

# 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



It is with particular pride that I would like to announce to our Section members that EASL was recently awarded one of the Volunteer Lawyers for the Arts' 2003 Pro Bono Service Awards. Along with law firms Cleary, Gottlieb, Steen & Hamilton and Latham & Watkins, our Section was honored at a ceremony at Sotheby's on October 28, 2003. As noted in

recent editions, our Section-organized clinics at VLA have already been recognized nationally, including in an article in the ABA's *Bar Leader*. For those who have missed our earlier clinics, come join us at our next one on February 18, 2004!

Following an active spring and a relatively quiet summer, our Section had a busy fall. Among the highlights was the Entertainment Law Symposium in October that we co-sponsored with St. John's University School of Law. **Stanley Rothenberg** moderated a panel on the Effect of Termination of Transfer of Copyright on the Music Industry, which was followed by a panel discussion on Conflicts of Interest in the Entertainment Industry. A few weeks earlier, we hosted a fabulously successful "Entertainment Law Update: The Year in Review: Recent Developments in Entertainment Litigation and Transactions," moderated by litigation chair **Peter Herbert** and featuring **Jay Flemma**.

It is hard to believe that I am writing my final "Remarks from the Chair." Yet following our 2004

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Annual Meeting, I will turn over the reins to **Elissa Hecker**, who has greatly enriched our Section as my Vice Chair and as Editor of the *Journal*.

I am proud to have continued over the past two years the vibrant success of my predecessor, **Judith Bresler**. As a result, we now offer our members great resources via our Web site <[www.nysba.org/easl](http://www.nysba.org/easl)> and this *Journal*, pro bono opportunities through our alliance with Volunteer Lawyers for the Arts, a week-end of socializing and learning at our revived Spring Conference, and a plethora of educational and enjoyable committee and Section programs. Thanks to **Steve Richman's** service, we are also now well represented in the House of Delegates. I know that the Section will continue to grow and prosper under Elissa's leadership.

As my term comes to an end, there are many people I have to thank for their dedication to our Section. In addition to Elissa and Judith, I want to recognize Jay Flemma, who has functioned as the tireless "jack of all trades" throughout my tenure as Chair. Jay has always been the first volunteer when help was needed—he co-chaired our Spring Conference, helped organize our 2003 Annual Meeting, hosted numerous programs, and

is a constant recruiter for Section events. Also deserving of recognition is **Elisabeth Wolfe**, who joined the Executive Committee as Membership Chair two years ago and then became our inaugural Pro Bono Chair over a year ago. While Elissa and I had the honor of accepting the VLA's award with Elisabeth on behalf of EASL, Elisabeth was most responsible for it.

I also want to thank **Kenny Nick**, who has enthusiastically embraced the role of Program Chair not only to organize our Annual Meetings, but also to help revive our Spring Conference, which we will hold again this coming year thanks to last year's success (check out our Web site for details). **Alan Barson** and **Stephen Rodner** continued their excellent service as Secretary and Treasurer, respectively. Finally, I want to extend particular thanks to three people at the New York State Bar Association's headquarters in Albany who have provided critical support to our Section—**Kim McHargue**, **Brad Carr** and **Juli Turner**.

Thank you for giving me the opportunity to serve you.

Jeffrey Rosenthal

## Did You Know?

**Back issues of the *Entertainment, Arts and Sports Law Journal* (2000-2003) are available on the New York State Bar Association Web site.**

**([www.nysba.org](http://www.nysba.org))**

Click on "Sections/Committees/ Entertainment Law Section/ Member Materials"

For your convenience there is also a searchable index in pdf format.

To search, click "Find" (binoculars icon) on the Adobe tool bar, and type in search word or phrase. Click "Find Again" (binoculars with arrow icon) to continue search.

*Note: Back issues are available at no charge to Section members only. You must be logged in as a member to access back issues. For questions, log in help or to obtain your user name and password, e-mail [webmaster@nysba.org](mailto:webmaster@nysba.org) or call (518) 463-3200.*

## Editor's Note

As Jeff mentions in his Remarks and Elisabeth highlights in her Pro Bono Update, the EASL Section is proud to have been awarded a 2003 Volunteer Lawyers for the Arts Pro Bono Service Award. We are taking tremendous strides to encourage Section members to actively participate in pro bono activities, and through our partnerships with VLA, Ice Hockey in Harlem and other organizations, we are pleased to be able to offer several attractive pro bono options.



Our Law Student Initiative writing contest, which is designed to bridge the gap between law students and the entertainment, arts and sports law communities and shed light on students' diverse perspectives in these practice areas, received a record number of excellent submissions on a wide variety of topics. Christopher D. Papaleo, a second-year law student at St. John's University School of Law, has been selected as this issue's LSI winner. Christopher writes about the paradox of instant access and restricted use in the digital world. As a result of his high-quality submission, he will receive a free membership to the EASL Section next year, and an opportunity to reach out to EASL Section members with his writing and analytical talents.

I am also extremely pleased that this issue of the *Journal* publishes several articles that encompass the fields of entertainment, arts and sports law. The caliber

of submissions continues to amaze me, and I feel privileged to be able to learn so much from all of the authors.

On a final note, I wanted to thank Jeff Rosenthal for his stellar leadership as Chair of the EASL Section for these past two years. He has served as an excellent example of how to be an effective and organized leader, and as incoming Chair, I look forward to working with him, and with all of the members of the Executive Committee, over the next two years. There are exciting times ahead!

Once more, please be advised that **authors can obtain CLE credit from having an article published in the *EASL Journal*.** To submit an article or Letter to the Editor, please contact me at [ehecker@harryfox.com](mailto:ehecker@harryfox.com). **THE NEXT DEADLINE IS FRIDAY, JANUARY 16, 2003.**

Elissa

Elissa D. Hecker is Associate Counsel to The Harry Fox Agency, Inc., licensing affiliate 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. Ms. Hecker is the Vice-Chair of the EASL Section. In addition to membership in the NYSBA, Ms. Hecker is also a member of The Copyright Society of the U.S.A. and Chair of the FACE Initiative children's Web site.



**Catch Us on the Web at  
[WWW.NYSBA.ORG/EASL](http://WWW.NYSBA.ORG/EASL)**

# NYSBA Guidelines for Obtaining MCLE Credit for Writing

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

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

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

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

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

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

**Get CLE Credit!**  
**Next EASL Journal Deadline:**  
**Friday, January 16, 2004**

## Congratulations to the Law Student Initiative Selected Author:

**Christopher D. Papaleo**

of St. John's University School of Law, for

**"Give and Take: The Paradox of Instant Access and Restricted Use In the Digital World"**

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### New York State Bar Association Entertainment, Arts and Sports Law Section Law Student Initiative

The Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association has an initiative giving law students a chance to publish articles in a special column that appears both in the *EASL Journal* as well as on the EASL Web site, [www.nysba.org](http://www.nysba.org). The Initiative is designed to bridge the gap between students and the entertainment, arts and sports law communities and shed light on students' diverse perspectives in areas of practice of mutual interest to students and Section members.

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

To foster interest in entertainment, arts and sports law as a career path, the EASL Section invites law students who are Section members to participate in its Law Student Initiative:

#### Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form:** Include complete contact information; name, mailing address, law school, law school

club/organization (if applicable), phone number, and e-mail address. There is no length requirement, but any notes must be in *Bluebook* endnote form.

- **Deadlines:** Submissions must be received by **January 16, 2003**.
- **Submissions:** Articles must be submitted both in hard copy (mail to: Elissa D. Hecker, Esq., The Harry Fox Agency, Inc., 711 Third Avenue, New York, NY 10017) and either on a diskette in Word, or via a Word e-mail attachment to: [hecker@harryfox.com](mailto:hecker@harryfox.com).

#### Topic

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

#### Judging

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

Winning submissions will be published in the *EASL Journal*. All winners will receive complimentary memberships to the EASL Section for the following year. In addition, the winning entrants will be featured in the *Journal*, on our Web site at [www.nysba.org](http://www.nysba.org), and all winners will be announced at the EASL Section Annual Meeting.

## Congratulations to the Law Student Initiative Selected Authors for 2003

#### Spring 2003, Volume 14, No.1

Christopher B. Abbott of St. John's University School of Law, for "Junior Prom or NBA? A Legal Analysis of LeBron James' Failed Quest to Enter the NBA Draft Prior to Graduating From High School" and Damien Granderson of Albany Law School of Union University, for "Defining Artists' Rights and Alternatives: Ownership of the Creative Message"

#### Summer 2003, Volume 14, No.2

Julie Block of St. John's University School of Law, for "Privacy or Piracy—Weighing the Interests of Internet Users with the Interests of Copyright Owners" and Brian Geller of Fordham Law School, for "Sixth Circuit Opinion in *Rosa Parks v. LaFace Records* Demonstrates Limits of *Rogers v. Grimaldi* Protection"

#### Fall/Winter 2003, Volume 14, No.3

Christopher D. Papaleo of St. John's University School of Law, for "Give and Take: The Paradox of Instant Access and Restricted Use in the Digital World"



# EASL Pro Bono Update

*As the Pro Bono Committee's first year draws to a close, we would like to share just a few highlights from the past 12 months. Many heartfelt thanks go out to all of our volunteers who donated their time to participate in our events and co-sponsored programs. Please keep your feedback coming, because as busy as 2003 was, we have even bigger plans for 2004!*

**Elisabeth K. Wolfe**  
NYSBA EASL Pro Bono Chair

## EASL Receives 2003 VLA Pro Bono Service Award

EASL is pleased to report that Volunteer Lawyers for the Arts (VLA) honored EASL with its 2003 VLA PRO BONO SERVICE AWARD at the VLA Fall Benefit held at Sotheby's on October 28, 2003.

## More EASL/VLA Clinics Slated for Spring 2004

On September 17th, members of the EASL Section volunteered to staff our final official VLA Clinic for 2003. The clinic provided an opportunity for VLA members to seek advice on their arts-related legal issues from EASL attorneys. EASL volunteers worked at the clinic from 4 p.m. to after 7 p.m. and were matched with clients who were individual artists or arts organizations for half-hour sessions. Many thanks to the EASL attorneys who volunteered their time at this clinic:

Lalita Brockington	Stephanie Kika
Jim Ellis	Judith Prowda
Andy Gurwitch	David Sternbach
Alan Hartnick	Ken Swezey
Elissa Hecker	Ken Tabachnick
Valerie Kennedy	

The next two clinics are scheduled for **February 18 and May 19, 2004**, and will be held from 4 p.m. to 7 p.m. at VLA's offices, 1 East 53rd Street, 6th Floor. To sign up for the EASL/ VLA clinic, e-mail Elisabeth Wolfe at [elkwolfe@aol.com](mailto:elkwolfe@aol.com).

## EASL to Assist Ice Hockey In Harlem's "Emerging Leaders" Program

Ice Hockey in Harlem (IHH) is an innovative and unique not-for-profit, privately supported after-school education program empowering youth in the Harlem community. IHH attracts inner-city youth to a sport that may otherwise not be accessible to them. Once enrolled, participants have opportunities for improved schooling, social service, access to mentor relationships and instruction in important life skills. Available to children from 4 to 17 years old, IHH has successfully supported hundreds of children and their families since its inception in 1987. All services are offered to participants

at no cost to their families or the agencies from which they are recruited.

EASL is working with IHH to help recruit successful men and women who are interested in reaching out to IHH's teen "emerging leaders," and are willing to share their stories about overcoming obstacles and talking about their paths to success. We are especially seeking minority women attorneys who are interested in attending a "girl's night" dinner and who are willing to lead a discussion that corresponds with IHH's mission of helping young females succeed in a sport that is dominated by men. If you are interested in working on this groundbreaking program, please contact Elisabeth Wolfe at [elkwolfe@aol.com](mailto:elkwolfe@aol.com)

IHH is also looking for volunteers for its other programs. For more information, contact Caroline Baumis at (212) 722-0044.

## Linking Underprivileged Artists to Volunteer Attorneys via a Virtual Clinic

With the recent implementation of NYSBA's state-of-the-art Web site, EASL's Pro Bono and New Technology Committees have been working to develop an Internet-based "virtual clinic." Working closely with VLA, the IT Department of the NYSBA and NYSBA's Pro Bono Affairs Department, we hope to pilot a virtual clinic to qualifying New York State artists by early 2004. The virtual clinic would test the demand and utilization of an online legal clinic as well as help determine whether the Internet can be a tool to provide access for other kinds of legal help. The aim of the project is to provide an opportunity for artists across the state to gain access to legal resources via the Web, and attorneys across the state to volunteer their services.

## We're Exploring!

The Pro Bono Committee is actively exploring additional entertainment, arts or sports related non-profit organizations based in New York State that could benefit from a collaborative relationship with EASL. If you know of any organizations that might benefit from such a relationship, please e-mail Elisabeth Wolfe at [elkwolfe@aol.com](mailto:elkwolfe@aol.com).

# The Phil Cowan Memorial Scholarship

EASL is pleased that The New York Bar Foundation has approved the creation of a restricted fund for contributions to The Phil Cowan Memorial Scholarship. The Scholarship will be awarded on an annual basis in Phil Cowan's memory to a law student who is committed to a practice concentrating in one or more of the fields of entertainment, art or sports law.

**The Competition.** Each Scholarship candidate must write an original paper on a legal issue of current interest in the area of entertainment, arts or sports law. The paper should be twelve to fifteen pages in length, double-spaced and including footnotes, in *Bluebook* form. The papers should be submitted to designated faculty members of each respective law school. All law schools will screen the papers and submit the three best to the EASL's Phil Cowan Memorial Scholarship Committee. The Committee will read the submitted papers and will make the ultimate decision as to the Scholarship recipient.

**Deadlines.** All students must submit their papers to their respective law schools for consideration not later than April 30 of each year. The screening faculty at each respective law school must submit the top three papers to the EASL's Scholarship Committee by June 1 of such year. The Scholarship Committee will determine the winner by October 31, and the winner will be

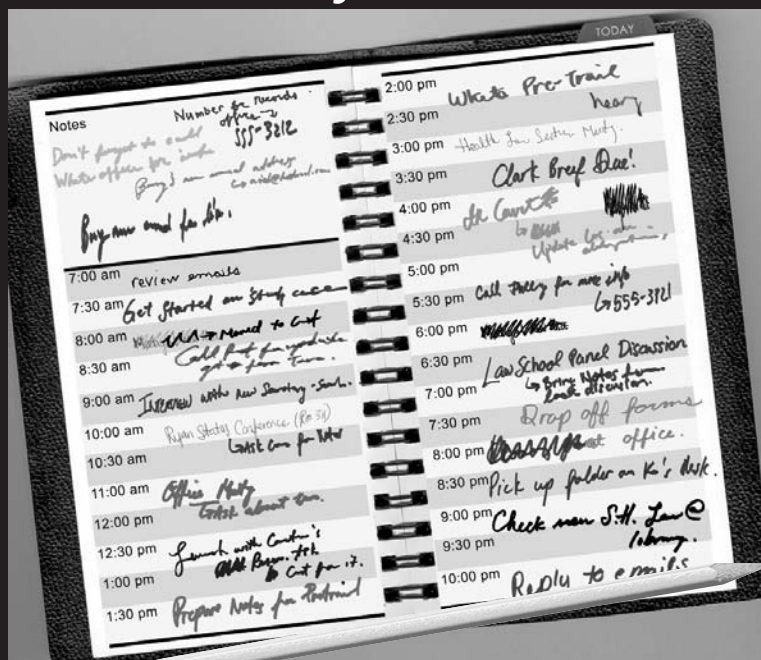
announced, and the Scholarship awarded, at the Annual Meeting, which will take place the following January.

**The Scholarship Committee and Prerogatives.** The Scholarship Committee is composed of all former Chairs and the current Chair of the EASL Section. Each winning paper will be published in the *EASL Journal* and will be made available to EASL members on the EASL Web site. The Scholarship Committee reserves the right to submit all papers it receives to the *EASL Journal* for publication and to the EASL Web site. The Scholarship Committee also reserves the right not to award a Scholarship if it determines, in any given year, that no paper submitted is sufficiently deserving. All rights of dissemination of the papers by EASL are non-exclusive.

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

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

## Pencil yourself in.



Where do you fit into this schedule? The New York State Bar Association's Lawyer Assistance Program understands the competition, constant stress, and high expectations you face as a member of the legal community. Dealing with these demands and other issues can be overwhelming, which can lead to substance abuse and depression. Finding a balance between your career and your personal life is not a luxury, but a necessity. NYSBA's Lawyer Assistance Program is committed to helping you achieve that balance. We offer free and confidential support. Confidentiality is protected under Section 499 of the Judiciary Law.



NEW YORK STATE BAR ASSOCIATION  
Lawyer Assistance Program  
1.800.255.0569 lap@nysba.org

Nearly a year ago, the United States Olympic Committee (USOC) faced its latest public crisis of organizational mismanagement and unethical behavior. That crisis exposed the USOC to intense scrutiny by not only the Olympic community, but also sponsors, the American public, and Congress. As a result, the Senate appointed a committee of five individuals (the “Independent Commission”)<sup>1</sup> and the USOC appointed a 10-person Governance and Ethics Task Force (the “Task Force”)<sup>2</sup> to examine the fundamental purpose of the USOC and to consider, and ultimately propose, a governance structure that would enable the USOC to achieve its mission of “supporting U.S. Olympic and Paralympic athletes in achieving sustained competitive excellence.”

After having approximately six weeks to consider how the organization might best be governed, the Task Force made its preliminary recommendations to the USOC Board of Directors in April of this year. Those recommendations, which proposed, *inter alia*, reducing the USOC Board of Directors from 124 to nine members, received unanimous support from the USOC Board. After both the Task Force and the Independent Commission issued their written reports in June, Congress conducted a number of hearings on the issue of USOC reform in the Senate and the House. While both the Task Force and the Independent Commission recommended a complete overhaul of the structure of the USOC, there were several differences between the two reports that could have a profound impact on the ability of the USOC to effectively govern itself.

The House Subcommittee on Commerce, Trade and Consumer Protection called a hearing on July 16, 2003, to allow members of the Independent Commission and the Task Force to further explain each group’s recommendations and the differences between the two reports. Five individuals testified: Roberta Cooper Ramo and Dr. Harvey Schiller from the Independent Commission, Frank Marshall and myself from the Task Force, and Kirk Bauer, Executive Director of Disabled Sports USA. The following is my testimony from that hearing. The full testimony of each panelist is available at [energycommerce.house.gov/108/Hearings/07162003hearing1013/hearing.htm](http://energycommerce.house.gov/108/Hearings/07162003hearing1013/hearing.htm).

## Testimony of Cameron Myler Before the House of Representatives

### Energy and Commerce Committee Subcommittee on Commerce, Trade, and Consumer Protection

Good morning, Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to appear here today and to address issues concerning the pending reform of the United States Olympic Committee (USOC). My name is Cameron Myler and I appear before you as a member of the United States Olympic Committee’s Governance and Ethics Task Force (the “Task Force”) that developed recommendations for a new governance structure for the USOC. Although I am currently an attorney with Milbank, Tweed, Hadley and McCloy in New York City, I have a considerable amount of experience in the Olympic Movement, first as an athlete and a four-time Olympian in the sport of luge, and subsequently as a member of the USOC’s Athletes’ Advisory Council (AAC), the USOC’s Board of Directors, as well as a number of other USOC committees and task forces. I currently serve the USOC as an At-Large member of the AAC and as a member of the Board of Directors.

I am extremely proud of the work accomplished by the USOC Task Force, and am equally impressed by the efforts of the Independent Commission. Although there are differences in some of the details, the overall gover-

nance structure recommended by both groups fulfills the objective of establishing an organization that will be more transparent, independent, and accountable to all of its constituents, not the least of which is this Congress, and will better serve our most important constituents, America’s Olympic athletes.

Assuming, then, that the recommendations for the overall structural changes will be adopted with perhaps minor adjustments, let me address a few areas where there are differences between what was recommended by the Task Force and the Independent Commission. While these may seem to be secondary details, they are of utmost importance to the future of the USOC and the athletes that it serves.

The first point of difference between the reports of the Independent Commission and the Task Force relates to the athlete Ombudsman, a position that was established by the 1998 amendments to the original Amateur Sports Act of 1978. The Ombudsman is responsible for providing independent advice to athletes at no cost about the applicable provisions of the Ted Stevens Olympic and Amateur Sports Act (the “Act”), and the



constitution and bylaws of the USOC, the National Governing Bodies (NGB), Paralympic Sports Organizations, International Federations of sport, the International Olympic Committee, the International Paralympic Committee, and the Pan-American Sports Organization. The Ombudsman also provides athletes with independent advice relating to the resolution of any dispute involving the opportunity of an athlete to participate in the Olympic Games, the Paralympic Games, the Pan-American Games, world championship competition or other protected competition as defined in the constitution and bylaws of the USOC. Furthermore, the Ombudsman assists innumerable athletes navigate the ever-changing policies and requirements of the U.S. Anti-Doping Agency and the World Anti-Doping Agency.

The Ombudsman is an invaluable resource not only to the athletes, but also to the USOC and the NGBs in aiding in dispute resolution and in ensuring that the rights afforded to athletes by the Act are protected. Since the position was created, the Ombudsman has far exceeded expectations on everyone's part, even winning over skeptics who doubted the necessity for creating this position in the first place.

The process for hiring, firing, and overseeing the conduct of the Ombudsman is structured to support independence of action, while simultaneously integrating the Ombudsman into the operational structure of the USOC as an effective and fully informed voice on behalf of the athletes. It is a structure and a reporting relationship that provides both insulation and organizational inclusion, and is working well—so well, in fact, that it was not even addressed by the Task Force. However, the Commission appears to have some concerns which I feel are unfounded and, if their proposed changes are implemented, could weaken the effectiveness of the Ombudsman.

Specifically, the Commission recommends that the current reporting relationship be shifted so that instead of reporting to the Chief Executive Officer (CEO) and the AAC, the Ombudsman would report to the Board. While I understand that the Commission's intention underlying this recommendation may have been to provide more independence to the Ombudsman, this change will have the practical impact of divorcing the Ombudsman both from the operational activities of the organization (via contact with the CEO), and more importantly from the athletes (via contact with the AAC). I respectfully recommend that the Independent Commission's proposal in this area be rejected and that the Ombudsman continue to report and operate under the current arrangement.

A second area of difference between the reports relates to athlete representation on the proposed new

Board of Directors. The Act and the USOC Constitution and Bylaws stipulate that athletes must have no less than 20 percent of both membership and voting power on all USOC and National Governing Bodies' Boards of Directors and all other committees and task forces. This provision has been critical to ensure that athletes have both representative voice and voting authority on all matters affecting athletes.

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*"Since the position was created, the Ombudsman has far exceeded expectations on everyone's part, even winning over skeptics who doubted the necessity for creating this position in the first place."*

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The membership of the AAC fully recognizes that the recommended size of the new USOC Board of Directors—11 members as proposed by the USOC Governance and Ethics Task Force and 13 members as recommended by the Independent Commission—is founded on the principle that a smaller board is necessary for, and results in, better governance. The AAC also recognizes that both groups were faced with satisfying at least five additional requirements: 1) The International Olympic Committee (IOC) provision that all members of the IOC from the United States serve on the "executive organ" of the USOC, 2) the IOC provision that Olympic sport representatives (which may include athlete representatives) have a majority of the *vote* on Olympic sport matters, 3) the recognized governance principle that Boards be comprised of a majority of independent directors, 4) the provision of the Act requiring that athletes must have at least 20 percent of both membership and voting power, and 5) the prevailing wisdom that there should be an equal balance in membership between athletes and NGBs from Olympic sports.

The AAC recognizes that in the proposals of both the Independent Commission and the Task Force, athletes would have less than 20 percent voice. The concept of voice and vote is one that is critically important to athletes, and has been the foundation for athlete involvement in the Olympic Movement. I'm sure that each of you can relate from your personal experiences to the fact that having voice—and with it the opportunity to share meaningful input before a decision is made—is equally, if not more important, than the opportunity to vote. That being said, the athletes also recognize that it is nearly mathematically impossible to satisfy all five requirements outlined above given the fact that there are currently three IOC members from the United States.

The bottom line is that the AAC is committed to the principles of the Olympic Movement, the USOC as a whole, and the creation of a new governance structure that will enable the organization to operate efficiently, effectively and ethically. In an effort to serve and protect the best interests of the entire organization, the AAC will not oppose a very narrow exception to the requirement for 20 percent membership (that applies *only* to the USOC Board of Directors), but only if athletes on the Board retain 20 percent of the vote. It is the AAC's unwavering belief that the voice and vote requirement must continue to apply to all other committees and task forces of both the USOC and NGBs. The 20 percent voice and vote granted by the Act has played a critical role in helping the USOC and NGBs fulfill their respective missions by keeping those organized connected to the life-blood of the Olympic Movement—athletes.

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*"The bottom line is that the AAC is committed to the principles of the Olympic Movement, the USOC as a whole, and the creation of a new governance structure that will enable the organization to operate efficiently, effectively and ethically."*

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We encourage further review by the House Commerce, Trade, and Consumer Protection Subcommittee of this specific change after 2004, since the number of IOC members from the United States may have changed by that time, and the IOC requirements relating to Board membership may have changed as well. Lastly, we encourage the Subcommittee and the USOC to consider a Board size that will allow America's athletes to retain as close to 20 percent membership on the USOC Board of Directors as possible with the assumption that the voting power of athletes is *always* at least 20 percent.

The AAC is completely aware that by giving governance of the organization completely to either an 11- or 13-member Board, many athletes will lose their role in governance, because over 20 members of the current Board are athletes. However, athletes have recognized for years that having a role in an ineffective governance structure, dominated by politics and secret dealings among various constituencies, is not useful or productive and is not in the best interests of the organization or the athletes it serves. Furthermore, the new structure provides for input from many and governance by few—a principle which is inherently endorsed by both the Independent Commission and the Task Force in their reports and was embraced by the members of the AAC at its most recent meeting.

A third area of difference between the two reports relates to the composition of the Nominating and Governance Committee, where a seemingly small difference could have an enormously negative effect on the USOC. Both the Independent Commission and the Task Force recommend the creation of an initial five-person committee to select the first directors of the newly constituted USOC Board of Directors. The Commission has recommended that the initial Nominating and Governance Committee consist of five members, appointed one each by the AAC, NGB Council, Public Sector Board members, the Task Force, and the Independent Commission. Under the Commission's recommendation, all of the individuals on the initial Nominating and Governance Committee could be members of the current USOC Board. In addition, though they do not provide reasons, the Commission recommends that the chair of the initial Nominating and Governance Committee be appointed by the Independent Commission.

The Task Force, on the other hand, has recommended a more independent initial Nominating and Governance Committee, with the initial committee being appointed one apiece by each of the above groups but with no current board members eligible to serve. The Task Force also believes that the initial committee should be able to select its own chair from among its members.

Furthermore, the Independent Commission has recommended that the subsequent Nominating and Governance Committee, which will select future Board members, consist wholly of then-current Board members. In keeping with principles of independence, the Task Force has recommended that such a Nominating Committee consist of a majority of independent, non-Board members, to avoid the many concerns expressed about a self-perpetuating Board, with the Board members possibly selecting their friends and allies to fill the vacant seats and to succeed them. The Task Force's preliminary recommendations, which proposed that just three of the five members of the Nominating and Governance Committee be members of the Board, received a strong negative reaction throughout the Olympic community on this particular point. The Task Force listened to the concerns of all constituent groups, including the AAC, who recommended that it was not just desirable, but *necessary* that the Nominating Committee be comprised of a majority of independent members. However, the Independent Commission has moved in a direction that would allow an ineffective Board to perpetuate itself by not bringing in new, dynamic individuals necessary to increase the organization's performance and effectiveness.

A fourth related area is the composition of the Ethics Committee. The Task Force recommends that there be a

committee comprised of five members who meet the definition of independence, and none of whom serve on the Board of Directors. The Independent Commission recommends an Ethics Committee comprised entirely of members of the Board. I believe this is a mistake.

The Task Force and most observers of the Olympic Movement agree with the Independent Commission's finding on page 7 of [its] report that "there is a widespread loss of confidence in the USOC," and later on, on page 10, where [it] observe[s] that "there are inherent conflicts of interest on the Board of Directors."

This is a time when we must ensure that there can be absolutely no question regarding any ethical matter, included among them the possibility of even the perception of "insider" misdealing or conflict of interest. Regardless of the character and quality of the new Board members, which I trust will be of the highest caliber, it should be mandatory that all ethical questions be addressed by a group that is totally independent in both appearance and fact. This is in the best interests not only of the institution whose reputation we are endeavoring to restore, but for the protection of the new Board members from whom we will be asking so much of their time and energy in guiding the USOC back to a position of integrity and prestige. Consequently, I advocate that the Task Force's recommendation for the composition of the Ethics Committee guide the legislation that will ultimately reform the USOC. This function must be backed up by a vigorous internal compliance staff function with an appropriate reporting relationship and appropriate resources to ensure that the USOC becomes a model of corporate compliance going forward. The Task Force has made a number of recommendations concerning this area that we hope you will consider including in the forthcoming legislation.

A fifth concern relates to the proposed Olympic Assembly. The AAC is extremely concerned about the Independent Commission's recommendation that the Olympic Assembly, which is essentially the current Board of Directors with minor changes in membership, will continue to make major governance decisions concerning the USOC. This recommendation of the Independent Commission will prevent much of the benefit of the major reforms recommended by the Task Force (and, to a lesser extent, the Independent Commission) from taking place. In effect, the Independent Commission's recommendations would make the new Board a subset of the Assembly, subject to review and oversight in areas of bid selection, changes in the USOC Constitution, and all other "Olympic issues." The politics, campaigning, promises exchanged for votes, and decisions being made by a body too large to effectively govern the USOC would continue. These are the cement boots that have been drowning the USOC for decades. In addition, there cannot be one voice of the USOC if a "Speaker of

the Assembly" and the Assembly itself will be allowed to compete with the Board and the CEO as the official spokesperson for the USOC. Again, the AAC fully supports the recommendations of the Task Force.

