possible for parties to eliminate an otherwise chaotic state of copyright title. . . ."[27] The record companies reasoned that, "[i]f highly collaborative works were subject to the termination right, they would get tied up in endless disputes and negotiations over copyright ownership among any and all of the individuals who had any colorable claim of authorship (not to mention their various heirs, assigns and employers)."[28]

The recording artists reject the record labels' "chaos theory,"[29] and they assert that record contracts are typically made exclusively with the "featured artist"—the lead singer or predominant members of a band. The featured artist, in turn, contracts with the producer, the musicians, and the sound engineers who, technically, would be considered the featured artist's employees. Thus, a contract between the featured artist and the supporting players includes work-made-for-hire terms that warrant the backup singer, musician, etc. as an employee for purposes of playing on the track.[30]

There are also many arguments that flow back and forth as to whether Sound Recordings can qualify as works made for hire without the new law. Some attorneys opine that sound recordings do not rise to the level of "specially ordered or commissioned works" as stated in § 101 of the Copyright Act. In addition, there are the academic and statutory arguments. Professor Paul Goldstein believes that "individual recorded compositions themselves [could] constitute 'collective works' . . . [or] 'compilations' and thus can independently qualify for work for hire status under Clause (2)'s provision. . . ."[31] Professor Goldstein reasons that recording a song involves the "selection, coordination and arrangement of the recorded tracks into a creative whole."[32]

Peter Jaszi, a professor of law at American University Law School, disagrees with Professor Goldstein's theory. He believes that the "definition of a 'compilation' or a 'collective work,' is defined as a work comprising the contributions of several people using **pre-existing material** to form some other creation, such as an encyclopedia," whereas, a Sound Recording is a "collection of songs related temporally or thematically. . . ."[33]

Sound Recordings as Collectives or Compilations

Now that the new law has been repealed, the debate continues over whether a Sound Recording is a compilation, a collective work or a work made for hire. This is pertinent to the issue of whether record labels are justified to claim themselves as authors of the underlying copyright. For years, contributions were treated as collective works under Clause (2) of the WMH clause. A collective work is defined as "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole."[34] Significantly, collective works can be copyrighted individually. No doubt, record labels have a right to a copyright in a collective work. Equally, copyright protection extends to compilations and derivative works,[35] but the copyright is in the derivative or compilation, not in the underlying work.[36] Recording artists argue that these forms of copyright ownership for record companies should be sufficient, because record companies are not authors.

The question that still hangs in the balance is whether a record company can be considered an author for copyright ownership purposes in the first place. Some reason that record companies control the product, and therefore that should satisfy any authorship questions. For example, record labels have control over the product's content by approving technical quality and demand rights to re-record works if they are unsatisfactory.[37]

Repeal of the Law: What's in Store for the Future

At first, Congress was not pleased with the idea of reversing itself on the work-made-for-hire issue. Indeed, Congressman Coble made it quite clear that he "bent over backwards to accommodate those artist groups who expressed a desire to participate"; and he was not "enthusiastic about the prospects of exploring legislative responses to this issue—if warranted—in the current session."[38] Mr. Coble, however, had changed his position with some limitations over the last few months of the Congressional session that ended in November.

On May 25, 2000, Congressional hearings were held on the new law. Mr. Coble admonished the crowd that the "amendment was not inserted on the last night of the . . . conference under the cloak of darkness." He also emphasized that "no one staffer inserted the amendment in the absence of review by other staffers and conferees." Indeed, Mr. Coble bolstered his position by saying that the Registrar of Copyrights was also consulted prior to the adoption of the [new law]."[39]

On September 6, 2000, Congressmen Coble and Berman introduced the Work Made for Hire and Copyright Corrections Act of 2000 (the "repeal").[40] Mr. Coble once again told Congress that "it remains my belief" that the new law was meant to "merely clarify existing practice," and "there is ample authority that supports my contention."[41] However, the Congressman conceded that due to the overwhelming objection by the music industry to the new law, "[i]t follows ineluctably that the addition of sound recordings to the commissioned works made for hire categories renders a substantive change in the law."[42]

Section 2 of the repeal deletes the words "as a sound recording" from the WMH clause.[43] More importantly, § 2(b)(1) of the repeal attempts to make it clear that the new law is to be regarded as if it never happened.[44] This means that if record companies try to use the new law—either to enforce a WMH clause or to defend on the ground that the law was in effect at the time the contract was signed—they will fail. However, there was some legal conjecture that Congress' attempts might not work.[45] Consequently, Congress wrote a severability clause "to ensure that the courts will not strike down the whole bill."[46] Congressman Berman voiced concerns about the effectiveness of this language, because some future litigants could press the issue on Due Process grounds.[47] Thus, the repeal was written to alleviate the possibility of violating any Ex Post Facto laws by inserting a second subparagraph, which made the effective date of the repeal November 29, 1999—the date the new law was enacted.

On September 19, 2000, the repeal passed the House, and the bill was submitted to the Senate for consideration where no counterpart legislation was pending. Therefore, it seemed likely that the new law would be repealed before the end of the 106th Congress (although, as stated earlier, it was). Representative Conyers conceded that failure to hold committee hearings or other forms of debate before the new law's passage was a signal that "we should never do business this way."[48] Similarly, Congressman Berman stated that the issue of whether there should be some other law addressing Sound Recordings and the WMH clause will require "more extensive deliberation and careful consideration" in the next Congress.[49] In the meantime, what sort of new laws will emanate from this series of events is a debate within the music industry itself.

Conclusion

The record business is changing rapidly with new technologies. Today, recording artists can bypass record labels and go straight to Internet delivery systems, which is why new business models must be developed to accommodate contractual relationships between artists and record labels in the future. Some in the music business feel that things will go back to the way they were. We will not know for sure until the music industry, the courts or Congress decides.

Endnotes

1. Bill Holland, *Work-For-Hire Provision Sparks Artist Furor, Demand for Change*, Billboard, Jan. 22, 2000 (Vol. 112; Issue 4).
2. The lobbying group that represents record labels.
3. *See* Pub. L. No. 106-113, 113 Stat. 1501, 1501A-544 (Nov. 29, 1999) (codified as amended at 17 U.S.C. § 101(1)).
4. Representatives of the Artists Coalition, AFM, AFTRA, AmSong, the Music Managers Forum and NARAS.
5. *See* Brenda Sandburg, *Composers Score One in Congress*, <www.law.com> (visited Sept. 13, 2000); *See also* RIAA.com <www.riaa.com/PR_Story.cfm?id=307> (visited Sept. 1, 2000).
6. *See* Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 A-544 , which states, in pertinent part: "(e) WORK MADE FOR HIRE—Section 101 of title 17, United States Code, is amended in the definition relating to work for hire in paragraph (2) by inserting 'as a sound recording,' after 'audio-visual work."' *Id.*

7. *See Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).
8. *See* 1976 Copyright Act, Pub. L. No. 94-455, 90 Stat. 2541 (1976) (codified as amended at 17 U.S.C. §§ 101, *et seq.*).
9. *See* 17 U.S.C. § 201(b).
10. *See Copyright Status of Sound Recordings, 2000: Hearings on the United States Copyright Office and the Issue of Sound Recordings as Works Made for Hire Before the House Subcomm. on Courts and Intellectual Property of the Committee on the Judiciary,* 106th Congress (2000) (statement of Paul Goldstein, Lillick Professor of Law, Stanford University) *available in* 2000 WL 19304120 (hereinafter "Statement of Prof. Goldstein").
11. *See* Copyright Act of 1909, Pub. L. No. 60-349, 35 Stat. 1075 (1909).
12. *See* 17 U.S.C. § 304(c).
13. The effective date of the 1976 Copyright Act. *See* 17 U.S.C. § 301(a) (1976).
14. *Id.*
15. *See Copyright Status of Sound Recordings, 2000: Hearings on the United States Copyright Office and the Issue of Sound Recordings as Works Made for Hire Before the House Subcomm. on Courts and Intellectual Property of the Committee on the Judiciary,* 106th Congress (2000) (statement of Michael Greene, President/CEO of the National Academy of Recording Arts & Sciences, Inc.) *available in* 2000 WL 19304117 (hereinafter "Statement of Michael Greene").
16. *See* H.R. Rep. No. 94-1476, at 124 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5740.
17. *See* Statement of Prof. Goldstein, *supra* note 10.
18. *See* Staff of House Comm. on the Judiciary, 89th Cong., Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill 66-67 (Comm. Print 1965), reprinted in 4 Omnibus Copyright Revision Legislative History (George S. Grossman ed., 1976).
19. *See Copyright Status of Sound Recordings, 2000: Hearings on the United States Copyright Office and the Issue of Sound Recordings as Works Made for Hire Before the House Subcomm. on Courts and Intellectual Property of the Committee on the Judiciary,* 106th Congress (2000) (statement of Hilary Rosen President and CEO, Recording Industry Association of America) *available in* 2000 WL 19304136 (hereinafter "Statement of Hilary Rosen").
20. *See Copyright Status of Sound Recordings, 2000: Hearings on the United States Copyright Office and the Issue of Sound Recordings as Works Made for Hire Before the House Subcomm. on Courts and Intellectual Property of the Committee on the Judiciary,* 106th Congress (2000) (statement of the Hon. Howard Coble, Chairman Subcommittee on Courts and Intellectual Property) *available in* 2000 WL 19304133 (hereinafter "Statement of Rep. Coble").
21. *See* Statement of Michael Greene, *supra* note 15.
22. *See id.*
23. *See Copyright Status of Sound Recordings, 2000: Hearings on the United States Copyright Office and the Issue of Sound Recordings as Works Made for Hire Before the House Subcomm. on Courts and Intellectual Property of the Committee on the Judiciary,* 106th Congress (2000) (statement of Professor Marci A. Hamilton, Thomas H. Lee Chair in Public Law Benjamin N. Cardozo School of Law Yeshiva University) *available in* 2000 WL 19304118 (hereinafter "Statement of Prof. Hamilton").
24. *See supra* note 1 (quoting John Baumgarten, former general counsel to the Copyright Office).
25. *See* 17 U.S.C. § 301(a): "[o]n or after January 1, 1978, all legal or equitable rights that are equivalent to any of the [section 106] exclusive rights . . . are governed exclusively by this title." *Id.*
26. *See* Statement of Prof. Goldstein, *supra* note 10.
27. *Id.*
28. *See* Statement of Hilary Rosen, *supra* note 19.
29. *See* Statement of Michael Greene, *supra* note 15.
30. *See* Statement of Prof. Hamilton, *supra* note 23.
31. *See* Statement of Prof. Goldstein, *supra* note 10.
32. *Id.*
33. *See supra* note 1 (emphasis added).
34. *See* 17 U.S.C. § 101 (defining "Collective Work").
35. *Id.* Defining a "Compilation" as "formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." *Id.*
36. *See* 17 U.S.C. § 103(b). The copyright is "only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of . . . any copyright protection in the preexisting material." *Id.*
37. *See* Donald S. Passman , All You Need to Know About the Music Business 1, 97-98, 132-50 (1991).
38. *See* Statement of Rep. Coble, *supra* note 20.
39. *See id.*
40. *See* Work Made for Hire and Copyright Corrections Act of 2000 (H.R. 5107), 106th Cong. (Sept. 6, 2000).
41. *See* 143 Cong. Rec. H7244 (daily ed. Sept. 6, 2000) (Statement of Rep. Coble).
42. *See* Statement of Prof. Hamilton, *supra* note 23.
43. *See* H.R. 5107, Section 2: DEFINITION- The definition of "work made for hire" contained in section 101 of title 17, United States Code, is amended (1): "by striking 'as a sound recording' . . . ." *Id.*
44. *See* 143 Cong. Rec. H7244, H7245 (daily ed. Sept. 6, 2000) (Statement of Rep. Berman). Section 2(b) reads:

    (a) EFFECTIVE DATE-

    (1) EFFECTIVE DATE- The amendments made by this section shall be effective as of November 29, 1999.

    Work Made for Hire and Copyright Corrections Act of 2000 (H.R. 5107), 106th Cong. (Sept. 6, 2000).
45. *See* 143 Cong. Rec. H7244, H7245 (daily ed. Sept. 6, 2000) (Statement of Rep. Berman).
46. *See id.*; *see also* H.R. 5107 at 2(b)(2).
47. *Id.*
48. *See* 143 Cong. Rec. H7771, H7772 (daily ed. Sept. 19, 2000) (Statement of Rep. Conyers).
49. *See* 143 Cong. Rec. H7244, H7245 (daily ed. Sept. 6, 2000) (Statement of Rep. Berman).

Karen J. Bernstein is a 2001 J.D. Candidate, New England School of Law, Boston, Massachusetts. Ms. Bernstein is a winner of the 2000 Entertainment Law Initiative, which was co-sponsored by the American Bar Association and the Recording Academy®. She may be contacted at karenbernstein@hotmail.com.

Expert Opinions and Liabilities

By Judith Bresler

The United States art market abounds with fakes, forgeries, works of questionable provenance and art of dubious merit. This unwanted material has spawned a need for expert opinions that serve to abet or abort art transactions. Accordingly, the appraisal of art by art appraisers and the authentication of art by art historians, *droit moral* holders[1] for a given artist and art appraisers (collectively, "art experts") have become thriving industries. Another influential force that has emerged in the art market is art criticism. Art critics and scholarly commentators (collectively, "commentators") are a potent force in the formation of reputation in the art world.

Experts and commentators bear comparison: When a prospective buyer or seller commissions the opinion of an art expert, a legal relationship is established between the two parties that gives rise to an affirmative duty of care on the part of the expert to the commissioning party, that is, the potential plaintiff. It follows that failure by the expert to adhere to the requisite duty of care can cause the expert to incur liability. On the other hand, the services of a commentator, who usually publishes an opinion about an artwork in a magazine or a newspaper to an audience at large, are not generally commissioned. Therefore, the commentator lacks a parallel affirmative duty of care to a specific party. Does this mean that the commentator is able to express an opinion about an artwork to the public at large, or some segment of it, without fear of an incipient lawsuit? As will become clear, the commentator is empowered to speak quite freely—provided he or she strictly adheres to a few legal mandates.

This article is an overview of the more common tort liabilities that can be incurred in the rendering of opinions about art—and how the opinion-giver can limit his or her legal exposure. The theories of tort liability to be discussed are disparagement, defamation, negligence, and negligent misrepresentation. Each is addressed in turn.

Disparagement

One whose false statement about an artwork has reduced the market value of the work may be liable for disparagement. When the issue is properly raised, a plaintiff under this theory must prove that[2]: 1) a legally protected interest was affected by the comment; 2) the comment had an injurious character; 3) the comment was false; 4) the comment was published; 5) the circumstances of publication were such that reliance on the comment by a third party was reasonably foreseeable; 6) the third-party recipient understood the comment in its injurious sense; 7) the third-party recipient understood the comment as applicable to the plaintiff's interests; 8) the pecuniary loss resulted from the publication and 9) the defendant knew his or her statement was false or acted with reckless disregard of its truth or falsity.

Example 1: Suppose that at a cocktail party an art professional, be it an expert or commentator, since it would be reasonable to rely on either's opinion, sees a painting by Jan Doe, a famous living artist, hanging on the wall. A fellow guest informs the art professional that a mutual friend is trying to decide whether or not to buy the painting from a dealer. The art professional approaches his friend, who is surrounded by people, and, knowing that his statement is false, announces that there is a diminishing secondary market for Jan Doe and that the painting is not a good investment. The friend heeds the art professional's remark and does not buy the painting. The result? The art professional would be subject to liability to the dealer for disparagement.

Example 2: The facts are the same except that this time the art professional merely has a high degree of awareness of the probable falseness of his statement. The result is the same. The art professional would be subject to liability to the dealer for disparagement. Reckless disregard of the truth or falsity of one's statement renders the speaker liable, as surely as does knowledge of a statement's falsity.

Example 3: Again, the facts are the same except that this time the friend approaches the art professional, draws him into a private room, tells him that he is trying to decide whether or not to buy the Jan Doe, and asks for his advice. The art professional, believing in good faith that his statement is true and that he has a sufficient knowledge of the market to justify it (although, in fact, his statement is false and would be shown to be false by a reasonably diligent investigation), advises the friend not to buy the Jan Doe. The friend heeds the professional's remark and does not buy the painting. The result is that the professional would not be liable to the dealer in disparagement, because when communicating a statement to a prospective buyer at the buyer's request, the art professional may avail himself of the conditional privilege of protection of interests of third persons.[3] That the prospective buyer (that is, someone with an interest to protect) has made the request for information indicates that he regards the matter as sufficiently important to justify the publication of any defamatory material that may be involved in response to his request for information. Therefore, the art professional who publishes that information or causes it to be published (in the example, a verbal or written statement about the Jan Doe work to anyone other than the dealer or Jan Doe) is not required to microscopically evaluate the interest the prospective buyer seeks to protect, nor is he required to compare (as he otherwise would be required, had he volunteered his opinion) the harm likely to be done to the dealer if his statement is false with the harm likely to be done to his friend if his statement is true. In this example, of course, the statement is false. Nevertheless, here the professional is protected by the conditional privilege as long as he does not make the statement with either knowledge of its falsity or reckless disregard as to its truth or falsity.[4]

In addition to the conditional privilege described above, the professional in the example may be able to avail himself of the absolute privilege of consent.[5] Indeed, had his friend already purchased the Jan Doe when he came to the professional for an opinion, he would be held to have consented to whatever the appraiser told him about it, disparaging or not, so long as the statement did not exceed the scope of his consent. Of course, if the professional were relaying his opinion solely to his friend as owner of the Jan Doe, there would be no action for disparagement in any event, as publication would not have occurred. However, in relaying the information to his friend, the prospective buyer, the art professional could argue that the dealer, in letting his painting out on approval, assumed the risk of negative opinions.[6]

The numerous theories of proof render product disparagement a difficult theory of liability on which to bring suit, as seen in the recent case of *Kirby v. Wildenstein*.[7] Here, the plaintiff in 1988 sought to sell his painting, *La Rue de la Paix*, by the 19th-century French artist Jean Beraud, through Christie's auction house. Prior to the sale, the painting had been examined by the defendant Daniel Wildenstein, who initially determined that it was either a fake or suffered from overcleaning, and therefore would not be in a forthcoming *catalogue raisonne* he was preparing on Beraud. Additionally, an employee of Wildenstein's New York gallery informed Christie's that Wildenstein did not like the painting and did not believe that it was authentic. When the painting was offered for sale at Christie's later that year (after Wildenstein revised his opinion on the Beraud's authenticity and inclusion in the *catalogue raisonne*), it attracted no bidders and the plaintiff-seller sued Wildenstein for disparagement, seeking $200,000 damages. The New York federal district court dismissed the lawsuit, noting that the plaintiff failed to demonstrate a triable issue of fact as to special damages. That is, the plaintiff failed to specify the losses underlying the $200,000 figure and could not identify any particular person who would have bid on the painting but for the alleged disparagement. Further, as the court noted, the plaintiff failed to demonstrate a requisite causal connection between Wildenstein's statements and any losses the plaintiff sustained.