Finally, I would like to say that not only as a Task Force member, but more importantly as an Olympian, I agree with all of the comments made by Frank Marshall in his testimony today concerning other areas of differences between the reports of the Independent Commission and the Task Force.

I wish to conclude by thanking everyone concerned with this effort to restore the United States Olympic Committee to a position worthy of the respect and confidence of the American people and of this Congress. I particularly want to commend the members of the Independent Commission and the Task Force for all of their hard work, which resulted in excellent recommendations. I believe that the few adjustments recommended by [ ] our Task Force Chairman Frank Marshall [and me] will result in a structure that will allow the USOC to achieve its objectives, and ensure that the affairs of the United States Olympic Movement are characterized by unquestioned integrity, professionalism, and dedication to America's athletes whom the organization was created to serve.

## Endnotes

1. The Independent Commission is comprised of Don Fehr, Co-Chair (Major League Baseball Players Association); Roberta Cooper Ramo, Co-Chair (former president of the American Bar Association); Dr. Harvey Schiller (former USOC Executive Director); Donna de Varona (1964 Olympic gold medalist—swimming); and Dick Ebersol (NBC Sports).
2. The Task Force was comprised of Frank Marshall (USOC Treasurer), Bill Stapleton (USOC Vice President), Bob Balk (Athlete—paralympic skiing), Gwen Baker (USOC Board public sector member), Fraser Bullock (COO of Salt Lake Olympic Organizing Committee), Chris Duplanty (Athlete—water polo), Gordon Gund (USOC Board public sector member), Jim McCarthy (U.S. Ski & Snowboard), Cameron Myler (Athlete—luge), and Lisa Voight (USA Cycling).

**Cameron Myler is a four-time Olympian in the sport of luge. She carried the American flag at the Opening Ceremonies of the Olympic Winter Games in Lillehammer, Norway, in 1994 and holds the best Olympic finish for an American woman in the sport of luge. After retiring from the sport in 1998, she attended law school at Boston College. She practiced in the Intellectual Property/Litigation group at Milbank, Tweed, Hadley & McCloy for two years and has recently joined the firm of Frankfurt Kurnit Klein & Selz, where she is a member of the firm's Litigation Department. Cameron can be reached at Frankfurt Kurnit Klein & Selz, 488 Madison Avenue, New York, NY 10022, (212) 826-5545, or at [cmyley@fkkslaw.com](mailto:cmyley@fkkslaw.com).**



# Filings Under Fire: Policing One's Mark Invites Public Opinion

By Matthew David Brozik

## Who Knew?

*OCLC Online Computer Library Center, Inc. v. 299 Madison Avenue, L.L.C.* is the kind of unlikely lawsuit that makes for humorous headlines and otherwise jocular journalism—"Where Did Dewey File Those Law Books?" asked a *New York Times* banner<sup>1</sup>; "A global computer library service is seeking one heck of a fine . . .," reported *Newsday*<sup>2</sup>; "Lawsuit Demands Library Shelve Its Theme," announced the *Chicago Sun-Times*<sup>3</sup>—and prompts the question, "Who knew?" That is, in this instance: Who knew that the eminent Dewey Decimal system is owned by someone? Plaintiff OCLC of Dublin, Ohio, knew. In any event, OCLC claims ownership of the Dewey Decimal system, and OCLC has sued the Library Hotel of Manhattan, alleging infringement of OCLC's intellectual property rights.<sup>4</sup> The complaint, filed with the United States District Court for the Southern District of Ohio, is understandably devoid of comic content.

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*"Who knew that the eminent Dewey Decimal system is owned by someone? Plaintiff OCLC of Dublin, Ohio, knew."*

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## What Gives?

The relevant facts alleged in the plaintiff's complaint are these: The Dewey Decimal Classification system (the "DDC system"), created by Melvil Dewey in 1873 and in use since 1876, is the most widely-used classification system in the world.<sup>5</sup> More than 200,000 libraries in more than 135 countries use the DDC system to organize their collections.<sup>6</sup> The DDC system organizes the "entire world of knowledge" into 10 main classes; each main class is further divided into 10 divisions, and each division into 10 sections.<sup>7</sup>

OCLC is a not-for-profit membership organization incorporated under the laws of the state of Ohio; OCLC was founded in 1967 "to share library resources and reduce library costs."<sup>8</sup> In 1988, OCLC acquired Forest Press, the then-owner and publisher of the DDC system and the trademarks relating to and identifying the system.<sup>9</sup> Those trademarks include "DEWEY DECIMAL

CLASSIFICATION" (Registration No. 0755548, registered August 27, 1963, for periodical publication—namely, an index relating to a system of classifying the field of human knowledge); "DDC" (Registration No. 1458757, registered September 22, 1987); and "DEWEY" (Registration No. 1868056, registered December 20, 1994).<sup>10</sup> OCLC has been vigilant in protecting its interest in the "Dewey Marks," and has frequently acted against misuse of the Dewey Marks by unauthorized third parties.<sup>11</sup>

Defendant Library Hotel, located at 299 Madison Avenue, New York, New York, is a "small, boutique hotel" with a concept: Each of the 10 guestroom floors "honors" one of the 10 categories of the DDC system, and each of the 60 rooms is "uniquely adorned with a collection of books and art exploring a distinctive topic within the category or floor it belongs to."<sup>12</sup> (Almost all of the numerous news articles reporting the lawsuit, many of them based upon an Associated Press piece, mention by way of example the most popular rooms: Erotic Literature [800.001] and Love [1100.006].) The Library Hotel "makes extensive use of the Dewey Marks as its marketing theme on its brochures, advertisements and other promotional materials that are disseminated to the public."<sup>13</sup>

So OCLC alleges trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1114, and unfair competition, passing off, false advertising, false designation of origin, and dilution of a famous mark in violation of 15 U.S.C. § 1125.<sup>14</sup> OCLC's federal registrations of the Dewey Marks on the Principal Register demonstrate OCLC's exclusive right to use those marks.<sup>15</sup> Furthermore, the rights of OCLC to use the Dewey Marks have become incontestable.<sup>16</sup> OCLC asserts that the Library Hotel's misappropriation and wrongful use of the Dewey Marks are likely "to cause confusion as to sponsorship or authorization by OCLC," or, alternatively, "destroy the origin-identifying function of the Dewey Marks."<sup>17</sup> OCLC seeks a permanent injunction and its actual damages, exemplary damages, treble the Library Hotel's profits, and attorney's fees and costs.

The case seems a prime candidate for summary judgment, as the material issues are legal, rather than factual. It is not the purpose of this article, however, to predict how the court will or should decide the case. Not all others have exercised such restraint, though.



## Who Cares?

Evidently, when the public got wind of OCLC's lawsuit, besides asking, "Who knew?" many asked, "Who cares?" This author admits that his reactions were in keeping with those of the general populace, despite his familiarity with matters of trademark, including the necessity that owners police uses thereof. Although public reaction is difficult to document, the proof is perhaps in the posting of a statement on OCLC's Web site:

OCLC has received several inquiries regarding a recent legal action filed by OCLC involving the Dewey Decimal Classification® (DDC®) system. We would like to provide some background on that legal action.

On September 10, 2003, OCLC filed a trademark infringement complaint against The Library Hotel. The Library Hotel (New York), which opened in August 2000, makes extensive use of and reference to the Dewey Decimal Classification at the hotel and in its marketing materials.

OCLC is disappointed that legal action had to be taken against The Library Hotel. This is an unusual event for OCLC. However, trademark law imposes affirmative obligations on trademark owners to protect their trademarks, or risk losing all rights in those marks through legal abandonment. We felt that abandoning our rights in the Dewey trademarks was an unacceptable result for the OCLC membership. OCLC attempted to avoid litigation by repeatedly requesting attribution of our ownership of the Dewey marks from The Library Hotel. They have refused to do so. Unfortunately, that refusal left us with no other recourse than to file a legal complaint.<sup>18</sup>

Joseph R. Dreitler, the Jones Day attorney who subscribed the complaint, has been quoted as having commented: "The idea here isn't to put the Library Hotel out of business. The idea is to protect Dewey and the Dewey Decimal System trademark."<sup>19</sup> He also stated that: "This is a cooperative of libraries, a nonprofit. The last thing they wanted to do was have lawyers get involved in filing a lawsuit."<sup>20</sup>

Still, several commentators immediately weighed in on the matter, more often than not taking the OCLC to

task for in fact having lawyers file a lawsuit. Although the newspapers played it mostly straight, the story received mention on both overlawyered.com ("Chronicle the high cost of our legal system")<sup>21</sup> and LIS.News.com ("Librarian and Information Science News"),<sup>22</sup> with commentary generally critical of OCLC's position and suit. Moreover, legal scholar Eugene Volokh, professor at UCLA School of Law and "blogger," commented:

It seems to me that people who look at the Library Hotel's site wouldn't remotely think that the hotel was connected with the owner of the Dewey system (at least unless the site has changed considerably since the suit was filed). Most people don't even know the Dewey system is owned; those who do know this probably won't give it a second thought, because they'll see the hotel as referring to the system, not claiming an endorsement from or connection with the owner of the system. Sometimes these cases can be bootstrapped on the somewhat circular theory that "Everyone knows that you need a license to use trademarks this way, so they'll assume that they did get a license, and that they're therefore being endorsed by the trademark owner"—but I'm pretty sure that this would *not* be the case here. Another example of trademark law abuse, following in the footsteps of the Fox News "fair and balanced" lawsuit against Franken.<sup>23</sup>

## What Now?

Professor Volokh raises a good point: The relevant public can be divided into two camps, those who know that "Dewey Decimal Classification" is a trademark and those who do not. Those who do are sophisticated enough consumers of library products (even if not necessarily also sophisticated regarding trademark law) not to mistake the Library Hotel's use of OCLC's mark(s) for sponsorship. The opinions of those not in the know are arguably irrelevant. That is, a consumer cannot be mistaken about sponsorship by a trademark's owner of an unauthorized use *if that consumer is not aware that the trademark is even owned*.

But, again, this is for the United States District Court to consider and decide. Until then, the suit nonetheless provides fodder for pundits and punners alike.

## Endnotes

1. Michael Luo, *Where Did Dewey File Those Law Books?*, N.Y. Times, Sept. 23, 2003, at B1.
2. *Library Catalog System Owner Sues Book-Based New York Hotel*, Newsday, Sept. 20, 2003.
3. Mary Vallis, *Lawsuit Demands Library Shelve Its Theme*, Chicago Sun-Times, Sept. 24, 2003.
4. *OCLC Online Computer Library Ctr., Inc. v. 299 Madison Ave., L.L.C. d/b/a The Library Hotel*, No. 2:03-cv-00816 (S.D. Ohio, filed Sept. 10, 2003).
5. Complaint of OCLC, at para. 7.
6. *Id.* at para. 4.
7. *Id.* at para. 8.
8. *Id.* at para. 4.
9. *Id.*
10. *Id.* at para. 10.
11. *Id.* at para. 13.
12. *Id.* at para. 2, quoting from the defendant's own promotional material. For reservations, call (212) 983-4500.
13. *Id.* at para. 17.
14. *Id.* at para. 1.
15. *Id.* at para. 24.
16. *Id.*
17. [www.oclc.org/news/announcement40.htm](http://www.oclc.org/news/announcement40.htm). *Id.* at para. 25.
18. *OCLC takes legal action to protect Dewey® trademark*, at [www.oclc.org/news/announcement40.htm](http://www.oclc.org/news/announcement40.htm).
19. Luo, *supra* note 1.
20. Vallis, *supra* note 3.
21. *Dewey Decimal system owner sues Library Hotel*, at [overlawyered.com/archives/000360.html](http://overlawyered.com/archives/000360.html).
22. *NYC's Library Hotel Dismays Dewey Owner*, at [www.lisnews.com/article.pl?sid=03/09/23/0547227](http://www.lisnews.com/article.pl?sid=03/09/23/0547227).
23. *DEWEY DECIMAL SYSTEM VS. HOTEL*, at [volokh.com/2003\\_09\\_21\\_volokh\\_archive.html](http://volokh.com/2003_09_21_volokh_archive.html), referring to Fox News Channel's recent aborted and disparaged lawsuit against comedian and political commentator Al Franken.

**Matthew David Brozik is a civil litigator in Great Neck. He enjoys writing nonfiction about copyright law [346.0482] and trademark law [346.0488] and humorous fiction [817].**

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# Give and Take: The Paradox of Instant Access and Restricted Use in the Digital World

By Christopher Papaleo

In the relationship between the legal world and the technological world, it is often the law that lags behind as science propels us rapidly into the future. Each new innovation brings an increased level of convenience to society, but as we reap the benefits of those innovations, courts and legislatures are burdened with the task of fitting the square peg of invention into the round hole of existing law. The immense difficulty of the legal questions raised by new technology has been compounded by the use of private agreements between online vendors and consumers, in which unbalanced terms weigh heavily against consumers. If the biased terms of these agreements continue to be upheld, existing copyright law will be rendered useless in cyberspace.

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*"Each new innovation brings an increased level of convenience to society, but as we reap the benefits of those innovations, courts and legislatures are burdened with the task of fitting the square peg of invention into the round hole of existing law."*

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Legal minds now grapple with issues such as online contract formation, the conflict between federal law and online license agreements governed by state law, as well as the loss of fair use rights provided by the Copyright Act.<sup>1</sup> Fair use has also been threatened by the Digital Millennium Copyright Act's (DMCA) anti-circumvention provision.<sup>2</sup> This article examines the issues related to the fair use of copyrighted materials obtained through the Internet, analyzes the relevant case law, and discusses the feasibility of a proposed solution to restore the Internet consumer's fair use rights. Part I explains the enforceability of clickwrap license agreement terms and their ability to expand the author's rights beyond traditional copyright law. Part II applies the fair use defense to a clickwrap agreement scenario. Part III examines possible avenues through which the law may narrow the enforceability of clickwrap agreements, such as the doctrine of unconscionability and the preemption of state license agreements by federal copyright law in order to restore fair use rights. Part IV discusses the loss of fair use rights as a result of the DMCA's anti-circumvention provision.<sup>3</sup> Several commentators have weighed in on the impact of the click-

wrap agreements and the DMCA on the loss of fair use rights, and those perspectives will be examined for the purpose of proposing a solution that would restore fair use rights in both situations.

## Part I. Clickwrap License Agreements

Clickwrap agreements are used to bind users to terms set by the licensor before they are able to access the service or product offered. The user is required to click on an "I agree" button in order to manifest assent to the terms of the agreement. Some agreements require that the user scroll down to the end of the terms before clicking the button as an extra measure, hopefully inducing the reader to view the terms. Clickwrap agreements often pop up on a user's screen before the user is able to proceed to the next area of a Web site or before a user is able to download a software application.

An example of such a contract is the license agreement that users are required to give their assent to when downloading AOL Instant Messenger, a popular program used by people to communicate over the Internet by sending and receiving typed messages. The terms of the agreement that are relevant to the discussion of enforceability and fair use include the following:<sup>4</sup>

... BY CLICKING THE "YES" BUTTON BELOW ... YOU AGREE TO USE THE SOFTWARE AND THE SERVICE ONLY IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS AGREEMENT ... AND YOU AGREE THAT YOU ARE BOUND BY AND ARE A PARTY TO THIS AGREEMENT.

IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS OF THIS AGREEMENT OR IF YOU ARE YOUNGER THAN EIGHTEEN, CLICK "NO" AND YOU MAY NOT INSTALL THE SOFTWARE.

... 2. Restrictions on Use. ... You may not modify, reverse engineer, decompile or disassemble the Software or otherwise attempt to derive its source code, or in any way ascertain, decipher, or obtain the communications protocol for accessing the Service. You may not

adapt, alter, modify, translate, or create derivative works of the Software without the express written authorization of AOL. You may not redistribute, encumber, sell, rent, lease, sublicense, or otherwise transfer rights to the Software, nor may you remove or alter any trademark, logo, copyright or other proprietary notices, legends, symbols or labels in the Software. . . . You may not incorporate, integrate or otherwise include the Software or any portion thereof (including the communications protocols) into any software, program or product that communicates, accesses, or otherwise connects with the Service or any other instant messaging, Internet, or online service . . .

These types of agreements have generally been held to be enforceable when the vendor automatically presents the terms to the consumer and when the vendor requires the user to click an "I accept" button.<sup>5</sup> It is necessary for the vendor to put the user on notice of all license terms. The user's failure to read the terms will not preclude the finding of an enforceable agreement.<sup>6</sup> If both the automatic presentation and the clicking characteristics are present, courts will probably enforce the license agreement.<sup>7</sup> However, when the vendor does not require a user to assent by clicking and the terms of the agreement are not noticeable to the user, courts will not enforce the contract based on lack of assent and minimal notice.<sup>8</sup> Clickwrap agreements were held to be unenforceable when the users were not required to click on an "I accept" button or manifest their assent in some other way.

In *Specht v. Netscape Communications Corp.*,<sup>9</sup> the defendant did not require the user to manifest assent to the license agreement before allowing the user to download software. The user also did not have proper notice that he was even entering a binding agreement. The Web page referred to the terms of the license when the user scrolled to the bottom of the page, where there was a link stating: "Please review and agree to the terms of the Netscape Smart-Download software license agreement."<sup>10</sup> Yet the user could have downloaded the software without seeing the link or viewing the terms. The *Specht* court noted that the "mere act of downloading . . . [was] hardly an unambiguous indication of assent. The primary purpose of downloading was to obtain a product, not to assent to an agreement."<sup>11</sup> Without a clear manifestation of assent on the user's part or adequate notice to the user of the license terms, the court would not enforce the license agreement. Thus, courts will probably not enforce a license if *both* characteristics are absent.

However, the presence of *one* of the characteristics may still be enough to enforce the contract. Despite the absence of an automatic presentation of the license terms, a court may still enforce the agreement if there is a link to the terms placed adjacent to the "I agree" button.<sup>12</sup> Enforceability in this case will depend on the design of the Web site and to what extent the link is noticeable to the user. For example, adequate notice without an automatic presentation might exist if the link is in a different color, underlined, and adjacent to the "I agree" button.<sup>13</sup> If the user has not clicked to indicate acceptance, but the user has notice of the terms, a court may also enforce the agreement.<sup>14</sup> If the Web site displays the terms of the agreement automatically, a court may interpret the user's continued use of the Web site to satisfy the assent requirement without a clicking acceptance. In *Register.com v. Verio Inc.*,<sup>15</sup> the court enforced the agreement when there was no clicking acceptance, but where the terms were automatically displayed.<sup>16</sup>

An analysis of the clickwrap decisions thus far suggests that clickwrap license agreements will continue to be upheld by courts. Generally, if the user has taken an affirmative action such as clicking an "I accept" button and the terms of the agreement are made known to the user before downloading, the agreement will be enforceable. Despite the lack of bargaining or negotiation in these transactions, there is a strong policy argument supporting the enforceability of clickwrap licenses because they are the most efficient way to achieve mass distribution of software and other digital products over the Internet.

## Part II. The Fair Use Doctrine

The common law doctrine of fair use was codified in the Copyright Act in 1976.<sup>17</sup> At common law, the "affirmative defense of fair use 'permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.'"<sup>18</sup> The fair use defense will prevent liability for copyright infringement if the use of a copyrighted material is "for purposes such as criticism, comment, news reporting, teaching . . . scholarship, or research."<sup>19</sup> There are no specific uses that establish the boundary lines of fair use, thereby forcing courts to apply the doctrine on a case-by-case analysis using the four factors provided by the Copyright Act.<sup>20</sup>

The United States Code provides four non-exclusive factors which courts use to determine whether the use in question was fair: (i) The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (ii) the nature of the copyrighted work; (iii) the amount



and substantiality of the portion used in relation to the copyrighted work as a whole; and (iv) the effect of the use upon the potential market for or value of the copyrighted work.<sup>21</sup> The factors are meant to be weighed against each other; there is no bright line rule for determining if a particular use is fair. A court may also weigh other factors in addition to these.<sup>22</sup>

The preamble to section 107 lists certain purposes that are most appropriate for a finding of fair use: “[C]riticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship or research.”<sup>23</sup> However, a court may not decline to weigh the four factors to determine fair use if the use does not fall within one of these categories.<sup>24</sup>

The Copyright Act balances the need to compensate authors, as an incentive for others to create, and the public’s demand for the copyrighted material by incorporating the fair use doctrine. This balanced system allows authors to reap the rewards for their works while also allowing the public to benefit from the use of those works. Once a work is protected by copyright, people are free to copy it when the use is fair (e.g., doing research, to make a comment or criticism, for educational purposes, in scholarship, and for news reporting). The broader goal of fair use is to stimulate innovation by allowing the public to benefit from works already created.

The policy behind the fair use doctrine is relevant when discussing agreements that restrict users from participating in what would otherwise be a valid use under federal copyright law. If the boundary lines of fair use were unclear before such technological innovations as the Internet, then clickwrap agreements seem to have pushed the public on the outside of that line, with copyright owners gripping tightly onto their works. The four factors weighed by courts will now be applied to a clickwrap agreement situation similar to the Instant Messenger license above, which restricts fair use.

### **Purpose and Character of the Use of the Work**

The first factor to be applied in a fair use defense to copyright infringement is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.”<sup>25</sup> A court may examine certain aspects of the use in question when determining the purpose and character of the use, such as whether the use is “productive,” the commercial nature of the use, and the user’s behavior.<sup>26</sup>

If the user’s purpose is to put the copyrighted material to a commercial use, courts are likely to determine that such use is unfair.<sup>27</sup> The commercial/non-commercial nature of the use is important to the copyright owner because the use may infringe on the compensation the owner is owed. A court is not likely

to find a use to be fair if the user is copying the owner’s work for his own economic gain. An example of a non-commercial use would be the educational use of copyrighted material by nonprofit institutions. Such a use will most likely be determined to be fair.<sup>28</sup> An example of a clearly commercial use exists in a case in which the material is used to advertise or sell a product or service.<sup>29</sup> Regarding the commercial aspect of the first factor, Nimmer notes, “the fact that a given use is commercial does not necessarily negate fair use, any presumption that a commercial use is *ipso facto* unfair should be regarded as ‘rebutt[able] by the characteristics of a particular commercial use.’”<sup>30</sup>

The commercial nature of a particular use may be mitigated by the “transformative” or “productive” nature of the use.<sup>31</sup> It is not required that a user contribute his own work to the material in question in order to raise the fair use defense, but that contribution will be relevant to the fair use discussion.<sup>32</sup> A use may be considered transformative or productive if the user has added his own work to the copyrighted work, resulting in a new and different product.<sup>33</sup> When the purpose of the use is to create something new or different, a court will weigh that fact against the commercial aspect of a use when determining the first factor. In *Campbell v. Acuff-Rose Music, Inc.*, the Supreme Court ruled that a parody of Roy Orbison’s song “Oh, Pretty Woman” by the rap group 2 Live Crew was a fair use, despite being commercial, because the group did not copy the song excessively and the parody was a product of the group’s own contributions which built on the original song.<sup>34</sup>

Uses such as news reporting, criticism, research and scholarship, however, do not fall as neatly on either side of the commercial use line. These types of uses may be deemed somewhat commercial if the product is published and the user receives compensation for his or her work. Similar to the parody use in *Campbell*, though, when a user contributes his own work to the original, a court may give more weight to the productive or transformative nature than it does to the commercial nature. When derivative works utilize the original work and constitute a new expression for the public’s benefit, the productive nature will outweigh the commercial nature of the use and will probably be considered fair.<sup>35</sup>

The use of a copyrighted material in a “productive” work will weigh in favor of finding the use to be fair, but of course, there may be uses that are both “unproductive” and fair at the same time. Such uses were noted by the Supreme Court:

[A] teacher who copies for the sake of broadening his personal understanding of his specialty . . . a legislator who

copies for the sake of broadening her understanding of what her constituents are watching . . . a constituent who copies a news program to help make a decision on how to vote . . . in a hospital setting, using a VTR to enable a patient to see programs he would otherwise miss . . . [thus] contributing to the psychological well-being of the patient.<sup>36</sup>

Without a bright line test, courts are afforded the leeway to rule in the best interests of fulfilling the purposes of copyright law. It is essential to the balance of copyright law to consider both the public benefit and commercial gain when examining the commercial aspect of the first fair use factor. Courts may choose to determine that the copying of the Instant Messenger program is fair if it fulfills the goals of copyright law and there is not significant economic harm suffered by the copyright holder.

The user's behavior is another aspect of the first factor that may affect the court's decision. If a user blatantly denies use of the owner's work, a court is not likely to find that the use is fair when balancing the first factor.<sup>37</sup> The argument on the other side of the coin, therefore, is that attributing a usage of plaintiff's work to plaintiff can weigh in favor of determining the use fair.<sup>38</sup> When weighing all aspects of the first factor of the fair use doctrine, "good faith and fair dealing" is presupposed.<sup>39</sup> If a person knowingly infringes, the use will not be considered fair, but in the instance that a user "acted without authorization to disable a technological protection measure" which attempts to prevent access to the material for a fair use, Nimmer comments that "it does not undermine a fair use defense to point out" such a fact.<sup>40</sup>

Applying the "purpose and character" factor to the use of material obtained through a software program such as Instant Messenger will most likely protect the user in a copyright infringement claim if the use was for a purpose such as education, scholarship or research. A use carried out with a predominantly commercial motive, however, will probably not be protected by the fair use defense. The behavior of the user is also relevant in determining whether or not a use is fair. The remaining statutory factors would be examined by a court and, therefore, are still relevant for the discussion of fair use in clickwrap agreements.

### **Nature of the Copyrighted Work**

Courts will examine the "nature of the copyrighted work" next in determining whether a use is fair.<sup>41</sup> When analyzing the nature of the copyrighted work, courts will find that "the more creative a work, the more protection it should be afforded from copying; correlative-

ly, the more informational or functional the plaintiff's work, the broader should be the scope of the fair use defense."<sup>42</sup> Courts have clearly established that informational works are more likely to be protected by the fair use doctrine than entertainment works.<sup>43</sup>

Regarding the Instant Messenger example, it is doubtful that a court would see the software program as merely "informational." The popularity of the program was partly due to the fact that there was not already a program that performed the same way. However, there may be an argument against protecting the program from fair use that says that the purpose of the program is simply functional because it just provides a means for people to communicate. There have been other programs since the introduction of Instant Messenger program that perform in a similar way. There is little chance that a court will call the Instant Messenger program "entertainment," which would tend to afford the program more protection from fair use.

Cases involving clickwrap agreements must be analyzed on a case-by-case basis to determine the nature of the copyrighted work. Clickwrap agreements are commonly found on the Internet when downloading software onto a personal computer but also are found when a user seeks access to almost any form of media on the Internet. Clickwrap agreements may be found on anything from informational Web sites such as news services to entertainment Web sites such as music, movie or photograph sites that allow users restricted access to such media. The wide variety of works which may require a user to agree to a clickwrap license make it difficult to predict how a court would apply the second factor of a fair use defense, the nature of the work.

### **Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole**

Courts are also required to examine "the amount and substantiality of the portion used in relation to the copyrighted work as a whole"<sup>44</sup> in fair use defenses. Generally, if an entire work is reproduced, it will most likely not be held a fair use.<sup>45</sup> Nonetheless, some exceptions exist. In deciding this factor, courts may encounter an issue of what precisely the "work" in question is. The answer in each case has significant impact on the overall determination of fair use, because courts usually deny fair use for the copying of entire works or substantial portions of those works.<sup>46</sup>

The "amount and substantiality" factor might influence courts to find that a use is fair if the user copies only portions of the copyrighted material which are necessary for the non-infringing use. If the entire material is blatantly copied, the use is not likely to be held as fair and is probably an infringement on the author's copyright. If one were to copy the Instant Messenger for educational purposes, for example, the fact

that one copied the entire program would weigh against a fair use finding. A court would be more likely to determine the use to be fair if the user copies only the portion of the program that he needs for the educational purpose.

### **Effect of the Use upon the Potential Market or Value of the Copyrighted Work**

Copying a work may have some impact on the potential market or value of the copyrighted work.<sup>47</sup> This factor recognizes the need to strike a balance “between the benefit the public will derive if the use is permitted and the personal gain the copyright owner will receive if the use is denied. The less adverse effect that an alleged infringing use has on the copyright owner’s expectation of gain, the less public benefit need be shown to justify the use.”<sup>48</sup> This factor is significant to the rights held by the copyright owner because the acts of the copyright infringer may cause economic harm, or may have a “potential” effect on the market for the copyrighted work.<sup>49</sup> If the infringer’s uses are widespread enough, there could be economic harm to the copyright holder.<sup>50</sup> Courts have defined the potential market for the use more narrowly as the market “that creators of original works would in general develop or license others to develop.”<sup>51</sup> Again returning to the Instant Messenger example, if a user had copied the program and then received a significant economic benefit as a result, a court will not likely find the use to be fair. This factor is essential to maintaining the incentive for people to create by allowing authors to reap the economic rewards of their work.

An analysis of the four fair use factors applied by courts reveals that copying a software program such as Instant Messenger could very well be considered a fair use in several instances (e.g., education, criticism, comment, research and reverse engineering). However, the clickwrap license agreement prevents such fair uses. Specifically, the term stating that:

You may not modify, reverse engineer, decompile or disassemble the Software or otherwise attempt to derive its source code, or in any way ascertain, decipher, or obtain the communications protocol for accessing the Service. You may not adapt, alter, modify, translate, or create derivative works of the Software without the express written authorization of AOL.<sup>52</sup>

This agreement explicitly prohibits the user from copying the software program, despite the act being a fair use.<sup>53</sup>

Now, with an idea of what contributes to a determination of fair use, an understanding of the benefits of

the fair use defense and an explanation of the enforceability of clickwrap licenses, the following section will examine possible ways in which fair use may be restored in cyberspace.

### **Part III. Restoring Fair Use**

The power to narrow the enforceability of clickwrap agreements that prohibit fair use may lie in the doctrine of unconscionability. If a contract is deemed by a court to be unconscionable, “the court may refuse to enforce the contract, or it may enforce the remainder of the contract without the unconscionable clause, or it may so limit the application of any unconscionable clause as to avoid any unconscionable result.”<sup>54</sup>

When examining a contract for unconscionability, “generally, courts recognize that both substantive and procedural unconscionability must be present for a court to alter the terms of an otherwise enforceable contract.”<sup>55</sup> Substantive unconscionability may exist if an agreement contains terms that are harshly one-sided and procedural unconscionability occurs when a party lacks a meaningful choice in entering into the contract.<sup>56</sup> Procedural unconscionability may exist if the disadvantaged party agrees to the contract under time pressure and has not had an opportunity to read and understand the contract terms. A clickwrap agreement may be held to be procedurally unconscionable if the vendor intended to hide terms in a way that the user would either not know to read them, or not know that the terms were binding on him.<sup>57</sup>

The most likely case for a clickwrap license to be found unconscionable is when the user is bound by terms he never had reason to know of. This issue, however, relates back to the notice requirement in finding the agreements enforceable in the first place. If the agreement is found to be unenforceable for lack of notice, the court will then never deal with an unconscionability argument. Most clickwrap agreements will not be procedurally unconscionable under this standard. If the user has had enough notice of the terms for the agreement to be enforceable, it is unlikely that a court will find the contract to be procedurally unconscionable.

Substantive unconscionability is defined as “unconscionability resulting from actual contract terms that are unduly harsh, commercially unreasonable, and grossly unfair given the existing circumstances.”<sup>58</sup> Even though most clickwrap agreements prevent fair uses, those terms may not be interpreted to be so gross as to reach that standard. The lack of any type of bargaining or negotiation in clickwrap agreements may be an argument to support a finding of unconscionability. The opposite argument, though, is that consumers at least have the opportunity to decline acceptance of the agree-



ment; they are not forced to give their assent. Perhaps the greatest factor weighing against a finding of unconscionability is the fact that clickwrap agreements have become the most efficient way in a mass production society that relies heavily on the speed and convenience of the Internet. Fearing negative effects on the fast pace and ease of e-commerce, courts will probably be reluctant to find these agreements unconscionable. Thus, sustaining the burden of unconscionability is difficult in the context of clickwrap agreements in which the user has notice of the terms and when the user has manifested assent to those terms.

A court may decide whether or not the terms were within the user's "reasonable expectations." This, too, is a high standard for the user to reach in attempting to have a term eliminated from the agreement. Arguably, most of the actual terms and conditions contained in these user agreements would not be outside the users' reasonable expectations.<sup>59</sup> Users would probably expect that the copyright owners will attempt to exert as much control over their copyrighted material as possible, as well as the services the material may provide and the information it allows access to. Therefore, absent a specific showing of unfairness, undue oppression, or unconscionability, a court will likely find clickwrap agreements, including any terms restricting fair use, to be enforceable.<sup>60</sup>

Whereas it is unlikely that a court will deem a clickwrap license to be unconscionable, the preemption of the license agreements by federal copyright law may be a solution to restoring fair use rights to online consumers.<sup>61</sup> Courts have previously held that federal copyright law may preempt state contracts.<sup>62</sup> The Copyright Act contains a preemption section providing that state law causes of action may be preempted by a cause of action under the federal Act:<sup>63</sup>

All legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103 . . . are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.<sup>64</sup>

In order for a state law cause of action to be preempted, it must satisfy two requirements. First, preemption occurs only if the state law creates a right that is "equivalent to any of the exclusive rights within the general scope of copyright."<sup>65</sup> Second, the state law right must "come within the subject matter of copy-

right."<sup>66</sup> A state law claim is not preempted only if it "contains at least one element that makes it qualitatively different from a claim of copyright infringement."<sup>67</sup>

If the breach of a clickwrap agreement is equivalent to a right under copyright law, a court should find that if there is a breach of the copyright provisions of a clickwrap agreement, federal copyright law preempts the state law claim. If federal copyright preempts the state license agreement, then the user is free to make any fair use arguments available to him under 17 U.S.C. § 107 in defense of an infringement action.

Courts have stated that a contract right is equivalent to copyright if a user's act of reproduction, distribution, or display breaches a term under the contract right.<sup>68</sup> The owner of a copyright has the exclusive right to reproduce, prepare derivative copies, distribute copies and perform the copyrighted work publicly.<sup>69</sup> Therefore, "if under state law the act of reproduction, performance, distribution, or display . . . will *in itself* infringe the state-created right, then such right is preempted."<sup>70</sup>

Applying the pre-emption rule to state online license agreements, one commentator argued that:

The act of reproduction . . . or distribution (as in the case of a teacher who distributes articles to her students) will violate the agreements because copying of the online materials is limited to personal and noncommercial use. Nothing more than reproduction or distribution is required in order to violate these agreements. A breach of the online agreement does not contain an element that makes it qualitatively different from a claim of copyright infringement. For example, if a user copies an online article for scholarship use and subsequent distribution to publishers of scholarly journals, that user has violated the online agreement. However, the copying is also a copyright infringement, subject, of course, to a fair use defense. Therefore, the federal copyright law will preempt the state law contract claim.<sup>71</sup>

Following this analysis, clickwrap agreements, which impose fair use restrictions, will probably meet the first requirement for preemption; the rights held by the owner in the license are equivalent to the exclusive rights within the general scope of copyright.

Section 102 of 17 U.S.C. governs the subject matter of federal copyright law.<sup>72</sup> The software protected by online clickwrap agreements falls within the statutory definition of the subject matter of copyright. Under sec-



tion 102, software programs are “original works of authorship.”<sup>73</sup> The general test for originality requires “only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity.”<sup>74</sup> Section 101 of 17 U.S.C. defines audiovisual works as “works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.”<sup>75</sup>

Applying this statutory definition to material obtained on the Internet through a clickwrap agreement, such as software, the copyrighted material may be considered a “series of related images” that are “intended to be shown by the use of” computers, which can qualify as “machines.”<sup>76</sup> Software protected by clickwrap agreements therefore qualifies as a copyrightable work to be “fixed in any tangible medium of expression, now known or later developed, from which [it] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”<sup>77</sup> If the material gained by agreeing to a clickwrap license is copyrightable, then it follows that the material satisfies the second requirement of preemption, that the state agreement fall within the subject matter of copyright law. If the material is not within the subject matter of copyright law, federal law will not preempt a state license agreement.<sup>78</sup> Since clickwrap agreements grant rights equivalent to the exclusive rights within the scope of copyright law, clickwrap agreements therefore fall within the subject matter of copyright law.

Vendors of clickwrap licenses may argue that clickwrap agreements are safe from federal preemption, because even though copyright authority is delegated to Congress,<sup>79</sup> that authority is not exclusive, allowing states to hold concurrent power over copyrights.<sup>80</sup> However, state sovereignty is superseded when the state’s authority is contradictory to the federal authority. In *Goldstein v. California*,<sup>81</sup> the Supreme Court held that state copyright laws will not be preempted unless they conflict with federal copyright law. The state copyright authority in that case was a California statute which prohibited the “transfer [of] any performance fixed on a tape or record onto other records or tapes with the intention of selling the duplicates, unless they have first received permission from those who, under state law, are the owners of the master recording.”<sup>82</sup> This statute prohibiting commercial copying does not interfere with or contradict any federal law on copyright.

Clickwrap licenses, however, do contradict federal copyright law which allows fair use. Those seeking to enforce clickwrap agreements might argue that because the agreements are made between two parties, the contracts are not within the scope of federal copyright law, which grants rights to a copyright owner against the rest of the world, not an individual party. Considering the lack of negotiation in clickwrap agreements meant for mass distribution of software however, it seems as though the assent given in a clickwrap agreement fails to provide the extra element which would place the agreement outside the scope of federal copyright law. Unlike the California statute, then, clickwrap agreements expand the copyright owners’ rights while shrinking the user’s rights. Because clickwrap agreements do contradict federal copyright authority, they should not be protected from federal preemption by the shield of state sovereignty.

There are strong public policy arguments supporting the federal preemption of clickwrap license agreements. Allowing private agreements to restrict users’ rights and to enhance the rights held by copyright owners beyond what is provided for them in the Copyright Act renders the existing copyright law useless in cyberspace. The private clickwrap agreements between owners and individual consumers clearly prohibit uses that would otherwise be considered fair under the Copyright Act, which protects the rights held by copyright owners against the rest of the world. Through clickwrap agreements, then, copyright owners are essentially able to rewrite copyright law to their own benefit.

Since clickwrap agreements are necessary in maintaining the flow of e-commerce, it is unlikely courts or state legislatures will prohibit the agreements themselves. It is also unlikely that all states will agree on a standard form of clickwrap agreement that does not contain any restrictions on fair use.<sup>83</sup> The best solution for restoring fair use rights to consumers who agree to clickwrap agreements is to preempt the agreements with federal copyright law. Section 301 of the Copyright Act should be amended to include an express provision allowing for such a preemption. This express exemption would be applied when the agreement terms prohibit rights that are equivalent to the exclusive rights within the scope of federal copyright law, the protected work is within the subject matter of copyright law and when the agreement contains terms restricting a consumer’s right to make fair use of the copyrighted work. When enforcing such a provision, the use would have to be ruled as fair by the court when determining whether or not the agreement is preempted. The four factors applied to a fair use defense, as discussed above, would be applied in the same manner to a preemption case. If the clickwrap preemption provision were added to sec-

tion 301, online vendors may respond by redrafting their clickwrap agreements allowing consumers to copy the protected work for fair uses.

#### Part IV. The DMCA'S Anti-Circumvention Ban

In order to keep up with rapidly evolving technology, Congress updated the Copyright Act with the "most sweeping revisions ever to the Copyright Act of 1976," the DMCA.<sup>84</sup> The legislature's stated goal when drafting the DMCA was to "make available via the Internet the movies, music, software, and literary works that are the fruit of American creative genius."<sup>85</sup>

Congress recognized that while technology had taken a significant leap, copyright law as it stood was not adequate to deal with the speed and convenience with which people are now able to access copyrighted material.<sup>86</sup> To address this inadequacy, Congress drafted "the most important feature"<sup>87</sup> of the DMCA and the other significant roadblock to our fair use rights: The DMCA's anti-circumvention provision,<sup>88</sup> which protects technical measures used to safeguard copyrighted works.<sup>89</sup>

Section 1201 consists of three types of possible anti-circumvention violations: A basic provision, a ban on trafficking, and "additional violations." The basic provision states that: "No person shall circumvent a technological measure that effectively controls access to a work protected under this title."<sup>90</sup> The DMCA therefore "prohibits any technology that is primarily designed or marketed for the purpose of circumventing [i.e., 'avoiding, bypassing, removing, deactivating, or otherwise impairing'<sup>91</sup>—protection afforded by a technological measure that effectively protects a right of a copyrighted owner."<sup>92</sup>

Put more simply, it prohibits tools that can overcome copyright technologies. For example, a CD player or a software program that can circumvent the new copy-protection measures on some CDs to enable copying of the copyrighted songs on the CDs will likely violate the anti-circumvention provision.<sup>93</sup> The DMCA also prohibits the manufacture or sale of any technology that is intended to circumvent a technological measure that "effectively controls access" to a copyrighted work.

In an article assessing possible solutions to the fair use problem created by the DMCA, Kevin S. Bankston notes: "[T]he DMCA has been sharply criticized by consumer advocates, technology developers, and computer security researchers for threatening the public's right to make fair uses of copyrighted digital media."<sup>94</sup> Bankston gives the example of an average consumer who would traditionally be allowed to make a copy of a DVD he owns in case of loss or damage, but now is prevented from doing so under the DMCA. If a consumer

were to make a copy of a DVD, "the act of distributing or using the circumvention tool necessary to access an unencrypted copy of the movie for this fair-use purpose would subject the consumer to civil and criminal liability."<sup>95</sup> As a result, Bankston points out that "the DMCA appears to have radically altered the copyright bargain by effectively eliminating the public's ability to engage in fair uses that require duplicating digital media either in whole or in part, if that media is protected by access or copy controls."<sup>96</sup>

Congress apparently recognized the danger to fair use rights when implementing the anti-circumvention ban, because they saw it "appropriate to modify the flat prohibition against the circumvention of effective technological measures that control access to copyrighted materials, in order to ensure that access for lawful purposes is not unjustifiably diminished."<sup>97</sup> The same dangers to fair use were recognized by Consumers Union in a June 4, 1998, letter to the House Commerce Committee:<sup>98</sup>

These newly-created rights will dramatically diminish public access to information, reducing the ability of researchers, authors, critics, scholars, teachers, students, and consumers to find, to quote for publication and otherwise make fair use of them. It would be ironic if the great popularization of access to information, which is the promise of the electronic age, will be short-changed by legislation that purports to promote this promise, but in reality puts a monopoly stranglehold on information.

In order to respond to these fears:

[T]he Committee has endeavored to specify, with as much clarity as possible, how the right against anti-circumvention would be qualified to maintain balance between the interests of content creators and information users. The Committee considers it particularly important to ensure that the concept of fair use remains firmly established in the law. . . H.R. 2281, as reported by the Committee on Commerce, fully respects and extends into the digital environment the bedrock principle of "balance" in American intellectual property law for the benefit of both copyright owners and users.<sup>99</sup>

Nimmer has commented on the anti-circumvention language, stating that:

[It] bootstraps the limited monopoly into a perpetual right. It also fundamentally alters the balance that has been carefully struck in 200 years of copyright case law, by making the private incentive of content owners the paramount consideration—at the expense of research, scholarship, education, literary or political commentary, indeed, the future viability of information in the public domain. In so doing, this legislation goes well beyond the rights contemplated for copyright owners in the Constitution.<sup>100</sup>

Nimmer has also noted that the fair use defense is not applicable to a violation of the anti-circumvention provision. Because anti-circumvention is defined by section 1201 as something separate from a copyright infringement, fair use is no defense.<sup>101</sup>

In testimony to Congress, the Register of Copyrights insightfully noted two consequences for fair use from the addition of Section 1201 to the Copyright Act. First, the new addition to the Act “might be read by a court as a signal to extend the concept of fair use as a judge-made defense, [even though] it does not provide clear legislative authority to do so.” Second, a copyright owner should not be able “to defeat a fair use defense by pointing to the fact that the defendant had circumvented a technological protection measure.”

The DMCA has been criticized by some and lauded by others. Bernard Sorkin notes the basis for the criticism:

The development of digitalization provides a cornucopia of benefits as well as mammoth dangers. One of the consequences of digitalization has been an outpouring of criticism of legislation enacted to protect against those dangers; criticism not that the copyright act is inadequate, but that it goes too far in providing protection.<sup>102</sup>

Sorkin disagrees with “attackers” of the DMCA who argue that it “distort[s] the copyright balance in favor of copyright owners . . . that copyright owners rely on a relatively alien notion that copyright is a primarily intended not to ‘promote the progress of science and useful arts,’ but, instead, as a statutory confirmation of some purportedly natural monopoly right.”<sup>103</sup>

One of the critics of the DMCA is Representative Rick Boucher (D-Va.). Boucher suggests that the DMCA was pushed through Congress by groups such as the Motion Picture Association of America and the Recording Industry Association of America, and that it has enhanced the rights held by copyright owners into rights which give copyright owners total control over the public’s access to the copyrighted works. This would be a significant extension of the copyrights that are designed to compensate authors without giving them a monopoly power and preventing the copyrighted work from reaching the public domain. Boucher has argued that the DMCA’s anti-circumvention provision criminalizes both legitimate and illegitimate uses by punishing the act of circumvention, despite the fact that the use may traditionally be considered fair.<sup>104</sup>

In an attempt to restore fair use rights to users after the DMCA anti-circumvention provision, Boucher has proposed a bill “to mitigate these alleged negative impacts of the DMCA and reaffirm fair use rights.”<sup>105</sup> Rep. Boucher’s bill, entitled “The Digital Media Consumers’ Rights Act of 2003”:<sup>106</sup>

[I]ntends to allow distribution of technologies capable of substantial non-infringing uses and to protect fair use rights, including the right to create copies for personal use . . . the bill is necessary because ‘without a change in the law, individuals will be less willing to purchase digital media if their use of the media within the home is severely circumscribed, and the manufacturers of equipment and software that enables circumvention for legitimate purposes will be reluctant to introduce the products into the market.’<sup>107</sup>

The DMCRA would add the following language to the DMCA:

[I]t is not a violation of this section to circumvent a technological measure in connection with access to, or use of, a work if such circumvention does not result in an infringement of the copyright in the work, (i.e., if the result is a fair use.) . . . also “it shall not be a violation of this title to manufacture, distribute, or make noninfringing use of a hardware or software product capable of enabling significant noninfringing use of a copyrighted work” (i.e., capable of enabling fair use).<sup>108</sup>



The Bankston article provided a forum for two commentators to assess the effectiveness of the DMCRA. Charles S. Sims<sup>109</sup> called the bill "ill-considered and highly deceptive."<sup>110</sup> Sims argues that Boucher's bill gives fair use greater power than it had even before the DMCA by granting users "a revolutionary new right to obtain access to works for which copyrighted owners had limited access, and to obtain the means to make perfect digital copies even where the copyright owner had attempted to defend its rights by blocking access to the unencrypted text."<sup>111</sup> Sims is also a supporter of the DMCA, arguing that the legislation "sought to protect copyright owners and the benefits (including to the economy and balance of trade) they bring to our nation by keeping piracy tools broadly unavailable."<sup>112</sup>

Representing the opposite view on both the DMCA as well as the DMCRA, Fred von Lohmann<sup>113</sup> argued that Boucher's bill does not expand fair use and that the DMCA's anti-circumvention provision leaves copyright owners no use for the Copyright Act: "If you can 'protect' a work and condition access to it on any terms you like, backed up by the DMCA's legally enforceable circumvention ban, why would you ever rely on the Copyright Act, with all of its messy exceptions (including fair use)?"<sup>114</sup> Lohmann also pointed out that while the DMCA has been very effective in preventing fair use, it had done little to prevent piracy.

To ensure the protection of fair use rights under the DMCA, Congress should pass legislation that preserves fair use, but also does not allow significant amounts of infringing uses to continue. While Representative Boucher's language seems to directly address the problem of fair use faced by users as a result of the ban on anti-circumvention, the most appropriate solution seems to be adding another exemption to section 1201 which provides more protection for fair use than the DMCA currently allows. This fair use exemption would expressly provide that a consumer would not incur civil or criminal liability under the DMCA if the act of circumvention were performed while making a fair use of the copyrighted work. Such an exemption could expressly provide that a copyright owner must provide the means to overcome technological measures for consumers acting within their fair use rights. This exemption would not affect the ban on circumvention when the circumvention of a technological protection measure results in copyright infringement.

## Conclusion

The Internet has allowed our society to gain access to digital products instantaneously. Our ability to use those products, however, has suffered considerably as a result of private clickwrap license agreements that

restrict fair use and the DMCA's anti-circumvention ban. The technology, which made such easy access possible, is clearly far ahead of the legislation that governs it. "The leap to digital technology . . . [is] the most effective enabler of fair use in the history of copyright," but that leap has left existing copyright law severely inadequate to protect the defense of fair use.<sup>115</sup> This paradox must be addressed by our state and federal lawmakers. The solution must enable consumers to benefit from digital innovation, but without upsetting the balance of incentive and access which is at the core of copyright law.

In the case of clickwrap agreements, the best way to restore fair use rights is to add a provision to the Copyright Act that provides for the preemption of state clickwrap agreements by federal copyright law. Restoring fair use rights under the DMCA's anti-circumvention ban can be achieved by adding a fair use exemption provision that would expressly allow the consumers to circumvent technological protection measures for fair uses, without incurring civil or criminal liability.

## Endnotes

- 17 U.S.C. § 102.
- 17 U.S.C. § 1201.
- Id.*
- License Agreement for AOL Instant Messenger Software. Available at <http://www.aim.com/>. Visited on Oct. 8, 2003.
- Ryan J. Casamiquela, *Contractual Assent and Enforceability in Cyberspace*, 17 Berkeley Tech. L.J. 475, 483 (2002).
- See, e.g., *Groff v. America Online, Inc.*, (1998 WL 307001 (R.I. Super. 1998)). (The Superior Court of Rhode Island held a clickwrap contract to be enforceable where a user did not read the terms of the agreement but did click the "I agree" button when given the choice of "I agree" or "I disagree." The contract was enforced on the basis that the plaintiff's act of clicking the "I agree" button was equal to the actual signing of a contract, despite the plaintiff's argument that he never read the agreement and there was no negotiation involved.)
- See, e.g., *Caspi v. Microsoft Network LLC*, 732 A.2d 528 (N.J. App. Div. 1999) (upholding clickwrap license when user was prompted by vendor to view license and had opportunity to click either "I Agree" or "I Don't Agree"). See also *Hotmail Corp. v. Van\$ Money Pie, Inc.*, 1998 WL 388389 (N.D. Cal. 1998). The court held that there was sufficient evidence to support a finding that the defendants had agreed to abide by Hotmail's terms of service, and that, in sending spam, they had breached these terms.
- Casamiquela, *supra* note 5, at n.98. See *Ticketmaster Corp. v. Tickets.com Inc.*, CV 99-76542000, 54 U.S.P.Q.2d (BNA) 1344 (C.D. Cal. Mar. 27, 2000). In this case, the consumer could link from Tickets.Com to an interior Ticketmaster Web page, which bypassed Ticketmaster's homepage (where the vendor placed the link to the license agreement). The customer could proceed to buy tickets without ever noticing or viewing the link to the license agreement. The court found no assent and held the license unenforceable.
- 150 F. Supp. 2d 585 (S.D.N.Y. 2001).
- Id.* at 588.



11. *Id.* at 595.
12. Casamiquela, *supra* note 5, at 486–87.
13. *Id.*
14. *Id.*
15. 126 F. Supp. 2d 238 (S.D.N.Y. 2000).
16. *Id.* at 248.
17. 17 U.S.C. § 107.
18. Nimmer, Melville B. & Nimmer, David, Nimmer on Copyright, Vol. 4, § 13.05 (2003), citing *Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57 (2d Cir. 1980).
19. 17 U.S.C. § 107.
20. *Id.*
21. *Id.*
22. Nimmer on Copyright, Vol. 4, § 13.05[A], citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994): “As the Supreme Court commands, ‘The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis.’ The Court further counsels that the four factors should not be treated in isolation—‘All are to be explored, and the results weighed together, in light of the purposes of copyright.’” *Id.* at 578.
23. 17 U.S.C. § 107.
24. *See Pacific & S. Co. v. Duncan*, 744 F.2d 1490 (11th Cir. 1984).
25. 17 U.S.C. § 107(1).
26. Nimmer on Copyright, Vol. 4, § 13.05[A][1].
27. *See Am. Geophysical Union v. Texaco, Inc.*, 60 F.3d 913, 922 (2d Cir. 1994) (stating that “the greater the private economic rewards reaped by the secondary user (to the exclusion of broader public benefits), the more likely the first factor will favor the copyright holder and the less likely the use will be considered fair”).
28. *See Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1354 (Ct. Cl. 1973) (emphasizing that defendants were nonprofit institutions dedicated to advancement of medical knowledge and science and were not motivated by financial gain; thus, use was fair), *aff’d by an equally divided Court*, 420 U.S. 376 (1975).
29. *See Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552, 1558 (M.D. Fla. 1993) (explaining that defendant’s posting of plaintiff’s copyrighted photographs on defendant’s computer billboard, so that users could access for fee, was “clearly” commercial use.).
30. Nimmer on Copyright, Vol. 4, § 13.05 [A](1)(c), citing *Arica Inst., Inc. v. Palmer*, 970 F.2d 1067, 1078 (2d Cir. 1992); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 593 (1985) (Brennan, J., dissenting); *see also American Geophysical Union v. Texaco, Inc.*, 802 F. Supp. 1 (S.D.N.Y. 1992) and *Sega Enters., Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1522 (9th Cir. 1992).
31. Nimmer on Copyright, Vol. 4, § 13.05[A][1][b], quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 456 n.40 (1984) (“the distinction between ‘productive’ and ‘unproductive’ uses may be helpful in calibrating the balance, but it cannot be wholly determinative.”); *see also Pacific & S. Co. v. Duncan*, 744 F.2d 1490, 1496 (11th Cir. 1984) (“The unproductive nature of [defendant’s] use affects the balance in this case.”).
32. *See Sony Corp.*, 464 U.S. at 455 n.40 (1984) (explaining that Court of Appeals erred in its reasoning that use of copyrighted work must be productive use in order to be fair use). *See also Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994) (stating that transformative use of copyrighted work “is not absolutely necessary for a finding of fair use.”).
33. *See Walden, Matthew W., Note: Could Fair Use Equal Breach of Contract?: An Analysis of Informational Web Site User Agreements and Their Restrictive Copyright Provisions*, 58 Wash. & Lee L. Rev. 1625 (2001), at n.191, (“The term ‘productive’ use is synonymous with the term ‘transformative’ use.”).
34. 510 U.S. 569 (1994).
35. Nimmer on Copyright, Vol. 4, § 13.05[A](1)(b).
36. *Sony Corp.* at 456. The term “VTR” is synonymous with “VCR.”
37. *See Iowa State Univ. Research Found., Inc. v. American Broadcasting Cos.*, 621 F.2d 57 (2d Cir. 1980).
38. *See Nunez v. Caribbean Int’l News Corp.*, 235 F.3d 18, 23 (1st Cir. 2000).
39. *See Time, Inc. v. Bernard Geis Assocs.*, 293 F. Supp. 130 (S.D.N.Y. 1968), quoting Schulman, *Fair Use and the Revision of the Copyright Act*, 53 Iowa L. Rev. 832 (1968).
40. Nimmer on Copyright, Vol. 4, § 13.05[A](1)(d), n.129.1; *see also* Vol. 4, § 13.05[F][6], quoting 1997 Hearings, Serial No. 33, at 50 (Statement of Register Peters) (“a copyright owner should not be able ‘to defeat a fair use defense by pointing to the fact that the defendant had circumvented a technological protection measure.’”).
41. 17 U.S.C. § 107(2).
42. Nimmer on Copyright, Vol. 4, § 13.05[A](2)(a), n.135, citing *Diamond v. Am-Law Corp.*, 745 F.2d 142 (2d Cir. 1984) (“informational works may be more freely published”).
43. *See Stewart v. Abend*, 495 U.S. 207, 237 (1990) (explaining that “fair use is more likely to be found in factual works than fictional works”); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 563 (1985) (stating that “the law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.”).
44. 17 U.S.C. § 107(3).
45. Nimmer on Copyright, Vol. 4, § 13.05 [A](3), citing *Infinity Broadcast Corp. v. Kirkwood*, 150 F.3d 104, 109 (2d Cir. 1998).
46. *See Marcus v. Rowley*, 695 F.2d 1171, 1176 (9th Cir. 1983) (stating that “this court has long maintained the view that wholesale copying of copyrighted material precludes application of the fair use doctrine”).
47. 17 U.S.C. § 107(4).
48. *See MCA, Inc. v. Wilson*, 677 F.2d 180 (2d Cir. 1981).
49. *See Campbell v. Acuff-Rose Music*, 510 U.S. 569, 590 (1994) (explaining that fourth factor requires courts to analyze “the extent of the market harm caused by the particular actions of the alleged infringer”) and *see Nimmer on Copyright*, Vol. 4, § 13.05[A][4], stating that courts should consider “whether unrestricted and widespread conduct of the sort engaged in by the defendant . . . would result in a substantially adverse impact on the potential market” for copyrighted work.
50. *See Consumers Union of United States, Inc. v. Gen. Signal Corp.*, 724 F.2d 1044, 1050 (2d Cir. 1983).
51. *Campbell*, 510 U.S. at 592.
52. *Supra*, note 4.
53. *See Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992) (holding reverse engineering to be a valid fair use).
54. UCC 2-302(1).
55. Casamiquela, *supra* note 5 at 487–88, citing Leff, Arthur Allen, *Unconscionability and the Code—The Emperor’s New Clause*, 115 U. Pa. L. Rev. 485, 487 (1967).
56. *Id.*, citing *Williams v. Walker Thomas Furniture*, 350 F.2d 445 (D.C. Cir. 1965); *M.A. Mortenson Co. v. Timberline Software Corp.*, 140 Wn. 2d 568 (1999) (“explaining that substantially unconscionable terms should be ‘shocking to the conscience’ or ‘monstrously harsh.’”).