Defamation

In defamation, as with disparagement, liability is incurred for injuries sustained through false statements about the plaintiff published to third parties. However, whereas a disparagement suit centers on the economic interests of the aggrieved party, a defamation suit is to protect the personal reputation and good name of that party. To sue in defamation, the plaintiff, be it an art dealer, artist, or art collector, must establish that the statement in question was 1) defamatory, 2) of purported fact, 3) false, 4) about the plaintiff, 5) published by the defendant to a third party and 6) made with the requisite element of fault.[8] A statement is defamatory if it tends to harm the reputation of another, lowering the party in the estimation of the community or deterring third persons from associating or dealing with that party.[9] As to a statement's "purported fact," the U.S. Supreme Court in the 1990 case of *Milkovich v. Lorain Journal Co.*[10] ruled that statements of opinion have no special federal First Amendment protection. Rather, only the following statements *cannot* be subject to liability in defamation:

- Those statements containing no provably false factual connotations, and
- Those statements that cannot be reasonably interpreted as stating actual facts about a person.

The Court also noted that "loose, figurative or hyperbolic language . . . would negate the impression"[11] that a person was making a serious accusation based on fact.

The following two examples illuminate the holding in *Milkovich*:

Example 1. X is a society reporter for a local newspaper. She is attending, both as a guest and as a reporter, a local dinner party hosted by a major local figure. She observes Jane Doe, another guest, quietly slip a magnificent diamond necklace into her purse and later leave with it. X is aware that the particular piece of jewelry belongs to the host. The next day, without investigating any of the circumstances relating to Doe's acquisition of the necklace, X files a story with the local newspaper describing the dinner party, including an incomplete description of Doe's acquisition. The story, which is published, includes the statement, "In my opinion Jane Doe is a thief." The result? Both X and the newspaper would be subject to liability to Jane Doe for defamation. X's statement, made with deliberate absence of investigation into the circumstances of the acquisition, contained a provably false factual connotation, since Jane Doe could establish that she was not a thief and, in fact, had secured permission to borrow the necklace from the host.

Example 2. The facts are the same except that this time the story filed by X and published in the local paper includes the statement, "In my opinion Jane Doe exhibited elephantine avarice in walking out with the diamond necklace." The result? Most likely, neither X nor the newspaper would be subject to liability to Jane Doe for defamation. X's statement not only contained no provably false factual connotation, but also contained hyperbolic language that tends to negate the impression that she was making a serious accusation based on fact.

Thus in the 1991 case of *McNally v. Yarnall*,[12] in which an aggrieved art collector sued an art historian for making defamatory statements (which were capable of being proven false) to an art dealer about the collector's competence, character and performance, the New York federal district court refused to dismiss the lawsuit. The case ultimately reached a settlement, the terms of which are confidential.

In the more recent case of *Daniel Goldreyer Ltd. v. Van de Wetering*,[13] a New York State appellate court found that an aggrieved art restorer had a triable case in defamation against a media defendant. Daniel Goldreyer, a noted art restorer, had been paid more than $270,000 by the Stedelijk Museum in Amsterdam to restore a $3.1 million painting by Barnett Newman, "Who's Afraid of Red, Yellow and Blue III," which had been slashed in 1986 by an enraged museum-goer. The resultant restoration proved controversial. An art critic had accused Goldreyer of completing his repairs with a paint roller. In reporting on the controversy, the *Wall Street Journal* in its December 24, 1991 issue ran an article entitled, "For That Price, Why Not Have the Whole Museum Repainted?" The article asserted that Goldreyer had performed a restoration on a masterpiece by using a roller brush and house paint and "implied that the results warranted possible criminal charges after an official investigation."[14] The article referred to an official report of a laboratory analysis made of the restoration and the analysis's conclusion that, "Mr. Newman's canvas was completely painted over using an inappropriate type of paint."[15] The article, however, did not publish the details of the method and the findings of the analysis. Accordingly, the appellate court affirmed a lower court holding that the statements in the *Wall Street Journal* were "opinion based upon fact, and therefore actionable since there were implications of additional undisclosed facts."[16]

As to fault, the requisite degree required to sustain a defamation suit depends on the status of the plaintiff. If the plaintiff is a public official or a public figure, he or she must prove by clear and convincing evidence that the defamatory statement was published "with knowledge of falsity or reckless disregard of truth or falsity."[17] If, however, the plaintiff is a "limited-purpose" public figure or a private person, the protection of his or her reputation assumes greater priority. In such a case, the plaintiff needs only to prove the standard of fault required by the applicable state law. Generally, that standard is negligence,[18] although some states, such as New York, require a higher standard of gross irresponsibility.[19] Therefore, in the earlier-noted *Goldreyer*, the New York State Supreme Court in 1998[20] once again denied the defendant's motion to dismiss the case, holding that the plaintiff was a limited-purpose public figure, and that whether the reporter exhibited journalistic irresponsibility, in his selective reporting of the facts, was a triable issue of fact for consideration by a jury.

Negligence

Negligence is well-illustrated by the case of the *Estate of Querbach*,[21] in which the A & B Appraisal Service, which came well-recommended and asserted that it had been in business for 50 years, was hired by the executor of the Querbach estate to conduct an estate appraisal for federal estate and New Jersey inheritance tax purposes. Told to affix individual values on the property, which included a variety of antique items, the appraisal service labeled one of the items "Three (3) Small Unframed Oil Paintings, $50 ea. $150." When the executor subsequently sold one of the unframed oil paintings to a friend for the appraised value of $50, and she subsequently had it reappraised for insurance purposes, the second appraiser determined that the "small unframed oil painting" was actually an original work by J.F. Cropsey, a noted 19th-century American artist of the Hudson River school, and was worth $14,800. When the executor of the estate sued the A & B Appraisal Service for negligence, alleging that the defendant failed to exercise the requisite degree of care for a professional appraiser, The New Jersey Superior Court found that the painting in question was an authentic J.F. Cropsey based on the following evidence:

1. The painting bore the signature "J.F. Cropsey, 1882."
2. The technique and pigments were typical of the Hudson River school in the late 19th century.
3. The painting's stretch frame was typical of the artist.
4. The painting's subject matter was typical of the artist.

5. The back of the painting bore a remnant of a paper label reading "St. Lawrence J.F. Cropsey, 57 West . . .," which was a partial address of a location where the artist was known to have a studio.

Accordingly, the court found that the A & B Appraisal Service failed in its professional responsibilities in that the defendant failed to recognize J.F. Cropsey as being a noted American painter of the Hudson River school; failed to determine whether the artist's name had any significance in the art world; failed to recognize the painting as being a fine example of the Hudson River school of art; and failed, obviously, to closely examine either the front or the back of the painting.

In holding the A & B Appraisal Service liable for negligence in the amount of $14,700, the court noted that the public is entitled to expect that persons holding themselves out as fine-art appraisers are able to recognize or to use professional methods to identify and evaluate fine art.

Who can sue for negligence? Generally, anyone with an interest to protect who engages an art professional to render an opinion is a potential plaintiff. As a rule and as noted earlier, the art expert tends to suffer greater legal exposure to a negligence suit than does an art commentator, since it is the former's opinion that is generally commissioned by an interested party and who therefore incurs a duty of care to such a party. Nevertheless, the art commentator, although usually lacking a duty of care to a specific party, does not have unbridled license to volunteer erroneous opinions based on inadequate knowledge where the commentator has reason to believe that others may be relying on his or her opinion.

To avoid liability for negligence, the art professional must have knowledge of the subject and must apply that knowledge properly. However, the proper standard of care is not an absolute. It depends in part on the extent of the professional's responsibilities in a given situation. Those responsibilities are determined by the express and implied understandings about the scope of the professional's opinion,[22] as well as the professional's qualifications. Once the extent of the responsibilities assumed are determined, the appropriate standard of care can be addressed. For example, an art professional who asserts that he or she has special skills and knowledge about the artist Renoir and who offers an opinion about the value or authenticity of one of his outdoor cafe scenes must use care that is reasonable in the light of the professional's special knowledge and may be found negligent, in view of such special knowledge, for rendering an erroneous opinion. On the other hand, an art professional who does not specialize in Renoir per se but who does possess general knowledge of 19th century French Impressionist art (Renoir's historical period) might or might not, under the same circumstances, be found negligent for furnishing an erroneous opinion about the cafe scene if the professional's skill and knowledge were not misrepresented. An art professional who claims to have less skill or knowledge than that normally possessed by other art professionals in the community is bound to exercise only that lesser level of skill or knowledge. An art professional who makes no representations about skills or knowledge is required to exercise the skill and knowledge normally possessed by other art professionals in the community.[23]

The variable standard of care is illustrated in the 1998 (unreported) case of *Estate of Martha Nelson v. Carl Rice and Ann Rice* in a state superior court of Tucson, Arizona. Here, Carl Rice, an ambulance service manager with no formal art education, bought two flower paintings at a Tucson, Arizona tag sale for sixty ($60) dollars. Shortly after, he resold them at auction for $1.1 million. The tag sale was arranged by the plaintiff—the grandson of the woman who had owned the paintings prior to her death. In the course of organizing the tag sale of property from his grandmother's estate, the plaintiff retained an appraiser to estimate values of the items being offered for sale. The appraiser informed the grandson that she was not a fine arts appraiser, but the grandson wanted to proceed with her anyway. In the subsequent lawsuit, the court, among other holdings, determined that the appraiser had not committed negligence even though she failed to distinguish between kitch art and works by Georgia O'Keefe. After all, she had advised the plaintiff that she was not a fine art appraiser.

Negligent Misrepresentation

Negligent misrepresentation is the making of a false material representation to another person without a reasonable belief that the representation is true, and the other person reasonably relies on the representation and is induced to act to his or her detriment.[24]

As a theory of liability, negligent misrepresentation is far less accessible to a potential plaintiff than is simple negligence. There must be some relationship of trust giving rise to a duty of care on the part of the defendant to the plaintiff. Therefore, an art commentator who expresses an opinion about an artwork to some segment of the public, where the opinion was not commissioned by an interested party, cannot, ordinarily, incur liability in negligent misrepresentation.

The absence of such relationship of trust proves fatal to a plaintiff's standing to sue, as illustrated in *Struna v. Wolf*.[25] In this case, the Metropolitan Museum of Art in 1982 examined a work by the sculptor Elie Nadelman entitled *La Femme Assise* at the request of an art dealer who thought that the museum might want to acquire the sculpture and who was showing it on behalf of the plaintiff, William Struna. The Museum declined the purchase, but did contact Erving and Daniel Wolf, private collectors, who were interested and who agreed to buy the sculpture for $120,000. The Wolfs thereupon paid Struna $15,000 and executed a promissory note for the balance of $105,000. When the note came due and was dishonored, Struna sued the museum as well as the Wolfs on a variety of theories, claiming that the purchase was being conducted as a joint venture between the Wolfs, as benefactors, and the museum as the party that would ultimately acquire the sculpture. One theory of liability was negligent misrepresentation. Struna claimed that the museum examined the sculpture and advised him that it was genuine, whereupon, relying on that authentication, Struna purchased the sculpture. If the sculpture was not, in fact, authentic, the museum acted negligently in its authentication, causing Struna to sustain damages of at least $100,000.

The court dismissed the case with the following reasoning: Neither Struna nor the dealer ever advised the museum that at the time the authentication was allegedly requested and rendered, Struna was not the owner of the sculpture but, rather, a mere consignee. Neither the museum nor its curator knew or should have known that Struna planned to rely on the museum's authentication by purchasing the sculpture. Further, the museum could in no way have realized that its rendering of an erroneous authentication could have served to the detriment of Struna. The court noted that negligent misrepresentation normally requires a "special relationship" between the parties in which the defendant owes a duty of care to the plaintiff, entitling the latter to rely on the defendant's representations. Here, as the court observed, in attempting to achieve the sale of the sculpture to the museum at arm's length, Struna's posture appeared "to be the very antithesis of the 'special relationship' ordinarily required. . . ."[26]

Under New York law a "special relationship" is no less than a fiduciary duty owed the plaintiff by the defendant.[27]

Limiting Legal Exposure

An art professional whose opinion is commissioned by an interested party should primarily be concerned with not incurring liability for negligence or negligent misrepresentation. This is because the professional, when asked for an opinion, may (as noted above) be generally protected by a conditional privilege. Such a privilege only applies if the professional does not exceed its scope by, for example, including gratuitous pejorative remarks or dissemination beyond the commissioning party. As to negligence or negligent misrepresentation, the professional can limit legal exposure with a brief contract. The contract should provide that the opinion is for the commissioning party and not for dissemination to others. This would serve to limit the number of potential plaintiffs who might rely on the opinion. The contract should also require the commissioning party to provide any factual information available about the art to be examined. In the event that the information furnished is incorrect and contributes materially to the professional's erroneous opinion, the professional, if subsequently sued for negligence or negligent misrepresentation, can successfully assert a defense of contributory negligence. The contract should also indicate both the methods of evaluation to be used, for example, stylistic analysis, and the methods that will *not* be used, such as, scientific testing, because such methods are beyond the professional's area of knowledge. Stating the parameters of an evaluation will enable the professional to be held to an appropriate, rather than unreasonably high, standard of care.

An art professional who volunteers an opinion to the public at large, or some segment of it, should be primarily concerned with avoiding liability in disparagement and defamation. Again, this is not to say that such a professional can and should offer uninformed opinions based on inadequate information about a work of art, but it should be noted that such a professional, when not commissioned by an interested party, lacks an affirmative duty to a particular party to render his or her opinion with the requisite degree of care, skill and knowledge. Lacking such a commission, however, this same professional cannot seek shelter under the conditional privilege of protection of interests of third persons. Therefore, the professional whose opinion is not commissioned should use particular care when rendering an opinion about a work of art to ensure the following: That the opinion is rendered in good faith; that it is informed and based on disclosed facts; that it is truthful; that it focuses strictly on the artwork and does not remark on any personalities and that it does not include any *gratuitous* pejorative remarks. If the art professional adheres to these prescriptives—and common sense dictates that any art professional should do so as a matter of course—then he or she should feel free to express opinions about artworks without fear of reprisal from the law.

Endnotes

1. Where an artist is deceased, the holder of the decedent-artist's *droit moral* (in nations recognizing the *droit moral* and a post-mortem application of such rights) is generally regarded as the definitive authenticator of the artist's work.
2. *See* Restatement (Second) of Torts § 651 (1977).
3. *Id.* §§ 646A, 595 cmt. j. However, it is remotely and theoretically conceivable that the art professional under example #3 could incur liability in negligence to his host, the prospective buyer whom he knew in this case would be relying on his opinion, if the professional stated his erroneous opinion based on inade-

quate knowledge of the market, and the host could establish damages arising from reliance on the erroneous opinion. *See* discussion of negligence in this article.

4. *Id.* § 595.
5. *Id.* § 635 cmts. a, b.
6. *See* Stebbins, *Possible Tort Liability for Opinions Given by Art Experts*, in F. Feldman & S. Weil, Art Works: Law Policy, Practice 988 (1974).
7. *Kirby v. Wildenstein*, 784 F. Supp. 1112 (S.D.N.Y. 1992).
8. For an excellent analysis of defamation as it relates to the artist, *see* Robert C. Lind, *The Visual Artist and the Law of Defamation*, 2 UCLA Ent. L. Rev. 63, Winter 1995.
9. *See* Restatement, *supra* note 4, § 559; *see also* Prosser & Keeton, *infra* note 24, § 107.
10. *Milkovich v. Lorain Journal Co.*, 497 U.S. 1 (1990).
11. *Id.* at 2.
12. *McNally v. Yarnall*, 764 F. Supp. 838 (S.D.N.Y. 1991).
13. *Daniel Goldreyer Ltd. v. Van de Wetering*, 217 A.D.2d 434, 630 N.Y.S.2d 18 (1995).
14. *Id.* at 436, 630 N.Y.S.2d at 23.
15. Wall St. J., Dec. 24, 1991, at B1.
16. *See Goldreyer, supra* note 13, at 436, 630 N.Y.S.2d at 22.
17. *New York Times v. Sullivan*, 376 U.S. 254, 279-280 (1964); *see also Gertz v. Robert Welch, Inc.*, 418 U.S. 323, 342-343 (1974).
18. Robert C. Lind, *The Visual Artist and the Law of Defamation*, 2 UCLA Ent. L. Rev. 63, Winter 1995.
19. *Id.* at note 155.
20. *Daniel Goldreyer, Ltd. v. Dow Jones & Co., Inc.*, 178 Misc. 2d 308, 678 N.Y.S.2d 453 (1998).
21. *Estate of Querbach v. A & B Appraisal Service*, No. L-089362-85 (N.J. Super Ct., Bergen Co. 1987). The case is reproduced in 1 F. Feldman, S. Weil & S. Biederman, Art Law 282 (1988 Supp.).
22. Karlen, *Fakes, Forgeries and Expert Opinions*, 16 J. Arts Mgmt. & L. 5 at 9 (1986).
23. *See* Restatement (Second) of Torts § 299A.
24. *Id.* at §§ 528, 522; *See also* W. Keeton et al., Prosser & Keeton on Torts, §§ 105, 107 (5th ed. 1984 & Supp. 1988).
25. *Struna v. Wolf*, 126 Misc. 2d 1031, 484 N.Y.S.2d 392 (Sup. Ct. 1985).
26. *Id.* at 1036, 484 N.Y.S.2d at 397.
27. *Stewart v. Jackson & Nash*, 976 F.2d 86, 90 (2d Cir. 1992).