57. Casamiquela, *supra* note 5 at 487–88.
58. Black's Law Dictionary 1526 (7th ed. 1999).
59. See *AEB & Assoc. Design Group, Inc. v. Tonka Corp.*, 853 F. Supp. 724, 732 (S.D.N.Y. 1994) (stating that the terms in the Confidentiality Agreement were not beyond the reasonable expectations of the parties because it was necessary to protect the business interest of the other party).
60. See *Finkle & Ross v. A.G. Becker Paribas, Inc.*, 622 F. Supp. 1505, 1512 (S.D.N.Y. 1985) (stating that absent a specific showing of unfairness, undue oppression, or unconscionability, the court will not refuse to give effect to the arbitration clause in the adhesion contract, and in doing so, the court recognized that there is nothing inherently unfair about the arbitration clause and it is therefore valid and enforceable.).
61. See Walden, *supra* note 33 at 1662.
62. *Wolff v. Institute of Electrical & Electronics Engineers, Inc.*, 768 F. Supp. 66 (S.D.N.Y. 1991) (holding that federal copyright law preempted the plaintiff's breach of contract claim when the contract right was not qualitatively different from the right granted under the Copyright Act). See also *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 501 F. Supp. 848 (S.D.N.Y. 1980), *aff'd*, 723 F.2d 195 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1985) (ruling that the plaintiffs' claims of conversion and interference with contract were preempted by federal law).
63. 17 U.S.C. § 301.
64. *Id.*
65. *Id.*
66. *Id.*
67. See *Frontline Test Equip., Inc. v. Greenleaf Software, Inc.*, 10 F. Supp. 2d 583, 592 (W.D. Va. 1998) (explaining that, in order for state law claim to avoid preemption, that claim must "[contain] at least one element that makes it qualitatively different from a claim of copyright infringement.").
68. See *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992) ("Section 106, in turn, affords a copyright owner the exclusive right to: (1) reproduce the copyrighted work; (2) prepare derivative works; (3) otherwise; and, with respect to certain artistic works, (4) perform the work publicly; and (5) display the work publicly. Section 301 thus preempts only those state law rights that may be abridged by an act which, in and of itself, would infringe one of the exclusive rights provided by federal copyright law.").
69. 17 U.S.C. § 106.
70. Nimmer on Copyright, Vol. 1, § 1.01[B](1).
71. Walden, *supra* note 33, at 1664.
72. The statute provides as follows:

Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

(2) musical works, including any accompanying words;

(3) dramatic works, including any accompanying music;

(4) pantomimes and choreographic works;

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and other audiovisual works;

(7) sound recordings; and

(8) architectural works.
- (b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.
73. *Id.* § 102(a).
74. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991).
75. 17 U.S.C. § 101.
76. See Determann, Lothar, *Basic Copyright Law and the Internet*, 612 PLI/Pat 347 (2000), arguing that copyright protection can extend to "a website screen display as an audiovisual work."
77. 17 U.S.C. § 102(a).
78. *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir. 1988) (holding that the breach of contract claim was not preempted because it did not arise out of same right as copyright.); see also *National Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426 (8th Cir. 1993) (Breach of contract claim not preempted because federal law alone did not grant the plaintiff the right it was seeking to enforce. In this case, contract created a right beyond those rights protected by the Copyright Act.).
79. U.S. Const. art. I, § 8, cl. 8.
80. *Goldstein v. California*, 412 U.S. 546, 553 (1973) ("The clause of the Constitution granting to Congress the power to issue copyrights does not provide that such power shall vest exclusively in the Federal Government. Nor does the Constitution expressly provide that such power shall not be exercised by the States.").
81. 412 U.S. 546.
82. *Goldstein*, at 550.
83. The National Conference of Commissioners on Uniform State Laws has recently withdrawn the Uniform Computer Information Transactions Act (UCITA) from consideration for approval by the American Bar Association. Critics of the proposed legislation, which has been adopted only by Virginia and Maryland, argue that UCITA would have surrendered too much power to software vendors regarding enforceability of shrinkwrap and clickwrap licenses as well as protection from warranty claims. Jason Krause, See *Ya, UCITA: Uniform Law on Software Sales Never Got Traction with ABA*, A.B.A. Journal, Sept. 2003, at 20.
84. David Nimmer, *Article: A Riff on Fair Use in the Digital Millennium Copyright Act*, 148 U. Pa. L. Rev. 673 Jan. 2000, at 674 (hereinafter "Riff").
85. Report of the Senate Comm. on the Judiciary, S. Rep. No. 105-190, at 2 (1998) (hereinafter S. Rep. (DMCA)).
86. Fears of Congress that "digital technology enables pirates to reproduce and distribute perfect copies of works—at virtually no cost at all to the pirate. As technology advances, so must our laws." Commerce Rep. (DMCA), at 25.
87. *Riff* at 675.
88. 17 U.S.C. § 1201.
89. Nimmer on Copyright, Vol. 4, § 13.05[F](6).
90. 17 U.S.C. § 1201(a)(1)(A). Also, the "Ban on trafficking" states:

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technologi-

cal measure that effectively controls access to a work protected under this title; or  
(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title. 17 U.S.C. § 1201(a)(2).

The "Additional violations" states:

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that—

(A) is primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof;

(B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof. 17 U.S.C. § 1201(b).

91. 17 U.S.C. § 1201(b)(2)(A).

92. See Kevin Bankston, *Widening the Debate Over the Digital Millennium Copyright Act: Can Representative Boucher Save Fair Use from the DMCA—and Does It Really Need Saving?*, NYSBA Bright Ideas, Spring/Summer 2003, Vol. 12, No. 1 at 3 (hereinafter "Bankston"), quoting 17 U.S.C. § 1201(b).

93. Bankston, *supra* note 92 at 3.

94. *Id.*

95. *Id.* at 4, discussing *Universal City Studios, Inc. v. Reimerdes* 111 F. Supp. 2d 294 (S.D.N.Y. 2000). Universal protected motion picture DVDs from being copied by using an encryption system called CSS. The defendants created a computer program called DeCSS that circumvented the CSS protection system and allowed CSS-protected motion pictures to be copied and played on devices that lacked the licensed decryption technology. Universal won an injunction against the defendants from posting DeCSS and from electronically "linking" their site to others that post DeCSS. The Second Circuit Court of Appeals in *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001) affirmed the injunction when it rejected the defendant's fair use arguments, noting that the Supreme Court has never held fair use to be constitutionally required. The court concluded that "fair use has never been held to be a guarantee of access to copyrighted material in order to copy it by the fair user's preferred technique or in the format of the original." *Id.* at 459.

96. Bankston, *supra* note 92 at 4.

97. Commerce Rep. (DMCA) at 36.

98. The letter was a reaction to H.R. 2281, as reported by the Committee on the Judiciary.

99. Riff, quoting Commerce Rep. (DMCA), at 25-26 (citations omitted).

100. Riff at 721.

101. Nimmer on Copyright, Vol. 4, § 13.05[f](6); and Vol. 3, § 12A.16[E], citing *Universal City Studios, Inc. v. Corley*, *supra* note 95.

102. Bernard R. Sorkin, *EASL Annual Meeting Keynote Address*, NYSBA Entertainment, Arts & Sports Law Journal Spring 2003, Vol. 14, No. 1, p. 6 (hereinafter "Sorkin").

103. Sorkin, at 9.

104. *Id.* at 7.

105. Bankston, at 3.

106. Digital Media Consumers' Rights Act, (hereinafter "DMCRA").

107. Bankston, at 6, n.31, citing *Lawmakers Urge Protection of Fair Use; Digital Media Consumers' Rights Act Re-Introduced*, press release from the office of Rep. Rick Boucher, Jan. 7, 2003, at "http://www.gov/boucher/docs/dmca108.htm".

108. *Id.*

109. A partner in the New York office of Proskauer Rose LLP, who also represented the plaintiffs in *Universal v. Reimerdes*, *supra* note 95.

110. Bankston, at 6-7.

111. Bankston, at 7.

112. *Id.*

113. Senior IP attorney at the Electronic Frontier Foundation, which is the non-profit civil liberties foundation that represented the defendant in *Universal v. Reimerdes*, *supra* note 95.

114. Bankston, at 7.

115. *Id.* at 5.

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# The Supreme Court's Trademark Jurisprudence: Allowing the Lower Courts to Settle the Issues

By Maureen A. O'Rourke

In two recent trademark law decisions, the Supreme Court, in interpreting the Lanham Act's<sup>1</sup> statutory wording, left the lower courts with the task of developing much of the substantive law that will implement the High Court's holdings. In this article, I review the two decisions and identify issues that remain for the lower courts to clarify. Briefly, the Supreme Court's decisions raise questions regarding the viability of a federal dilution cause of action and protection for logos as marks in themselves.

## *Moseley v. V. Secret Catalogue, Inc.*<sup>2</sup>

### The Case

In the *Moseley* case, the well-known Victoria's Secret lingerie store brought a number of claims against the operators of "Victor's Little Secret," a retail store marketing lingerie as well as adult novelty toys.<sup>3</sup> By the time the case reached the Supreme Court, only a claim under the Federal Trademark Dilution Act (FTDA) remained.<sup>4</sup> The District Court had held that Victor's Little Secret diluted the Victoria's Secret mark by tarnishment and the Court of Appeals for the Sixth Circuit upheld the dilution finding based on both blurring and tarnishment rationales.<sup>5</sup>

The Sixth Circuit holding rejected a prior Fourth Circuit decision.<sup>6</sup> Specifically, the Fourth Circuit, in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel*, had held that a successful dilution claim under the FTDA requires a showing that the defendant's use of a mark "caused . . . actual economic harm to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services."<sup>7</sup> The *Ringling Bros.* court relied on the FTDA's plain language placed against the backdrop of the long history of state dilution enactments—the FTDA proscribes certain uses that "cause[] dilution," while the state enactments generally prohibit certain uses that cause a "likelihood of dilution."<sup>8</sup> The court noted that the proof of actual economic harm it required would be difficult to obtain in many cases, but suggested three types of evidence that could be probative: "[i] proof of an actual loss of revenues, and proof of [the] replicating use as [its] cause by disproving other possible causes; [ii] the skillfully constructed consumer survey; and [iii] contextual factors . . . relevan[t] as indirect evidence that might complement other proof."<sup>9</sup>

In *Moseley*, the Sixth Circuit, despite finding the *Ringling Bros.* logic "somewhat persuasive," eschewed it in

favor of the Second Circuit's holding in *Nabisco, Inc. v. PF Brands, Inc.*<sup>10</sup> In *PF Brands*, the Second Circuit emphasized that the owner of the famous senior mark

might never be able to show diminished revenues . . . Even if [it could,] it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And . . . consumer surveys . . . are expensive, time-consuming and not immune to manipulation. . . . '[C]ontextual factors' have long been used to establish infringement. We see no reason why they should not be used to prove dilution.<sup>11</sup>

The Sixth Circuit found this approach more faithful to the statutory language as well as more likely to effectuate congressional intent.<sup>12</sup> It read legislative history that distinguished the immediate harm that confusion causes from the gradual harm which results from dilution as evincing a congressional intent to provide a remedy before dilution occurs.<sup>13</sup> It simply could not reconcile a congressional intent to provide a broad remedy with the *Ringling Bros.* approach that effectively made it unlikely that a trademark owner would be able to prove the actual harm required to justify a remedy.<sup>14</sup>

In turn, the Supreme Court adopted much of the *Ringling Bros.* reasoning, albeit with some distinctions. Like the Fourth Circuit, the Supreme Court emphasized the contrast between state schemes referring to a "likelihood" of dilution and the FTDA's text which "unambiguously requires a showing of actual dilution [a conclusion] fortified by the [FTDA's] definition of the term 'dilution' itself."<sup>15</sup> Thus, to succeed in a dilution claim under the FTDA, the plaintiff must establish actual dilution. However, the Court also held that:

[T]hat does not mean that the consequences of dilution, such as an actual loss of sales or profits, must also be proved. To the extent that language in the Fourth Circuit's opinion in the *Ringling Bros.* case suggests otherwise . . . we disagree. We do agree, however, with that court's conclusion that, at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution. . . .



Respondents and their *amici* argue that evidence [of actual dilution] may be difficult to obtain. It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence—the obvious case is one where the junior and senior marks are identical. Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.<sup>16</sup>

Victoria's Secret simply lacked the evidence to support a finding of actual dilution. The evidence established a mental association between the two marks but no effect on the senior mark: "There is a complete absence of evidence of any lessening of the capacity of the Victoria's Secret mark to identify and distinguish [its] goods or services. . . . Moreover, the expert retained by [Victoria's Secret] had nothing to say about the impact of [Moseley's] name on the strength of [Victoria's Secret's] mark."<sup>17</sup>

### Issues for the Lower Courts

The Supreme Court's *Moseley* decision firmly establishes the principle that a showing of actual dilution is required to maintain a claim under the FTDA. It leaves open, however, the question of what types and quantum of evidence will suffice to show actual dilution. Circumstantial evidence will ostensibly suffice when the marks are identical. What exactly this circumstantial evidence would be is unclear. Would it be enough to show that consumers mentally associate the two identical marks? The wording quoted above suggests that it might and presumably would be fairly inexpensive to produce a survey that showed a mental association in consumers' minds. But the Court's opinion also suggests that survey evidence is not necessary when the marks are identical. Does a showing that the marks are identical thus support an inference of actual dilution without more? If not, then what more must be shown and how?

Some courts, notably the Second Circuit in the *PF Brands* case, have developed multi-factor tests for dilution. Perhaps the Supreme Court means that, at least when the marks are identical, courts may be justified in inferring dilution after considering other circumstantial factors like those enumerated by the *PF Brands* court: The distinctiveness of the famous mark, similarity of the marks, proximity of the products and likelihood of bridging the gap, the interrelationship among these three factors, shared consumers and geographic limitations, sophistication of consumers, actual confusion, adjectival or referential quality of the junior use, harm to the junior user and delay by the senior user, and the effect of the senior's prior laxity in protecting the

mark.<sup>18</sup> Indeed, the Second Circuit in *PF Brands* effectively indicated that its multi-factor test would provide the circumstantial evidence to support a finding of dilution when the marks are identical.<sup>19</sup>

Evidence of lost revenues caused by the allegedly dilutive use, while not required, would presumably be regarded by the Court as the "best" evidence of dilution and would suffice whether the marks are identical or not. In most cases, such evidence will simply not exist. In the normal run of cases, then—those involving neither identical marks nor evidence of lost revenue—what evidence is required to show "actual dilution?" Survey evidence "designed not just to demonstrate 'mental association' of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred," may be required.<sup>20</sup>

The lower courts will have to define what evidence will suffice to prove actual dilution. Lawyers litigating FTDA actions should anticipate this issue, seek as much guidance as possible from the Supreme Court's opinion in *Moseley*, then make some educated guesses about the evidence appropriate to their cases.

Another interesting issue that the Supreme Court raised may be one found in dicta. The Court suggested that the FTDA's statutory language encompasses only dilution by blurring, not dilution by tarnishment.<sup>21</sup> Although the legislative history seems to indicate otherwise, long-held principles of statutory construction firmly embraced by this Supreme Court preclude resort to the legislative history when the statutory language is clear. To the extent that blurring routinely accompanies tarnishment, the question may not much matter. When, however, the gravamen of the complaint is tarnishment, the FTDA may simply not apply.

### *Dastar Corp. v. Twentieth Century Fox Film Corp.*<sup>22</sup>

The second case involved Dastar, a company that sells music CDs and videos.<sup>23</sup> It released a video set entitled *World War II Campaigns in Europe* that contained an edited version of an earlier television series, *Crusade in Europe*.<sup>24</sup> At one time, Twentieth Century Fox ("Fox") owned the copyright in the TV series, which itself was based on a copyrighted book.<sup>25</sup> Fox failed to renew the copyright in the TV series.<sup>26</sup> Fox (and the licensees to whom it had granted exclusive rights to distribute *Crusade*) nevertheless sued Dastar, claiming, *inter alia*, that Dastar's selling of videos containing the TV series without crediting the series' originators constituted reverse passing off under section 43(a) of the Lanham Act.<sup>27</sup>

The District Court held for the plaintiffs and the Ninth Circuit affirmed.<sup>28</sup> In an unpublished decision, the Ninth Circuit stated:

... Dastar copied substantially the entire Crusade in Europe series created by Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox. Dastar therefore committed a 'bodily appropriation' of Fox's series. . . . Dastar's minimal changes to the series are not sufficient to avoid liability. . . .

We reject Dastar's contention that Twentieth Century Fox must make an independent showing that the series manufactured by Dastar resulted in consumer confusion. Dastar's 'bodily appropriation' of Fox's original series is sufficient to establish the reverse passing off, because the 'bodily appropriation' test subsumes the 'less demanding' 'consumer confusion' standard.<sup>29</sup>

The Supreme Court reversed.<sup>30</sup> Although the Court found the Lanham Act's language broad enough to encompass a cause of action for reverse passing off, it considered the key issue to be the meaning of the word "origin" in the statutory prohibition against making a "false designation of origin . . . likely to cause confusion."<sup>31</sup> Looking to the dictionary for assistance, the Court concluded that "the most natural understanding of the 'origin' of 'goods' . . . is the producer of the tangible product sold in the marketplace, in this case the physical Campaigns videotape sold by Dastar . . . [T]he phrase 'origin of goods' is . . . incapable of connoting the person or entity that originated the ideas or communications that 'goods' embody or contain."<sup>32</sup> To hold otherwise would "cause[] the Lanham Act to conflict with the law of copyright . . . The right to copy, and to copy without attribution, once a copyright has expired . . . passes to the public."<sup>33</sup>

### Issues for the Lower Courts

The Supreme Court's *Dastar* decision leaves the job of drawing the line between copyright and trademark largely to the lower courts. Does *Dastar* mean that a mark eligible for copyright protection can no longer be protected by trademark law once copyright protection expires? Does *Dastar* mean that companies will not be able to control the marketing of their logos on unrelated products like T-shirts because they are not themselves the "origins" of the T-shirts? The answer to the first question seems likely "no," while the answer to the second is unclear.

In *Traffix Devices, Inc. v. Marketing Displays, Inc.*, the Supreme Court held that although an expired utility patent "is strong evidence that the features claimed therein are functional," a party may still obtain trade dress protection if it can "carry the heavy burden of showing that the feature is not functional, for instance

by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device."<sup>34</sup> A party can thus not trademark the functionality that a utility patent formerly protected ostensibly, even if that functionality has some source identification function associated with it—the costs to competition of patent exclusivity followed by trademark protection are simply too high. Any consumer confusion that results after the patent expires is simply a cost society must tolerate in the name of competition and reconciling patent and trademark policy.

One might argue that to be consistent with *Traffix*, the Court would hold that an expired copyright is strong evidence that the formerly copyrighted subject matter is aesthetically functional and therefore not protectible under trademark law.<sup>35</sup> Indeed, in the *Traffix* case, the Court seemed to accept at least some version of the aesthetic functionality doctrine, stating, "It is proper to inquire into a 'significant non-reputation-related disadvantage' in cases of esthetic functionality."<sup>36</sup> At the same time, though, it seems likely that the costs to competition of copyright exclusivity followed by trademark protection would likely be much lower than the same costs when associated with patent exclusivity. There may then be a stronger reason to protect against consumer confusion even after a copyright expires. Indeed, the Court's holding in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.* indicates that product design trade dress (which may include copyrightable elements) may be protected under trademark law on a showing of secondary meaning.<sup>37</sup> Thus, it seems likely that *Dastar* does not mean that a once-copyrighted design may not receive trademark protection.

The *Dastar* Court's holding might be limited to the context of reverse passing off claims and to "information" products—like the film before it or, for example, a book—rather than pictorial works like fanciful logos.<sup>38</sup> Arguably, the public interest in unfettered competition after copyright's expiration is greater for such information products rather than fanciful logos that do not as clearly impart information in and of themselves.

It is uncertain what that same limited reading of *Dastar* would mean for the second issue identified above—protection of logos as products themselves. Say, for example, that a sports team has a logo that its players wear on their jerseys. An unaffiliated firm markets T-shirts with the team's logo. Would that activity constitute trademark infringement? Before *Dastar*, at least some courts would say "yes." But if *Dastar* defines "origin" to mean producer of the product bearing the mark, then the T-shirt manufacturer is the originator of its product and no false designation of origin occurs. One might argue, however, that confusion as to affiliation or sponsorship would still be actionable. Further, if *Dastar* is limited to more "weighty" informational products like books, it may simply not apply to protection of logos in themselves at all.

## Conclusion

The Supreme Court's recent trademark jurisprudence leaves a fair amount for decision by the lower courts. This is not particularly problematic from an academic perspective: Allowing issues to percolate through the lower courts may often lead to the development of "better" law. From a practicing lawyer's perspective, however, the period of uncertainty can present difficulties. The best a lawyer can do is to engage in careful reading of the Court's recent decisions and formulate arguments against the backdrop of those decisions and the policies they represent.

## Endnotes

1. 15 U.S.C. §§ 1051 *et seq.* (2002).
2. 123 S. Ct. 1115 (2003).
3. *Id.* at 1119–20 & n.4. (describing Victor's Little Secret as selling "a wide variety of items, including adult videos, 'adult novelties,' and lingerie," and noting that sales of lingerie accounted for around 5% of total sales); *see also id.* at 1119 (listing the original claims: trademark infringement, unfair competition, dilution, and state law trademark infringement and unfair competition).
4. *Id.* at 1120 (stating that the District Court granted summary judgment to the defendants on the infringement and unfair competition claims).
5. *Id.* at 1120–21.
6. *Id.* at 1121.
7. 170 F.3d 449, 461 (4th Cir. 1999). The Fifth Circuit adopted the *Ringling Bros.* approach in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).
8. 15 U.S.C. § 1125(c) (2003) (emphasis added); *Ringling Bros.*, 170 F.3d at 458 (emphasis added). The Act defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127. The *Ringling Bros.* court dismissed the argument that the word "capacity" refers to a future effect. *Ringling Bros.*, 170 F.3d at 460–61.
9. *Ringling Bros.*, 170 F.3d at 465.
10. *V. Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 475 (6th Cir. 2001), *rev'd*, 123 S. Ct. 1115 (2003).
11. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 223–24 (2d Cir. 1999).
12. *V. Secret*, 259 F.3d at 475.
13. *Id.* at 476 (quoting and interpreting a House Report: "[The Report's statement that] '[c]onfusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark [] evinces an intent to allow a remedy before dilution has actually caused economic harm to the senior mark'") (emphasis in original).
14. *Id.*
15. *Moseley v. V. Secret Catalogue, Inc.*, 123 S. Ct. 1115, 1124 (2003); *see also supra* note 8 (setting forth the statutory definition of "dilution").
16. *Id.* at 1124–25.
17. *Id.* at 1125.
18. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217–22 (2d Cir. 1999).
19. *Id.* at 224 ("If a junior user began to market Buick aspirin or Schlitz shellac, we see no reason why the senior users could not rely on persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys. Plaintiffs are ordinarily free to make their case through circumstantial evidence that would justify an ultimate inference of injury. '[C]ontextual factors' have long been used to establish infringement. We see no reason why they should not be used to prove dilution.").
20. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel*, 170 F.3d 449, 465 (4th Cir. 1999).
21. *Moseley v. V. Secret Catalogue, Inc.*, 123 S. Ct. 1115, 1124 (2003) ("Petitioners have not disputed the relevance of tarnishment . . . presumably because that concept was prominent in litigation brought under state antidilution statutes and because it was mentioned in the legislative history. Whether it is actually embraced by the statutory text, however, is another matter.").
22. 123 S. Ct. 2041 (2003).
23. *Id.* at 2044 (noting that Dastar expanded from music CDs to videos in 1995).
24. *Id.*
25. *Id.* (stating that the book was published by Doubleday and, like the TV series, entitled *Crusade in Europe*). Doubleday granted exclusive TV rights to a Fox affiliate. *Id.* Fox contracted with Time to produce the TV series, with Time assigning its copyright to Fox. *Id.*
26. *Id.*
27. *Id.* at 2044–45. Fox's co-plaintiffs and exclusive licensees were SFM Entertainment and New Line Home Video, Inc. The plaintiffs also alleged unfair competition under state law and infringement of the copyright in the book. *Id.* at 2044–45. The District Court found for the plaintiffs on the state law and copyright infringement claims. *Id.* at 2045. The Ninth Circuit did not comment on the state law claim and held that a triable issue remained as to whether Doubleday effectively renewed the copyright. *Id.* at 2045 & n.2. The Supreme Court thus addressed only the Lanham Act claim.
28. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S. Ct. 2041, 2045 (2003).
29. *Twentieth Century Fox Film Corp. v. Entm't Distrib.*, 34 Fed. Appx. 312, 314, 2002 WL 649087, \*\*1 (9th Cir. (Cal.)).
30. *Dastar*, 124 S. Ct. at 2049.
31. *Id.* at 2046.
32. *Id.* at 2047.
33. *Id.* at 2048.
34. 532 U.S. 29, 29–30 (2001).
35. The aesthetic functionality doctrine is a controversial one. Essentially, courts accepting it tend to hold that when consumers demand a product because it is aesthetically pleasing, the product's design is "aesthetically functional," and incapable of trademark protection. *See* Robert P. Merges et al., *Intellectual Property in the New Technological Age* 693–95 (3d ed. 2003).
36. *Traffix*, 532 U.S. at 33.
37. 529 U.S. 215 (2000).
38. *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 123 S. Ct. 2041, 2047 (2003) (focusing its discussion on products with "intellectual content" like a book or video).

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# New U.S. Federal and State Tax Incentives for Film Production

By Bianca Bezdek

After years of observing the effects of successful foreign film and television production tax incentives, the United States may finally be amending its views and tax policy to counteract the effects of runaway production (i.e., U.S. film production in Canada attracted by Canadian tax incentives and the benefits of Canada's many bilateral co-production treaties). This U.S. change of position is evidenced on both state and federal levels. For example, on the federal level, there is a House bill, The United States Independent Film And Television Production Incentive Act of 2003, and on the state level, there is the Hawaiian investment tax credit (Act 221, Session Laws of Hawaii 2001).

## Proposed Federal Bill: U.S. Independent Film and Television Production Incentive Act of 2003

The federal bill provides for a wage credit, which would be structured as a "general business credit" in the tax code, and would be a dollar-for-dollar offset against any federal tax liability. Like other business credits, it is nonrefundable to the extent that a taxpayer has no further tax liability. If the credit is not used in one year in the instance that the taxpayer has no tax liability, it can be carried back one year or carried forward up to 20 years.

There would be two tiers of credits: (1) a credit amounting to 25 percent of the costs of "qualified wages and salaries," and (2) a credit amounting to 35 percent of such costs if incurred in a "low-income community." "Qualified wages and salaries" constitutes those wages and salaries paid or incurred by an employer to "qualified employees" who are members of the targeted group involved in a "qualified U.S. production," meaning an entity engaging in the targeted activity. Eligible productions would be any public entertainment or educational motion picture film (whether released theatrically or directly to video cassette or other format), television or cable programming, mini-series, episodic television, movies of the week or pilots that were produced in the United States. The "low income community" credit is structured similarly to the "New Markets Tax Credit" created as of 2000.

The first-tier credit would only be available on the first \$25,000 of qualified wages and salaries. The credit would only apply to the wages of any employee who performs substantially all of his/her services in connection with a qualified U. S. production.

The first-tier credit would target the segment of the market most affected by runaway production, and therefore, has additional limits, namely:

- The credit would only be available if the production's total "wages" (i.e., labor costs) are more than \$200,000 and less than \$10 million; and
- The credit would not be available to a production subject to the reporting requirements of 18 U.S.C. 2257 (requiring individuals who produce any book, magazine, periodical, film, videotape, or other matter that contains one or more visual depictions made after November 1, 1990, of sexually explicit conduct; and is produced in whole or in part with materials which have been mailed or shipped in interstate or foreign commerce, or is shipped or transported or is intended for shipment or transportation in interstate or foreign commerce, to create and maintain individually identifiable records pertaining to every performer portrayed in such a visual depiction containing such information as the performer's name and date of birth, and to require the performer to provide such other indicia of his or her identity including maiden name, alias, nickname, stage, or professional name, and to maintain the records required by this section at his business premises, or at such other place as the Attorney General may by regulation prescribe and make such records available to the Attorney General for inspection at all reasonable times).

The U.S. Independent Film & Television Production Incentive Act of 2003 was proposed for consideration by Congressmen David Dreier (R-CA), Charles B. Rangel (D-NY), and Howard L. Berman (D-CA) on February 12, 2003, with 47 original co-sponsors.

## Implemented State Tax Incentive Acts

Meanwhile, on a micro-economic level, changes have occurred in various states in terms of incentivizing U.S. productions from running across the border. States such as Louisiana, Missouri, New Mexico and Hawaii have all implemented various laws allowing the states to grant tax credits to local investors in movie production.

The most notable and controversial of these state tax incentives (and most strikingly derivative of Ger-



many's highly utilized income tax regime) hails from Hawaii. There are actually two different tax incentives that may be applied to television and film production in Hawaii. The more progressive is an investment tax credit (Act 221, Session Laws of Hawaii 2001), which is geared toward high technology and is applicable to a television and film production company wanting to establish a presence in Hawaii. It was introduced in 2001 and allows Hawaii to grant 100 percent tax credits to local investors in qualifying movie productions. The other tax incentive is the Motion Picture and Film Production Income Tax Credit, which is a refundable tax credit for television and film productions taking place in Hawaii.

### **Hawaii's Motion Picture and Film Production Income Tax Credit**

To obtain the refundable production tax credits, the Hawaii Film Office must send a letter to the Department of Taxation certifying that the production occurred. An Income Tax Return and Form N-316 (Motion Picture and Film Production Income Tax Credit Request) must then be filed with the State Department of Taxation.

The amount of the credits receivable by qualifying productions are as follows:

- 4 percent of total production expenditures incurred during production in Hawaii, which includes purchases and payroll, and
- 7.25 percent of transient accommodations tax (i.e., hotel room tax) incurred during production in Hawaii

A motion picture and television project will receive 100 percent of the above credits if the company adheres to all of the following:

- There is a Hawaiian name or word in the title of the project;
- the project depicts Hawaiian scenery, culture or products;
- the feature film expends a minimum of \$2 million during production in Hawaii or a television pilot/episode/series spends a minimum of \$750,000; and
- a distribution agreement covering a minimum of 66 percent of the U.S. market, based on EDI or Nielsen is in place (allowable substitutions include evidence of domestic/foreign distribution agreements for feature films, or a letter of intent from a network for pickup consideration).

A motion picture and television project will receive 75 percent of the above credits if the company adheres to all of the following:

- A feature film project expends a minimum of \$3 million during production in Hawaii or a television pilot/episode/series expends a minimum of \$1 million;
- at least 50 percent of the below-the-line production staff is comprised of Hawaiian residents; and
- a distribution agreement covering a minimum of 66 percent of the U.S. market, based on EDI or Nielsen is in place (allowable substitutions include evidence of domestic/foreign distribution agreements for feature films, or a letter of intent from a network for pickup consideration).

The credit must be claimed on a state income tax return filed within one year following the close of the taxable year during which primary photography began in Hawaii.

### **Hawaii's Investment Tax Credit (Act 221)**

To obtain the investment tax credit for high-technology business investment, the business must qualify as a high-technology business ("QHTB"). A QHTB is defined as: A business employing or owning capital or property or maintaining an office in Hawaii, provided that:

- More than 50 percent of its total business activities constitute "*qualified research*" and that the business conducts more than 75 percent of its qualified research in Hawaii (thus, passing the "Activity Test"), or
- more than 75 percent of its gross income is derived from qualified research and said income is received from products sold from services performed in Hawaii, products sold, manufactured, or produced in Hawaii (thus, passing the "Gross Income Test").

"Qualified Research" is defined as:

- Development and design of computer software
- Biotechnology
- Performing arts products
- Sensor and optic technologies
- Ocean sciences
- Astronomy
- Non-fossil fuel energy-related technology.

“Performing arts products” is defined as:

- Audio files, video files, audio-video files, computer animation, and other entertainment products perceived by or through the operation of a computer; and
- commercial television and film products for sale or license, and reuse or residual fee payments from these products.

With respect to performing arts products, this exclusion extends to:

- The authors of performing arts products, or parts thereof, with or without regard to the application of the work for hire doctrine under U.S. copyright law; and
- the assignors, licensors, and licensees of any copyright rights in performing arts products, or any parts thereof.

For a business to be considered a QHTB, a comfort ruling must be obtained from the Hawaii State Department of Taxation. Moreover, there are actually two sections of Act 221 that apply to the film and television industry:

**Section 235-110.9**—Hawaii Revised Statutes (HRS), provides a 100 percent investment income tax credit (over a five-year period) to Hawaiian investors in performing arts products.

**Section 235-7.3**—HRS states that royalties derived from performing arts products are excluded from income and, as such, are not subject to state income tax.

This credit is non-refundable and deductible from the Hawaiian investor’s net state income tax liability at a maximum amount of \$2 million annually, per investor, per QHTB. The tax credit is applied in percentages, spread out over five years, totaling 100 percent at the end of the five-year period; broken down by:

- 35 percent: The year in which the investment was made.
- 25 percent: First year after which the investment was made.
- 20 percent: Second year after which the investment was made.
- 10 percent: Third year after which the investment was made.
- 10 percent: Fourth year after which the investment was made.
- 100 percent: Total of five years.

The credit applies to investments made in taxable years beginning after December 31, 2000, and made before January 1, 2006.

### Use of Act 221 by the U.S. Film Industry

Recent films having taken advantage of Act 221 include director John Stockwell’s “Blue Crush,” which was produced by Brian Grazer. The Act enabled Universal Studios to receive an alleged \$15 million to \$18 million investment credit for the film’s \$41 million budget (the exact dollar amount is confidential). The project was understood to be a one-film commitment by the studio.

Warner Bros.’ “The Big Bounce” is another feature film to have qualified under Act 221. The studio received an estimated \$13 million tax credit on an estimated budget of \$51 million. Warner Bros. also had no finite agreement to commit to additional productions benefiting Hawaii’s nascent film industry.

There are, however, examples of feature films that have failed to qualify for Act 221’s specialized tax treatment. Producer Arnold Rifkin’s “Tears of the Sun” is one such example. That film was a one-picture deal budgeted at \$40 million. Similar qualification uncertainty had previously plagued Australia’s tax regime in early 2001 and negatively affected features such as Warner Bros.’ “The Red Planet” and 20th Century Fox’s “Moulin Rouge,” until September of 2001, when a more erudite incentive scheme was introduced providing for a straight tax rebate.

As written at present, Hawaii’s Act 221 requires qualifying production companies to commit to more than a one-picture deal, and thus ensures long-term benefits to the state. However, what exact degree of commitment is required remains ambiguous for now.

### Abuse of Act 221 by the U.S. Film Industry

There have also been crackdowns recently on Act 221 abuses. Since the Act’s implementation, the state of Hawaii’s Department of Taxation issued a Tax Information release (“TIR”). The TIR was issued because, although referred to as a 100 percent credit, due to its liberal interpretation, the Act has actually enabled some investors to receive more tax credit than they had invested in qualifying companies.

The Department will also be developing and implementing an audit program to review single picture QHTB film funds to ascertain whether the production/financing entities meet the “Activity test” or the “Gross income test,” and are a business within the meaning of Hawaii’s revised tax statutes.

To qualify under the "Activity test" the QHTB must actively produce the movie. To qualify under the "Gross income test" the QHTB must receive income from the sale of the products of the QHTB. Said qualified income will not include:

- Predetermined payments structured over the five-year period that are not received from the sale of the products or services of the QHTB;
- payments from amounts that were set aside for the specific purpose of being distributed to the QHTB as "income" in years two through five of the period during which the credit is claimed (i.e. escrow accounts); and
- any other insubstantial amount received by the QHTB in years two through five of the period during which the credit is claimed where the Department of Taxation determines the payment is made for the purpose of qualifying for the credit or not having a credit recaptured.

### **The Future of U.S. Tax Incentives**

Even though the federal tax incentive bill continues its struggle for approval, and state officials have publicized the need for strict interpretation of Hawaii's currently approved tax incentive laws, the state-side big picture remains hopeful for filmmakers. One need only look to the past to predict that history has a fair chance of repeating itself and of introducing a new durable haven for tax motivated media investment giving rise to long term sector benefit. Take Germany's veteran tax regime as an example of a scrutinized yet successful credit system aimed at providing incentives for qualified German production vehicles. After its many years of strict interpretation, diligent narrowing and even the collapse of the Neue Markt, German film funds have persisted since their inception; although they have become somewhat cost-inefficient to pursue. In light of this, one must acknowledge that, so long as institutional and accredited investors remain on board in terms of cost benefit, the quest for and provision of credit continues. As a result, it is highly likely that U.S. states, such as Hawaii, have only just begun to make waves in the classically European turf of tax-motivated film finance.

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# **2004 New York State Bar Association Annual Meeting**

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# Begged, Borrowed or Stolen: Whose Art Is It, Anyway?

## An Alternative Solution of Fine Art Licensing

By Judith Bresler

In 1999 Judge Alex Kozinski of the Ninth Circuit Court of Appeals delivered a Brace Memorial Lecture<sup>1</sup> that posed a provocative proposition: Using the Ninth Circuit case of *Dr. Seuss Enterprises v. Penguin Books*<sup>2</sup> (discussed later) as the centerpiece for his talk, Judge Kozinski proposed that the Copyright Act be revised to permit infringing derivative works to enter—and presumably enhance—the intellectual marketplace. Hand in hand with this permissiveness and in the interests of fair play, Judge Kozinski also suggested that the author of the original work, which by virtue of spawning derivative works creates value, be paid by the creator of the derivative work, infringing profits attributable to the infringement, along with any actual damages “suffered as a result of the infringement.”<sup>3</sup>

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*“The central concept of Judge Kozinski’s proposal—eliminating the copyright owner’s right to control the uses to which her published work is put while fortifying her right to compensation for value created—although admirable in some respects, is nevertheless troubling.”*

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The remedies of injunction and impoundment (sections 502 and 503, respectively, of the Copyright Act) would not be available under Judge Kozinski’s proposal unless “there is strong reason to believe that damages will be inadequate.”<sup>4</sup> In his lecture, the Judge also suggested that either party—the copyright holder or prospective derivative user—can offer to enter into a license with the other, and that any offeree who refuses will have to bear the costs and attorney’s fees of any subsequent infringement trial that fails to award the offeree terms more favorable than the original license offered.<sup>5</sup>

The central concept of Judge Kozinski’s proposal—eliminating the copyright owner’s right to control the uses to which her published work is put while fortifying her right to compensation for value created—although admirable in some respects, is nevertheless troubling. For one, eliminating *in toto* a copyright owner’s right to control the use to which her published work is put seems too radical an abridgment of the intellectual property rights of the creator, whatever the

benefit to the intellectual marketplace. For another, Judge Kozinski’s proposal does not do away with the burdensome and costly process of copyright litigation. To illustrate with Judge Kozinski’s own example: If Seuss Enterprises offered to grant a license to Penguin Books for the work in question, *The Cat NOT in the Hat!* by Dr. Juice, and Penguin refused to pay, Seuss Enterprises may sue Penguin for copyright infringement and Penguin would have to pay court costs and attorneys fees in the event the court found the work to be infringing and Seuss’s offer reasonable.<sup>6</sup> That being said, certain elements of Judge Kozinski’s proposal are rooted in the ideas presented in this article, and seem to speak with particular resonance to the copyright-based products of fine art.

The visual artist does not create in a void: Generally, her point of departure is an earlier image, whether that image, for example, is an oil painting in the public domain, a political cartoon under copyright protection, or an image of a natural setting once seen by the artist and now residing in the artist’s memory. The earlier image, expressed by means of the artist’s particular stylistic vocabulary and filtered through the artist’s unique set of perceptions, is now transformed into a new image which, in turn, will serve as a point of departure for future images.<sup>7</sup>

### Historical Examples of Artistic Borrowings

The use of one artist’s work by another to create a subsequent work has abounded through the ages. Consider, for example, the French artist Edouard Manet’s famous Impressionist painting *Luncheon on the Grass*, first exhibited in the 1860s, portraying two fully clothed gentlemen and a nude woman seated in a clearing in a woods enjoying a picnic lunch. The painting was derived from a depiction of classical deities in a Raphael-like engraving made centuries earlier, and those figures, just as derivative, stemmed from sources dating from ancient Roman art.<sup>8</sup> As another example, consider the famous oil-on-canvas painting done in 1851 by the American artist Emanuel Leutze and based on an incident in American history: *Washington Crossing the Delaware*. Approximately 100 years later in 1953—the late American artist Larry Rivers created a painting similarly entitled *Washington Crossing the Delaware*, which differed both compositionally and stylistically from Leutze’s image.<sup>9</sup> In 1956, the playwright Kenneth Koch wrote a one-act play derived from Larry Rivers’ painting. When the play was performed six years later



at the Maidman Theatre in New York City, it featured a stage set created in 1961 by set designer Alex Katz. In his tableau, Katz reversed the direction of the crossing from that in Leutze's image to represent movement from Pennsylvania to New Jersey more accurately.<sup>10</sup> As Katz's stage set was created around the time that the movement of Pop Art was emerging in the United States, his tableau, using a vocabulary consistent with that of numerous works of the genre, incorporated alongside the painted forms a number of real objects: A china tea pot and two cups and saucers.<sup>11</sup> The decade of the 1970s, which included the celebration of the United States Bicentennial, brought still another wave of *Delaware* images. Now, Leutze's iconic work provided the springboard for the artist Peter Saul's highly expressive painting of 1975: *George Washington Crossing the Delaware*. This *Delaware* packs a visual wallop of day-glo colors and distorted, rubbery figures, transforming the Leutze image into a frenetic depiction of mayhem.<sup>12</sup> That same year, Leutze's image also served as a point of departure for the artist Robert Colescott: His unsettling work, entitled *George Washington Carver Crossing the Delaware: Page from an American History Textbook*,<sup>13</sup> depicts not George Washington but rather a benign, bespectacled Carver, along with other Afro-American figures portraying, in exaggerated fashion, such stereotypical roles as the nanny, cook and banjo player. His satirical image was a particularly keen comment on racial attitudes in the United States during the time of Carver.

Image appropriation flourished throughout the twentieth century. The early 1900s witnessed a burgeoning of popular culture that was disseminated to the public by such media as photography, advertising, magazine illustrations, and comic strips. The growth in popular culture amid the backdrop of despair over the hitherto unsurpassed mechanized killings of World War I produced the short-lived philosophical movement of Dadaism. A declared purpose of Dadaism was to demonstrate that all moral and aesthetic values had been rendered meaningless by the Great War.<sup>14</sup> Dada art, brought to the United States in 1915 by the French artist Marcel Duchamp, preached a type of anti-art exemplified by Duchamp's "improved" reproduction of Leonardo da Vinci's *Mona Lisa*, complete with mustache, goatee, and a caption that amounted to a tasteless French pun: LHOOQ.<sup>15</sup> Another example of Duchamp's "borrowing" is the photo-collage *Monte Carlo Bond*. Duchamp established a roulette society and sold bonds to finance his playing. The face of the bond uses a Man Ray photograph of Duchamp with a lathered head, his hair sculpted into the winged head of Mercury, Roman god of commerce and patron of thieves.<sup>16</sup>

Dadaism was the patron saint of Pop Art, which developed in England in the mid-1950s and emerged in

the United States in the early 1960s.<sup>17</sup> Pop artists were generally not satirical: Essentially, such artists examined and depicted the objects and images of their world with an intensity designed to make the viewer uniquely conscious of the reality of such objects and images. To that end, Pop Art, even more than Dadaism, relied on images disseminated by the mass media,<sup>18</sup> including the cinema, visual art, and such mundane items as kitchen appliances and household goods. Famous examples of Pop Art are the comic-strip paintings with benday dots by Roy Lichtenstein and Andy Warhol's repetitive depictions on canvas of Campbell's soup cans.

The post-modernist art movement, which emerged in the 1980s, is rooted in Dadaism and Pop Art. Many artists who achieved particular prominence in the 1980s share a postmodernist belief that Western societies foster image-saturated cultures that promote deterioration in the quality of life. Such artists frequently express that observation by plucking preexisting images from the mass media, high art, pulp romances, and mass culture, and recontextualizing those images in their own work, often by the use of photography, video, and other reproductive techniques. The boldness of these borrowings coupled with the pervasive use of reproductive techniques gave rise to the term "appropriation art."<sup>19</sup> The artist Barbara Kruger is an example of postmodernist. Typically, in much of her work, she appropriates a black and white photograph from a magazine or a newspaper, carefully crops the desired image, blows it up to such monumental proportions that the viewer cannot escape, and then juxtaposes as a caption a bit of unrelated feminist text.<sup>20</sup> One highly-publicized example of her work, *Untitled (Your gaze hits the side of my face)*, depicts a close-up of a female image in profile, with the caption juxtaposed in vertical fashion and the unmistakable implication that a (male) stare directed at the subject is violative. In another well-known piece, *Untitled (Your body is a battleground)*, the image is a close-up frontal view of a female face, bisected so that the left side of the image is in normal black and white, and the right side of the image appears as a black-and-white negative. The resulting image is a female face ravaged by all manner of (sexist) tensions.

### Artistic Borrowings as Addressed by Copyright Law

The tradition of image appropriation must be examined in the context of copyright law. Under current United States law, a copyright proprietor of a pictorial, graphic or sculptural work can generally assert the following exclusive rights: To reproduce, adapt, distribute and publicly display such a work.<sup>21</sup> The post-modernist Jeff Koons, in appropriating a photograph by a professional photographer for use as the basis of the creation

of a limited-edition sculpture, was found liable for copyright infringement in the famous Second Circuit case of *Rogers v. Koons*,<sup>22</sup> an early 1990s case that trans-fixed both the art world and the copyright legal community. The case involved a lawsuit by Art Rogers, a professional photographer, whose photograph *Puppies* (depicting a couple seated on a bench and holding their new litter of eight German shepherd puppies) was the basis of a sculpture subsequently created by Koons in an edition of three entitled *String of Puppies*. The sculpture was exhibited by the Sonnabend Gallery in New York City, and the edition sold for a total of \$367,000. The finding of copyright infringement by the Second Circuit, affirming a New York federal district court decision,<sup>23</sup> included, along with a cogent analysis of the then-current matrix of factors comprising the defense of fair use, a condemnatory speculation about Koons's motives in committing the infringement:

The key to this copyright infringement suit . . . is [Koons's] borrowing of plaintiff's expression of a typical American scene. . . . The copying was so deliberate as to suggest that [Koons] resolved so long as he [was a] significant [player] in the art business, and the copies [he] produced bettered the price of the copied work by a thousand to one, [his] piracy of a less well-known artist's work would escape being sullied by an accusation of plagiarism.<sup>24</sup>

The *Rogers v. Koons* decision was controversial for a number of reasons: For one, its analysis of the fair use factors ignored *in toto* the artistic process of creation and the historical tradition of image appropriation. A second reason the decision was controversial was that the Second Circuit did not recognize Koons' sculpture as being a parody of Rogers's photograph. Although parody had been recognized in the Second Circuit, as well as in other United States Circuit courts<sup>25</sup> as a form of comment or criticism capable of passing muster under the fair-use defense in an infringement suit, the Supreme Court did not address the issue directly until the 1994 watershed case of *Campbell v. Acuff-Rose Music, Inc.*<sup>26</sup> Here, in holding that a popular rap group's commercial song parody of the Roy Orbison rock ballad "Oh, Pretty Woman" may be a fair use within the meaning of the 1976 Copyright Act, the Supreme Court, in the course of its analysis, revised the matrix of factors to be considered in conducting a fair use evaluation. Of the revisions set forth in *Acuff-Rose*, a far-reaching development—on occasion with paradoxical results—was the Supreme Court's distinction between parody and satire:

. . . [T]he heart of any parodist's claim to quote from existing material, is the

use of some elements of a prior author's composition to create a new one that, at least in part, comments on that author's works. . . . Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's . . . imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.<sup>27</sup>

Thus, in the wake of *Acuff-Rose*, a photograph commissioned by Paramount Pictures to advertise the slapstick comedy movie *Naked Gun 33 1/3* was found to be a fair use parody of an image created by the photographer Annie Leibovitz: A nude and pregnant Demi Moore which appeared on the cover of the August 1991 issue of *Vanity Fair* magazine.<sup>28</sup> The fact that virtually the only visual difference between the two photographs was that the later photograph was graced with the head of a smirking Leslie Nielsen (starring in the motion picture) rather than a serious Demi Moore, seemed to bother the courts not at all. The Second Circuit, in affirming a New York federal district court's dismissal of Leibovitz's copyright infringement suit, found that Nielsen's smirk was a comment on the seriousness of Leibovitz's work, and did not interfere with any of Leibovitz's potential markets.<sup>29</sup> On the other hand, in 1997, the Ninth Circuit in the earlier referred-to *Dr. Seuss Enterprises v. Penguin Books*,<sup>30</sup> held that a book written by Katz and Wrinn entitled *The Cat NOT in the Hat!* satirizing the O.J. Simpson double murder trial in rhyming verse, could not claim a parodistic fair use of Dr. Seuss's earlier book, *The Cat in the Hat*. Never mind that the third page, for example, in Katz and Wrinn's work reads, in describing the murder of Simpson's wife Nicole Brown, "One Knife? / Two Knife? / Red Knife / Dead Wife" evoking the first part of the first poem in Seuss's book *One Fish Two Fish Red Fish Blue Fish*, the Ninth Circuit noted that: "Although *The Cat NOT in the Hat!* does broadly mimic Dr. Seuss[s]' characteristic style, it does not hold up his style to ridicule."<sup>31</sup> In addition, the Ninth Circuit found that in view of "[t]he good will and reputation associated with Dr. Seuss[s]' work. . . . Penguin[s]' . . . nontransformative and admittedly commercial [use permits the conclusion] that market substitution is at least more certain and market harm may be more readily inferred."<sup>32</sup>

It seems fair to call into question the Ninth Circuit's perception that a versified recounting of the O.J. Simpson double murder trial would undercut the market for the typical reader of Dr. Seuss. It also seems fair to question the Ninth Circuit's finding that Katz and Wrinn's piece lacked transformativeness because "the substance and content of *The Cat in the Hat* is not conjured up by the focus on the Brown-Goldman murders or the O.J. Simpson trial."<sup>33</sup>

A second apparently far-reaching development in *Acuff-Rose* was the Supreme Court's reconfiguration of the first fair use factor—the purpose and character of the use. In analyzing this first factor, the Court stated that the central issue posed is the following: Does the new work merely supersede the original work, or does it contribute something new with a further purpose or different character—that is, is the new work *transformative*?<sup>34</sup> The Court further noted that the more transformative the new work, the less significant are other factors, such as commercialism, that may militate against a finding of fair use.<sup>35</sup> A key question in light of *Acuff-Rose* is this: Does the transformative requirement in a fair-use defense threaten the historical—and creative—tradition of image appropriation?

### **Hoepker v. Kruger**

Barbara Kruger, a postmodernist noted earlier in this article, was sued *inter alia* on a theory of copyright infringement in a New York federal district court in the recent case of *Hoepker v. Kruger*<sup>36</sup> and escaped liability on a copyright technicality. Here, Kruger, a well-known postmodernist, created in 1990 an untitled collage work, incorporating into this work a photographic image of plaintiff Charlotte Dabney created in 1960 by a well-known German photographer, Thomas Hoepker. Hoepker's image, entitled *Charlotte As Seen By Thomas*, pictures Dabney from the waist up, holding a large magnifying glass over her right eye. Dabney's eye fills the lens of the magnifying glass, and the lens covers a large portion of Dabney's face. The image was published once in 1960 in the German photography magazine FOTO PRISMA. When Kruger created her work 30 years later, she took the Hoepker image, cropped and enlarged it, transferred it to silkscreen and, in keeping with her artistic style, superimposed three large red blocks containing words that can be read together as, "It's a small world but not if you have to clean it." The image and the superimposed lettering comprised the sum and substance of her collage.

In April 1990, Kruger sold her collage to defendant Museum of Contemporary Art L.A. (MOCA) and granted MOCA a non-exclusive license to reproduce the work. From mid-October 1999 through mid-February 2000, MOCA displayed the Kruger work as one of 64 works of art in an exhibition dedicated to Kruger. In conjunction with the exhibition, MOCA sold gift items in its museum shop in the form of postcards, note cubes, refrigerator magnets and T-shirts featuring this particular Kruger work. Additionally, MOCA published jointly with defendant M.I.T. Press a 200-plus page catalog of Kruger's works and ideas entitled *Barbara Kruger*, containing three separate depictions of the Kruger work in issue. MOCA's net revenues from sales of the gift items were approximately \$15,000,<sup>37</sup> and its net rev-

enues from sales of the catalog were approximately \$54,000.<sup>38</sup> M.I.T. Press's net revenues from its sales of the catalog were approximately \$40,000.<sup>39</sup> After closing in Los Angeles, the Kruger exhibit was shown at defendant Whitney Museum of American Art (the "Whitney") from mid-July 2000 through mid-October 2000. The Whitney advertised the Kruger exhibit by way of newsletters and brochures incorporating the Kruger work, as well as a five-story-high billboard of a reproduction of the Kruger work in "one or more locations in Manhattan"<sup>40</sup> affixed to sides of buildings. Additionally, the Whitney purchased from MOCA an inventory of the Kruger catalog and a number of the MOCA gift items to sell in its museum store in conjunction with the Kruger exhibition. The Whitney's approximate profits from sales of the Kruger catalog were less than \$37,000<sup>41</sup> and profits from its sales of gift items were less than \$800.<sup>42</sup> Moreover, a reproduction of the Kruger work appeared from June 1997 through mid-December 2000 on a now-retired Web site entitled "American Visions" maintained by defendant Education Broadcasting System (EBS), use of the image having been licensed by defendant Mary Boone Gallery, Kruger's agent.<sup>43</sup>

In granting the dismissal of Hoepker's copyright claim on the defendants' motion for summary judgment, the New York federal district court noted that both Kruger and MOCA were reliance parties to a restored copyright. That is, when Hoepker's work was first published in Germany in 1960, according to the Uniform Copyright Convention, to which both Germany and the United States are signatories, Hoepker's work was accorded in the United States the same protection as the U.S. accorded works of domestic nationals first published in the United States.<sup>44</sup> Therefore, Hoepker obtained a copyright in the U.S. simultaneously with his copyright in Germany. The Copyright Act of 1909 (which governed Hoepker's United States copyright) accorded Hoepker copyright protection for an initial term of 28 years, subject to renewal for another 28 years. When Hoepker failed to renew his copyright in 1988 (when his initial term running from 1960 to 1988 expired), the copyright protection to his work in the United States ended, his work was injected into the public domain, and Kruger was free to appropriate Hoepker's photograph and incorporate it into her own work. Kruger's work was created in 1990. In 1994, the United States' current Copyright Act was amended to restore copyright protection to a work of foreign origin still protected in its source country but injected into the public domain in the U.S. for failure to comply with certain formalities of U.S. copyright law.<sup>45</sup> Hoepker's work, *Charlotte As Seen By Thomas*, qualified as a restored work.<sup>46</sup> However, the amended Copyright Act restores copyright only for prospective acts of infringement.<sup>47</sup> Therefore, as the court noted, Hoepker had no cause of action against Kruger for any acts of infringe-



ment occurring between 1988 and 1994.<sup>48</sup> As for alleged acts of infringement occurring after the restoration of Hoepker's copyright, the court noted that Kruger was a reliance party: That is, (1) by creating her collage in 1990 she clearly would have violated Hoepker's exclusive right to create a derivative work based on his photograph, had his image been protected by copyright in the United States at that time, and (2) according to Hoepker's allegations, Kruger continued to engage in infringing acts after Hoepker's U.S. copyright had been restored. As a reliance party, Kruger may engage in acts which infringe Hoepker's restored work for a period that ends 12 months after she is served with formal notice by Hoepker of his intent to enforce his restored copyright.<sup>49</sup> Since Hoepker neither gave Kruger the requisite notice, nor filed such a notice of intent with the Copyright Office,<sup>50</sup> the court held that Hoepker, at this time, was barred from seeking redress for any alleged acts of infringement by Kruger.

Although, as noted earlier, a technicality in current U.S. copyright law interposed itself between Kruger's appropriation of Hoepker's photograph and deeds of actionable infringement, such was not the case in another recent controversy, this one involving the professional photographer Lauren Greenfield and the artist Damian Loeb.

### **Greenfield v. Loeb<sup>51</sup>**

Here, Lauren Greenfield, a young photographer and photojournalist who has attained a measure of distinction in her field, authored a book entitled *Fast Forward: Growing Up in the Shadow of Hollywood*, which was published in 1997 by Alfred Knopf, Inc. The book, which consists of color photographs and copious text created over a five-year period, addresses the topic of young people from a variety of backgrounds growing up in Los Angeles and how the youth culture in this geographic area is affected by Hollywood. The book, when published, as well as Greenfield, received considerable publicity: The book was reviewed in a number of publications such as *The New York Times*, *The Washington Post*, *The Los Angeles Times*, *Harvard Magazine* and *New York Magazine*, and Greenfield was interviewed over television and radio on, for example, *Good Morning America*, *The News Hour with Jim Lehrer* and *All Things Considered*.<sup>52</sup>

Included in Greenfield's book and featured on the front of the book's dust jacket is a photograph entitled *Mijanou and friends from Beverly Hills High School on Senior Beach Day, Will Rogers State Park* (the "Photograph"). The Photograph depicts a number of high school students dressed in shorts or beachwear seated in or standing around three horizontally parked cars, one in front of another. The car in the foreground is a convertible, affording a clear, open and detailed view of

the three students seated within, one of whom is a full-chested girl in a bikini top. All of the material in Greenfield's book, including the Photograph, is protected by copyright and was registered with the U.S. Copyright Office in 1997.<sup>53</sup>

In 1998, the defendant Damian Loeb, a well-known appropriation artist living in New York City, created a painting entitled *Sunlight Mildness* (the "Painting") in a manner typical of much of his other work. That is, Loeb, as a "photorealist," frequently appropriates images or portions of images from other sources, whether they are from works of art, or advertisements or motion pictures, and incorporates these images into his own work which is a depiction of near-photographic accuracy.<sup>54</sup> In creating *Sunlight Mildness*, Loeb appropriated a portion of Greenfield's Photograph—that portion depicting the convertible and three teen-agers in the foreground of the Photograph—and juxtaposed that image with an image of a South African death squad created by another photographer and made a painting of the composite. In July 1998, Loeb wrote to Greenfield seeking permission to include her image in his painting, and within days, Greenfield wrote back to Loeb, expressly denying him this permission.<sup>55</sup> Greenfield was unaware at this time that what was described as a "doctored version" of *Sunlight Mildness* had earlier appeared on the cover of the May-June 1998 issue of *Flash Art*, arguably, the leading international contemporary art magazine currently in circulation. That issue of *Flash Art* also included an article about Damian Loeb. In 1999, *Sunlight Mildness* (which included Loeb's appropriation of Greenfield's image despite her refusal of permission) was exhibited and sold by the Mary Boone Gallery.

Greenfield sued Loeb, along with other related parties, for willfully infringing her copyright in the Photograph by reproducing it, preparing a derivative work of the Photograph, that is, the Painting, publicly displaying the Painting and selling it.<sup>56</sup> After Greenfield filed her original complaint, Loeb reproduced and displayed the Painting on his Web site. In February 2001, Greenfield amended her complaint to add a charge of willful infringement by Loeb of her Photograph by his reproducing and displaying the Painting on his Web site.<sup>57</sup> At the time, Loeb's web site included photographs of Loeb, reproductions of his work, and contact information about his dealers.<sup>58</sup> In her suit against Loeb and related parties, Greenfield sought injunctive relief, actual damages and infringing profits or statutory damages for the parties' willful acts of infringement, impoundment, court costs and attorney's fees, notification to current and all future owners that the Painting is an infringing work and cannot be lawfully displayed, and that the defendants be required to reclaim the painting and all existing copies for impoundment, destruction or such other disposition as Greenfield would elect.<sup>59</sup>



*Greenfield v. Loeb* was ultimately settled in November 2001.<sup>60</sup> The settlement agreement included, among other terms: (i) Payment of a settlement fee to Greenfield, (ii) re-titling of the Painting to acknowledge reliance on Greenfield's photograph;<sup>61</sup> and iii) indication on the back of the Painting the name of the Photograph on which the Painting is based and the name of the book in which the Photograph is found.

## An Alternative to Litigation

There is little reason to anticipate either that the time-honored process of artistic creation, including image appropriation, will change in the foreseeable future or that our current copyright laws will serve as an absolute deterrent to appropriation by artists of images that may still be under copyright protection. Notwithstanding *Damian Loeb* in the *Greenfield* case described above (and *Damian Loeb*, at the time he sought the use of *Greenfield*'s photograph, was represented by an agent<sup>62</sup> who may have advised him), most artists in the process of creating an artwork simply appropriate the images that suit and address the securing of permissions as an afterthought. Many never consider permissions. What *has* evolved in recent years is (i) the pervasive use of Internet technologies and (ii) the duration of copyright protection in the United States for hundreds of thousands of images originating in this country—a term of protection recently affirmed by the Supreme Court in *Eldred*<sup>63</sup> in January 2003, reinforcing the additional 20-year term of protection for published works under existing copyright. These two developments serve to ensure not only that copyrighted images will continue to be appropriated in abundance, but that awareness of the appropriations will be fostered far and wide. This, in turn, will give rise to increasing exposure on the part of artists to copyright infringement suits—a costly, time-consuming and often emotionally wrenching experience that both parties might seek to avoid if there were another alternative. That alternative is proposed here in the form of a “Fine Art License.” (See Appendix A on page 46.)