Judith Bresler is the author of *ART LAW: The Guide for Collectors, Investors, Dealers, and Artists*, (First and Second Editions) and Counsel to the law firm Cowan, DeBaets, Abrahams & Sheppard.

(Revised from an earlier article published in the International Foundation for Art Research Journal*, vol.2, number 3, summer 1999.)*

Product Photography—Can It Be a Derivative Work?

By Joel L. Hecker

Professional photographers have long assumed that they own the copyright to the photographs they create for advertising. They also often believe that they retain all rights thereto except for the usage licensed to the client, unless the photographs were created as a work-made-for-hire or the copyright was transferred to the client.

The Ninth Circuit Court of Appeals, in *Joshua Ets-Hokin v. Skyy Spirits, Inc.*[1] recently reaffirmed this principle in dealing with a defense to copyright infringement based upon the theory that the photographs were derivative works which did no more than copy the product—the underlying work—and therefore were not independently copyrightable. Since this was a reversal of the District Court's dismissal, it is little wonder why providers of content are sighing with relief.

The case is of interest to the New York Bar not only because of the result, but because it relies on Second Circuit and Southern District of New York cases as precedents.

The Product

The product was a Skyy Spirits Vodka bottle, shaped like a wine bottle, with boldly colored blue glass, a "pilfer-proof" cap and a rectangular label. The label had text only, various fonts and sizes and different colors. There were no pictures, illustrations or other noteworthy features on the label or elsewhere on the bottle.

Plaintiff was retained to photograph the bottle for advertising purposes and did so. In the three photos at issue, the bottle appears in front of a plain backdrop, with back-lighting. Under the contract, plaintiff retained all rights to the photos except for a limited usage license granted to Skyy (the terms of which being in dispute). Plaintiff then registered the images with the United States Copyright Office.

Skyy claimed the photos were unsatisfactory and hired other photographers to photograph the bottle, apparently on terms more favorable to Skyy than those negotiated by plaintiff. Skyy then used plaintiff's photos for various advertising purposes, which are alleged to extend beyond those licensed, as well as the other photographs, which are alleged to be imitations of plaintiff's work.

Plaintiff sued Skyy, its advertising agency and individuals involved for copyright infringement of his photos and for creating photos that infringed his photos. He did not sue the other photographers.

The District Court Decision

In the District Court the defendants argued that the photographs were not subject to copyright protection since they were derivative works of the underlying bottle. The District Court agreed and granted summary judgment to defendant. The Court did not reach the issue of whether there was actual infringement.

Appellate Decision

The Appellate Court reviewed the decision de novo. It commenced its determination by concluding that, given the low threshold of originality required under the Copyright Act, as well as what it characterized "as the longstanding and consistent body of case law holding that photographs generally satisfy this minimal standard,"[2] plaintiff's photography met the standard and was thus entitled to copyright protection. To support this conclusion, the Court engaged in a lengthy discussion of the history of photography as copyrightable artistic expression.

This discussion included a recognition that photographers blend many "variables of interpretation into an emotional whole which will be a basis for the formation of opinions by the viewing public."[3]

The Court quickly dismissed the argument that, somehow, use of a picture in advertising precluded its copyrightability, relying upon the language of Justice Holmes.[4]

Once the Court found plaintiff's photos were entitled to copyright protection, it turned to whether the defense could overcome the "rebuttable presumption of originality" afforded to the holder of a copyright registration certificate. Since the standard of originality required is minimal, and this was after all, professional photography, the Court held that the defendants failed to rebut the presumption.

In support of this conclusion, the Court again referred to this Circuit:

> In assessing the "creative spark" of a photograph, we are reminded of Judge Learned Hand's comment that "no photograph, however simple, can be unaffected by the personal influence of the author." Jewelers' Circular Pub. Co. v. Keystone Pub. Co., 274 F. 932, 934 (S.D.N.Y. 1921). This approach, according to a leading treatise in the copyright area, "has become the prevailing view," and as a result, "almost any [ ] photograph may claim the necessary originality to support a copyright merely by virtue of the photographers' [sic] personal choice of subject matter, angle of photograph, lighting, and determination of the precise time when the photograph is to be taken." 1 Melvin B. Nimmer & David Nimmer, Nimmer on Copyright @ 2.08 [E] [1], at 2-130 (1999).[5]

Derivative Work?

Having determined that plaintiff's photos were copyrightable, and that defendants could not rebut the presumption of originality afforded to plaintiff's work, the Court finally reached the key issue of the case—what is a derivative work? The issue was framed as, "we have never previously addressed whether a photograph can be a derivative work, and specifically, whether a derivative work must be based upon a copyrighted work."[6]

The Court rejected the defendant's contention and the District Court's analysis, because, "a derivative work must be based on a preexisting work that is copyrightable."[7] In a factual finding, the Court stated that "the Skyy Vodka bottle is a utilitarian object that is not protected by copyright."[8]

To support its legal conclusion, the Court drew several indirect inferences from the Copyright Act and legislative history to prove the intent of Congress. The argument is persuasive, and can be summarized by the following statement from a House report: "(a) derivative work . . . requires a process of recasting, transforming, or adapting one or more preexisting works; the preexisting work must come within the general subject matter of copyright set forth in section 102, regardless of whether it is or was ever copyrighted."[9]

The Court also summarily rejected the contention, accepted by the District Court, that the preexisting work could be protected by "trade dress," which is a trademark and not a copyright issue. Holding otherwise, said the Court, would be to improperly mix the doctrines of trademark and copyright law.

Having concluded that the preexisting work had to be copyrightable, the Court turned to whether the bottle at issue was, in fact, copyrightable. The Court concluded that it was not, finding that the bottle had no artistic features separable from its utilitarian ones. "It is essentially a functional bottle without a distinctive shape."[10] Turning next to the bottle's label, the Court confirmed that text, as opposed to graphic matter, is not copyrightable and that there was only text on the label.

The Court declined to rule, however, on whether the label was copyrightable, relying instead of the fact that the product shots were of the bottle as a whole, and not of the label. This lead to the obvious conclusion that, since the object of the photos—the bottle—was a useful article not subject to copyright protection, and not shots "merely, or even mainly, of its label,"[11] the bottle did not qualify as a preexisting work. Therefore the photos could not be derivative works.

Infringement

Having reversed the District Court on the theory of the case, the Circuit Court remanded for a factual determination as to whether there was an infringement. These issues had not yet been addressed since the case came up on appeal from summary judgment on the issue of liability.

Conclusion

For professional photographers, the decision is a welcome one. It not only reversed a decision that could have caused chaos in a billion-dollar industry, but established a clear line as to the requirements of preexisting work. Other content providers should also welcome the distinction, although often such providers at different times, sit on both sides of the fence.

Left open are issues of whether more creative products would qualify as being separately copyrightable. But, alas, that is the subject of another day!

Addendum to Article:

A recent decision, *SHL Imaging, Inc. v. Artisan House, Inc., et.al.*, 2000 U.S. Dist. Lexis 14179 (S.D.N.Y. September 28, 2000), which also involved professional photographs of products (picture frames), similarly rejected a derivative work defense. The Court disagreed with the Ninth Circuit's analysis, stating it misconstrued the nature of derivative works. The Court held that the new photograph must recast, transform or adapt substantial elements of the preexisting work to be a derivative work and that the photographic work is different and separate from the authorship contained in the preexisting work (2000 U.S. Dist. at 10).

Left unresolved in the S.D.N.Y. decision is the situation where a new work is a transformative work but the underlined work is not copyrightable!

Endnotes

1. 2000 U.S. App. LEXIS 20916, argued and submitted February 10, 2000 and Opinion of Circuit Judge M. Margaret McKeown filed August 18, 2000. Appeal from the United States District Court for the Northern District of California, No. CV-96-03690-SI.
2. *Id.* at *9. The Court cited to *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir 1992) and *Eastern America Trio Prods., Inc. v. Tang Elec. Corp.*, 97 F. Supp. 2d 395, 417 (S.D.N.Y. 2000).
3. *Id.* at *14.
4. "Certainly works are not the less connected with the fine arts because their pictorial quality attracts the crowd and therefore gives them a real use - if use means to increase trade and to help to make money. A picture is none the less a picture and none the less a subject of copyright that it is used for an advertisement. And if pictures may be used to advertise soap, or the theater, or monthly magazines, as they are, they may be used to advertise a circus." *Bleistein v. Donaldson Lithography Co.*, 188 U.S. 239, 23, S. Ct. 298, 47 L. Ed. 460 (1903).
5. Since I personally represent hundreds of professional photographers, I can attest to the sense of relief within the industry that this acknowledgement of creativity has been received. Perhaps now the defenses raised as to copyrightability, which are uniformly unsuccessful in this regard, will no longer subject plaintiffs to the time and expense of refutation.
6. 2000 U.S. App. LEXIS 20916, at *24.
7. *Id.*
8. *Id.*
9. *Id.* at *30.
10. *Id.* at *32.
11. *Id.* at *35.

Joel L. Hecker, Of Counsel to Russo & Burke, 600 Third Avenue, New York, NY 10016, has acted as general counsel to the hundreds of photographers, stock photo agencies, graphic artists and other photography and content-related businesses he represents. He also lectures and writes extensively on issues of concern to these industries. He can be reached at (212) 557-9600 or via e-mail at: HeckerEsq@aol.com.

They Shot the *Messenger*—Time to Change the Message, Time to Update the N.Y. Rights of Privacy/Publicity

By Joseph J. Beard

"I'll take Manhattan . . .", nice tune, nice town, unless—unless you are concerned about those Gemini rights, privacy and publicity, in which case "California here I come" is the lyric of choice. Here, at the beginning of the 21st century, the dawn of the third millennium, the New York courts and the New York legislature appear locked in a time warp, circa 1900. In contrast, California, the other Entertainment Capital of the United States, provides, through a combination of judicial interpretation and legislative activity, far more expansive protection for the rights of privacy and publicity than does the Empire State. It is time to bring the East Coast Capital of Entertainment into the 21st century. The question is who will do it—the courts or the legislature? Sad to say, the answer may be—neither!

This article will examine the role of the New York Court of Appeals in the development of the rights of privacy/publicity. It is the contention of this author that in the last three decades of the 20th century, the Court of Appeals has narrowed rather than expanded the scope of the rights of privacy/publicity. And, that narrowing continues in the 21st century with the Court of Appeals' decision in *Messenger v. Gruner + Jahr Printing & Publishing*.[1]

That there are any rights of privacy/publicity in New York is due to the action of the New York legislature in 1903. However, as will be discussed, the legislative protection was narrow and, at the same time, ambiguous. And, while the legislature has periodically amended the statutory rights of privacy/publicity,[2] the New York statute is not as comprehensive as that of California.[3] It is not that bills have not been introduced in the legislature to modernize the New York statute, they simply have failed to pass—repeatedly.

It is unlikely that the New York Court of Appeals will reverse its path. So, unless the legislature finally acts, New York will continue in the shadow of California.

The 20th century had barely arrived when *Roberson v. Rochester Folding Box Co.*[4] was decided. At issue was the unauthorized use of a non-celebrity woman's photograph on advertisements for Franklin Mills Flours. The New York Court of Appeals held that there was no common law right of privacy in New York. *Roberson* was decided by men who were born and matured in the 19th century. But, that 4:3 decision continues to impact on New Yorkers even as we enter the 21st century. The opinion in *Roberson* suggested that it would be difficult to draw the line between actionable and non-actionable invasions of privacy.[5] It could, of course, have decided the case before it—the unauthorized use of a person's likeness for advertising purposes—and left other situations for another day. It did not. In contrast, in 1905, the Supreme Court of Georgia, on facts not dissimilar to *Roberson*, in *Pavesich v. New England Life Ins. Co.*,[6] held that Georgia recognized a common law right of publicity.[7] In comparing New York and California, it is important to note that, in addition to statutory protection, California has a common law right of publicity, at least for the living.[8]

The decision in *Roberson* was severely criticized,[9] and the New York legislature responded with the enactment of a civil rights statute.[10] Section 1 (codified as Civil Rights § 50 in 1909) made violation of its provisions a misdemeanor. Section 2 (codified as Civil Rights § 51 in 1909) provided injunctive relief and exemplary damages for violation of its provisions. Both sections provided that, absent written consent, any uses of the name, portrait or picture of a person "for advertising purposes or trade purposes" was a violation of the provision. Section 1 specifically limited itself to the protection of a *living* person and that same limitation may be inferred in § 2. The "advertising purposes" responded to the *Roberson*—type situation. "Advertising purposes" was self-defining. But "trade purposes" was, and still is, troubling. As one court was later to put it, "the phrase 'used for the purposes of trade' is not susceptible to a ready definition."[11]

It is unfortunate that the legislature decided to criminalize the unauthorized exploitation of persons in § 1, for that would naturally lead to a strict construction of the statute. It would have been better, in terms of an expansive interpretation of the right of privacy/publicity, to provide only the civil remedies of § 2. While the legislature remedied the type of situation presented by *Roberson*, at the end of the day there were still no common law rights of privacy/publicity with the flexibility inherent in common law.

Some ten years after the enactment of the statute, the Court of Appeals decided *Binns v. Vitagraph Co. of America*.[12] The Court acknowledged that the statute did not "prohibit the use of the name, portrait, or picture of a living person in truthfully recounting or portraying an actual current event,"[13] but held that the portrayal of a person that is "mainly a product of the imagination," without the permission of that person, was a violation of the statute.[14]

Some half century after its decision in *Binns*, the Court of Appeals revisited the fictionalization issue in *Spahn v. Julian Messner, Inc*.[15] There, the court found that an unauthorized biography of baseball star Warren Spahn "infected with material and substantial falsification" was violative of Spahn's rights under §§ 50 and 51.[16] It is important to note that, in both *Binns* and *Spahn*, two factors were present: (1) the work—a film in *Binns* and a book in *Spahn*—was fictional; and, (2) the plaintiff was the very subject of the fictional work itself.

In *Spahn*, the New York Court of Appeals, while acknowledging First Amendment concerns, observed, "Over the years since the statute's enactment in 1903, its social desirability and remedial nature have led to its being given a *liberal construction* consonant with its overall purpose."[17] Some 30-plus years later, in *Messenger*, that same court stated that, "we have understood that the statute is to be *narrowly construed*."[18] The decisions of the New York Court of Appeals in the interval between *Spahn* and *Messenger* do demonstrate that *liberal construction* has surrendered to *narrowly construed,* step by step.

Some four decades after *Binns*, *Gautier v. Pro-Football, Inc*.,[19] echoed that earlier decision as to factual works, "It has been long recognized that the use of a name or picture . . . in connection with an item of news or one that is newsworthy is not a use for purposes of trade within the meaning of the Civil Rights Law."[20] The performance of the plaintiff at half-time of a professional football game was televised without his permission.[21] The court held that while an "individual may not be singled out and unduly featured merely because he is on the scene" of a newsworthy event, the plaintiff "did become a part of the spectacle . . . *voluntarily* occupying the very center of attraction."[22] In *Gautier*, it is important to note: (1) the work—a t.v. program—was, unlike *Binns*, factual, not fictional; (2) like *Binns*, the plaintiff was the subject of the work; and, (3) there was a degree of *voluntariness* to the appearance.

In *Murray v. New York Magazine Co*.,[23] the plaintiff, not of Irish extraction, but dressed in "typically Irish garb," was photographed without his consent, while he watched the St. Patrick's Day parade in Manhattan.[24] The picture appeared two years later on the cover of the defendant's magazine along with the title of a featured article, "The Last of the Irish Immigrants by Jimmy Breslin."[25] The plaintiff was not mentioned in the article nor was reference made to the cover photograph in the article itself.[26] The court held that the Breslin article, dealing "with the contemporary attitudes of Irish-Americans in New York City" and the St. Patrick's Day Parade, was a matter of legitimate public interest.[27] The Court stated, "Dressed in striking attire to celebrate the occasion, he *voluntarily* became part of the spectacle. . . ."[28] The Court also held that "[i]t may not, therefore, be said that the photograph of the plaintiff at that event was not related to the subject matter contained in the article."[29] It is to be noted that: (1) as in *Gautier*, so to in *Murray*, the work—a T.V. program in *Gautier* and an article in *Murray*—was factual; and, (2) there was a degree of *voluntariness* on the part of the plaintiffs in both *Gautier* and *Murray*; (3) however, unlike *Binns*, *Spahn*, or *Gautier*, the plaintiff in *Murray* was not expressly mentioned in the work; and (4) the photograph in *Murray* was on the cover and not placed with the article. While the plaintiff in *Murray* was not mentioned in the Breslin article, his picture coupled with the title of the Breslin article on the cover might lead to the *false* conclusion that he was a topic, at least in part, of the article. While the events in *Binns* and *Spahn* were fictionalized, there is no question that Jack Binns and Warren Spahn were the topic of the respective works as was the plaintiff in *Gautier*. Notwithstanding that Mr. Murray was not of Irish extraction, the Court found that his photograph bore a real relationship to the Breslin article. Thus, with *Murray*, the N.Y. Court of Appeals might be said to have impliedly drawn a distinction between a fictional work as such and the false implications that might be drawn between a photograph and a factual article.