## What Is a “Fine Art License”?

A Fine Art License would apply only to a work of art created and published in the United States and under copyright protection at the time of its appropriation (“Protected Work”). It would be a license to incorporate the Protected Work either in full or in a “recognizable amount” into a subsequent work of fine art. This subsequent work must be either a single, original piece of fine art such as a painting, sculpture, photograph, or drawing, or a signed and numbered, limited edition fine print or sculpture multiple that shall in no event exceed 500 in the edition (“Subsequent Work”). The Fine Art License would include the right to incor-

porate the image of the Protected Work into the Subsequent Work, publicly display the Subsequent Work, advertise and promote the Subsequent Work in all media and sell (or lease) the Subsequent Work. The Fine Art License would be issued by the clearing-house administering such a license, upon payment to the clearing-house of a Fine Art License Fee as herein described.

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*“There is little reason to anticipate either that the time-honored process of artistic creation, including image appropriation, will change in the foreseeable future or that our current copyright laws will serve as an absolute deterrent to appropriation by artists of images that may still be under copyright protection.”*

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The Fine Art License Fee would be a revenue-based fee,<sup>64</sup> subject to a three-tier floor as follows: The lowest floor, perhaps \$1,000, would apply to a Subsequent Work that is or will be a single work of fine art; a higher floor, perhaps \$5,000, would apply to a Subsequent Work that is or will be a signed and numbered fine art multiple in a limited edition not to exceed 100. The highest floor, perhaps \$10,000, would apply to a Subsequent Work that is or will be a signed and numbered fine art multiple in a limited edition exceeding 100 but in no event exceeding 500. Once revenue generated by the sale, lease or other commercial use of the Subsequent Work has met the applicable floor (and this minimum sum must be paid by the author of the Subsequent Work (“Licensee”) to the author of the Protected Work through the clearing-house before any use can be made of the Subsequent Work), then the author of the Protected Work will receive payment in the amount of 8 percent<sup>65</sup> of any overage—either as a lump sum, or in the form of a royalty, depending on the nature of both the Subsequent Work and the transaction in question. For example, if the Subsequent Work is a single painting, the Fine Art License would trigger an immediate payment to the author of the Protected Work in the amount of \$1,000. If the Subsequent Work then sells for \$100,000, the author of the Protected Work would receive an additional \$7,920, that is, 8 percent of \$99,000, for an eventual total Fine Art License Fee of \$8,920. To take another example, if the Subsequent Work is a limited-edition sculpture multiple in an edition of three, the Fine Art License would trigger an immediate payment to the author of the Protected Work of \$5,000. If all three works in the limited edition were to sell for a total of, say, \$367,000 (as in the case of

*Rogers v. Koons*), then the Fine Art License would cause Art Rogers (to extend the hypothetical) to realize additional monies in the amount of \$28,960—that is, 8 percent of \$362,000, for a total Fine Art License Fee of \$33,960. Of course, if a Subsequent Work fails to generate any revenue, then the Fine Art License Fee to the author of the Protected Work is the applicable floor fee.

In addition to the payment of monies to the author of a Protected Work, the Fine Art License includes an option to accord credit to the author of the Protected Work, as discussed below. The Fine Art License would include a waiver of any right by the Licensee to make any derivative works based on the Subsequent Work. It would also include a waiver of any right by the Licensee to sue for copyright infringement of the Subsequent Work, such right to belong solely to the author of the Protected Work. The Fine Art License is limited solely to the right to incorporate the image of a Protected Work into the Subsequent Work as defined above: The Subsequent Work expressly excludes, by definition, any item of “merchandise” including posters, note cards, T-shirts, and the like. Any use of a Protected Work on any items of merchandise, or for any other commercial purpose would require, as is currently the case, the negotiation and securing of a license from the copyright proprietor of the Protected Work, or the copyright proprietor’s agent.

### **Works Qualifying for a Fine Art License**

In order for a prospective appropriated work to qualify as the subject of a Fine Art License, it must be (i) a Protected Work, that is, a work originating and published in the United States and under U.S. copyright protection in the United States at the time of the appropriation, and (ii) registered with the U.S. Copyright Office. Since the copyright registration of an image is a public record, an artist interested in appropriating such an image for incorporation into a Subsequent Work can readily ascertain if that image would be eligible for a Fine Art License. While registration of an image with the U.S. Copyright Office would constitute permission for use of the image solely in a Subsequent Work upon payment to the artist clearing-house (which will forward payment, net of a service charge, on to the copyright proprietor) for a Fine Art License, all other rights in a work accruing to the copyright proprietor upon copyright registration, including initiating a copyright infringement action for use other than in a Subsequent Work, are preserved.

### **Administration of the Fine Art License**

The Fine Art License would be administered through an artist’s copyright clearing-house such as, for example, the Artists Rights Society (ARS), an organiza-

tion that represents many prominent twentieth century artists and artist estates, such as Jackson Pollock, Marc Chagall, Pablo Picasso, Mark Rothko, and Georgia O’Keeffe, in negotiating and granting permissions to those desirous of reproducing artworks of such artists in printed and electronic media as well as on various products. However, unlike the current situation at ARS—which is an appointed representative of the respective member artists and artist estates—the copyright clearing-house that administers the Fine Art License will automatically represent each copyright proprietor of a Protected Work in connection with anyone desirous of incorporating that Protected Work into a Subsequent Work.

When a prospective Licensee wishes to use a Protected Work in a Subsequent Work, the Licensee will send the appropriate Fine Art License Fee floor amount (that is, \$1,000, \$5,000 or \$10,000) to the copyright clearing-house in question, along with a form (which could be made available online at the clearing-house’s Web site) indicating the title of the Protected Work, the copyright proprietor (usually the artist) of the Protected Work, the author of the Protected Work (if different from the copyright proprietor), the prospective title of the Subsequent Work, whether the Subsequent Work will be a single work or a signed and numbered limited edition, and, if the latter, the prospective edition size. In addition to the Fine Art License Fee floor amount and the copyright clearing-house form, the prospective Licensee will forward to the clearing-house two color photographs of the Subsequent Work. If the copyright proprietor and author of the Protected Work are different parties (which will not usually be the case), then the prospective Licensee will forward three photographs to the clearing-house. The clearing-house will deduct a small service charge and remit the balance of the Fine Art License Fee floor amount, along with the Fine Art License and one of the photographs to the copyright proprietor. The Fine Art License includes an opt-out provision notifying the copyright proprietor of the Protected Work that she will receive a credit in the title of the Subsequent Work and in all advertising and promotion of the Subsequent Work, unless the copyright proprietor indicates a refusal to be associated with the Subsequent Work by checking off a box on the Fine Art License and returning it to the clearing-house within one week following the copyright proprietor’s receipt of the form. In the event the author of the Protected Work and the copyright proprietor of the Protected Work are different parties, then each of the two parties will receive a copy of the Fine Art License and a photograph of the Subsequent Work, the copyright proprietor will receive the Fine Art License Fee floor amount, and the author will have the right to fill out the opt-out provision and return the Fine Art License to the copyright clearing-house.

Where revenue generated by a Subsequent Work exceeds the Fine Art License Fee floor amount paid to the copyright proprietor of the Protected Work, it will be up to the Licensee to make the applicable payments to the copyright proprietor of the Protected Work, through the clearing-house. The clearing-house will have the right to examine periodically the Licensee's (and Licensee's agent's) relevant books and records to ensure compliance in payment of the full Fine Art License Fee. Evidence of fraud or other malfeasance on the part of the Licensee in evading payment of the full Fine Art License Fee could result in the imposition of monetary sanctions, such as, for example, payment of treble the amount found to be due and owing to the copyright proprietor of the Protected Work.

## Rights and Remedies

If the creator of a Subsequent Work incorporating at least a "recognizable amount"<sup>66</sup> of a Protected Work publicly displays, disseminates or reproduces the Subsequent Work without securing a Fine Art License, the copyright proprietor of the Protected Work should automatically be entitled to sue either for enhanced statutory damages or actual damages that factor in the willful failure to secure a Fine Art License, and there should be a rebuttable presumption that the copyright proprietor of the Protected Work will prevail.

## Benefits of a Fine Art License

It seems clear that reconfiguring the scope of fair use to accommodate the issuance of compulsory Fine Art Licenses for the creation and exploitation of art works as described in this article would work to the benefit of all concerned.

**From a Societal Perspective:** The fundamental principle animating U.S. copyright law, unlike that of nations which jurisprudence is grounded in civil law,<sup>67</sup> is the provision of financial inducement to artists, authors and composers to create works for the ultimate benefit of society. A Fine Art License is in consonance with U.S. copyright law objectives: That is, it will permit, for society's ultimate benefit, the lawful creation of a number of artworks that otherwise would be enjoined and impounded. The existence of more art not only creates an enriched artistic heritage serving to engage and educate the public, but provides, as well, an enhanced body of work to serve as a source of study and inspiration for future artists.

**From the Perspective of the Author of the Protected Work:** A Fine Art License would inure to the benefit of the author of the Protected Work by ensuring that such an artist would be both paid a reasonable, revenue-based license fee for a limited commercial use of the artist's Protected Work and receive, if the artist so

desires, credit in the title of the Subsequent Work. This would appear to be far more advantageous to the artist than the consequences of such an appropriation under the scenarios possible under our current legal construct: That is, (i) the Protected Work of an artist is appropriated for commercial use, the artist never discovers the appropriation, and consequently receives nothing while the appropriator is enriched; (ii) the Protected Work of an artist is appropriated for commercial use, the artist discovers the appropriation, sues the appropriator for copyright infringement, the appropriator convinces the finder of fact that the Subsequent Work is a fair use parody or some other fair use, and consequently is enriched while the artist of the Protected Work receives nothing and may well have incurred sizable legal expenses to boot; or (iii) in the best-case scenario, the Protected Work of an artist is appropriated for commercial use, the artist discovers the appropriation, initiates an infringement suit and either prevails or the appropriator agrees to a settlement. In this last scenario, the artist will receive (actual or statutory) damages and injunctive relief. However, this result will be achieved only after a considerable expenditure of time and money. Were the Fine Art License a reality at the time of *Greenfield v. Loeb*, for example, Ms. Greenfield would have received payment of a license fee and credit, if she so wished, on the Subsequent Work as the author of the Protected Work. That is, she would have automatically been in a position similar to that she achieved through settlement—minus the expenditure of time and money. And if the Fine Art License fee payable to Ms. Greenfield (under this construct, \$5,000 plus 8 percent of the purchase price of the Subsequent Work minus the floor) is not as sizable a sum as was the negotiated settlement—and, depending on the settlement sum, perhaps it is—the disparity is more than offset by the monies saved by her in court costs and attorneys fees.

Moreover, and in keeping with the spirit of U.S. copyright law,<sup>68</sup> if the author of the Protected Work, upon viewing a photograph of the Subsequent Work, elects not to be associated with it, the author need only sign and return the opt-out form to the Fine Art License clearing-house.

It should be stressed that the author of a Protected Work retains all other rights in and to her work, including the right to sue for any infringements or use of such a work that lie beyond the scope of the Fine Art License.

**From the Perspective of the Author of the Subsequent Work:** The Fine Art License provides the author of a Subsequent Work with the right, upon payment of a reasonable license fee, to appropriate material from a Protected Work for incorporation into his or her Subsequent Work for purposes of commercial exploitation without fear of incurring legal liability in the form of a



copyright infringement suit. Payment of the Fine Art License will be more than offset by the costs avoided in defending such a suit. Moreover, net solely of the 8 percent over floor payable to the author of the Protected Work, the Licensee is entitled to keep all profits arising from the sale or lease of such a work.

## Copyright Protection and First Amendment Considerations

Admittedly, implementation of a Fine Art License for commercial use of a Subsequent Work would tend to narrow the scope of the fair use defense as it now exists. For one, it does away with the distinction between parody and satire. However, as illustrated earlier in this article, the rationale for such a distinction is not always clear and the results are not necessarily logical. For another, it chips away at the concept of “transformativeness” in connection with commercial use. That is, provided that a “recognizable likeness” of an Original Work is incorporated into a Subsequent Work for commercial purposes, it matters little whether the Subsequent Work is slightly or largely transformative: A Fine Art License should be secured. Of course, for all non-commercial use of a Subsequent Work, that is, reportage, archival use, research, teaching and the like, a Fine Art License would not apply, and current fair use principles would remain intact. Moreover, for all uses of a Subsequent Work beyond the scope of a Fine Art License, the defense of fair use and the matrix of factors currently comprising such a defense, would remain available for assertion by the creator or exploiter of the Subsequent Work. Similarly, and under the same circumstances, the right by the copyright proprietor of the Protected Work to instigate an action in copyright infringement would be preserved. To clarify this last point: If a third party appropriates material from the Subsequent Work that had originally appeared in the Protected Work, the copyright proprietor of the Protected Work—not the creator of the Subsequent Work—may sue for copyright infringement and, if successful, retain all monetary awards. On the other hand, if a third party appropriates only material from the Subsequent Work that had originally appeared in the Subsequent Work, such an appropriation is not actionable, as the creator of the Subsequent Work cannot register such a work with the U.S. Copyright Office.

The implementation of a Fine Art License should not, however, act as a disincentive to artists to create works of visual art. The artist of a Protected Work is assured, for a limited use of the artist’s work, a license fee that, at minimum, falls within the range of statutory damages codified in the current U. S. Copyright Act.<sup>69</sup> Such an artist is also assured, at the artist’s election, credit in connection with any resultant Subsequent Work. By the same token, upon payment of a reason-

able license fee, the artist of a Subsequent Work (in the course of creating such a work) may appropriate images or portions of images as *she* deems artistically necessary from a Protected Work, stand to gain a financial benefit from the sale or other dissemination of such a work, and to do so without the fear, cost or burden of an infringement suit.

## Endnotes

1. *What’s So Fair About Fair Use?* The 1999 Donald C. Brace Memorial Lecture, delivered by Judge Alex Kozinski at Fordham University School of Law on Nov. 11, 1999, co-authored by Christopher Newman, J.D. Univ. of Michigan 1999, and published in the Journal of the Copyright Society of the U.S.A. 513, 1999.
2. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F. 1394 (9th Cir. 1997), *petition for cert. dismissed*, 521 U.S. 1146 (1997).
3. *Id.* at 526. The authors did exclude from damages “those damages attributable to critical evaluation of the copyrighted work.” *Id.*
4. *Id.* at 525.
5. *Id.* at 526.
6. *Id.* at 527.
7. For an illuminating discussion about artistic tradition and appropriation, see the Introduction to H.W. Janson, *History of Art* (5th ed.) (Harry N. Abrams 1995).
8. *Id.*
9. *George Washington: American Symbol*, Barbara J. Mitnick ed. (Hudson Hills Press 1999) at 145.
10. *Id.* at 146.
11. *Id.*
12. *Id.* at 147.
13. *Id.*
14. *Supra* note 2 at 528.
15. Roughly translated, the pun is, “She has a hot ass.”
16. Janis Mink Taschen, Marcel Duchamp (Koln 2000) at 73.
17. H.H. Arnason, *History of Modern Art* (3d ed.) (Harry N. Abrams 1986) at 448.
18. *Supra* note 2 at 547.
19. H.H. Arnason, *History of Modern Art/Painting Sculpture Architecture Photography* 636 (3d ed.) (Harry N. Abrams 1986).
20. W. Chadwick, *Women, Art and Society* 385 (2d ed.) (Thames & Hudson 1997).
21. 17 U.S.C. § 106. A “work of visual art” as defined in 17 U.S.C. § 101 includes some but not all “pictorial, graphic and sculptural works” as also defined in 17 U.S.C. § 101. The author of a work of visual art, whether or not she remains the copyright proprietor of such a work, may exercise the rights of paternity and integrity, as defined in 17 U.S.C. § 106A in and to that work.
22. *Rogers v. Koons*, 960 F.2d 301 (2d Cir.), *cert. denied*, 506 U.S. 934, 113 S. Ct. 365 (1992).
23. *Rogers v. Koons*, 751 F. Supp. 474 (S.D.N.Y. 1990).
24. *Supra* note 2 at 303.
25. See, e.g., *Hustler Magazine, Inc. v. Moral Majority, Inc.*, 796 F.2d 1148 (9th Cir. 1986); *Cardtoons, L.C. v. Major League Baseball Players Ass’n*, 838 F. Supp. 1501 (N.D. Okla. 1993); *New Line Cinema Corp. v. Bertelsmann Music Group*, 693 F. Supp. 1517 (S.D.N.Y. 1988).



26. *Campbell v. Acuff-Rose Music, Inc.*, 114 S. Ct. 1164 (1994).
27. *Id.* at 1172.
28. See brief discussion of this incident in the aftermath of *Acuff-Rose* in Ralph E. Lerner & Judith Bresler, *ART LAW: The Guide for Collectors, Investors, Dealers and Artists* (Practicing Law Institute 1998), vol. 2 at 871.
29. *Annie Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109 (2d Cir. 1998), *aff'd* 948 F. Supp. 1214 (1996).
30. *Supra* note 2.
31. *Id.* at 1401.
32. *Id.* at 1403.
33. *Id.*
34. *Supra* note 21 at 1171.
35. *Id.*
36. *Hoepker v. Kruger*, 200 F. Supp. 2d 340, 63 U.S.P.Q.2d 1168 (U.S.D.C., S.D.N.Y. 2002).
37. *Id.* at 343.
38. *Id.*
39. *Id.*
40. *Id.*
41. *Id.*
42. *Id.*
43. *Id.*
44. *Id.* at 344.
45. See 17 U.S.C. § 104A.
46. When Hoepker's photograph was first published in Germany in 1960, its term of copyright protection was 25 years. The German law was subsequently revised to accord a term of protection of life of the author plus 70 years. See *Hoepker v. Kruger*, *supra* note 36 at 345.
47. 17 U.S.C. § 104A(d)(1)-(2).
48. Actually, the effective date of restoration is Jan. 1, 1996, as adopted by the Copyright Office and by independent issuance by then-President Clinton of a proclamation adopting that date.
49. 17 U.S.C. § 104A(d)(2)(A) and (d)(2)(B).
50. *Supra* note 2 at 345. See 17 U.S.C. § 104A(h)(4) which sets forth the requirements for initiating an infringement action against a reliance party.
51. *Lauren Greenfield v. Damian Loeb et al.*, 99 Civ. 5836 (LMM), First Amended Complaint, Feb. 20, 2001. The pleadings and a redacted copy of the settlement agreement were made available to me with the gracious cooperation of Gloria C. Phares Esq., of Patterson, Belknap, Webb & Tyler LLP, attorneys for the plaintiff.
52. *Id.* at 4.
53. *Id.*
54. *Id.* at 5.
55. *Id.*
56. *Id.* at 7.
57. *Id.* at 6 and 7.
58. *Id.* at 6.
59. *Id.* at 8 and 9.
60. Settlement agreement made as of Nov. 9, 2001, among Lauren Greenfield, Damian Loeb, Manian Lobe, Inc., Mary Boone and the Mary Boone Gallery.
61. In a conversation dated Dec. 18, 2002, Gloria Phares advised this author that the Painting has physically been re-titled to accord Greenfield credit in the Painting's new title.
62. The agent referred to in this context was not the Mary Boone Gallery.
63. *Eric Eldred, et al., v. John D. Ashcroft*, #01-618, U.S. Sup. Ct., Jan. 15, 2003, LEXIS # 751.
64. The author gratefully acknowledges the contributions of economist Michael A. Einhorn, Ph.D. and Senior Advisor, InteCap, Inc. in discussions held in Dec. 2002 on structuring a method of compensating the copyright proprietor of a Protected Work for its inclusion in a Subsequent Work.
65. Royalty rate is based on information derived from G.J. Battersby & C.W. Grimes, *Licensing Royalty Rates* (Aspen Law & Business, 2000), an excellent treatise on the subject.
66. If necessary, this could be determined by arbitration.
67. In civil law countries as well as under the Berne Convention, the core rationale for copyright law is the protection of the author's rights. See Preamble of the Berne Convention ("The countries of the Union, being equally animated by the desire to protect, in as effective and uniform a manner as possible, the rights of authors in their literary and artistic works . . . have agreed as follows . . ."). For an excellent discussion of certain differences in the core principles underlying U.S. copyright law and the copyright laws of civil law nations, see Robert J. Sherman, *The Visual Artists Right Act of 1990: American Artists Burned Again*, 17 *Cardozo L. Rev.* 373 (1995).
68. 17 U.S.C. § 106A.
69. 17 U.S.C. § 504(c)1.

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*A version of this article is also available in the 50th Anniversary issue of the Journal of the Copyright Society of the U.S.A.*

(See next page for Appendix A referred to on page 41 of this article.)

## APPENDIX A

FINE ART LICENSE [ I ]

DRAFT FORM [ I ]

Date: \_\_\_\_\_ APP. A [II]

### I. PLEASE PROVIDE THE FOLLOWING INFORMATION:

- \* Title of Protected Work:
- \* Copyright registration number of Protected Work:
- \* Copyright Proprietor of Protected Work:
- \* Author of Protected Work (if different from directly above):
- \* Prospective title of your Work:
- \* Your Work shall be (check one):
  - a single piece of fine art (e.g., painting, sculpture, drawing, photograph)
  - a signed and numbered limited edition fine print or sculpture multiple of 100 or fewer
  - same as directly above in an edition size of 500 or fewer (but over 100)

### II. TERMS AND CONDITIONS:

1. The Fine Art License Fee includes:
  - (a) a "Floor Amount" of
    - (i) \$1,000 if your Work is to be a single piece of fine art;
    - (ii) \$5,000 if your Work is to be a signed and numbered limited edition fine print or sculpture multiple of 100 or fewer; or
    - (iii) \$10,000 if your Work is to be a signed and numbered limited edition fine print or sculpture multiple of 500 or fewer but over 100; plus
  - (b) Eight (8%) Percent of all revenues, if any, earned on the sale or lease of your Work, in excess of your recoupment of the Floor Amount ("Overage").
2. By forwarding this document to ARS along with payment to ARS of the applicable Floor Amount, you are hereby granted the right to (i) incorporate the Protected Work, in whole or in part, into your Work; (ii) publicly display your Work; (iii) advertise and promote your Work in all media; and (iv) sell or lease your Work. Your expression of your Work is hereby limited to one of the three (3) categories set forth in Paragraph 1(a) above. All rights in and to, and all uses of, the Protected Work not granted to you in this document are, as between you and the copyright proprietor, reserved to the copyright proprietor.
3. You hereby waive the right and agree not to: (i) create any derivative works based on your Work; and (ii) initiate any lawsuit for copyright infringement of your Work, it being understood that such right vests solely in the copyright proprietor of the Protected Work.
4. You hereby agree to make timely payment(s) and applicable payments of any Overage through ARS to the copyright proprietor of the Protected Work. ARS or its agent may examine all portions of your books and records from time to time and at various times that relate to the sale or lease of your Work, in order to ensure your compliance with this Fine Art License. Failure by you to pay the full Fine Art License Fee shall result in liquidated damages of treble the amount found to be due and owing to the copyright proprietor of the Protected Work, plus all costs and expenses of the audit.
5. You agree to accord credit by name to the author of the Protected Work in the title of your Work (such as, for example, "[Title of your Work], based on a painting by [name of author of the protected Work]," unless such author has elected not to receive such credit by checking the space provided in Paragraph 6 below.
6. By placing a check in the following space \_\_\_\_ I elect not to receive credit in connection with your Work.

ACCEPTED AND AGREED TO:

\_\_\_\_\_  
Your signature

\_\_\_\_\_  
Print your name and address and phone number

\_\_\_\_\_  
Author of Protected Work

# Title IX: What Will Changes Mean for Future College Athletes?

By Stacey Lager

## Opportunities of Title IX

It began as a law that would impact all educational programs. Title IX of the General Education Amendments Act of 1972 ("Title IX") was passed as a simple anti-sex discrimination law, but its interpretation has become quite complex. The opportunities that have become available from the passage of Title IX are substantial. First and foremost, Title IX offered equality in education to everyone. Women had long suffered from not being admitted to undergraduate and graduate schools because of the use of preferences that benefited men.<sup>1</sup> Now, women's enrollment as college undergraduates exceeds that of men. As the General Accounting Office (GAO) has noted, from fall 1971 to fall 1997, the number of women enrolled in the nation's colleges and universities more than doubled from approximately 3.7 million to 8.2 million.<sup>2</sup> By 1997, women represented 56 percent of undergraduates, while men represented only 44 percent.<sup>3</sup> Title IX made it possible for girls and women to have the same choices as their male counterparts in all aspects of their education.

The most significant impact Title IX has had in education however, has been in the arena of athletics. When Billie Jean King defeated Bobby Riggs, the world of sports took notice. This tennis match was so much more; it was the equalizer of the sexes. Young girls and women deserved to be able to play any sport, just as much as boys and men. For the past 30 years, young girls have been able to play sports, not just in gym class, but also on teams throughout their academic careers. According to the National Federation of State High School Associations, in 1971, approximately 3.7 million boys participated in high school sports as compared to 294,000 girls.<sup>4</sup> In 2002, 3.9 million boys participated but girls' participation had grown to 2.8 million.<sup>5</sup> Title IX opened doors for girls and women not only to be involved in athletics; it has allowed them to become accomplished athletes.

## Repercussions of Title IX on College Athletics

The way that Title IX has been implemented and applied by universities and colleges over the years has become problematic. The Department of Education's policy of compliance through proportional participation rates is the source of the problem. Under the government's standard, if the percentage of female athletes is close to the percentage of all female students, there is a presumption that the school did not discriminate. By asserting that women participate in athletics at the same rate as men under the false banner of proportionality, the Title IX poli-

cy not only ignores legitimate differences between men and women, but legitimate differences among women.

The Title IX policy also undermines equal opportunity by allowing colleges and universities to choose to eliminate men's sports opportunities in order to provide few or no new opportunities for women. Over the past decade, men's sports, including baseball, swimming, track, and football, have been cut from colleges and universities. These institutions blame budget cuts or the "proportionality" issue of Title IX as the main reason for cutting the men's teams. The problem, however, really lies in the enforcement of Title IX policy, which has been severely misinterpreted over the years.

## What Is the Solution to the "Problem" of Enforcement?

In order to correct the misinterpretation of Title IX that has occurred over the years, changes must be made in how the policy is enforced. In January 2002, the National Wrestling Coaches Association (NWCA) filed a lawsuit against the Department of Education on the grounds that although Title IX is designed to ensure equal education and athletic opportunities for men and women in colleges and universities, it hurts lower-profile male sports.<sup>6</sup> The suit asks that the policy of Title IX be enforced based on its legislative intent, which would provide for equal opportunity based on interest and prohibit intentional gender-based discrimination. The NWCA is joined by the National Coalition for Athletics Equity, Yale Wrestling Association, Marquette Wrestling Club and the Committee to Save Bucknell Wrestling in its suit against the Department of Education. These wrestling clubs are active in challenging the three-prong test because they seem to have taken the biggest loss, with the number of wrestling teams dwindling to 250 from 363 almost two decades ago.

In a defensive move against the NWCA lawsuit, the Department of Education has appointed a commission to study Title IX and give its recommendations as to how to improve enforcement of the policy. On June 27, 2002, Secretary of Education Rod Paige put together men and women who are and have been an integral part of education and intercollegiate athletics for the past 30 years to create the Commission on Opportunity in Athletics ("Commission"). Over a period of eight months, the Commission committed itself to an extensive fact-finding process that was open, fair and inclusive.<sup>7</sup> They sought and received many different views from experts and advocates, and, as the spirit of Title IX encourages equal

opportunity in scholastic athletics for women and men and girls and boys who compete on the playing fields each day, they also consulted with several of those athletes.<sup>8</sup> During the course of its research, the Commission found unanimous support for that spirit.

While there have been other lawsuits that have challenged the interpretation and enforcement of Title IX, the NWCA has made a demand on our government to resolve this issue once and for all.<sup>9</sup> Title IX must be applied as it was intended in our educational institutions. Thus, it is necessary to look at the fundamental aspects of Title IX in order to set better guidelines for schools to follow. These fundamental aspects are important to the evaluation and understanding of the Commission's recommendations. Therefore, the analysis of the fundamental aspects of Title IX policy, the NWCA lawsuit and the Commission's recommendations will help determine the correct application of Title IX in the classrooms as well as on the playing fields. All athletes, whether male or female, should be given an opportunity to compete for themselves and their schools.

## Legislative History and Case Law

### What Is Title IX?

As part of the Education Amendments, Congress enacted Title IX in 1972. The Title IX statute provides, in part: "No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance."<sup>10</sup> In addition:

Nothing contained in subsection (a) of this section shall be interpreted to require any educational institution to grant preferential or disparate treatment to the members of one sex on account of an imbalance which may exist with respect to the total number or percentage of persons of that sex participating in or receiving the benefits of any federally supported program or activity, in comparison with the total number or percentage of persons of that sex in any community, State, section or other area.<sup>11</sup>

The problem of enforcement is not due to the language of the statute, but rather is due to the regulations that became the 1979 Policy Interpretation of Title IX.

After Title IX was enacted, Congress approved the Javits Amendment, which required the Department of Health, Education, and Welfare (HEW) to provide regulations to implement Title IX including rules regarding intercollegiate athletics.<sup>12</sup> In 1975, HEW drafted the regulations for Title IX, with one section focused solely on ath-

letics.<sup>13</sup> That Section required institutions to effectively accommodate the interests and abilities of members of both sexes, and also contained a requirement that athletic facilities and support services for men and women be provided on a substantially proportional basis.<sup>14</sup> In addition, the regulations stated that the following program factors must be taken into account:

- 1) Whether the selection of sports and levels of competition effectively accommodate the interests and abilities of members of both sexes;
- 2) provision of equipment and supplies;
- 3) scheduling of games and practice time;
- 4) travel and per diem allowance;
- 5) opportunity to receive coaching and academic tutoring;
- 6) assignment and compensation of coaches and tutors;
- 7) provision of locker rooms, practice and competitive facilities;
- 8) provision of medical training services;
- 9) provision of housing and dining facilities and services; and
- 10) publicity.<sup>15</sup>

In 1979, HEW adopted the final policy interpretations that came out of the drafted regulations.