Arrington v. New York Times Co.[30] was the next step in the Court of Appeals' interpretation of §§ 50 and 51. In *Arrington*, as in *Murray*, the plaintiff's photograph was taken without his consent. Like *Murray,* the photograph of the plaintiff was featured on the front cover of a magazine along with the title of a feature article "The Black Middle Class: Making It."[31] In the article, the author, who did not specifically mention Arrington by name or attribute his views to the plaintiff, stated that the black middle class had "'been growing more removed from its less fortunate brethren.'"[32] The plaintiff stated that his views were not consonant with the author's.[33] In concluding that there was a "real relationship to the article," the court stated that "by external and objective criteria, . . . he may be perceived to be a member of the 'black middle class.'"[34] The Court also focused on the fact that "[w]hile the concededly innocuous title of the article is superimposed over part of the picture . . . nothing of the ideas with which he wishes to disassociate himself appear at this point" and that "the plaintiff is neither mentioned, nor are any of the ideas or opinions it expresses attributed to him."[35]

In *Arrington*, it should be noted that: (1) as in *Gautier* and *Murray*, the work in *Arrington* was factual; (2) unlike *Gautier* and *Murray*, in *Arrington*, there was no *voluntariness* to his appearance; (3) unlike *Gautier*, but similar to *Murray*, reference to the plaintiff in *Arrington* did not appear in work itself, but only on the cover; and, (4) o*bjective criteria* created the "reasonable relation" linkage.

In *Stephano v. News Group Publications, Inc.*,[36] the plaintiff model was photographed in a "bomber jacket." The photograph was used to illustrate a column "Best Bets." The plaintiff claimed that the picture was used for trade purposes and was a disguised advertisement. He claimed violation not only of statutory rights but common law rights as well. Consistent with *Roberson*, the Court of Appeals rejected the common law right of publicity claim. It also rejected the disguised advertisement claim. As to the trade purpose claim, the Court of Appeals found that the photograph bore a real relationship to the article.[37] It is to be noted that: (1) like *Gautier* and *Murray* and *Arrington*, the work in *Stephano*—an article—was factual; (2) but, unlike *Murray* and *Arrington*, there was no false implication to be drawn. The plaintiff in *Stephano* was wearing the type of jacket mentioned in the article. Thus, though I argue that *Murray* narrowed the scope of §§ 50 and 51 because of its willingness to ignore any false implications that might be drawn, *Stephano* was analogous to *Gautier*, and there was no occasion for a more restrictive view of §§ 50 and 51 in *Stephano* than in *Gautier*. For that reason, *Stephano* will be ignored for the balance of this particular analysis (but will be further addressed in the post-mortem protection discussion, *infra*).

In *Finger v. Omni Publications International, Ltd.*,[38] the plaintiffs had agreed to be photographed for a particular purpose and had not consented to any other use including the use by defendant.[39] The photograph of the family was not on the cover of the magazine as was the case in *Murray* and *Arrington*, but directly accompanied an article entitled "Caffeine and Fast Sperm."[40] The caption beneath the photograph read, "'Want a big family? Maybe your sperm needs a cup of Java in the morning. Tests reveal that caffeine-spritzed sperm swim faster, which may increase the chances for in vitro fertilization.'"[41] The article dealt with research conducted at the University of Pennsylvania School of Medicine that suggested in vitro fertilization rates may be enhanced by exposing sperm to high concentration of caffeine.[42] None of the plaintiffs' children were conceived by in vitro fertilization and the plaintiffs never participated in such research.[43] A reader might be left with the false impression that either plaintiff's children were conceived by in vitro fertilization or that the parents participated in such research. The plaintiffs argued that there was no "real relationship" to the article because there were "no external and objective criteria" such as those found in *Arrington* nor had they "voluntarily" become a part of the spectacle as in *Murray*.[44] The court characterized the article as dealing generally with fertility, the "caffeine-spritzed sperm" merely a specific, and that there was "'a real relationship' between the fertility theme of the article and the large family depicted in the photograph."[45] Note in *Finger*: (1) the article was factual as were the works in *Gautier*, *Murray* and *Arrington*; (2) in contrast to *Gautier* and *Murray*, there was no *voluntariness*; (3) unlike *Murray* and *Arrington*, the photograph was integrated into the work and not simply on the cover; and, (4) the real relationship is based on a single criteria, a large family, as opposed to the multiple external and objective criteria of *Arrington*.

At the end of 1990, we might conclude that neither *Binns* nor *Spahn* had been *expressly* relegated to Law's attic. *Gautier* certainly did not bear on the continued efficacy of the "fictionalization" exception in *Binns* and *Spahn*. In *Murray*, *Arrington*, and *Finger*, the articles in question were factual and in that regard *Binns* and *Spahn* were inapposite.[46]

There did remain the question whether the fact that the potential false impressions that the plaintiff in *Murray* was Irish, that the plaintiff in *Arrington* may have agreed with the views of the author, or that the children of the plaintiffs in *Finger* were conceived through in vitro fertilization were ignored and the result based on the "real relationship" test was a de facto elimination of the fictionalization test.

Messenger v. Gruner + Jahr Printing & Publishing,[47] the latest right of privacy/publicity decision by the New York Court of Appeals, addresses the issue of the continued viability of *Binns-Spahn*.

In *Messenger*, the plaintiff, a teenage model, posed for a series of photographs in the belief that they would be used in a story about a teenage couple in love. The photos, however, were used in an advice column in defendant's magazine *YM*, *Young and Modern*, along with a lurid headline, "I got trashed and had sex with three guys."[48] The letter was signed "Mortified."[49] The editor-in-chief of the magazine responded to the letter with *personal* advice to "Mortified."[50]

The plaintiff brought an action, among other causes, for breach of her rights under New York Civil Rights Law §§ 50 and 51. The case was tried in the United States District Court for the Southern District of New York.[51]

The trial judge, on motion for summary judgment brought by the defendant publisher, held that the column was newsworthy and that the photographs of the plaintiff had a real relationship but went on to hold that, assuming *Spahn* was good law, the column was possibly false or fictionalized. However, he did not mean by that whether the letter itself from "Mortified" was legitimate or fanciful but rather whether the column "implied that 'Mortified's' purported letter described Messenger's personal experience."[52]

The Special Verdict Form reflected the trial judge's view of the fictionalization issue as to a possible violation of Civil Rights Law §§ 50 and 51 thus: "Did the plaintiff establish by a preponderance of the evidence that the article in question was understood by the ordinary and average YM readers to mean that Ms. Messenger was the author of the letter signed 'Mortified'?"[53]

The jury answered the question "yes" and found the defendant liable.[54] The defendant appealed on the grounds that the fictionalization rule of *Spahn* was no longer good law.[55]

On appeal, the Second Circuit indicated its uncertainty as to the continued viability of the fictionalization exception in light of *Finger*: "Several factors suggest that *Finger* may have signaled the end of the fictionalization limitation;"[56] but the Second Circuit also recognized that, "the Court of Appeals did not explicitly reject the fictionalization exemption."[57] Because of its uncertainty as to the continued viability of the fictionalization limitation, the Second Circuit certified two questions to the New York Court of Appeals:

1. May a plaintiff recover under New York Civil Rights Law §§ 50 and 51 where the defendant used the plaintiff's likeness in a substantially fictionalized way without the plaintiff's consent, even if the defendant's use of the image was in conjunction with a newsworthy column?
2. If so, are there any additional limitations on such a cause of action that might preclude the instant case?[58]

In certifying the two questions, the Second Circuit opined that "the continued existence of the fictionalization limitation is an unsettled question after *Finger*, and the outcome of the instant case depends on a correct answer to that question."[59] As it turned out, however, the "outcome of the instant case" did not depend on the continued existence of the fictionalization exception. The New York Court of Appeals did not overrule the *Binns-Spahn* line of cases: "We see no inherent tension between the *Finger-Arrington-Murray* line and the *Binns-Spahn* line."[60]

With one dissent, the New York Court of Appeals answered the first question in the negative and therefore did not need the reach the second question.[61] In its opinion, the Court of Appeals took pains to distinguish the *Binns-Spahn* line of cases from the *Finger-Arrington-Murray* line of cases. The Court stated that "under *Binns* and *Spahn*, an article may be so infected with fiction, dramatization, or embellishment that it cannot be said to fulfill the purpose of the newsworthiness exception. Here by contrast, the 'Love Crisis' column was concededly newsworthy. Thus, this case is controlled by *Finger* not *Binns* or *Spahn*."[62] So, *Binns* and *Spahn* still survive as precedent where an article is "so infected with fiction . . . that it cannot be used to fulfill the purpose of the newsworthiness exception."[63]

The way in which the issue in question #1 was crafted by the Second Circuit, which in turn was dictated by the way in which the judge framed the issue in his instruction to the jury with respect to the potential violation of New York Civil Rights §§ 50 and 51, left the New York Court of Appeals little "wiggle room" in responding. Most important was the predicate that the use of plaintiff's likeness was "in conjunction with a newsworthy column." If the column was newsworthy, then the only question was whether, if *Finger* applied, there was a real relationship between the use of the photographs in question and the column in light of the false implication that the plaintiff was "Mortified." So, the question posed to the Court of Appeals then narrowed to: Is the use of "the plaintiff's likeness in a substantially fictionalized way without the plaintiff's consent" the equivalent of "no reasonable relationship."[64]

As to the fictional relationship of the plaintiff to "Mortified," the Court of Appeals citing *Finger*, *Arrington* and *Murray* held that so long as the article is not an advertisement and there is a real relationship between the photograph and the article, there is no violation under Civil Rights Law §§ 50 and 51, "regardless of any false impression created by the use of the photograph."[65]

It is unfortunate that the *Messenger* case developed as it did for it might well have met the Court of Appeals test for the application of *Binns* and *Spahn* rather than the *Finger-Arrington-Murray* line of cases. The plaintiff in *Messenger* proposed to introduce evidence that the letter from "Mortified" was a work of fiction, not a legitimate letter from an individual hiding her identity under the nom de plume "Mortified."[66] The trial judge refused to permit the introduction of that evidence.[67] Instead, in defendant's motion for summary judgment, the court concluded that "the subject of the column was a matter of public interest" and that the photographs were reasonably related to it.[68]

In suggesting the possible continued viability of the fictionalization exception of *Binns* and *Spahn*, he addressed its applicability not to the column which he found newsworthy but rather to the fictionalization that might have arisen if the column "implied that 'Mortified's' purported letter described Messenger's personal experience."[69] Thus, the Second Circuit framed the question in light of the posture of the case at the district court level. The question was framed with a newsworthy article and a fictionalization that rested solely on the relationship of the photos to the article. If, in fact, the letter from "Mortified" was fictional (the dissent in the Court of Appeals refers to the letter as "ersatz"),[70] then, while the trial judge was correct that the subject of the column—teenage sex—was newsworthy, one could equally say that Jack Binns and Warren Spahn were also newsworthy subjects. The test, I believe, is, or should be, not whether the topic is newsworthy (presumably, writers do not expect to garner attention with non-newsworthy articles), but rather whether the treatment is factual as opposed to made up. The topics of the Irish in America, the black middle class, and in vitro fertilization are newsworthy topics, but in *Murray, Arrington* and *Finger*, the treatment of those topics was factual.

If the defendant had attributed the letter expressly to the plaintiff by name, and she clearly had not written it, the column would have been a fictionalization. Presumably, the New York Court of Appeals, having not rejected the *Binns-Spahn* fictionalization exception, would have concluded that §§ 50 and 51 had been violated. If, as was the actual case, the defendant did not expressly ascribe the letter to the plaintiff but included—which it did not—a legend that the photographs were posed for by a professional model, then, whether "Mortified's" letter was legitimate or pure fabrication, it could not be said to be about the plaintiff and the fictionalization exception would not apply. But the letter was not signed by the plaintiff, nor was a professional model legend included in the layout.[71] The trial court chose to ignore whether the letter was a fabrication or not and based the analysis of the applicability of *Binns-Spahn* on whether the readership would conclude erroneously that the letter signed "Mortified" was actually written by the plaintiff.

If the column was pure fabrication, then it is difficult to see how it was newsworthy and if it was not newsworthy, *Finger* is simply inapplicable. If the column was factual but a readership might erroneously infer, as the jury found, that the plaintiff had written it, then the choice between the fictionalization line of cases and the real relationship line of cases is a difficult one. The New York Court of Appeals chose the *Finger-Arrington-Murray* line as dispositive;[72] the dissent argued for *Binns-Spahn*.[73] Whatever one concludes as to the correctness of the majority or dissent's analysis, the decision in *Messenger* is, in the opinion of this writer, a further narrowing of the scope of protection of N.Y. Civil Rights Law §§ 50 and 51 with respect to the "real relationship" test.

In *Murray*, *Arrington* and *Finger*, the article was a newsworthy topic, but none of the articles was specifically about the person(s) whose pictures were used to illustrate the article. The film in *Binns* was *about* the plaintiff.[74] The book in *Spahn* was *about* the plaintiff.[75] In contrast, the article in *Murray* was *not about* the plaintiff, he was merely an example, albeit an erroneous one.[76] The article in *Arrington* was *not about* the plaintiff specifically,[77] and the article in *Finger* was *not about* the plaintiffs.[78] So, as the court approached the question in *Messenger*, it might have asked the question, "Is this *about* the plaintiff?," as was the case in *Binns* and *Spahn,* or, was *Messenger* more like *Murray*, *Arrington* and *Finger*, simply an illustration for a more general topic, be it the Irish, the black middle class, in vitro fertilization—or teenage sex. The column including "Mortified's" letter and the editor-in-chief's reply was about *one person*, "Mortified," and was illustrated with photos *only of plaintiff*.[79] Though admittedly constrained by the phraseology of the questions posed by the Second Circuit, the New York Court of Appeals could have distinguished the plaintiff in *Messenger* from the plaintiffs in *Murray, Arrington* and *Finger* based on the personalized nature of the defendant's column: A letter from an individual, replete with "I"s, and the personalized response of the editor-in-chief. The Court chose not to.

Looking back at the string of Court of Appeals decisions, we see *voluntariness* give way to the *picture-is-only-on-the-cover,* which in turn narrowed to the *picture-only-illustrates-the-general topic* and finally, to the *personalization-of-the-picture-and-topic* in *Messenger*.

Whether one agrees with my conclusion that the Court of Appeals has narrowed the scope of privacy/publicity rights as to the living, it is indisputable that the Court of Appeals has foreclosed any common law right of publicity as to the dead.

In a pre-*Roberson* case, *Schuyler v. Curtis*,[80] the New York Court of Appeals held that: "Whatever right of privacy Mrs. Schuyler had died with her."[81] Of course, *Roberson* later held that one such as Mrs. Schuyler had no right of privacy even while living. When the New York legislature enacted the civil rights statute, it granted protection only to a *living* person. The Court of Appeals decisions in *Schuyler* and *Roberson* foreclosed a common law right of privacy for both the living and the dead. The subsequent statutory right was limited to the living. A half century after the passage of the civil rights statutes, the federal courts began to protect celebrity persona based on a common law right of publicity distinguishable from the right of privacy and therefore was neither constrained by the holdings in *Schuyler* and *Roberson,* nor limited by §§ 50 and 51.

In 1953, the Second Circuit Court of Appeals, in *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*,[82] distinguished the New York statutory right of privacy from what the court called a "right of publicity." "We think that, in addition to and independent of that right of privacy (which in New York derives from statute), a man has a right in the publicity value of his photograph. . . ."[83] The court emphasized the celebrity status of the baseball player whose photograph graced a bubble gum card.[84] Presumably, the court would have distinguished *Roberson* on the basis that the plaintiff was a non-celebrity for whom a right of privacy, had it existed, would have provided the appropriate protection.

In the 1975 case of *Price v. Hal Roach Studios, Inc.,*[85] the District Court for the Southern District of New York held that New York recognized a descendible right of publicity distinguishable from the statutory right that was extinguished by death.[86] In 1977, a New York court, citing *Price,* held that "In New York there is a distinction between the statutory right which protects living persons from commercial exploitation of their names and pictures . . . and the common law property right in one's public personality."[87] In a similar vein were *Factors Etc., Inc. v. Pro Arts, Inc.*,[88] *Hicks v. Casablanca Records*,[89] *and Groucho Marx Productions, Inc. v. Day and Night Company, Inc.*[90] It appeared that while New York had no common law right of privacy, it did enjoy a common law right of publicity—or so people thought until a male model appealed an adverse decision to the New York Court of Appeals and that Court disabused that model, and everyone else, of the notion that New York enjoyed a common law right of publicity.

In *Stephano v. News Group Publications, Inc.*, the New York Court of Appeals held: "Since the 'right of publicity' is encompassed under the Civil Rights Law as an aspect of the right of privacy, which, as noted, is exclusively statutory in this State, the plaintiff cannot claim an independent common-law right of publicity."[91] In a footnote, the court stated, "In view of the fact that the plaintiff is asserting his own right of publicity we need not consider whether the statute would also control assignment, transfer or descent of publicity rights."[92] However, while the New York Court of Appeals did not specifically address the post-mortem issue, the Second Circuit reversed its earlier understanding, articulated in *Factors Etc., Inc. v. Pro Arts, Inc.*,[93] that a common law right of publicity existed in New York Law and that such right was descendible: "Though *Stephano* involved a living plaintiff, and thus the Court of Appeals made no holding with respect to whether an extra-statutory right of publicity descends to the heirs of one whose picture is used for trade purposes, the Court's broad language persuades us that the views expressed in *Factors* are no longer a valid statement of New York Law,"[94] citing a 1986 N.Y. Supreme Court decision, *Antonetty v. Cuomo*.[95]

It does not seem likely that the N.Y. Court of Appeals, if faced with a post-mortem right of publicity case, would find such a right under the Civil Rights Law that is expressly limited to living persons or would find a common law post-mortem right of publicity when it had expressly found no such right for living persons. If there is to be a post-mortem right of publicity, it is the legislature that must create it. Over the years, a number of bills have been proposed to expand the scope of the law as it applies to living persons and to create a post-mortem right of publicity. With the exception of the amendment adding "voice" to the aspects of persona of living individuals to be protected, these proposed changes have come to naught.