The policy interpretation described the responsibilities of educational institutions in three general areas: Financial assistance, benefits and opportunities, and accommodations of interests and abilities. HEW provided the following "Three-Prong Test" that educational institutions could use to demonstrate that they are accommodating the interests and abilities of their students,<sup>16</sup> and would be in compliance with Title IX:<sup>17</sup>

- 1) Showing that intercollegiate participation opportunities for male and female students are provided in numbers substantially proportionate to their respective enrollments;
- 2) Showing a history and continuing practice of program expansion in response to the interest and abilities of the "underrepresented" sex; and
- 3) Demonstrating that the interests and abilities of members of the "underrepresented" sex have been fully and effectively accommodated by the school's program

This Three-Prong Test has become the focal point of Title IX enforcement.

Colleges and universities have tried to defend their decisions to cut athletics programs, specifically men's programs, by claiming that Title IX requires gender equality,



which is really not the case. The Department of Education's Office of Civil Rights (OCR) has issued an interpretation of compliance stating that a school may demonstrate compliance with Title IX if it can show that the gender breakdown in the athletic department mirrors the gender breakdown of students. This provision, the proportionality test, is known as "prong one" of the Three-Prong Test. The other two prongs have no measurable ways to demonstrate compliance, and thus are simply holding patterns until prong one is met.

Since the policy interpretations were implemented, the U.S. government has tried to make Title IX more comprehensive. In 1987, Congress enacted the Civil Rights Restoration Act, which provided that all programs at educational institutions receiving federal money fall under the jurisdiction of the OCR.<sup>18</sup> Seven years later, in 1994, Congress enacted the Equity in Athletics Disclosure Act, which required educational institutions to disclose statistical information broken down by sex, on athletes and enrollment at universities and colleges.<sup>19</sup> In 1996, the Department of Education issued a "Dear Colleague" letter that set forth the Department's policy on the Three-Prong Test. Among many items included in this letter was a reference to the proportionality tests as a "safe harbor" for compliance with Title IX.<sup>20</sup> This letter was in response to the First Circuit U.S. Court of Appeals ruling in *Cohen v. Brown University*, which sustained the legality of the Three-Prong Test. The purpose of the letter was to reinforce the validity of the Three-Prong Test in reference to complying with Title IX requirements. The Three-Prong Test was considered a "safe harbor," because if the colleges and universities used that formula, then compliance with Title IX would be guaranteed.

### Case Law Affecting Title IX and College Athletics

The cases of the 1990s have effectively codified the 1979 Policy Interpretation, by making it difficult for men to claim discrimination. In 1992, Brown University was sued by gymnast Amy Cohen for demoting two women's teams to donor status, which meant that the university would provide 50 percent of their operating budgets.<sup>21</sup> Brown argued that the university met the third test of accommodating interest and abilities of the Policy Interpretation, and presented substantial evidence of the school's high number of female athletic teams, polls taken of students indicating interest and studies of the interest levels of high schools.<sup>22</sup> The school also believed it had successfully met the second test of "history of expansion," as it had been one of the most progressive schools in the nation for women's athletics by expanding women's sports dramatically during the 1980s.<sup>23</sup> Although the judge found that the OCR Policy Interpretation and the OCR Investigator's Manual did not carry the force of law, he nonetheless relied on them as important guides in ruling on the case.<sup>24</sup> This left the proportionality test as the predominant guideline. Through a series of appeals and remands, the proportionality test stood as a non-binding

guidance to other courts in Title IX compliance.<sup>25</sup> The Court of Appeals held that, in construing Title IX, courts are to defer to OCR's policy interpretation.<sup>26</sup>

Colorado State University cut the 18-member women's softball team and the 55-member men's baseball team because of severe financial strain in 1992. Although the cuts increased the proportion of female athletes overall, it did not bring the university into full compliance. In 1993, the softball team sued for reinstatement and monetary damages.<sup>27</sup> In finding for the plaintiffs, the judge adopted the holding in *Cohen* and found that the Policy Interpretation's Three-Part Test can, by itself, determine non-compliance with Title IX.<sup>28</sup>

In 1993, members of the men's swimming team at the University of Illinois sought injunctive relief when the university announced that it decided to cut the team in order to meet budget constraints and Title IX proportionality.<sup>29</sup> Although sympathetic to the plight of the men, the court relied on *Cohen* for the proposition that reducing men's participation was one way to achieve Title IX compliance. The court held that increasing women's opportunities was not necessary under the proportionality test.<sup>30</sup> The court further found that as long as the percentage of male athletes was substantially proportionate to male undergraduate enrollment, a safe harbor was established.<sup>31</sup> The judge strained to admit that the Title IX statute neither sanctioned nor anticipated the Three-Part Test that would later convert Title IX from a statute that prohibits discrimination on the basis of sex into a statute that provides equal opportunity for members of both sexes.<sup>32</sup> The judge followed the leads of *Cohen* and *Roberts* by giving great deference to OCR's Policy Interpretation, Investigator's Manual and the 1996 Clarification.<sup>33</sup>

Although numerous plaintiffs have filed lawsuits challenging Title IX, it is important to understand that the law governing compliance has four primary components: (1) The actual statute; (2) the 1975 regulations; (3) the 1979 policy interpretation; and (4) the 1996 clarification letter that sought to clarify the policy interpretation.<sup>34</sup>

### Competition and Cash

#### Men's Losses in Collegiate Athletics

In 1999 women received 33 percent of NCAA budgets nationwide, 41 percent of the sports scholarships and 30 percent of the recruiting dollars.<sup>35</sup> Meanwhile, about 70 percent of men's athletic budgets went to football and basketball.<sup>36</sup> Colleges and universities have been sacrificing men's teams in order to meet the standard of proportionality. Between 1993 and 1999, a total of 388 men's teams were dropped from competitive collegiate athletic rosters—139 of those teams had Division I status.<sup>37</sup> It is not only the teams that are not performing well; UCLA's swimming and gymnastic teams, both of which had produced winners of 22 Olympic medals combined, and the

University of Miami men's swimming team, which also has a rich tradition of success, have been dropped from their universities' rosters.<sup>38</sup> However, it is misleading to think that the policy itself behind Title IX caused the demise of these men's programs.

Title IX does not dictate to universities how to spend their sports budgets; it only states that both sexes must have equal access to the resources. There is still wide disparity in the dollars spent on programs' underpinnings—recruiting budgets (31 percent spent on women), coaching salaries (34 percent) and total operating expenses (33 percent). Therefore, if budgets were re-evaluated, it is possible that men's teams that are in danger of being eliminated could be saved—for example, maybe if less is spent on football or basketball. The way to enhance women's sports without killing men's programs is as obvious as it is politically palatable: Arms control talks.<sup>39</sup> Football coaches insist that the 85-scholarship limit is their absolute minimum, and that further cuts will affect the quality of the game, a standard only important to them.<sup>40</sup> If football's limit were 75, those 10 extra scholarships could keep alive a minor sport or two (specifically a men's sport), but having 7 football assistant coaches instead of nine could pay for two swimming coaches.<sup>41</sup> UCLA cut its men's swimming and gymnastic teams because the school needed to save money; the combined budget for those programs was \$266,490; the budget for football was \$6,555,774.<sup>42</sup> Balancing the budgets would help the programs into compliance because the focus would be on fixing the proportionality of the program. Title IX is not about choosing women's sports over men's sports; it is about more wrestling, more swimming, more women, more men and more sports funding in universities altogether.

### **NWCA v. Department of Education**

Over the past few years, colleges and universities where proportionality, not money, was the issue, have dropped many men's collegiate sports teams that had previously produced Olympians. Even though the Marquette wrestling team was totally supported and funded by alumni, it was dropped in 2001 for "gender equity" reasons.<sup>43</sup> Boston College dropped its lacrosse, water polo and wrestling programs, which had part-time coaches and no athletes on scholarship.<sup>44</sup> These programs were so inexpensive that the teams could have easily fund-raised their budgets.

The National Wrestling Coaches Association (NWCA) is a non-profit organization representing the interests of collegiate and scholastic wrestling coaches. It has joined forces with the Marquette Wrestling Club, the Yale Wrestling Association, the Committee to Save Bucknell Wrestling and the National Coalition for Athletics Equity in a lawsuit against the U.S. Department of Education (USDE). The lawsuit filed by the NWCA was done out of

mere frustration with the improper enforcement of Title IX by institutions seeking to comply with USDE's alleged unlawful Title IX rules.<sup>45</sup>

The nature of the NWCA action is to protect intercollegiate and scholastic opportunities and teams from further elimination caused directly by the unlawful rules that USDE has issued under the color of implementing Title IX.<sup>46</sup> The NWCA alleges that the rules that USDE announced to the regulated community in its January 1996 "Dear Colleague" letter exceed USDE's statutory authority by effectively mandating the very discrimination that Title IX prohibits, all in order to meet a regulatory test that Congress did not authorize USDE to adopt.<sup>47</sup> The NWCA further alleges that USDE unlawfully failed to change its Title IX rules in 1996 and that USDE's current Title IX rules so flagrantly violate USDE's duties under Title IX, which need to be revised with constitutional Equal Protection guarantees.<sup>48</sup>

The NWCA lawsuit challenges the 1979 Three-Prong Test and the 1996 "Dear Colleague" memorandum purporting to clarify that test. The NWCA argues that the Three-Prong Test is neither the original Title IX statute nor the regulation, but instead remains an ad hoc factor designed to address 92 complaints of alleged discrimination the Department of Education received more than 20 years ago when Title IX was being reviewed on its merits.<sup>49</sup> The NWCA lawsuit is not challenging Title IX or the 1975 Regulations, it is merely trying to enforce both, which together provide for equal opportunity based on interest and prohibit intentional gender-based discrimination.<sup>50</sup> NWCA also argues that the Three-Prong Test provides for equal participation based on enrollment and purports to authorize gender-consciousness and capping solely to achieve a numerical quota (the enrollment ratio of men and women at a particular school).<sup>51</sup>

What the NWCA lawsuit hopes to accomplish is that the regulation will continue to require schools to provide student-athletes of both genders with equal athletic opportunity based on interest.<sup>52</sup> Schools will need to assess interest, potentially looking into a variety of factors such as high school athletic participation rates, student demographics, students' eligibilities to participate in sports, the genders' respective participation rates in alternate extracurricular activities, and the regional or national character of the market from which the school draws its students.<sup>53</sup> Notwithstanding that the original 1975 Title IX regulations allowed a school to assess interest by a "reasonable method [it] deems appropriate," schools want and need a deterministic model to ensure that they do not discriminate against either men or women.<sup>54</sup> Therefore, the NWCA believes that it is imperative that the Commission and the USDE provide schools with guidance on "safe harbor" methods for measuring interest in intercollegiate athletic competition.<sup>55</sup>

## The Commission on Opportunity in Athletics

### Department of Education's Answer to the NWCA Lawsuit

If President Bush had not promised during his presidential campaign that he would take another look at Title IX and adopt a "reasonable approach" toward enforcing it, the NWCA lawsuit would not be holding him to that promise. But because of its mounting frustration toward the application of Title IX, the NWCA would have likely filed the suit at some point, regardless of the promises President Bush made. In response to the lawsuit, the USDE appointed a commission to study Title IX and report back its findings.<sup>56</sup> The Commission was co-chaired by Cynthia Cooper-Dyke, former WNBA coach, player and all-time leading scorer, and Ted Leland, Director of Athletics of Stanford University. The rest of the Commission was comprised of directors of athletics from various universities and colleges, and former athletes. After eight months of fact-finding and deliberations, the Commission fully understood how Title IX offers great hope to men and women athletes alike.<sup>57</sup> Enforcement of Title IX would require reform in order to make the law fairer and clearer for everyone.

#### What Are the Necessary Elements for Change?

Despite the gains in athletic programs for women and girls, the issues that have been raised about the effectiveness of the federal government's Title IX enforcement are numerous. Many college administrators claim that the U.S. Department of Education has failed to provide clear guidance on how postsecondary institutions can comply with Title IX standard and policy interpretations; and while many claim that the Department's OCR has not effectively enforced Title IX, others argue that the manner in which the Department enforces the law needlessly results in the elimination of some men's teams.<sup>58</sup>

The Commission set out to answer seven probing questions that would give great insight as to the types of recommendations it needed to propose. The questions the Commission has tried to answer through data research and witness testimony are the following:<sup>59</sup>

- 1) Are Title IX standards for assessing equal opportunity in athletics working to promote opportunities for male and female athletes?
- 2) Is there adequate Title IX guidance that enables colleges and school districts to know what is expected of them and to plan for an athletic program that effectively meets the needs and interests of their students?
- 3) Is further guidance or are other steps needed at the junior and senior high school levels, where availability or absence of opportunities will critically

affect the prospective interests and abilities of student athletes when they reach college age?

- 4) How should activities such as cheerleading or bowling factor into the analysis of equitable opportunities?
- 5) How do revenue producing and large-roster teams affect the provision of equal athletic opportunities? The Department has heard from some parties that whereas some men athletes will "walk on" to intercollegiate teams without financial aid and without having been recruited, women rarely do this. Is this accurate and, if so, what are its implications for Title IX analysis?
- 6) In what ways do opportunities in other sports venues, such as the Olympics, professional leagues, and community recreation programs, interact with the obligations of colleges and school districts to provide equal athletic opportunity? What are the implications for Title IX?
- 7) Apart from Title IX enforcement, are there other efforts to promote athletic opportunities for male and female students that the Department might support, such as public-private partnerships to support the efforts of schools and colleges in this area?

What the Commission found by asking these questions and using them as guides in its research is that changing Title IX is necessary for future generations.

It found that after 30 years of Title IX, great progress has been made, but more needs to be done to create opportunities for women and girls while retaining opportunities for men and boys.<sup>60</sup> Due to escalating operational costs in intercollegiate athletics, the effort to end discrimination in athletics and preserve athletic opportunities has been threatened.<sup>61</sup> The Commission found that there is great confusion about Title IX requirements, which has been caused by a lack of clarity in guidance from the OCR, and that the OCR's enforcement of Title IX can be strengthened.<sup>62</sup> Concerning the "walk-on" issue, which was a source of contention among the Commissioners, the Commission found that Title IX does not require mirror-image men's and women's sports programs, that artificial limits on walk-on opportunities do not benefit anyone, and because Congress has previously declined to exempt revenue-producing sports from Title IX consideration, any change in that policy would have to be generated by Congressional action.<sup>63</sup> Finally, the Commission found that an increase in allowable scholarships for women's sports might help schools to come into compliance with Title IX.<sup>64</sup> This information is crucial to preserving Title IX for its spirit, but changing how its policy is interpreted and enforced.



## Final Report and Recommendations to Education Secretary Rod Paige

Since the Commission was put together, there has been growing concern that opportunities would be reduced if Title IX were revised. In order to have all the views represented in the final report, it contains viewpoints on recommendations that were not reached by consensus or majority vote.<sup>65</sup> Julie Foudy, a commissioner and captain of the U.S. Women's National Soccer Team, stated that, "There's tremendous passion on this issue; to not represent both sides of the passion is a disservice of what we're going to give to Secretary Paige."<sup>66</sup>

The Commission adopted 23 key recommendations, 15 of which were approved by unanimous consent.<sup>67</sup> Four themes—commitment, clarity, fairness, and enforcement—frame the Commission's recommendations.<sup>68</sup> The Commission has highlighted the themes above and the recommendations that emerged with them:

- **Commitment:**

The Department of Education should reaffirm its strong commitment to equal opportunity and the elimination of discrimination for girls and boys, women and men.  
(Recommendation 1\*)<sup>69</sup>

- **Clarity:**

Any clarification or policy interpretation should consider the recommendations that are approved by this Commission, and substantive adjustments to current enforcement of Title IX should be developed through the normal federal rulemaking process.  
(Recommendation 2\*)<sup>70</sup>

The Department of Education's Office for Civil Rights should provide clear, consistent and understandable written guidelines for implementation of Title IX and make every effort to ensure that the guidelines are understood, through a national education effort. The Office of Civil Rights should ensure that enforcement of an education about Title IX is consistent across all regional offices.  
(Recommendation 3\*)<sup>71</sup>

The Office of Civil Rights should educate educational institutions about the standards governing private funding of particular sports aimed at preventing those sports from being dropped or adding specific teams.  
(Recommendation 11)<sup>72</sup>

- **Fairness:**

The Office for Civil Rights should not, directly or indirectly, change current policies in ways that would undermine Title IX enforcement regarding nondiscriminatory treatment in participation, sup-

port services and scholarships.  
(Recommendation 4\*)<sup>73</sup>

The Office for Civil Rights should make clear that cutting teams in order to demonstrate compliance with Title IX is a disfavored practice.  
(Recommendation 5\*)<sup>74</sup>

The Department of Education should encourage the NCAA to review its scholarship and other guidelines to determine if they adequately promote or hinder athletic participation opportunities.  
(Recommendation 13\*)<sup>75</sup>

The Department of Education should encourage educational institutions and national athletic governance organizations to address the issue of reducing excessive expenditures in intercollegiate athletics. A possible area to explore might include an antitrust exemption for college athletics.  
(Recommendation 8)<sup>76</sup>

- **Enforcement:**

The Office for Civil Rights should aggressively enforce Title IX standards, including implementing sanctions for institutions that do not comply. The Department of Education should also explore ways to encourage compliance with Title IX, rather than merely threatening sanctions.  
(Recommendation 6\*)<sup>77</sup>

The Commission made a series of recommendations on new ways in which Title IX compliance can be measured.  
(Recommendations 14\*, 15, 17, 19\*, 20, 21\*, 23\*)<sup>78</sup>

The Office of Civil Rights should allow institutions to conduct interest surveys on a regular basis as a way of 1) demonstrating compliance with the three-prong test, 2) allowing schools to accurately predict and reflect men's and women's interest in athletics over time, and 3) stimulating student interest in varsity sports. The Office should specify the criteria necessary for conducting such a survey in a way that is clear and understandable.  
(Recommendation 18)<sup>79</sup>

This is just a glimpse at the recommendations that the Commission has presented to Secretary Paige, but it gives insight as to the types of issues it had to consider and how to improve Title IX.

### Analysis of the Recommendations

Out of the 23 recommendations presented to Secretary Paige, the majority of them were approved by a consensus and only a few were passed by a majority vote. It is important to examine the recommendations that were passed, but specifically the ones passed by the majority. Recommendation 2, which was passed by a 12-1 vote, suggests that any substantive adjustments made to the



current enforcement of Title IX should be developed via normal federal rulemaking procedures. This recommendation was subject to criticism because the current interpretation of Title IX was developed through non-regulatory means.<sup>80</sup> But if changes are to be implemented to Title IX, it would be beneficial to have those changes be subject to public comment because the rules could be improved by such feedback.

Recommendation 8, which was passed by a 12-1 vote, suggests that educational institutions and national athletic organizations address excessive expenditures in intercollegiate athletics, specifically an antitrust exemption.<sup>81</sup> One of the main problems in intercollegiate athletics is that the budgets are not balanced and programs that have money tend to overspend, which may exacerbate the problem of proportionality. If these excessive expenditures are researched and revised, the programs may find that they could make money instead of losing it, which could help the smaller teams.

Recommendation 11 and Recommendation 12 both passed by 10-3 votes.<sup>82</sup> Recommendation 11 suggests that educational institutions should be educated on the standards of private funding of sports that are in danger of being dropped or sports that could be added. The opposition of this Recommendation did not support the exempting of private funds, but did support that the OCR should be able to find ways for outside funds to be accepted for teams to use.<sup>83</sup> This Recommendation reflects the problem that the Marquette wrestling team faced – they have private funds, but cannot use them. Therefore, this alternative could help save smaller teams from being cut. Recommendation 12 reflects the same concerns of Recommendation 11, as it suggests reexamination of the standards governing private funds. The concern of the Commissioners who opposed the Recommendation was that revisiting the current rules might open the door to discriminatory funding practices (large donations that would only benefit one sex), which could be paralleled to race-specific scholarship donations. That does not comply with the spirit of Title IX.

Recommendation 15 suggests that the OCR consider a different way of measuring participation opportunities so an educational institution could show it has complied with the first part of the Three-Prong Test. This recommendation was passed by a 10-3 vote. The concerns were aimed at the athlete who was determined a “walk-on,” that this type of athlete should be treated the same as other athletes and if opportunities were capped, they may be capped for reasons unrelated to Title IX.

Recommendations 17, 18, and 20 all deal with the participation issue as it relates to proportionality. They were passed by a vote of 8-5, 8-5, and 9-4 respectively. Recommendation 17 suggests that in calculating the proportionality of enrollment for purposes of the male/female ratio

in participation and scholarships, the ratio should exclude the walk-on athletes.<sup>84</sup> Therefore, the proportionality test would rely on the calculating of full or partial scholarship recipients and recruited-only walk-ons. As previously noted above, any limitation on the number of walk-ons may limit opportunities, which is what this Recommendation is trying to remove. Again, however, there is concern that the walk-on athletes would receive differential treatment, which would not be appropriate, since they receive resources from their schools (as do the other athletes). The difference between a scholarship athlete and one who is a walk-on is this: The scholarship athlete, most times, plays because he or she must in order to reach the next level (professional) or to receive a college degree; the walk-on athlete plays for the love of the game or to be a part of a team and represent his or her school. If Title IX is to be followed according to the legislative intent, it is important to include the walk-on athlete, because that athlete has the potential to contribute a great deal to the sport, just as much as an athlete who plays on a scholarship.

Recommendation 18 suggests that the OCR should regularly conduct continuous interest surveys to ensure compliance of the Three-Prong Test, that the interests of male and female students are being met, and that there is a stimulated interest in participating in varsity sports.<sup>85</sup> The main complaint from schools has been that there is no real way of demonstrating compliance with the third part of the Three-Prong Test. This recommendation would direct the USDE to develop specific guidance on these surveys in order to establish full compliance with the Three-Prong Test. The opponents of this Recommendation argued that these surveys would prevent future progress, because opportunities should be offered regardless of their present interest, and that it did not take into consideration the effect of historical patterns of discrimination regarding women’s interest in athletics. Therefore, the interest surveys should only be limited to demonstrating compliance with the third part of the three-prong test. Although these Commissioners were in the minority, they make an interesting argument. The interest survey could shut out opportunities and it could be too limiting because of a lack of interest at the moment, but years from now, there could be a stronger interest with no outlet for that sport.

Recommendation 20 suggests that compliance with the proportionality test should not include the nontraditional student. This is a difficult issue because, on the one hand, the majority can argue that most nontraditional students in the past have not participated in athletics and are extremely unlikely to begin to participate. On the other hand, however, if these students are not counted, it is another form of discrimination because the nontraditional student’s interests are not being considered at all. Also, part three of the Three-Prong Test already deals with the variances caused by nontraditional students. The majority was able to get this passed, but it is very far-reaching.

The Recommendations that were approved unanimously truly show how Title IX should be communicated, clarified and implemented. Title IX is a critical component of fairness in the education of our children. These Recommendations are practical, which will allow for fair enforcement of Title IX by the USDE and the OCR. The following are a few of the unanimously approved Recommendations that focus on changing the enforcement of Title IX:

Recommendation 14: If substantial proportionality is retained as a way of complying with Title IX, the OCR should clarify the meaning of substantial proportionality to allow for a reasonable variance in the relative ratios of athletic participation of men and women while adhering to the nondiscriminatory tenets of Title IX.<sup>86</sup>

Recommendation 21: The designation of one part of the Three-Prong Test as a “safe harbor” should be abandoned in favor of a way of demonstrating compliance with Title IX’s participation requirement that treats each part of the test equally. In addition, the evaluation of compliance should include looking at all three parts of the test, in aggregate or in balance, as well as individually.<sup>87</sup>

Recommendation 22: The OCR should be urged to consider reshaping the second part of the Three-Prong Test, including by designating a point at which a school can no longer establish compliance through this part.<sup>88</sup>

Recommendation 23: Additional ways of demonstrating equity beyond the existing Three-Prong Test should be explored by the Department of Education.<sup>89</sup>

These Recommendations, along with the others discussed above, will greatly assist the OCR and the USDE in making the necessary changes that need to be implemented. No Recommendation suggests that fundamental changes should be made to Title IX. These Recommendations apply to the NWCA lawsuit because changing how schools comply with Title IX is the main issue in that action. However, they are just recommendations. It is up to the OCR and the USDE to begin to make these changes, and ensure that the changes are enforced properly. The NWCA lawsuit will not be solved by these Recommendations, but they are a step in the right direction and will continue to put pressure on the OCR and USDE to start the process as soon as possible. The NWCA wants a fair enforcement of Title IX, and hopefully that is what will happen in the future.

## Conclusion

The world of sports would look very different today if Title IX had not been created. There would be no Serena Slam, WNBA, Women’s World Cup, gold medal in women’s ice hockey, and, of course, no Anna Kournikova. The theory of law is that it is always changing; laws that were enforced 50 years ago may not be applicable in today’s society. It is important to change laws and policies in order for them to continue to be beneficial to our society.

The problems with Title IX have existed since it was created, as seen through the various steps taken to ensure that it was properly interpreted and enforced. Yet, because confusion about the policy still exists, those steps were not enough. The Recommendations the Commission has made to Secretary Paige are fair, reasonable, and complete. Secretary Paige will consider these recommendations, but only to help rewrite the USDE’s regulations enforcing the law or the guidance it offers to high schools and colleges. It is important that these Recommendations are looked at closely, because they address the concerns of athletes, colleges and universities, and the government. The positive results of Title IX are real and tangible, and therefore to change the fundamentals of the law in a way that would not be beneficial to both men and women, would be a mistake. Rather, changing how colleges and universities enforce and interpret it is a good alternative.

## Endnotes

1. U.S. Dep’t of Education, Secretary’s Commission for Opportunity in Athletics, *Open to All: Title IX at Thirty*, Washington, D.C., 2002, p. 12 (hereinafter “Secretary’s Commission Report”).
2. Gender Equity: Men’s and Women’s Participation in Higher Education, GAO-01-128, December 2000, p. 10.
3. *Id.* at 10.
4. National Federation of State High School Associations, 2002 Participant Survey.
5. *Id.*
6. *Ruling Says Lawsuit Should Be Thrown Out*, ESPN.com, May 30, 2002, p. 1.
7. Secretary’s Commission Report, p. 1.
8. *Id.* at 1.
9. Case Note: The Department of Education’s (DOE) motion to dismiss for lack of jurisdiction was granted in part and the case has been dismissed by the District Court. The Court held that

(1) Allegations made by associations were sufficient to establish the injury-in-fact component of test for standing, at least with respect to associations’ student-athlete and coach members; (2) members of associations could not satisfy causation and redressability prongs of the Article III standing test; (3) implied right of action against funded educational institutions existed for associations, as representatives of their individual member athletes, coaches, and alumni, to challenge a funded entity’s conduct under Title IX regulations; (4) association had standing to challenge improper denial under the Administrative Procedure Act (APA) of petition for amendment or repeal of DOE’s Title IX interpretive

rules; and (5) APA did not confer jurisdiction on the court to hear claim alleging improper denial of petition for amendment or repeal of interpretive rules.

*NWCA v. U.S. Dep't of Education*, 263 F. Supp. 2d 82 (2003) at 1. It is likely that the NWCA will appeal this ruling.

10. Secretary's Commission Report, p. 14.
11. *Id.* at 15.
12. 20 U.S.C. § 1681.
13. Secretary's Commission Report, p. 15.
14. 34 C.F.R. § 106.41.
15. 34 C.F.R. § 106.41(c).
16. Secretary's Commission Report, p. 15.
17. *Id.* at 15.
18. 20 U.S.C. § 1687.
19. 20 U.S.C. § 1092(g).
20. Secretary's Commission Report, p. 16.
21. *Cohen v. Brown Univ.*, 101 F.3d 155 (1st Cir. 1996).
22. *Id.* at 4.
23. *Id.*
24. *Id.* at 10.
25. *Id.*
26. *Id.* at 30.
27. *Roberts v. Colorado State Bd. of Agric.*, 998 F.2d 824 (10th Cir. 1993).
28. *Id.* at 2.
29. *Kelly v. Board of Trustees*, 35 F.3d 265 (7th Cir. 1994).
30. *Id.* at 3.
31. *Id.*
32. *Id.* at 8.
33. *Id.* at 15.
34. Secretary's Commission Report, p. 17.
35. Susan Casey, *Scorecard*, Sports Illustrated, vol. 96, issue 26, June 24, 2002.
36. *Id.*
37. Intercollegiate Athletics: Four-Year Colleges' Experiences Adding and Discontinuing Teams, GAO-01-297, March 2001, p. 11.
38. George F. Will, *The Last Word: A Train Wreck Called Title IX*, Newsweek, May 27, 2002, at 1.
39. *Id.*
40. *Id.*
41. *Id.*
42. *Id.*
43. Casey, *supra* note 35, at 1.
44. National Wrestling Coaches Association, *The Gender Quota Advocates' Flawed Arguments*, Sept. 26, 2002.
45. *Id.*
46. *Id.*
47. *NWCA v. Dep't of Education*, Case No. 1:02CV00072 EGS, p. 3; 20 U.S.C. §§ 1681-1688 (1994).
48. *NWCA v. Dep't of Education*, at 4.
49. *Id.*
50. National Wrestling Coaches Association, *Joint Statement of National Wrestling Coaches Association and the College Sports Council to the*

*Commission on Opportunity in Athletics*, Manheim, Pa., Sept. 26, 2002, p. 2.