In contrast to New York, California, faced with the rather opaque decision in *Lugosi v. Universal Studios, Inc.*[96] which held that if there was a common law post-mortem right of publicity, it did not apply to Bela Lugosi,[97] responded to the concerted efforts of the heirs of deceased motion picture stars. The California legislature passed a post-mortem right of publicity statute in 1985 providing fifty years of post-mortem publicity protection.[98] In 1999, the statute was amended to clarify its scope in the wake of *Astaire v. Best Film & Video Corp*.[99] The amendment also increased the term from 50 years to 70 years.[100] There has been no decision in California to clarify whether or not there is a common law post-mortem right of publicity in addition to the statutory right provided in Civil Rights § 3344.1.

The difference between California and New York is poignantly illustrated by two legends of the silver screen: Humphrey Bogart and James Cagney. Both these actors gained notoriety in the 1930s as tough guys starring together in Warner Bros. films such as "Angels with Dirty Faces" and "The Roaring Twenties." Each went on to enduring fame in a wide variety of roles, Cagney winning an Oscar® for "Yankee Doodle Dandy" and Bogart for "The African Queen." The publicity value of their respective persona was created in Hollywood but only one of them is protected. Bogart continued to live in California until his death in 1957. His persona is protected through 2027 A.D. under California Civil Code § 3344.1. Cagney retired to a farm in Dutchess County, New York where he died in 1986. His persona is unprotected, save as the Lanham Act may provide.

The decisions of the New York Court of Appeals, particularly in the last three decades of the 20th century are a clear indication that expanded relief for the living and protection of deceased celebrities will only occur if the New York legislature acts. Though individual members of the state legislature have championed expanded rights of privacy/publicity, by and large their efforts have been in vain.

In 1977, the New York Law Revision Commission recommended that "New York's law concerning privacy should be brought into line with the great majority of other states."[101] The Commission recommended that § 50 of the Civil Rights Law be revoked as vague and hardly, if ever, used. It recommended that § 51 be amended to expand the section's scope of protection to "any person who is subject to an unreasonable invasion of privacy that would be highly offensive to a reasonable person."[102]

In 1991, New York State Senator Gold and others introduced a bill to add a right of publicity in a new article 5-B.[103] The bill was intended to create a descendible right of publicity with a post-mortem term of 50 years. The bill provided protection with respect to a person's name, voice, signature, photograph, and visual image against "imitation, simulation, or impersonation," even if a disclaimer was used in connection with commercial sponsorship or paid advertisement. The bill did not pass.

In 1993, Senator Gold re-introduced proposed legislation identical to that of the 1991 bill.[104] That bill also did not pass.

In 1995, Senator Gold tried again with a bill identical to that of 1993.[105] Once more, the bill did not pass. Also in 1995, State Senator Lavalle offered a bill to repeal the existing § 50 and to substitute a new § 50 to establish a right of publicity as a property right that was descendible (apparently with no termination date).[106] The protected aspects of persons were "name, voice, signature, photograph, portrait, picture, identity, identifiable trait or characteristic." The bill also protected against imitation, simulation, or impersonation. The bill did not pass. Also in 1995, Assemblyman Sanders sponsored a more modest bill to amend §§ 50 and 51 to include protection against unauthorized use of a person's "actual performance, identity, nickname, or objects" for advertising or trade purposes.[107] Even this modest provision did not pass.

In February 1995, Assemblymember Sanders took dead aim at the judiciary:

> The legislature finds and declares that the development of the law of privacy has been unduly restricted by judicial decisions limiting the right of privacy to enumerated statutory provisions, and that the people of that state have thereby been deprived of the benefits of and the protection offered by a law of privacy. The legislature therefore declares that a broad right of privacy is recognized in this state, and that individuals shall have a civil cause of action for invasions of privacy.
>
> The legislature also finds and declares that the rule of construction requiring statutes in derogation of the common law to be strictly construed shall have no application to this act, and that the right of privacy recognized by this act shall be liberally construed as to strengthen the developing common law of privacy, consistent with the freedoms guaranteed by the state and federal constitutions.[108]

The bill he introduced would have added a new § 49 to the Civil Rights Law. That section would have protected a person against (1) intrusion upon seclusion or solitude; (2) public disclosure of highly embarrassing facts; and (3) false light publicity. The bill would have expanded the aspects of persona protected by §§ 50 and 51 to also include voice, actual performance identity, nicknames and objects of a living person. The bill did not pass. The one bright light was the 1995 addition in § 51 of "voice" to the attributes of persona to be protected.[109]

In 1997, Senator Gold, with the tenacity of Robert the Bruce, again introduced a bill to add a new article 5-B.[110] The bill was virtually identical to the one he introduced in 1995 and it suffered an identical fate—it did not pass. Assemblyman Sanders demonstrated the same tenacity as Senator Gold with a bill to amend §§ 50 and 51 to add actual performance, identity, nicknames and objects to the aspects of persona to be protected,[111] and a bill to add a new § 49 to provide protection against intrusion, revelation of highly embarrassing facts and false light.[112] These two bills, like their 1995 predecessors, did not pass. 1997 also saw Senator Farley introducing a bill to amend § 51 to provide a minimum damage amount of $16,000.[113] Even this minor amendment did not pass.

The last year of the 20th century and the last year of the second millennium found Assemblyman Sanders once more trying to add actual performance, identity, nickname, and objects to the attributes of persona to be protected by §§ 50 and 51.[114] The fates were no kinder than before—the bill did not pass. His 1999 attempt to add a new § 49 to protect against intrusion, revelation of highly embarrassing private facts, and false light also did not pass.[115]

As the 20th century toddled off the stage, New Yorkers were only slightly better off than when Baby 1900 celebrated its birth, as far as privacy/publicity was concerned. There was protection against the use of a living person's name, portrait, picture, and actual voice for advertising purposes or for a *Binns-Spahn* type of fictionalization. There was no protection against the type of false implication that might be drawn from the association of a photograph with an individual(s) in a *Murray-Arrington-Finger* type of situation. There was also no protection against the unauthorized exploitation of the persona of a deceased person.

New Yorkers were not protected against intrusion in their privacy or seclusion and could not prevent the public disclosure of highly embarrassing facts and had no relief against a false light publication. This all was in sharp contrast to the protection enjoyed by Californians. First, California courts have held that there is a common right of privacy including intrusion,[116] public disclosure of private facts,[117] false light[118] and appropriation (a/k/a right of publicity).[119] In addition, California has enacted a right of publicity statute for the living to complement the common law right of publicity.[120] The statute protects a broader range of attributes of persona than does New York.[121] And, because the statute is supplementary to the common law, the Ninth Circuit, while holding that "voice" as used in the statute means actual voice and does not include a sound-alike, did conclude a sound-alike to be violative of the California common law right of publicity.[122] Presumably, § 51 referring to voice would not apply to a sound-alike, and there is no common law right of publicity to invoke. The bills proposed by State Senator Gold had addressed the sound-alike situation to no avail.

The 21st century began for New Yorkers with *Messenger*, and the "message" was that the Court of Appeals was not enlarging the scope of protection of §§ 50 and 51; quite the contrary, it might be argued that it further narrowed the scope of protection. As I said at the outset of this article, it will not be the courts that bring New York into the 21st century. Will it be the legislature? If the past decade is any indication, the answer would have to be "no." But—

The legislature is trying again to address privacy/publicity as part of the "Personal Privacy Act of 2001."[123] This omnibus bill would revise not only the civil rights law, but the general business, the public health law, the civil practice law and rules and the public service law in relation to the protection and preservation of personal privacy. With respect to the civil rights law, the bill would add a new § 49 establishing a right of privacy to include (1) security from intrusion upon solitude or isolation; (2) security from publication of highly embarrassing private fact; and (3) security from a false light publication. Section 50 would be amended to include "voice" which was omitted from the 1995 amendment which added "voice" only to § 51. Both §§ 50 and 51 would be amended to add "actual performance, identity, nickname and objects" to the aspects of persona to be protected. Understandably, since the focus of the "Personal Privacy Act" is living individuals, the bill does not address a post-mortem right of publicity, or for that matter, a right of publicity denominated as such.

The introduction of the "Personal Privacy Act of 2001" is a hopeful sign. It remains to be seen, however, whether the legislature will change the "message."

Endnotes

1. 727 N.E.2d 549 (N.Y. 2000).
2. *See* Ch. 674, § 1, (1995) N.Y. Laws 3642; Ch. 280, § 1, (1983) N.Y. Laws 1626-27; Ch. 656, § 2, (1979) N.Y. Laws 1-2; Ch. 501, (1921) N.Y. Laws 1550-51; Ch. 226, (1911) N.Y. Laws 504; Ch. 14, (1909) N.Y. Laws 13; Ch. 132, (1903) N.Y. Laws 303.
3. *See infra* text accompanying notes 96-100, 116-122.
4. 64 N.E. 442 (N.Y. 1902).
5. *See id*. at 443 ("I have gone only far enough to barely suggest the vast field of litigation which would necessarily be opened up should this court hold that privacy exists as a legal right. . . .").
6. 50 S.E. 68 (Ga. 1905).
7. *See id*. at 69-70 (stating that the right has its roots in natural law).
8. *See infra* text accompanying notes 119-122.
9. *See, e.g.*, *The Right of Privacy*, N.Y. Times, August 28, 1902, at 8 (noting the public's "amazement" at the decision).
10. *See* Ch. 132 (1903) N.Y. Laws 303 (current version at N.Y. Civ. Rights Law §§ 50-51 (McKinney 1992 & Supp. 2000)).
11. *Beverley v. Choices Women's Med. Ctr., Inc.*, 532 N.Y.S.2d 400, 404 (2d Dep't 1988).
12. 103 N.E. 1108 (N.Y. 1913).
13. *Id*. at 1110.
14. *Id*.
15. 233 N.E. 2d 840 (N.Y. 1967).
16. *Id*. at 842.
17. *Spahn v. Julian Messner, Inc.*, 221 N.E.2d 543, 544 (N.Y. 1966) (emphasis added).
18. *Messenger v. Gruner + Jahr Printing & Publ'g*, 727 N.E.2d 549, 552 (N.Y. 2000) (emphasis added).
19. 107 N.E.2d 485 (N.Y. 1952).
20. *Id*. at 488.
21. *See id*. at 487.
22. *Id*. at 488-89 (emphasis added).
23. 267 N.E.2d 256 (N.Y. 1971).
24. *Id*. at 257.
25. *See id*.
26. *See id*.
27. *Id*. at 258.
28. *Id*. (emphasis added).
29. *Id*.
30. 434 N.E.2d 1319 (N.Y. 1982).
31. *See id*. at 1320.
32. *Id*.
33. *See id*.
34. *Id*. at 1322.
35. *Id*.
36. 474 N.E.2d 580 (N.Y. 1984).
37. *See id*. at 585-86.
38. 566 N.E.2d 141 (N.Y. 1990).
39. *See id*. at 142-143.
40. *See id*. at 142.
41. *Id*. at 142-43.
42. *See id.* at 142.
43. *See id*. at 143.
44. *Id*. at 144.
45. *Id*.
46. *See infra* notes 72-76 and accompanying text.
47. 727 N.E.2d 549 (N.Y. 2000).
48. *See id.* at 550.
49. *See id*.
50. *See id*.
51. *See Messenger*, 994 F. Supp. 525 (S.D.N.Y. 1998).
52. *Id*. at 528.
53. Appellant's Appendix at 381, *Messenger*, 727 N.E.2d 177 (N.Y. 2000) (No. 98-7767 (L)).
54. *Id*.
55. *See Messenger*, 175 F.3d 262 (2d Cir. 1999), *certifying question to* 727 N.E.2d 549 (N.Y. 2000).
56. *Id*. at 265.
57. *Id*.
58. *Id*. at 266.
59. *Id*.
60. *Messenger*, 727 N.E.2d 549, 555 (N.Y. 2000).
61. *See id*. at 556.
62. *Id*. at 555.
63. *Id*.
64. *Id*. at 551.
65. *Id*.
66. *See id*. at 551 n. 1.

67. *See id.*

68. *Messenger v. Gruner + Jahr Printing & Publ'g*, 994 F. Supp. 525, 528 (S.D.N.Y. 1998).

69. *Id*.

70. *Messenger,* 727 N.E.2d at 562 (Bellacosa, J. dissenting).

71. In a footnote to the N.Y. Court of Appeals opinion in *Messenger*, the Court stated, "We have not been asked to, and do not, pass on the question whether a reasonable reader could conclude that plaintiff was the person identified as 'Mortified,' given that the *pictures were obviously contrived* and she was not identified as the author of the letter. . . ." *See id*. at 554 n. 2 (emphasis added) (citations omitted). This comment would seem to suggest that the majority would have found, if asked, that as the pictures were "obviously contrived," the letter signed "Mortified" could not be attributed to the person whose photographs accompanied the article. The jury in the federal trial found otherwise. *See supra* text and accompanying notes 53-54.

72. *See id.* at 555.

73. *See id*. at 562-63.

74. *See Binns v. Vitagraph Co. of America*, 103 N.E. 1108, 1110 (N.Y. 1913).

75. *See Spahn v. Julian Messner, Inc.*, 233 N.E.2d 840, 841 (N.Y. 1967).

76. *See Murray v. New York Magazine Co.*, 267 N.E.2d 256, 257 (N.Y. 1971).

77. *See Arrington v. New York Times Co.*, 434 N.E.2d 1319, 1320 (N.Y. 1982).

78. *See Finger v. Omni Publications, Int'l*, 566 N.E.2d 141, 142-43 (N.Y. 1990).

79. *See Messenger v. Gruner + Jahr Printing & Publ'g*, 727 N.E.2d 549, 550-551 (N.Y. 2000).

80. 42 N.E. 22 (N.Y. 1895).

81. *Id*. at 24.

82. 202 F.2d 866 (2d. Cir. 1953).

83. *Id.* at 868.

84. *See id.*

85. 400 F. Supp. 836 (S.D.N.Y. 1975).

86. *See id.* at 844.

87. *Lombardo v. Doyle, Dane & Bernbach, Inc.*, 396 N.Y.S. 2d 661, 664 (2d Dep't 1977).

88. 579 F.2d 215, 221 (2d. Cir. 1978).

89. 464 F. Supp. 426, 429-30 (S.D.N.Y. 1978).

90. 523 F. Supp. 485, 489-91 (S.D.N.Y. 1981), *rev'd*, 689 F.2d 317 (2d Cir. 1982).

91. *Stephano v. News Group Publications*, 474 N.E.2d 580, 584 (N.Y. 1984).

92. *Id*. at 584 n. 2.

93. 579 F.2d 215 (2d Cir. 1978).

94. *Pirone v. MacMillan, Inc.*, 894 F.2d 579, 586 (2d Cir. 1990). The court in this case added that the *Stephano* case created

> uncertainty as to whether New York's statutory remedy preempts an heir's common law right of publicity claim, but [it] believe[d] recognition of such a right will have to await either clarification from the Court of Appeals or action by the New York legislature, which has thus far declined to amend the statute to make a right of publicity descendible.

See id. at 586 n. 6.

95. 502 N.Y.S.2d 902 (Sup. Ct. 1986), *aff'd*, 509 N.Y.S.2d 443 (App. Div. 1987).

96. 603 P.2d 425 (Cal. 1979).

97. *See id.* at 428.

98. *See* Cal. Civ. Code § 990 (West 1997).

99. 116 F.3d 1297 (9th Cir. 1997), *amended by* 136 F.3d 1208 (9th Cir. 1998).

100. *See* Cal. Civ. Code § 3344.1 (West Supp. 2000).

101. Recommendation of the Law Revision Commission to the 1977 Legislature Relating to the Expansion of the Civil Right of Privacy, (1977) N.Y. Law Rev. Comm'n Rep. 2.

102. *Id.* at 11.

103. *See* N.Y.S. 717, 1991-92 Sess. (1991).

104. *See* N.Y.S. 285, 215th Sess. (1993).

105. *See* N.Y.S. 155, 218th Sess. (1995).

106. *See* N.Y.S. 2316, 218th Sess. (1995).

107. N.Y.A. 865, 218th Sess. (1995).

108. N.Y.A. 3194, 218th Sess. (1995).

109. *See* Ch. 674, § 1, (1995) N.Y. Laws 3642 (codified as amended at N.Y. Civ. Rights Law § 51 (McKinney 1992 & Supp. 2000)).

110. *See* N.Y.S. 1578, 220th Sess. (1997).

111. *See* N.Y.A. 826, 220th Sess. (1997).

112. *See* N.Y.A. 924, 220th Sess. (1997).

113. *See* N.Y.S. 4627, 220th Sess. (1997).

114. *See* N.Y.A. 748, 222nd Sess. (1999).

115. *See* N.Y.A. 750, 222nd Sess. (1999).

116. *See, e.g., Noble v. Sears, Roebuck & Co.*, 109 Cal. Rptr. 269 (Cal. Ct. App. 1973) (finding that a private investigator for the defendant intruded on plaintiff's privacy when he accessed plaintiff's hospital room and deceptively acquired information relating to a personal injury lawsuit between the plaintiff and defendant).

117. *See, e.g., Briscoe v. Reader's Digest Ass'n*, 483 P.2d 34 (Cal. 1971) (declaring that plaintiff stated a cause of action when he claimed that defendant violated his privacy by publishing the fact that plaintiff had been involved in criminal activity in the distant past).

118. *See, e.g., Kerby v. Hal Roach Studios*, 127 P.2d 577 (Cal. Ct. App. 1942) (holding that there was an invasion of privacy when defendant falsely attributed a sexually suggestive letter to plaintiff).

119. *See, e.g., Fairfield v. American Photocopy Equip. Co.*, 138 Cal. App.2d 82 (1955) (ruling that defendant misappropriated the name of a lawyer when it stated in an advertisement for a photocopying machine that the lawyer was a satisfied user).

120. *See* Cal. Civ. Code § 3344 (West 1997).

121. *See id.* at § 3344(a) (protecting "name, voice, signature, photograph, or likeness" of an individual).

122. *See Midler v. Ford Motor Co.*, 849 F.2d 460, 462-63 (9th Cir. 1988).

123. *See* N.Y.A. 11242, 223rd Sess. (2000).

Joseph J. Beard (jbeard@sjulawfac.stjohns.edu) is a professor of law at St. John's University School of Law in New York. He is the author of *Casting Call at Forest Lawn: The Digital Resurrection of Deceased Entertainers—A 21st Century Challenge for Intellectual Property Law*, the first article to deal with the legal implications of virtual human technology. **The author wishes to thank his research assistant Lawrence J. Chanice, St. John's University School of Law, Class of 2001, for his outstanding assistance.**

The Fairness in Music Licensing Act Is Not So Fair: A Report on the World Trade Organization Decision

By Karen J. Bernstein

Congress should have listened to the Register of Copyrights when she warned that passage of the Fairness in Music Licensing Act (FMLA)[1] would violate the Berne Convention and the Agreement on Trade-Related Aspects of Intellectual Property (the "TRIPs Agreement).[2] Unfortunately, the Register's prediction came true when the World Trade Organization Panel (the "Panel) found FMLA "d[id] not meet the [Article 13] requirements . . . of the TRIPs Agreement."[3] Now that the Panel decision is final, the World Trade Organization Dispute Settlement Body must decide what remedial measures should be taken against the United States.

This article traces the historical underpinnings of the Homestyle and Business Exemption provisions of the Copyright Act and how FMLA emerged from the case law confusion. It will also present what Congress might do to bring the United States into compliance with the TRIPs Agreement.

Case Law History of the Homestyle Exemption: The 1909 Copyright Act

Congress inserted the first statutory provision into the 1909 Copyright Act,[4] which punished those who allowed unauthorized public performances of copyright owners' music.[5] It also provided a limited exemption for small business from paying license fees. Subsequently, courts wrestled with interpreting this section of the Copyright Act. What came about was a series of balancing tests that used factors in determining whether a business should be exempt from paying license fees. *Herbert v. Shanley Co.*,[6] for example, involved a defendant who played the radio for patrons at his restaurant. The defendant argued that he should be excused from paying license fees, because he did not directly charge his customers for turning on the radio. The Court rejected this argument, and it held that turning on the radio impacted the defendant's business profits and was sufficient to justify him paying a license fee.[7] Following the same line of reasoning, the Court held in *Buck v. Jewell-LaSalle Realty Co.*[8] that playing the radio over loudspeakers into hotel rooms constituted a public performance and would not trigger the statutory exemption.

The Supreme Court was faced with a similar issue as it related to television broadcasts in *Fortnightly Corp. v. United Artists, Inc.*[9] The plaintiff-movie companies sued community residents and a cable television company for broadcasting cable stations without paying a license fee. The residents lived in a rural area where television reception was abysmal, so they contracted with a cable company to share a signal through one large antenna. The plaintiffs contended that this was a public performance and the defendants should pay a license fee. Unlike *Jewell-LaSalle*, however, the *Fortnightly* Court held that there was no public performance because "CATV operators, like viewers and unlike broadcasters, [did] not perform the programs that they receive and carry."[10]

The seminal case of *Twentieth Century Music Corp. v. Aiken*[11] served as the progenitor for the "Homestyle Exemption" and brought the issue of exempting small businesses from paying license fees to the forefront. In *Aiken*, the defendant played the radio in his 1,055 square-foot restaurant. The stereo system was configured like "a home receiver with four ordinary loudspeakers grouped within a relatively narrow circumference from the set. . . ."[12] The plaintiffs relied on *Shanley* when they argued that the broadcast constituted a public performance in violation of the 1909 Copyright Act. The Supreme Court disagreed, and it found that the small size of Aiken's restaurant, coupled with the type of radio he used, did not constitute infringement of the copyright holders' exclusive rights.[13]

The Homestyle Exemption and the 1976 Copyright Act

The *Aiken* decision became the basis for the so-called "Homestyle Exemption" of the 1976 Copyright Act. Indeed, a House Report detailed the purpose behind the Homestyle Exemption:

> [To excuse] small commercial establishment[s] of the type involved in Twentieth Century Music Corp. v. Aiken . . . which merely augmented a home-type receiver and which was not of sufficient size to justify, as a practical matter, a subscription to a commercial background music service . . . However, where the public communication was by means of something other than a home-type receiving apparatus, or where the establishment actually makes a further transmission to the public, the exemption would not apply.[14]

The House Report also listed exemption factors such as "size, physical arrangement . . . and the extent to which the receiving apparatus is altered or augmented for the purpose of improving the aural or visual quality of the performance for individual members of the public using those areas."[15]

The final version of the Homestyle Exemption[16] gave copyright owners the exclusive right "to perform the copyrighted work publicly,"[17] and it required only a "single receiving apparatus" be used in order to qualify for the exemption, unless the business charged a fee or the transmission was "further transmitted to the public" (i.e., a secondary transmission).[18]

Courts relied extensively on the House Report's exemption factors when they went to assess whether a business should be excused from paying a license fee. One such case grappled with interpreting the meaning of "further transmission," and it looked at the configuration of the business's stereo equipment in determining that "the radio broadcasts . . . were 'further transmitted' to the public because the broadcasts were initially received in a room or area without speakers and were sent to a separate room with speakers via some 40 feet of wiring."[19] Another court developed a test to ascertain "[w]hether a restaurant qualifies as a 'small commercial establishment,'" and it applied factors such as (1) the square footage of the business, (2) the capacity of the restaurant, and (3) the revenues of the business.[20] In yet another case, the Gap clothing store chain was sued for not paying a license fee.[21] In *Sailor Music v. Gap Stores*, the court held that the average size of the clothing store was approximately 3,500 square feet, which was "substantially larger than the public area of [1,055] square feet in the fast-food store at issue in Aiken."[22] In *BMI v. Claire's Boutique*,[23] the court looked at (1) whether the receiver and other equipment itself [was] generally sold for commercial or private use; (2) the number of speakers which the receiver can accommodate; (3) the number of speakers actually used; (4) the manner in which the speakers [were] installed; (5) whether the speaker wires [were] concealed; (6) the distance of the speakers from the receiver; and (7) whether the receiver [was] integrated with a public announcement system or telephone lines.[24] The court balanced these considerations and held that the exemption applied to a chain of women's clothing stores.

The inconsistent court cases and their outcomes drew a bigger divide between the performance right societies and the small business interests. But it was the restaurant and small business groups that brought the issue to Congress, when it asked for certainty by enacting laws that set maximums on square footage and stereo speakers so that businesses could be exempt from paying license fees. Thus, came the Fairness in Music Licensing Act of 1998.

The Fairness in Music Licensing Act of 1998

On October 27, 1998, the Fairness in Music Licensing Act (FMLA)[25] passed as part of the Sonny Bono Copyright Extension Act of 1998.[26] FMLA amended 17 U.S.C. § 110(5) of the Copyright Act, which exempts some businesses from having to pay a license fee for public performance of non-dramatic musical works based on the size of their establishments (the "Business Exemption").

The House and the Senate versions of the "bill [were] entangled in debate and delay on Capitol Hill for many months. . . ."[27] For instance, the House presented H.R. 4712, which was "substantially identical" to H.R. 789—the Bill that eventually became FMLA.[28] H.R. 4712, however, was withdrawn for reasons unknown.[29] Also, Congressional hearings were extensive. They "were the most expensive and hard-fought battle that the RIAA and the performing right societies, music publishers, and songwriter interests had faced in recent times."[30] Not surprisingly, the National Federation of Independent Businesses (which represents over 92 percent of small business owners) and the National Restaurant Association supported the bill.[31] The performing rights societies such as ASCAP and BMI were understandably not pleased by the prospect of legislation that would limit compensation for their members.[32] At one time, they proposed a maximum of 1,250 square feet, no more than four loudspeakers and two TV screens not greater than 44 inches, but this was rejected by the restaurant interests and Congress.

Lobbying groups for both sides presented statistics on how the new legislation would affect businesses, but the Senate wanted an independent audit conducted to aid it in fashioning the Business Exemption. Accordingly, the Congressional Research Service (CRS) conducted a report for the Senate Judiciary Committee, and it hired Dun & Bradstreet (D&B) to facilitate an audit of retail, food and drinking establishments to determine how many of these businesses fell under 1,055 square feet—the size of Aiken's restaurant. The D&B report found that a very small percentage of retail and non-retail establishments were below 1,055 square feet,[33] but it predicted that a larger percentage of bars, taverns, restaurants and retail stores would fall under 3,500 square feet—the measurement that the *Gap* court rejected as being exempt from paying license fees.[34] Consequently, Representative Dreier read the D&B report and surmised that if FMLA passed, it would enable 65 percent of all restaurants to claim the Business Exemption.[35] Ultimately, Congress mandated a compromise of 3,750 square feet for bars, taverns and food establishments and 2,000 square feet for retail shops, provided there was a "total of not more than 6 loudspeakers, of which not more than 4 . . . are located in any 1 room or adjoining outdoor space."[36] Congress also set a maximum limit of 4 television sets "of which not more than 1 . . . is located in any 1 room" and the screen size is no "greater than 55 inches."[37]

The Treaties

To add some context to understand the World Trade Organization Panel Report (the "Panel Report"), the following is a primer of international agreements that the Panel applied in its analysis. It is also important to explain the performance rights organizations' function in the international arena and how this became the central focus of the controversy.

The TRIPs Agreement

The United States entered into the TRIPs Agreement on January 1, 1995.[38] Article 9.1 provides that "[m]embers shall comply with Articles 1 through 21 of the Berne Convention."[39] The Berne Convention is one of the oldest multilateral treaties, and it established the framework for the underlying policies of international accords respecting copyright.[40] The United States did not become a member of the Berne Convention until 1989 when it agreed to provide copyright holders with a host of rights such as affording national treatment to foreign copyright owners.[41] The European Communities had not been party to the Berne Convention until they became a signatories to the World Intellectual Property Organization Treaty (WIPO).[42]

The WIPO Treaty

One year after the TRIPs Agreement was signed, the United States and 127 other countries became parties to two additional treaties relating to intellectual property: (1) the WIPO Copyright Treaty (WCT)[43] and (2) the WIPO Performances and Phonograms Treaty (WPPT).[44]

The WCT focused on new technology and extended "the right of communication to the public," which included "by wire or wireless means," and in particular "on-demand, interactive communication through the Internet. . . ."[45] More importantly, it set forth the principle that contracting parties were subject to "substantive portions of the 1971 Paris Act of the Berne Convention . . . ."[46] The WPPT set forth the "right of a single equitable remuneration for the direct or indirect use of phonograms" for performers and producers of phonograms. . . ."[47] This agreement bound parties to the reproduction right in the Berne Convention.

Performance Rights Societies and Their Function in the International Arena

Composers, lyricists and music publishers regularly authorize performance right societies or Collective Management Organizations (CMOs) to negotiate licenses for public performance of their works with television, radio, cable and business interests, including restaurants, bars and retail establishments. The licensees agree to pay a blanket license fee for the privilege of playing the CMO members' music in public.[48] The three main American CMOs are ASCAP, BMI and SESAC. The CMOs also typically enter into "reciprocal arrangements" with CMOs from other countries to license CMO members' works.[49] One such foreign CMO is GESAC, which is the European counterpart to the American CMOs.

The WTO Ruling

On April 21, 1997, one CMO, the Irish Music Rights Organization (IMRO) with the support of GESAC, complained to the European Commission that the Homestyle Exemption of the 1976 Copyright Act was in violation of the TRIPs Agreement.[50] Additionally, IMRO argued that the Business Exemption was in violation of the accord. On December 11, 1998, the European Communities (the "EC") issued its decision to "commence action against the United States of America under the Understanding on the Rules and Procedures for the Settlement of Disputes ["DSU"] . . . with a view to securing removal of the obstacle to trade."[51]

On January 26, 1999, the EC requested a consultation with the United States regarding the Homestyle and Business Exemptions pursuant to DSU procedure and the TRIPs Agreement.[52] After meeting on March 2, 1999, the United States (U.S.) and the EC could not reach agreement, and the matter was brought before the Dispute Settlement Body (DSB) of the World Trade Organization (WTO). On May 25, 1999, the DSB established a three-person panel to review the matter.[53]

Because the Panel found the Homestyle Exemption to be in compliance with the TRIPs Agreement, the following sections focus on the Panel's analysis of the Business Exemption only.

Application of the Business Exemption to the Minor Exceptions Doctrine

Article 13 of the TRIPs Agreement provides an exception for Member States to limit copyright owners' exclusive rights under certain proscribed circumstances. This became known as the "Minor Exceptions Doctrine."[54] Member States may provide in their national legislation to limit copyright holders' rights if they can show that the type of legislation fell within "certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder."[55] Contracting parties must satisfy all Article 13 conditions to invoke the Minor Exceptions Doctrine but "[f]ailure to comply with any one of the three [elements] results in the Article 13 exception being disallowed."[56]

The EC argued that the United States Business Exemption did not meet all three elements of the Minor Exceptions Doctrine, and it violated Article 9.1 of the TRIPs Agreement, as well as Articles 11(1)(ii) and 11*bis*(1)(iii) of the Berne Convention.[57]

Article 11*bis*(1)(iii) of the Berne Convention set forth exclusive rights for copyright owners, including the "exclusive right of authorizing . . . (iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work."[58] Article 11(1)(ii) of the Berne Convention provided "[a]uthors . . . the exclusive right of authorizing . . . (ii) **any communication** to the public of the performance of their works."[59] The Panel Report found that both Article 11*bis*(1)(iii) and 11(1)(ii) of the Berne Convention were interrelated because they covered public performance. But Article 11*bis*(1)(iii) more specifically "concern[s] public communication by loudspeaker or any other analogous instrument. . . ."[60]

The Panel found that Article 13 of the TRIPs Agreement "has its origins in the similar [minor exception] language" of Article 9.2 of the Berne Convention.[61] Therefore, the Minor Exceptions Doctrine applies to Articles 11 and 11*bis* of the Berne Convention[62] as incorporated into the TRIPs Agreement and is relevant to the determination of whether the U.S. was in compliance.

"Certain Special Cases"

The Panel Report determined that the term "Certain Special Cases" meant that Member States' national legislation must be clearly and narrowly defined. In other words, a special case must be supported "in terms of beneficiaries of the exception, equipment used, types of works or by other factors."[63]

The U.S. asserted that the maximum square footage provision met the clearly defined requirement and that its policy objective was to "foster[] small businesses and prevent[] abusive tactics by CMOs."[64] The EC, predictably, argued that the Business Exemption was too broad and that it turned the "exception into a rule."[65] The U.S. contended that certain indicators should be subtracted from the D&B report that was conducted for the CRS, for a multitude of reasons. Most notably, to discount from the statistics "those [businesses] that would turn off the music if they became liable to pay fees."[66] The Panel Report rejected this argument, because the Business Exemption actually encouraged businesses to turn on the radio and avoid paying the license fee altogether. Therefore, the Panel held that the Business Exemption did not meet the first element of the Minor Exception Doctrine, because it excused a "major part of the users that were specifically intended to be covered by the provisions of Article 11*bis*(1)(iii)" and did not reach the level of a "special case."[67]

"Not Conflict With A Normal Exploitation of the Work"

Although the Panel Report could have concluded that the U.S. failed to comply with the Minor Exceptions Doctrine under element one, it nevertheless surmised that the other two prongs of the test would "assist the DSB in making recommendations or in giving rulings" when formulating a remedy against the U.S.[68]

The Panel determined that the second prong meant "uses from which an owner would not ordinarily expect to receive compensation."[69] The U.S. argued that copyright owners could not expect to receive compensation from the public performance of their works for a myriad of reasons, including (1) CMOs face considerable administrative difficulties in licensing small businesses; (2) those business that fell under the 1998 Business Exemption already were excused under the old Homestyle Exemption; and (3) copyright owners could not expect to receive compensation from restaurants that had signed a private voluntary negotiated group licensing agreement with the U.S. CMOs. Accordingly, right holders were already being paid for the secondary transmission under the blanket license fees (collectively, the "U.S. Reduction Factors").[70]

The Panel Report rejected all three arguments. Specifically, if the Panel accepted the administrative difficulties argument, it could lead to Member States using similar excuses to "justif[y] any exception or limitation" in their national legislation.[71] The Panel Report outright dismissed the U.S. argument regarding the voluntary group licensing agreement as irrelevant, because "[i]ndividual or group licensing arrangements result from negotiations between parties, not from governmental imposition."[72] More importantly, the Panel Report concluded that it would not "differentiate between broadcast and recorded music when assessing what is a normal use of musical works,"[73] which further incorporated the Berne Convention's reproduction right limitations of articles 9(1) and 9(2).[74] Consequently, the Panel Report determined that the Business Exemption failed the second prong of the Minor Exceptions Doctrine.

"Not Unreasonably Prejudice the Legitimate Interests of the Right Holder"

The Panel Report approached the third prong's terminology of "unreasonably prejudice" to mean, "whether the prejudice caused . . . to the legitimate interests of the right holder is of an unreasonable level."[75] Specifically, "an unreasonable loss of income to the copyright owner."[76] The Panel Report once again rejected the U.S. Reduction Factors argument, because they exemplified the "potential prejudice caused by the business exemption to the legitimate interests of right holders."[77] The Panel also criticized both parties' methodologies at determining their annual loss estimates, as they reflected current and actual losses, and "such figures cannot alone be determinative for the assessment of the level of prejudice suffered by right holders."[78] Accordingly, the Panel held that the U.S. Business Exemption violated the TRIPs Agreement.

Implementation of the Recommendations and Rulings of the DSB

The Panel Report, dated June 15, 2000, recommended the matter to the DSB to "bring [the Business Exemption] into conformity with its obligations under the TRIPs Agreement."[79] The DSB has nine months to issue the implementation of recommendations and rulings of the Panel Report.[80] This is measured "from the date of establishment of the panel by the DSB until the date the DSB considers the panel . . . report for adoption," which means that the DSB may review the Panel Report no later than February 25, 2001.[81]

The DSB could take a number of sanctions against the U.S. The most plausible would be to order the U.S. to either repeal the Business Exemption or modify it. If the U.S. does not comply within a period of time either "proposed by the Member concerned" or by a mutually agreeable time period, then "[c]ompensation and the suspension of concessions or other obligations," may be imposed.[82] It should be noted that the DSU considers compensation and suspension of concessions as "temporary and shall only be applied until such time as the measure found to be inconsistent with a covered agreement has been removed. . . ."[83]

If compensation is found to be necessary, the Panel Report's holding under the third prong of the Minor Exceptions Doctrine analysis may be particularly relevant to the DSB when it considers what sanctions to impose on the U.S. The EC calculated that the annual loss to their copyright holders as a result of the Business Exemption is approximately $53.65 million per year.[84] The U.S. estimated that EC right holders have lost between $294,113 to $586,332 annually. The Panel Report directed the DSB to compare the EC figures and the U.S. estimates on monetary loss to all copyright holders, including those of the Member States.[85] Substantially, it ruled that the U.S. owes its obligations to all signatories to the TRIPs Agreement, not just to the EC.[86]

Future Ideas for Congress to Comply with the TRIPs Agreement

When the Register of Copyrights testified before the House Subcommittee on the subject of FMLA, she suggested an alternative piece of legislation that had been introduced years before called "The Music Licensing Reform Act of 1986."[87] If adopted, it would add a new subsection to the Copyright Act, which "directs the Register of Copyrights to define 'small commercial establishments' by regulation and . . . list[s] factors that the courts have considered . . . relevant to the determination."[88] Indeed, the criteria that had been proposed is similar to what the courts used in *Hickory Grove* and *Claire's Boutique*. Senator Hatch said that the purpose of listing factors and regulating small businesses through the Copyright Office will eliminate "Congress having to [re]-legislate specific equipment and area requirements . . . time and time again."[89] It would also meet the Minor Exceptions Doctrine of the TRIPs Agreement.

Conclusion

Whether Congress adopts a version of the Music Licensing Reform Act, some other legislation or if it repeals the Business Exemption entirely, is dependent on what the DSB orders it to do. Congress has been proactive on its stance regarding protection of intellectual property worldwide, and it now must develop legislation that is fair to the rest of the world.

Endnotes

1. *See* The Fairness in Music Licensing Act, Title II, Pub. L. No. 105-298, 112 Stat. 2827 (1998).
2. *Music Licensing: Before the House Subcommittee on Courts and Intellectual Property*, 105th Cong. (1997) (Statement of Marybeth Peters, Register of Copyrights) (hereinafter "Statement of Marybeth Peters").
3. *See* World Trade Organization: *Report of the Panel on United States—Section 110(5) of the US Copyright Act*, June 15, 2000, WT/DS160/R, 7.1(b), p. 69 (hereinafter "Panel Report"). *See also* Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, revised at Paris, July 24, 1971 (as amended on September 28, 1979) at 9.1: "(1) Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form." *Id.*
4. Copyright Act of 1909, ch. 320, 35 Stat. 1075 (codified as amended at 17 U.S.C.A. §§ 101-1101).
5. *See id.* § 1(e), 35 Stat. at 1075-76 (codified as amended at 17 U.S.C.A. § 110).
6. 242 U.S. 591 (1917).
7. *Id.* at 594.
8. 283 U.S. 191 (1931).
9. 392 U.S. 390 (1968).
10. *Id.* at 401.
11. 422 U.S. 151 (1975).

12. H.R. Rep. No. 1476, 94th Cong., 2d Sess. 87, reprinted in 1976 U.S. Code Cong. & Admin. News, 5659, 5701.

13. 422 U.S. at 162.

14. *See* H.R. Conf. Rep. NO. 94-1733, at 75 (1976).

15. *Id.*

16. 17 U.S.C. § 110(5).

17. Copyright Act of 1976, Pub. L. No. 94-553, S 106(4), 90 Stat. 2541 (codified at 17 U.S.C. § 106(4)).

18. *See* P.L. No. 94-553, 90 Stat. 2541 (1976) (codified at 17 U.S.C. § 110).

19. *See Merrill v. Miller's Bar-B-Q Enterprises, Inc.*, 688 F. Supp. 1172, 1176 (W.D. Tex. 1988).

20. *See Hickory Grove Music v. Andrews*, 749 F. Supp. 1031, 1038 (D. Montana 1990) (citation omitted).

21. *Sailor Music v. Gap Stores, Inc.*, 668 F.2d 84 (2d Cir. 1981).

22. *Id.*

23. 949 F.2d 1482 (7th Cir. 1991).

24. *See id.*

25. *See* The Fairness in Music Licensing Act, Title II, Pub. L. No. 105-298, 112 Stat. 2827 (1998).

26. *See id.*

27. *See* Bill Holland, *Congress Extends C'right Term: WIPO Passage Seen* (Oct. 17, 1998) *available in* 1998 WL 10915345.

28. *See* 144 Cong. Rec. H9946-01, H9948 (daily ed. Oct. 7, 1998) (Statement of Rep. Sensenbrenner).

29. *See* 144 Cong. Rec. H9741-04 (daily ed. Oct. 7, 1998). Rep. McInnis suspended the bill.

30. *See* Holland, *supra* note 26.

31. *See* S. 1628, 104th Cong. (1996).

32. *See* Holland, *supra* note 26.

33. The Dun & Bradstreet report was conducted officially for the Congressional Research Service. It found that 16 percent of restaurants, 13.5 percent of bars/taverns, and 18 percent of retail stores were below 1,055 square feet. *See* Panel Report, *supra* note 3, at 2.10, p. 6.

34. *See id.*

35. See H.R. Res. 390, 105th Cong. (1998), reprinted in 55 Pat. Trademark & Copyright J. (BNA) 479, 494-95 (Mar. 26, 1998).

36. *See* U.S.C. § 110(5)(b)(i)(I)-(II), (ii)(I)-(II).

37. *See* 17 U.S.C. § 110(5)(B) (1998).

38. *See* The Agreement on Trade-Related Aspects of Intellectual Property Rights, Jan. 1, 1995 (hereinafter "TRIPs Agreement").

39. *Id.* at art. 9, p. 324.

40. *See* Berne Convention, *supra* note 3.

41. National treatment is when signatories "provide for the same kinds of limitations or exceptions with regard to the protection of performers and producers of phonograms as they provide for, in their national legislation. . . ." *See* World Intellectual Property Organization Treaty: Performances and Phonograms Treaty, Dec. 20, 1996, Geneva, Switzerland at art. 16(1). The United States also agreed to eliminate the statutory requirement of copyright notice, and it passed the Visual Artists Rights Act of 1990, Pub. L. No. 101-650, 104 Stat. 5128 (1990) (codified at 17 U.S.C. § 106A).

42. *See* Case T-70/89, British *Broadcasting Corp. and BBC Enterprises, Ltd. v. Commission of the European Communities*, 1991 ECJ CELEX LEXIS 1945, *75.

43. *See* World Intellectual Property Organization Treaty: International Protection of Copyright and Neighboring Rights Copyright Treaty, Dec. 20, 1996, Geneva, Switzerland (hereinafter "WCT").

44. *See* World Intellectual Property Organization Treaty: Performances and Phonograms Treaty, Dec. 20, 1996, Geneva, Switzerland (hereinafter "WPPT"). This was the progenitor of the Digital Millenium Copyright Act, P.L. No. 105-304, 112 Stat. 2860 (1998) (codified at 17 U.S.C. §§ 101, *et seq.*).

45. *See id.*

46. *See* WCT, *supra* note 42.

47. *See* World Intellectual Property Organization Treaty: Performances and Phonograms Treaty, Dec. 20, 1996, Geneva, Switzerland at art. 15(1).

48. "A restaurant or nightclub[] typically utilizes a 'blanket license' [to] set[] a single fee for unlimited performances of all works in the [CMOs] repertoire during a certain period of time (usually a year). The result is a reasonable approximation of the value of all of the performances as a group." *See* Statement of Marybeth Peters, *supra* note 2.

49. *See* Panel Report, *supra* note 3, at 2.16, p. 7.

50. *See* 1997 O.J. (C 177/5). IMRO "is a music licensing and collecting society" with more than 1,500 Iris "authors, composers, arrangers of music, lyricists and music publishers." *Id.* (parentheses omitted). GESAC represents "nearly 480,000 authors and composers from all [European] Member States." *Id.*

51. *See* 1998 O.J. (L346/60).

52. *See* Panel Report, *supra* note 3, at 1. article 4 of Understanding on Rules and Procedures Governing the Settlement of Disputes [hereinafter DSU] recommends that during the consultation stage "Members should attempt to obtain satisfactory adjustment of the matter." *See* DSU, art. 4, Annex 2 to the TRIPs Agreement, p. 356.5. *See also id.* at art. 64.1, Annex 1C, p. 347, which discusses procedures for settlement of disputes. *See id.*

53. *See id.* p. 1. article 6 of the DSU sets forth the procedure for complaining parties to request a panel be made in writing. *See* DSU, *supra* note 51, at art. 6.1-6.2, p. 358. The panel is comprised of three representatives from Member States who were contracting parties to the General Agreement on Tariffs and Trade 1947 (Geneva, July, 1986), are independent in that their countries are not parties to the action, and "shall serve in their individual capacities and not as government representatives" *Id.* at art. 8. Members of the panel serve a four-year term and "comprise persons of recognized authority with demonstrated expertise in law [and] international trade. . . ." *See WTO Completes Appointment of Appellate Body Members* (May 25, 2000) *available at* http://www.wto.org/english/news_e/pres00_e/pr179_e.htm.

54. *See* Panel Report, *supra* note 3, at 6.48, p. 18.

55. *See* TRIPs Agreement, art. 13, p. 325; *see also* Panel Report, 6.74, p. 27.

56. *See* Panel Report, *supra* note 3, at art. 6.97, p. 31.

57. *See id.* at 3.1-3.2, p. 7.

58. *Id.*

59. *Id.* at 6.24, p. 13 (emphasis added).

60. *Id.* at 6.23-6.25, p. 13. The Panel Report interpreted article 11*bis*(1)(iii) of the Berne Convention to mean that copyright owners should be entitled to a license from the public performance because it was considered "new" once the broadcast was performed over the radio or television in a public place. *See id.*

61. *Id.* at 6.74, p. 27.

62. *See* Panel Report, *supra* note 3, at 6.60, p. 23.

63. *Id.* at 6.108-6.110, p. 33.

64. *Id.* at 6.115, p. 34 (citing to U.S. second written submission, paragraph 29).

65. *Id.* at 6.116, p. 34.
66. *Id.* at 6.126, p. 37, 6.238, p. 61.
67. *Id.* at 6.131, pp. 37-38.
68. *See* Panel Report, *supra* note 3, at 6.161, p. 43.
69. *Id.* at 6.171, 6.182, pp. 45, 48.
70. *See id.* at 6.190, p. 50.
71. *Id.* at 6.198, p. 52.
72. *Id.* at 6.205, p. 54.
73. Interestingly, the Panel Report defined Public Performance to cover "performance by means of recording" based on its interpretation of the Berne Convention. The Homestyle and Business Exemptions did not include recorded music as part of the provisions.
74. *See* Panel Report, *supra* note 3, at 6.207, p. 55; *see also* Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, revised at Paris, July 24, 1971 (as amended on September 28, 1979) at art. 9(2).
75. *Id.* at 6.236, p. 61.
76. *Id.* at 6.229, p. 59.
77. *Id.* at 6.251, p. 64.
78. *Id.*
79. *Id.* at 7.2, p. 69.
80. *See* DSU, *supra* note 51, at art. 20, p. 366.
81. *See id.*
82. *Id.* at article 22.1, p. 367.
83. *Id.* at article 22.3(g)(iii), p. 369.
84. This number was based on English copyright holders, but the Panel Report agrees that the "exact figure is not essential to [their] findings." *See* Panel Report, *supra* note 3, at 6.231, n. 207, p. 59.
85. The EC estimated that "at least 25 percent of all music played in the United States belongs to EC copyright owners," whereas the U.S. estimates losses around at 11.8 percent. *See* Panel Report, *supra* note 3, at 6.233, p. 60.
86. *See* Panel Report, *supra* note 3, at 6.231, n. 207, p. 59.
87. *See* Statement of Marybeth Peters, *supra* note 2.
88. *See* 142 Cong. Rec. S2192-04, S2193 (Daily Ed. March 15, 1996) (Statement of Senator Orrin Hatch).
89. *Id.*

Karen J. Bernstein is a 2001 J.D. Candidate, New England School of Law, Boston, Massachusetts. Ms. Bernstein is an ASCAP member and winner of the 2000 Entertainment Law Initiative, which was co-sponsored by the American Bar Association and the Recording Academy®. She may be contacted at karenbernstein@hotmail.com.

Should Playwrights and Directors Share the Copyright in the Final Production? A Director's Viewpoint and a Playwright's Viewpoint

Directors' Rights

By Joseph Furnari

A director is given a script by a playwright and entrusted with the task of transforming it into a piece of theatre. Once finished, does the director have a copyright claim to this piece of theatre?

In *American Theatre* (September 1999), John Weidman (president of the Dramatists Guild of America) states that "if a director's copyright is ever established, it will drastically limit a playwright's ability to control the work that he creates. . . ." Is the playwright the only creator? Should the playwright benefit from and ultimately have control over of the piece of theatre created from his script? Should the director be able to protect his or her work from infringement by other directors who would recreate this piece of theatre, claim it as their own and possibly reap financial gain from it?

In writing a play, the author has created a work of dramatic literature, not theatre. It is literature written in dramatic form, primarily dialogue, as opposed to narrative form. A play can be read to one's self quite satisfactorily, but when it is taken off the page and brought into the four-dimensional world of the stage, where time is the fourth dimension, it is recreated as a piece of theatre.

The script is the first step in the process, one of the source materials from which theatre can be created. A script does give us much that we need to mount the production but to say that it is the thing itself is a gross oversimplification. Any script must go through the lengthy process of readings, staged readings, workshops, rehearsals and possibly out-of-town performances. The script itself will develop and grow during this process. It will be edited and rewritten as we discover how it works "on its feet," versus how it reads. All of this is part of the process of transformation from page to stage, and the director is the facilitator of this process.

A director is much like a painter or sculptor. His paints and brushes, plaster and chisels are live people. He must take a script that exists in verbal form and visualize it in four dimensions. He must persuade everyone, especially the playwright, to embrace this vision and to enact it. He must stage the play in space and time, giving it shape and movement that clearly expresses the action, relationships, conflict and imagery intended in the playwright's words. He must guide the actors through rehearsals, helping them to mold their characters and cajoling them to speak the play's words

A Director's Copyright: The Playwright's View

By Glenn Krutoff

In the theater, unlike film and television, the playwright[1] is the "author" (as defined in the Copyright Act) and as such is the sole copyright holder. Historically, any changes incorporated into a script during the development of a work are the sole property of the playwright. The Standard Dramatists Guild Contract reiterates this and confers upon the playwright the "last word" in all decisions. Obviously, the producer, the director and maybe even the "star" of the production exert substantial influence over the playwright, but legally, the final decision is ultimately the playwright's, because he or she can always withdraw the script.

In any production, the playwright licenses his or her script to the producing entity (the commercial producer or the not-for-profit theater company). The producer then, in turn, contracts with the director, designers, actors and others who help bring the final product to the stage. Unlike the directors union, The Society of Stage Directors and Choreographers (SSDC), the playwright's organization, The Dramatists Guild (the "Guild"), is not a "union," because as the owner of the work, the playwright is not an employee, and therefore playwrights cannot unionize.

That having been stated, there is a current surge, led by SSDC, to establish some form of copyright protection or other property rights for the director's work. The Guild has informed its membership that its official policy is that, "no Guild member should allow his or her script, or any taped performance of his or her script, to be used to establish or promote ownership or control by any theatrical collaborator over any claimed changes or contributions."[2]

Nonetheless, the issue of a director's copyright in the staging of the production has become something of a "hot topic" as a result of two highly publicized cases, both of which were settled out of court. One case involved director Joe Mantello, whose Broadway staging of Terrence McNally's *Love! Valour! Compassion!* was very substantially copied by another director in a subsequent production at the Caldwell Theatre in Florida. The other case involved director Gerald Gutierrez's attempt to copyright his direction of the Goodspeed Opera House/Broadway production of Frank Loesser's *The Most Happy Fella,* using Frank Loesser's script. As both cases were settled, there is no legal precedent in this country which supports a director's claim. Nonetheless, SSDC is attempting to assert such claims by demanding the inclusion of clauses in the director's contract to support this. Any such contract would be between the producing entity and the director, without the playwright being party to such contract, which is why SSDC has asserted that playwrights are not affected by this issue. Such an assertion is incorrect. The

Should Playwrights and Directors Share the Copyright in the Final Production? A Director's Viewpoint and a Playwright's Viewpoint

in ways that project specific meaning, action and emotional life. He must communicate his vision clearly and concisely to the designers, enticing them to sculpt sets, costumes, lights, sound, and properties that facilitate his staging and enhance the production. Finally, he must blend all the pieces together into a cohesive unified whole.

Some would say that a director's staging of a play is not copyrightable because there is nothing specific or unique about movements on a stage. Is not a play simply a collection of already existing words? Is not a piece of music a collection of already existing notes? It is not the individual pieces that make something copyrightable but the specific combination of those pieces in a way that communicates something new and unique. A director's ability to take what is verbal and make it physical and visual is his or her art. How he or she uses space, time, shape and movement to create the physical production is as special and unique a talent as any artist's.

Two years ago, in staging a play about one family's struggle to cope with life's many triumphs and tragedies, I had to solve the problem of a script that included 13 scenes in five locations weaving back and forth between scenes and locations. I saw the play as an interwoven tapestry of the lives of the people in this family and the staging had to physicalize the chaotic, sometimes explosive, nature of their relationships as imbedded in the structure of the script. The problem was solved by developing a set that incorporated all five locations simultaneously. The tapestry was painted into the floor, which became an interwoven pattern of Mom's living room and dining room, Ben's study, Rachel's kitchen, Dad's hospital room and a running track in Central Park. This gave me the freedom to move from scene to scene, location to location with great flexibility and enabled me to create staging that embodied the chaotic tension of their lives and the torn relationships that must be woven anew if the family was to survive. The play is most certainly the playwright's and he has complete rights to it, but I also have a right to the visual imagery and staging that was created in bringing it to life, as possibly do some of the other artists involved in the process.

It cannot be had both ways. If a playwright wishes to have his play produced, he must be willing to sacrifice and share some of his control over it. You cannot ask all the artists involved to create theatre from your play and then when they are finished say, "it's still all mine." When you entrust a script to a director, you give

director's claim goes to the very heart of the playwright's ownership of his or her work, and to the very essence of copyright protection.

Under the "copyright clause" of the United States Constitution, Congress has the authority to protect the "writings of authors" for limited periods of time. This is the underlying authority for the Copyright Act, which broadly defines the terms "author" and "writing." For example, a composer is the author of his music, a photographer, the author of her photographs. In order to have a copyright in a work, that work must be more than a mere idea, it must be expressed in a fixed medium, or in "tangible form."

This is the first problem SSDC and its membership faces. In what tangible form can the director register her copyright? Any use of the playwright's script or a videotape of the production, without the express consent of the playwright, would be a violation of the playwright's copyright. It would therefore seem that, absent the express consent of the playwright, the director cannot fix her work in a "tangible form" required by the Copyright Act.

This leads to the notion that playwrights should perhaps give their consent to the use of their script by the director for purposes of copyright protection. While this might be a "nice" thing for playwrights to do, it is not a "smart" thing. If a playwright was to consent to the director's use of the playwright's script for purposes of the director's copyright, the playwright would in effect give the director a "lien" against the playwright's property. The effect of this would be that in order for the playwright to enter into a contract with a producing entity for any subsequent production of the work, the director's lien would have to be satisfied. This would clearly have a "chilling effect" on the marketability of the author's work. Further, an encumbrance upon the work would ultimately hurt the director as well, if it prevents subsequent production of the work. What playwright would work with that director again?

The other obstacle to the director's copyright claim lies in the definition of what is copyrightable. The Copyright Act protects the expression of ideas, not the ideas themselves. Some would argue that in the theater only the playwright is a "creative" artist and that all others (directors, actors, designers, etc.) are "interpretive" artists. Interpretation is essentially based upon ideas which are given expression only through the author's work. Thus, what is there for a director to copyright?

For clarification, there are instances where the director is considered from the outset to be a "co-author." This most frequently occurs with musicals, where the director is often part of the creative team from the outset and

Should Playwrights and Directors Share the Copyright in the Final Production? A Director's Viewpoint and a Playwright's Viewpoint

Directors' Rights

him a property right in the theatrical production that springs from this collaborative relationship. A playwright could choose to direct his play himself, but at what cost to artistic quality in order to retain the sole legal copyright to it?

Here I am clearly referring only to the director of the original production, but what of the directors of future productions? Should all directors of all productions be able to claim a property right?

Ted Pappas, president of the Society of Stage Directors and Choreographers, in an article from *American Theatre* (February 1999), addresses this quite clearly. He stated that:

> [T]he SSDC realizes that a director cannot protect his or her work in all cases for all plays. The SSDC has instead proceeded on a case-by-case basis, assessing the uniqueness of a stage director's contribution to a production, determining to what extent it can be defined, and finally calculating to what extent they were actually copied by another director.

Unlike films, which are remade only on rare occasions, plays may be reproduced hundreds or even thousands of times. Each performance is in a way unique unto itself, which is one of the beauties of live theatre. Yet every future production is clearly and extensively affected by the premiere production. Surely the play's original director should be able to claim a property right for the production which will set the standard that future productions will follow. Should not that director be able to protect his or her work from being copied by another director without permission? And what of the director who beings a new and unique vision to a previously produced play? Every production of *Cabaret* has been clearly and materially influenced by the original production directed by Harold Prince, until the current Broadway revival co-directed by Sam Mendes and Rob Marshall. Their conceptualization and staging contributes powerful and deeply moving new insight and meaning to the play. Should their work not also be protected?

Mr. Weidman argues that, "if a director's copyright is ever established, it will inevitably undermine the spirit of trust and openness which is essential to the collaborative process. . . ." Is that process not undermined when a playwright has sole property rights to the work that was created through the talent and efforts of

A Director's Copyright: The Playwright's View

shapes the show in collaboration with the other authors. Some examples include, Michael Bennet's direction of *A Chorus Line,* or Jerome Robbins' work on *Gypsy, Fiddler on the Roof* or *West Side Story*. In those cases, the director was given credit as the "conceiver" of the work, and he is registered with the U.S. Copyright Office as a co-author, along with the book writers, lyricists and composers of those works. All subsequent productions give program credit to the original director as conceiver and original director and he shares royalties with the other co-authors. Such an arrangement however, is usually established by a collaboration agreement between the authors at the outset (or at some point along the way). Thus, these instances are distinguished from the situation addressed in this article.

To return to the point, the use of another's work without giving credit and perhaps compensation, is patently unfair. Both the *Gutierrez* and *Mantello* cases were settled. Gutierrez's attempt to copyright his "direction" was ultimately withdrawn, and Mantello received some sort of credit in the program for the subsequent production. It is unclear whether either director received monetary compensation, as the full terms of the respective settlements have not been reported to the public.

All of the foregoing presumes a "professional" production (for example, equity actors working under a commercial, LORT or showcase contract). That is the arena in which playwrights and directors are being paid, and have the opportunity to earn money from the endeavor. However, the more common occurrence is that of a collaboration between director and playwright on a "developmental" production. This may be a student production or a workshop, for example. In this scenario, just getting the play up and performing before an audience is the immediate goal, with the hope that a regional theater or commercial producer will be interested in a further production. At that stage, nobody really makes any money.

My personal experience may put all of this in a practical perspective. I wrote a play, which was in 1998 in New York City. The director and I became acquainted two years prior to the production when I worked as dramaturge on a production he was directing. We discovered that we shared certain artistic sensibilities, worked well together and that our respective talents complemented each other. He offered to direct a reading of my play, and we began to work together. Over the next year and a half, he directed several readings of the play and we worked closely together. He suggested changes or brought up points which needed clarification. I worked from those suggestions, and those of others, in continually revising the script. The play, completely rewritten and retitled, premiered in the fall of 1998 for a one-month run.

Should Playwrights and Directors Share the Copyright in the Final Production? A Director's Viewpoint and a Playwright's Viewpoint

Directors' Rights

numerous artists, of which, after the playwright, the director is foremost? Should not a director have claim to the work he or she creates, just as does the playwright, painter, sculptor, filmmaker or other artist?

In the best of all possible worlds, we would not be having this discussion. The creation of art should not be about ownership or money. Does not an artist create his work to be shared and enjoyed, to entertain and to enlighten? We are driven to be artists by the need to communicate ideas to the masses, but we also live in a world where people have the right of ownership of what they create, to reap whatever financial benefit it may bring and not have others claim it as their own.

As a director, I would love to resoundingly and emphatically cry, "Yes, I do have such a absolute copyright claim," but the reality of creating theatre is far too complicated and involves too many artists to make such a definitive assertion.

I believe that, at minimum, the original director and any future director who materially and tangibly develops a unique and original staging of a play has a legally recognizable property right that gives directors ownership in the finished product of the theatrical production. Maybe I am completely wrong, I am not a lawyer, I am an artist, but I have to believe that I have some legal property right to the work I create and if the law says I do not, then the law should be clarified or, if necessary, rewritten to do so.

Joseph Furnari is a professional director, actor and teacher, and is an associate member of SSBC.

A Director's Copyright: The Playwright's View

The production, while successful on its own terms, has not been produced again. The director and I never entered into any written agreement regarding our relationship, but we essentially agreed on the following points: (1) I was the sole author of the play; (2) the script of the play contains cuts and changes made during the course of the rehearsal process, but did not *specifically* describe any of the stage business or movement, nor was there a description of the design elements of the production included in the original manuscript and (3) if another producing entity should wish to produce the play, I intended to recommend the director as the director of the play. That was all.

We had discussed the foregoing at length, and agreed that if another producing entity wanted to produce it and could secure a "name" director, I would be crazy to turn it down, but would at least try to secure program credit for the original director, if not a position assisting the "name" director. If however, the producer wanted to use a director whose work I felt would be no "better" than the original director's, I would insist on the latter directing the play. At that point, I would probably be thrilled to have made such a decision, as most playwrights would.

After the production, I asked the director to review my script to tell me if there was anything in it that he felt I had appropriated from him. There were none, as my personal writing style tries to take this into account, by keeping stage directions to a minimum, or at least to describe them in a general way which allows for the interpretation by other directors and actors in the future. This seems to be the most prudent way of dealing with the situation.

When one witnesses the work of any creative artist, such as Joe Mantello, being replicated by another theater without appropriate credit or compensation, one may feel that someone has been wronged and that the wrong should be redressed. However, an assertion of a copyright claim by the director is not the appropriate legal framework for protecting his work. I hope that some creative lawyer will find a more appropriate legal solution for such claims.

Endnotes

1. The term "playwright" also includes composers, lyricists and librettists or a collaboration among any combination of "authors."
2. Public Policy Statement of the Dramatists Guild.

Glenn Krutoff is a lawyer in private practice in New York City and a playwright. Mr. Krutoff's first play, Life Happens, was produced in 1998 at the T. Schreiber Studio in New York City. He is currently at work on a new play, The Garden Variety, and the libretto for an untitled musical for children. He is a member of the Dramatists Guild.

Musicians on Call . . .
Delivering the Healing Power of Music

By Elisabeth Wolfe

Surrounded only by IV poles and tubes, Levon Helm of The Band, daughter Amy Helm, and Donald Fagan of Steeley Dan were deeply aware of the sharp contrast between nine-year-old John's sterile and isolated hospital room at the Pediatric Unit at Memorial Sloan-Kettering Cancer Center and the large concert venues where they might typically perform.

Yet, as soon as Levon, Amy and Donald began strumming Bob Marley tunes such as, "One Love" and "Three Little Birds," John and his father (who had been forced to quit his job as an engineer to care for his son) began to sing along. Instantly, the somber mood in the room lifted and everyone was harmonizing together. As the musicians moved from room to room on their "musical rounds," not only did the artists witness more singing, smiles, and toe tapping, but the entire Musicians on Call visit "felt incredibly right and inspiring" according to each of them.

Guitarist Sarah P. has also had a moving experience as a Musicians on Call volunteer. Sarah usually works long hours at a big law firm in New York City. Over the past few months, she made time in her busy schedule to give guitar lessons to pediatric cancer patients. Typically, when illness strikes, families can no longer afford to provide music lessons to their children. Her volunteer work has enabled her "to really use her skills to make a difference."

Volunteer Susan C., a cancer survivor, recalls the lack of music available in waiting rooms during her own treatment as, "puzzling since music is such an obvious and natural way of comfort." Susan has helped Musicians On Call organize CD libraries for waiting areas in hospitals so that while patients are undergoing treatments, they can relax by listening to some of their favorite music with the help of Musicians On Call. Other volunteers who may not have as much time to spare have introduced musicians to the organization, donated tickets and CDs and helped to plan fundraising events. The purpose of this article is to not only publicize an already successful, powerful program, but also to point out that anyone in the New York Metro region with the time, talent and hope can contribute to another person's happiness.

About Musicians On Call

Musicians On Call is a nonprofit organization that was formed in 1999. It achieves its mission of using music to complement the healing process for patients in health care facilities through several programs: Music Performance, Music Instruction, CD Libraries, Celebrity Visits, Ticket Donations, and Project Playback (which gives hospitalized teen patients the opportunity to write lyrics about their feelings, after which Musicians On Call helps produce their songs through program contacts). In bringing both live and recorded music to patients' bedsides, Musicians On Call provides a much-needed outlet for the many feelings that a hospitalization engenders.

The effectiveness of the programs has been reported by patients themselves, family, and medical staff who interact with patients on a daily basis. They all have suggested that the music-related programs have helped refocus them from the often unpleasant, sterile and anonymous hospital atmosphere.

While Musicians On Call was launched at Memorial Sloan-Kettering Cancer Center in New York City, the goal is to expand first citywide, and then regionally, into all forms of health care facilities. Musicians On Call's artists specialize in a wide range of musical tastes, from pre-school favorites to top-40 hits, standard ballads and classical music. Volunteers go through an extensive training program, and while at the health care facility, each artist works with such well-trained volunteer guides whose job is to coordinate the visits with the hospital staff. So far, Musicians On Call has been fortunate to receive support from artists such as Bruce Springsteen and the E Street Band, Britney Spears, Hanson, Jimmy Page, The Black Crowes, Def Leppard, The Who, Dave Koz, Yo La Tengo, Don Rickles and Elmo, as well as many others.

Today there are more reasons than ever to use music to help the ailing. I hope that you will take some time to learn more about Musicians On Call, and contact us to find out how you can help. By volunteering, you can really impact the lives of patients, their families and hospital staff, and maybe learn a bit about yourself in the process.

For more information about Musicians On Call or volunteering, please visit our Web site at www.musiciansoncall.org.

Elisabeth Wolfe, Esq. is the Director of Programs for Musicians on Call.

Section Committees & Chairpersons

The Entertainment, Arts and Sports Law Section encourages members to participate in its programs and to contact the Section Officers listed on the back page or the Committee Chairs for further information.

Broadcasting and Cable
Douglas P. Jacobs
600 Third Avenue
New York, NY 10016
(212) 973-8910

Copyright and Trademark
Alan J. Hartnick
150 East 42nd Street, 26th Floor
New York, NY 10017
(212) 949-9022

Fine Arts
Ralph E. Lerner
875 Third Avenue, 14th Floor
New York, NY 10022
(212) 906-2355

Legislation
Steven H. Richman
32 Broadway, 7th Floor
New York, NY 10004
(212) 487-5338

Literary Works & Related Rights
Jay Kogan
1700 Broadway
New York, NY 10019
(212) 636-5465

Litigation
Peter A. Herbert
500 5th Avenue, 33rd Floor
New York, NY 10110
(212) 921-8399

Membership
Howard A. Singer
295 Madison Avenue, 19th Floor
New York, NY 10017
(212) 532-3590

Motion Pictures
Donna L. Bascom
250 West 57th Street, Suite 2420
New York, NY 10107
(212) 582-0555

Music and Recording Industry
Mark Andrew Allen
Reisman, Abramson & Magro
225 Broadway, Suite 400
New York, NY 10007
(212) 964-3300

New Technologies
David G. Sternbach (Co-Chair)
235 East 45th Street
New York, NY 10017
(212) 210-9791

Kenneth Neal Swezey (Co-Chair)
40 West 57th Street, 21st Floor
New York, NY 10019
(212) 974-7474

Professional Sports
Jeffrey B. Gewirtz (Co-Chair)
3424 Peachtree Road, NE, Suite 2050
Atlanta, GA 30326
(404) 262-6313

Jeffrey A. Rosenthal (Co-Chair)
One Liberty Plaza
New York, NY 10006
(212) 225-2086

Programs
Mary Ann Zimmer
40 West 57th Street, Suite 2104
New York, NY 10019
(212) 974-7474

Publications
Elissa D. Hecker
711 3rd Avenue
New York, NY 10017
(212) 834-0156

Rights of Publicity, Privacy & Merchandising
Joshua R. Bressler
900 Third Avenue
New York, NY 10022
(212) 756-2002

Theatre and Performing Arts
Peter S. Cane
230 Park Avenue, 4th Floor
New York, NY 10169
(212) 922-9800

Young Entertainment Lawyers
Jennifer Unter
42 West 72nd Street
New York, NY 10023
(212) 541-8641

NEW YORK STATE BAR ASSOCIATION
ENTERTAINMENT, ARTS AND SPORTS LAW SECTION

The New York State Bar Association's Entertainment, Arts and Sports Law Section offers many ways to enhance your knowledge and expertise through committee involvement. Committee work allows you to network with other attorneys from across the state and gives you the opportunity both to research issues and to have a real impact upon the law. Committees are also outstanding avenues to achieve professional growth and recognition for your efforts.

☐ Please consider me for appointment to the Entertainment, Arts and Sports Law Section Committees as indicated below.

☐ Please send me information on membership in the Entertainment, Arts and Sports Law Section.

Committee Assignment Request

Please designate in order of choice (1, 2, 3) from the list below, a maximum of three committees in which you are interested.

___ Broadcasting and Cable

___ Copyright and Trademark

___ Fine Arts

___ Legislation

___ Literary Works & Related Rights

___ Litigation

___ Membership

___ Motion Pictures

___ Music and Recording Industry

___ New Technologies

___ Professional Sports

___ Programs

___ Publications

___ Rights of Publicity, Privacy & Merchandising

___ Theatre & Performing Arts

___ Young Entertainment Lawyers

Name ____________________

Firm ____________________

Office Address ____________________

Home Address ____________________

Office Phone No. ____________ Office Fax ____________ Home Phone No. ____________

E-mail address ____________________

Please return this application to:

Membership Services Department
New York State Bar Association
One Elk Street
Albany, NY 12207
Telephone: 518/463-3200, ext. 5573

Publication of Articles

The *Journal* welcomes the submission of articles of timely interest to members of the Section. Articles should be submitted on a 3 1/2" diskette (preferably in WordPerfect or Microsoft Word) along with a laser-printed originals and biographical information. Please submit articles to:

Elissa D. Hecker
The Harry Fox Agency, Inc.
711 3rd Avenue
New York, NY 10017
ehecker@harryfox.com

Entertainment, Arts and Sports Law Journal

This *Journal* is published three times a year for members of the Entertainment, Arts and Sports Law Section of the New York State Bar Association. Members of the Section receive the *Journal* without charge. The views expressed in articles published in this *Journal* represent those of the authors only, and not necessarily the views of the Editor, the Entertainment, Arts and Sports Law Section or the New York State Bar Association.

ISSN 1090-8730

NYSBA
Entertainment, Arts and Sports Law Section
New York State Bar Association
One Elk Street
Albany, NY 12207-1002

ADDRESS SERVICE REQUESTED

NON PROFIT ORG.
U.S. POSTAGE
PAID
ALBANY, N.Y.
PERMIT NO. 155