51. *Id.*
52. *Id.*
53. *Id.*
54. *Id.*
55. *Id.*
56. *Id.*
57. *Id.*
58. Secretary's Commission Report, p. 6.
59. *Id.* at 3.
60. *Id.* at 32.
61. *Id.* at 21.
62. *Id.* at 25.
63. *Id.*
64. *Id.* at 31.
65. *Id.* at 32.
66. *Dissenters Earn Right to Have Their Views Included*, ESPN.com, Jan. 29, 2003, at 1.
67. Secretary's Commission Report.
68. *Id.* at 4.
69. *Id.*
70. *Id.*, \*Consensus Approval-Vote.
71. *Id.*
72. *Id.* at 5, \*Consensus Approval-Vote.
73. *Id.*
74. *Id.*, \*Consensus Approval-Vote.
75. *Id.*, \*Consensus Approval-Vote.
76. *Id.*, \*Consensus Approval-Vote.
77. *Id.*
78. *Id.*, \*Consensus Approval-Vote.
79. *Id.*, \*Consensus Approval-Vote.
80. *Id.*
81. *Id.* at 33.
82. *Id.* at 35.
83. *Id.* at 36.
84. *Id.* at 36.
85. *Id.* at 38.
86. *Id.*
87. *Id.* at 37.
88. *Id.* at 39.
89. *Id.* at 40.

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# What to Watch Out for in a Digital Archive

By Alan J. Hartnick

The Alexandrian Library in the Hellenistic world was created in an attempt to collect the literary works of the ancient world. Fire swept that dream away, and that is why we only have about 5 percent of such works. The digital world has created another hope. Can a digital archive be preserved perpetually?

## Definitions

What does “digital” mean? And what is an “archive”? Almost everything in the world can be represented in one of two forms: Analog or digital. Analog representations are continuous; such as the movement of the hands on a watch or the recording of varying amplitude of an electronic signal on magnetic tape in a VCR or audio cassette. Digital representations are based on discontinuous data, such as digital watches, which go from one value to another, without displaying any intermediate value, such as CDs and DVDs. Computers are digital machines because they can distinguish between two values, 0 and 1, off or on.

We experience the world analogically. Most analog events can be represented digitally. And all data that a computer processes must be encoded digitally.

An “archive” is a place for collecting and storing records, documents and other materials of historical interest. It is really a specialized “library,” a library being a place for reading, reference, or lending, from the Latin *liber*, a book.

## Digital Images

The first question is, what are digital images? They are the result of the multiplication of codes used in data processing systems in which it is possible to capture and store almost any phenomenon in digital form. It is thus possible to translate into digital code an existing representation on an analog base, such as scanning the illustration of a book.

The “right” to digitize, if it is a right, was not expressly mentioned in the official “Digital Agenda” of the WIPO Copyright Treaty approved in Geneva on December 20, 1996. But is it a new copyright “right,” like colorization? It can be argued that the creator of digital images makes decisions in choosing among different possibilities of focusing, framing, and fixing the density of pixels (that is, picture element).

In an article by a student at Southwestern Law School, there is a spirited discussion that a derivative work is created when an analog sound recording is transformed into a digital sound recording.<sup>1</sup> The author uses a suggestion from Paul Goldstein’s treatise, that “a new work [is created] for a different market,” and various Second and Ninth Circuit decisions. He argues that the transformation of an analog sound recording into a digital sound recording requires a high degree of true artistic skill.

The Copyright Office has had difficulty with applications from those claiming copyright authorship in the scanned image itself rather than in the underlying work. The view is that scanning typically involves mechanical acts. Even if registered, it is not clear what the courts will do. An independent copyright in a digital image could create harassment problems from the owner of the new right.

## Digital Collections

The Library of Congress has assumed a leadership role in the National Digital Information Infrastructure and Preservation Program, authorized by Congress in December 2000. The Library is collaborating with other federal agencies as well as other organizations and individuals in the information community. The mission is to develop a national strategy to collect, archive and preserve the burgeoning amounts of digital content, especially materials that are created only in digital formats, for current and future generations.

## Report on Copyright Issues in Digital Archiving

The Library and the Council commissioned a brilliant report by June M. Besek, Executive Director of the Kernochan Center for Law, Media and the Arts at Columbia University.<sup>2</sup> Ms. Besek considers that if a new version consists merely of the same work in a new form, such as a book scanned to create a digital version, then it is a reproduction of a copyrighted work, and is not a derivative work. Even if it were a derivative work, the consent of the author of the underlying work is necessary. She writes:

Neither the courts nor the Copyright Office has yet endorsed a ‘digital first sale doctrine’ to allow users to retransmit digital copies over the Internet. . . .



Even though works can be converted into 1's and 0's when digitized, they generally retain their fundamental character. In other words, if a digitized work is a computer program, it is subject to the privilege the law provides to owners of computer programs to make archival copies. If it is an unpublished work, it retains the level of protection that attaches to unpublished works . . .

And what rights does the owner of a material object in which the copyrighted work is embodied have to make a digital copy? The owner of the physical property can sell or lend, but cannot reproduce the copyrighted work unless there is an exception in the copyright law.

There are exceptions for certain archival and other copying by libraries and archives in section 108 of the Copyright Act. Three copies of a published or unpublished work may be made in digital format but cannot be made available outside the library premises. For a published work, the digital format can only be used if an unused replacement cannot be obtained at a fair price. The "fair use" provision in section 107 probably applies to a nonprofit digital archive for scholarly and research use.

Ms. Berek concludes: "What about copying or 'harvesting' publicly available web sites . . . there is no clear road under existing law for collecting the works proposed for a digital archive and placing them on a publicly accessible network."

### Straddling the Analog/Digital Worlds

Anne M. Carley considers archives a "virtual goldmine."<sup>3</sup> She writes: "An international group of experts has begun the Cuneiform Digital Library Initiative (CDLI)." Their task is to provide a Glossary of Cuneiform—"to make available through the Internet the form and content of cuneiform tablets dating from the beginning of writing, ca. 3200 B.C.E."<sup>4</sup>

In addition:

The Lester S. Levy Digitized Collection of Sheet Music is a project at Johns Hopkins University. Already it has digitized over 29,000 pieces of popular American sheet music from 1780 and 1960. The music is arranged

by topic—"Drinking, Temperance and Smoking" is one, and "Postal" is another. The cover and the music are available as printable image files. Now the project is beginning to include audio files, full-text lyrics, and special search capabilities.<sup>5</sup>

The above listings of digital archives are generally public domain.<sup>6</sup> As I have indicated in this article, a digital archive made of copyrighted works is much more complicated.

### Conclusion

The Library of Congress' Preservation Reformatting Division is pragmatic in its recommendations. Its first underlying principle is to retain an analog version of digitally reformatted items until it is clear that the life-cycle management will ensure access for as long as, or longer than, the analog version. How shrewd!

### Endnotes

1. Comis, *Copyright Killed the Internet Star*, 31 Sw. U. L. Rev. 753 (2002).
2. Besek, *Copyright Issues Relevant to the Creation of a Digital Archive: A Preliminary Assessment*, Council on Library and Information Resources and Library of Congress, Jan. 2003. Besek's report is available on the Web site of the Council for Library and Information Resources, at <http://www.clir.org>, click on "What's New." It is one of the listed documents.
3. Carley, *Archives—A Virtual Goldmine*, Remarks, N.Y. State Bar Ass'n Copyright and Trademark Committee, Oct. 17, 2000.
4. <http://cdli.ucla.edu/>.
5. [levysheetmusic.mse.jhu.edu](http://levysheetmusic.mse.jhu.edu).
6. As an example, the URL for a very good Web-based archive of the entire output of Gemini GEL, a first-tier fine art print studio from California, is now archived at and by the National Gallery of Art in Washington, D.C.: <http://www.nga.gov/gemini/>. Other examples of archive sites include the well-known Internet Archive's "Wayback Machine," available at <http://www.archive.org>, and the U.S. National Library of Medicine's digital archive of life sciences journal literature, available at <http://www.pubmedcentral.nih.gov>. JSTOR, available at <http://www.jstor.org>, is a scholarly journal archive.

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# We Will Not Go Gentle Into That Good Night<sup>1</sup>— The Music Industry Strikes Back Against Individual Song-Swappers

By Todd Gillman

In an article published in the last issue of the *EASL Journal*, I examined the music industry's multi-faceted approach to the illegal file-sharing dilemma.<sup>2</sup> In a period of a few months since the date of my last writing, several extraordinary and certainly unprecedented developments have occurred which warrant attention. Clearly, the most significant event occurred on September 8, 2003, when the music industry, through its lobbying organization, the Recording Industry Association of America (RIAA), filed 261 lawsuits against individual file-sharers. In this companion piece, I explore this recent litigation frenzy by the industry and examine the immediate impact and long-term ramifications that these suits against individuals symbolize. In addition, as with my last article, I also focus upon the industry's attempt to lure the consumer back to the CD market, with the Universal Music Group taking the lead, as well as the industry's further involvement with legal music services, such as the impressive Apple iTunes service.

## Litigation . . . Again

By way of background, this past April the music industry suffered a major setback from the decision rendered in the *MGM Studios* case.<sup>3</sup> With this adverse ruling, the industry recognized (at least for the time being)<sup>4</sup> that it was powerless in its effort to disable the Napster copycats (i.e., Grokster and Morpheus), as the court ruled that the decentralized structure of these sites illustrated that they could not be held directly accountable for copyright infringement. However, the decision left open a very important, albeit thorny, option for the industry—the opportunity to litigate against individual file-sharers, whom the *MGM Studios* court acknowledged were liable for direct copyright violations. This path was gingerly pursued in April as the RIAA sued a number of college students who operated free file-sharing sites on their college servers.<sup>5</sup> The suits were quickly settled in the beginning of May, with the students agreeing to disable their Web sites and paying fines between \$12,000 and \$17,500. However, this was just a prelude.

On September 8, 2003, the RIAA stunned the nation by filing 261 lawsuits against alleged individuals who were sharing more than 1,000 songs using the various free file-sharing sites.<sup>6</sup> Quickly, the public learned that those sued included an eclectic group of file-sharers of different ages and socio-economic backgrounds, most notably a curly-haired 12-year-old honors student named Brianna Lahara from New York's inner city. The complaints sought to enjoin the alleged copyright violators from continuing to

upload and share song files.<sup>7</sup> In addition, the plaintiffs demanded statutory damages for each infringement of a copyright.<sup>8</sup> Under copyright law, violators may be held liable for \$750 to \$150,000 for each incident, which could amount to millions of dollars depending on the size of the violator's library.<sup>9</sup> Cary Sherman, the President of the RIAA, justified the industry's action as follows:

Nobody likes playing the heavy and having to resort to litigation . . . but when your product is being regularly stolen, there comes a time when you have to take appropriate action. We simply cannot allow online piracy to continue destroying the livelihoods of artists, musicians, songwriters, retailers, and everyone in the music industry.<sup>10</sup>

The lawsuits have spawned a backlash of bad press for the RIAA and the music labels, which were already greatly battered by the sharp downturn in CD sales in the past few years. For some individuals, even before the lawsuits, the RIAA was already characterized as a "tiny group of rich men that make a great deal of money off the sweat of others."<sup>11</sup> The lawsuits have only intensified the hatred and scorn directed at the RIAA and the labels. The younger generation of computer users (and file-sharers) has had a particularly difficult time comprehending the significance of the RIAA's tactics, as well as understanding the highly complex concepts of intellectual property and copyright law. Their generation has been described as "a downloading culture. A few clicks of a mouse bring them not just music, but movies, games and instant communication as well. Legality seems beyond the point as they click their way through licensing agreements, impatient for the software at the other end."<sup>12</sup>

After discovering that Brianna Lahara was one of the 261 sued, the RIAA quickly moved to settle her case and get her story and picture out of the headlines.<sup>13</sup> Brianna settled her case with the RIAA for \$2,000, which was donated by P2P United, a file-sharing companies' lobby group.<sup>14</sup> Adam Eisgrau, the Executive Director of P2P United, explained, "we do not condone copyright infringement, but someone has to draw the line to call attention to a system that permits multinational corporations with phenomenal financial and political resources to strong-arm 12-year-olds and their families in public housing the way this sorry episode dramatizes."<sup>15</sup> Incidentally, in addition to the \$2,000 from P2P United, Brianna was flooded with donations from private individuals who read about her

plight.<sup>16</sup> From the RIAA and the labels' perspectives, the entire Brianna incident certainly countered the old adage that there is no such thing as bad press.

It should be noted that some experts predict that the RIAA's actions may force the software developers of the file-sharing systems to create underground and hidden systems to avoid the snooping eye of the recording industry's trade group.<sup>17</sup> One such system called Freenet, introduced in 1999, allows users to remain anonymous. However, it has been found to be slow and difficult to operate, thereby minimizing its potential impact.<sup>18</sup>

For those individuals who have not yet been sued by the RIAA, but who are aware that they have illegally downloaded songs, the RIAA has offered an amnesty program, called the "Clean Slate Program." In order to be eligible, an individual must:

1. Delete/destroy all copyrighted songs that have been illegally downloaded to the user's hard drive and other portable devices (including those files copied onto CD-R format);
2. Agree in the future that the user will not illegally download copyrighted sound recordings or share files on P2P networks;
3. Affirm that any previous downloading or file distribution was engaged in on a purely noncommercial basis; and
4. Not be currently under investigation by the RIAA for copyright infringement.<sup>19</sup>

Once an individual agrees to the amnesty program and signs the Clean Slate Program affidavit, the RIAA insists that the information provided will not be made public or given to third parties, including copyright owners, except if necessary to enforce a participant's violation of the pledges set forth in the Affidavit.<sup>20</sup>

Already, the amnesty program has aroused controversy. Within days of the amnesty announcement and the filing of the lawsuits against individual users, various others have challenged the amnesty program as being a deceptive and fraudulent business practice.<sup>21</sup> California resident Eric Parke alleges in a complaint against the RIAA:

[The amnesty program is] designed to induce members of the general public . . . to incriminate themselves and provide the RIAA and others with actionable admissions of wrongdoing under penalty of perjury while [receiving] . . . no legally binding release of claims . . . in return.<sup>22</sup>

An RIAA spokesman, addressing the Parke suit, responded, "No good deed goes unpunished, apparently."<sup>23</sup> In another lawsuit, Ira Rothken, an attorney from Marin County, California, contends, "the legal document provides no release of claims, no promise not to sue

you. It offers no promise to actually clean the slate by destroying the data these people provide."<sup>24</sup>

Finally, in another intriguing legal development, the American Civil Liberties Union (ACLU) has filed a motion to prevent the music industry from acquiring the name of a Boston College student accused of being a large-scale file sharer.<sup>25</sup> The ACLU argues that the constitutional rights of its client, referred to in the court papers as Jane Doe, would be violated if her college, which is also her Internet Service Provider, were forced to reveal her name.<sup>26</sup> According to the ACLU's filing, this would strip her of "her fundamental right to anonymity."<sup>27</sup>

The RIAA and labels have clearly reached a point of desperation. How else could the industry justify the unthinkable—suing its own customers? Plainly, these suits seek the primary objective of deterrence. As a secondary objective, the RIAA and labels seek to recoup some of the money they allege to have lost due to the free sites. Obviously, they will never fully recoup everything. The lawsuits seek instead to instill fear so that a potential file-sharer will think twice before uploading or downloading a song to or from one of the free sites. There is some data that suggests that the RIAA's threats of suing individuals (which began back in June of 2003) have had an impact on the curbing of file sharing, at least to some degree.<sup>28</sup> In a poll conducted by Forrester Research in July, 68 percent of those individuals surveyed said they would stop downloading music if there was a "serious risk" of being fined or sued.<sup>29</sup> It remains to be seen whether the 261 lawsuits targeting individual song-swappers will have the deterrent impact that the music industry seeks.

## Universal Slashes CD Prices and Employs Some Creativity

On September 3, 2003, just days before the RIAA lawsuits were filed, the Universal Music Group ("Universal") announced its intention to cut the suggested retail price of nearly all of its CDs to \$12.98, a drop of as much as 32 percent.<sup>30</sup> In practice, that drop in price would mean that many of its CDs would instead sell for just \$9.99.<sup>31</sup> So far, none of the other four major labels have followed suit. One executive at a competing label commented on Universal's audacity, "they are basically forever changing the record business . . . it's a massively bold move; it's the kind of move we as an industry need to be making."<sup>32</sup> Doug Morris, Universal's Chairman and Chief Executive, described the price cut as part of a broad strategy that includes legal and technical assaults on online music piracy, and improved legal online music services—"a strategic move to bring people back into music stores."<sup>33</sup> Generally, larger retailers have praised the decision. However, smaller specialized music stores, mid-tier artists and small record labels argue that aspects of Universal's new policy, which call for the reduction of in-store promotional subsidies, will make it harder for new acts to get attention and generate sales.<sup>34</sup> Steve Berman, Marketing and Sales head of



Universal Interscope, disagrees, and contends that now instead of paying stores for promotions, Universal will spend money directly on consumer advertising to foster attention for developing artists.<sup>35</sup>

However, it should be noted that on September 23, 2003, Universal backed away from its original announcement regarding setting a \$12.98 sticker price on its CDs.<sup>36</sup> Instead, Universal will place stickers on its CDs, indicating that the CDs are lower-priced, but there will not be a specific price affixed to them.<sup>37</sup> Apparently, Universal's top retail customers, Best Buy, Wal-Mart and Target, had rejected having the CDs shipped with the \$12.98 price already affixed.<sup>38</sup> It will be interesting to see how this will affect sales, particularly with lesser-developed artists.

A very innovative promotional ploy that deserves mentioning is the ambitious "Willie Wonka-style" contest announced by the rapper Obie Trice, a protégé of Eminem, on the music label Shady Records, marketed and distributed by Interscope Geffen A&M, part of the Universal Music Group.<sup>39</sup> To entice fans to buy Trice's album, scheduled for a September 23, 2003, release, Trice and Shady Records hid "golden tickets" inside three of the first 500,000 copies of the album. The winners will receive an all-expense-paid trip to Detroit to watch Eminem record his new album.<sup>40</sup>

The industry can truly benefit from following Universal's lead, both with regard to price cuts and creative marketing. Due to the current dismal state of the music industry, it is clear that labels now will have to offer potential consumers more to draw them into stores. Whether this means reduced-priced CDs, enhanced CDs<sup>41</sup> (i.e., with bonus material or other special features) or just plain-old contests/lotteries, the labels need to give the potential consumers a sense of value and incentive for their purchasing of music in the traditional CD format (i.e., in stores and/or through the Internet retailers like Amazon.com).

## Competition (Revisited)

In my previous article, I explored the music labels' foray into the world of fee-based on-line music services.<sup>42</sup> The services that have been most successful to date are those which offer an *à la carte* option, where consumers can download their favorite songs for about \$.99 apiece or an entire album for under \$10. Apple's iTunes system continues to report progress. Since its April 2003 launch, iTunes has sold 10 million songs and has launched a version compatible with Windows.<sup>43</sup> iTunes is steadily signing up artists who had previously refused to join the service for various reasons. For instance, as of September 2, 2003, 18 albums of the Rolling Stones' catalog were made available.<sup>44</sup> In another example, famed Key West rocker Jimmy Buffet just announced the release of two of his upcoming live albums exclusively through iTunes for a one-month period, before they are made available in stores.<sup>45</sup> Due to its overwhelming popularity, Apple even

announced that it will release an iTunes service for the European market starting next year.<sup>46</sup> Following the iTunes lead, computer and electronics maker Dell Inc. announced its intention to begin online sales of music and the release of an MP3 player under its brand name.<sup>47</sup> In addition, Sony Corp. announced that it plans to release its own service by spring of 2004.<sup>48</sup> Sony already has its own brand of MP3 players under its electronics division. Finally, Musicmatch, a San Diego software company best known for its popular music-player software, introduced a new service offering a liberal song-usage plan that rivals iTunes for Windows-based personal computers.<sup>49</sup> The labels have already licensed more than 200,000 songs at \$.99 each to Musicmatch.<sup>50</sup> Thus, the various legal music services are making steady progress in an effort to attract music lovers to the sites while minimizing the impact of the illegal services.<sup>51</sup>

## Conclusion

In sum, the music industry continues to utilize litigation (now against individuals) as a form of deterrence. More suits have been promised for the immediate future. Clearly, it is too early to assess the deterrent effect of this wave of individual suits. The RIAA and labels are also offering the amnesty program as a way for a file-sharer to "come clean" before being sued. At the same time, the industry continues to adhere to its multi-pronged approach by attempting to lure music customers back to lawful modes of music product, whether in the form of traditional CDs or through legal downloading services. One thing that is abundantly clear however, is that the music industry is not about to give up or back down.

## Endnotes

1. This line represents a slightly altered version of the title of Dylan Thomas's classic 1937 poem, "Do Not Go Gentle Into That Good Night."
2. See Todd Gillman, *In a Post-Napster World: The Music Industry's Ongoing Battle Against Illicit File Sharing*, NYSBA Entm't, Arts & Sports Law J., Summer 2003.
3. See *Metro-Goldwyn-Mayer Studios, Inc. et al. v. Grokster et al.*, 2000 U.S. Dist. LEXIS 865 (C.D. Calif., Jan. 9, 2003) ("MGM Studios"). For a comprehensive treatment of this decision please see Gillman, *supra* note 2, and Jay Flemma, *The Grokster Decision: It's a Bird! It's a Plane! It's Supernodes!?!?*, NYSBA Entm't, Arts & Sports Law J., Summer 2003.
4. The RIAA immediately vowed to appeal the decision.
5. See Gillman, *supra* note 2.
6. See Amy Harmon, 261 *Lawsuits Filed on Internet Music Sharing*, N.Y. Times, Sept. 8, 2003; Nick Winfield & Ethan Smith, *Record Industry Files Suits Against 261 Music Uploaders; Move May Alienate Customers*, Wall St. J., Sept. 9, 2003; *Music Industry Sues Swappers*, CNN/Money, Sept. 9, 2003. It should be noted that the RIAA has threatened that ultimately "thousands more" lawsuits will be filed in the upcoming months. See *RIAA Sued For Amnesty Offer*, available at <http://www.cnet.com>.
7. See "sample" complaint found on the RIAA Web site, available at <http://www.riaa.com>.



8. *Id.*
9. See Harmon, *supra* note 6.
10. See *Recording Industry Begins Suing P2P File Sharers Who Illegally Offer Copyrighted Music Online*, Sept. 9, 2003, found on the RIAA Web site, available at <http://www.riaa.com>.
11. See *RIAA Is Four Letter Word*, Aug. 6, 2003, available at <http://www.battlecreekonline.com>.
12. See *Is It Wrong to Share Your Music? (Discuss)*, N.Y. Times, Sept. 18, 2003.
13. See Alex Pham, *N.Y. Girl Settles RIAA Case*, L.A. Times, Sept. 10, 2003. Photos of Brianna were plastered on the front pages of the New York Post and the Daily News, two of New York's leading tabloid-style papers. *Id.*
14. See *12-year-old's mom settles with RIAA, P2P association pays the bill*, Sept. 10, 2003, found at <http://www.cd-rw.org/news>.
15. *Id.* According to Mr. Eisgrau, the group has no intention of donating money for other file-sharers' legal settlements. *Id.*
16. See *Being Sued by RIAA Turns Profitable*, Sept. 13, 2003, located at <http://www.netrixwork.com>. She received donations ranging from \$3 to \$1,000. *Id.*
17. See Saul Hansell, *Crackdown May Send Music Traders Into Software Underground*, N.Y. Times, Sept. 15, 2003.
18. *Id.*
19. See "Clean Slate Program Description," found on the RIAA Web site, located at [www.riaa.com](http://www.riaa.com). It appears that the last eligibility requirement was enacted to prevent an individual from seeking amnesty only after he or she has already been sued. In other words, the amnesty program is designed for an individual who takes the initiative and proactive steps to come forward on his or her own, before being sued, and thereby avoiding litigation.
20. *Id.*
21. See *RIAA Sued For Amnesty Offer*, found at <http://www.CNET.com>; Liane Cassavo, *Consumers strike back, sue RIAA*, Sept. 12, 2003, found at <http://www.computerworld.com>.
22. See *RIAA Sued For Amnesty Offer*, *supra* note 21.
23. *Id.*
24. *Id.*
25. See John Schwartz, *ACLU Challenges Music Industry in Court*, N.Y. Times, Sept. 29, 2003.
26. *Id.*
27. *Id.*
28. See N.Y. Times/CBS Poll of people using KaZaA, the most popular free-sharing site, in the N.Y. Times, Sept. 19, 2003.
29. See Steve Lohr, *Fighting the Idea That All Internet Is Free*, N.Y. Times, Sept. 9, 2003.
30. See Ethan Smith, *Universal Slashes CD Prices in Bid to Revive Music Industry*, Wall St. J., Sept. 4, 2003; Amy Harmon, *Universal to Cut Prices of Its CD's*, N.Y. Times, Sept. 4, 2003.
31. *Id.*
32. *Id.* As of the time of this publication, on November 6th, Sony Music and Bertelsmann announced their intention to combine their music divisions, illustrating another example of how the labels are striving to streamline and increase profitability. Should U.S. and European regulators approve the planned merger, the "Big 5" would be reduced to four major labels. The proposed "Sony BMG" label would create a stronger rival to the industry leader, Universal Music Group of Vivendi Universal. NYTimes "Bertelsmann and Sony to Join Music Units" dated 11/7/03, by Mark Lander; WSJ "Two Cost-Cutting TV Executives Will Run Music Monolith", Ethan Smith, 11/7/03.
33. *Id.*
34. See David D. Kirkpatrick, *CD Price Cuts Could Mean New Artists Will Suffer*, N.Y. Times, Sept. 29, 2003.
35. *Id.*
36. See Frank Ahrens, *Sticker Price Scrapped for Universal CDs*, Washingtonpost.com, Sept. 24, 2003.
37. *Id.* Universal sources have indicated that the sticker may say something like "Great Music, Great Price" or "Revolutionary New Price." *Id.*
38. *Id.*
39. See Chris Nelson, *Fighting Song Piracy the Willie Wonka Way*, N.Y. Times, Sept. 15, 2003. For those of you unfamiliar with the Willie Wonka/Charlie and the Chocolate Factory premise, Willie Wonka hid five "golden tickets" inside candy bars to induce a sales frenzy—the "golden ticket" winners were given a private tour of his factory and also competed for a lifetime supply of chocolate bars.
40. *Id.*
41. For instance, the new P.O.D. album "Payable on Death" scheduled for release on Nov. 4, 2003, by Atlantic Records, part of Time Warner, will contain extras including a DVD with a documentary of the band and a Sony PlayStation 2 game. See Chris Nelson, *Trying to Sell CD's by Adding Extras*, N.Y. Times, Oct. 6, 2003. In another example, Arista Records, part of Bertelsmann, recently released OutKast's innovative two-CD set "Speakerboxxx/The Love Below" for \$18.98 to compete with single albums. *Id.*
42. See Gillman, *supra* note 2, Competition section.
43. See *iTunes Music Store Sells Ten Millionth Song*, Sept. 8, 2003, found at <http://www.apple.com/pr/library>.
44. See MacNN: *Rolling Stones music available on iTMS*, found at <http://www.macnn.com>.
45. See MacNN: *Jimmy Buffet releases new CDs on iTMS*, found at <http://www.macnn.com>.
46. See MacNN: *Apple to launch European iTMS next year*, found at <http://www.macnn.com>.
47. *Id.*
48. See Sony Corp.: *Internet Music Service Slated For U.S. Launch In Spring*, Wall St. J., Sept. 5, 2003.
49. See Nick Wingfield, *Musicmatch to Launch Service with Liberal Song-Use Rights*, Wall St. J., Sept. 29, 2003; *Musicmatch Downloads*, N.Y. Times, Sept. 30, 2003.
50. *Id.*
51. It should be noted that as of the time of publication, Penn State University will cover the costs of providing its students with a legal method to download music from a catalogue of half a million songs through the newly-reconstituted Napster service. This arrangement is expected to serve as a model for other colleges that have been pressured recently by the music industry to curb students' file sharing on the college internet servers. NY Times Nov 7, 2003 "Penn State Will Pay to Allow Students to Download Music", by Amy Harmon.

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# The Law and Silent Tom Smith: Seabiscuit's Trainer Fought the Law, But the Law Won

By Bennett Liebman

Millions of moviegoers might currently believe that Silent Tom Smith, the trainer of Seabiscuit, was one of the mysterious geniuses of horse racing. In 1945 and 1946, the Jockey Club and the New York State Racing Commission might have agreed with the mysterious part. They would not have agreed with the genius designation. These organizations found Tom Smith responsible for drugging a horse and ruled him out of racing for a year.<sup>1</sup>

In 1945, Tom Smith was the trainer for Elizabeth Graham's Maine Chance Farm. Elizabeth Graham was generally known as Elizabeth Arden, the cosmetics executive, and she ran a powerhouse racing stable for decades. It was never more powerful than it was in 1945. In that year, Maine Chance led the nation in racing earnings, and Tom Smith, training exclusively for Maine Chance, won with a phenomenal 40 percent of his starters. In fact, in 130 starts that year, only 30 percent of Tom Smith's horse's finished worse than third place.<sup>2</sup> This was the kind of record that begs for complaints from other horsemen.

Marshall Cassidy, the steward for the private Jockey Club, which helped to regulate racing in New York, ordered an investigation of Smith starting in October of 1945. He testified:

We had a report from one of the veterinarians saying that he had seen Mr. Smith spray a horse's nose with a man holding him with a tongue-twitch just before he was to go to the paddock. So we ordered the saliva and urine taken of every winner, and notified the chemist to make every effort to find out, if he could, what was being used, and if it appeared, in the saliva, or urine. We had no success in finding anything.

We then continued the observations, and when it became obvious that he was doing this almost every time he won a race, we decided that we would go right in while he was spraying the horse's nose, take the spray away from him, and have the contents analyzed. But before that, Dr. Gilman got hold of the atomizer that they had used, with only a few drops in the bottle. They

couldn't determine what it was but both Dr. Morgan and Dr. Gilman 'stated that it was tasteless, it was clear fluid, and had no taste whatsoever.'<sup>3</sup>

The opportunity to catch Tom Smith in the act came on November 1, 1945 when he shipped three horses stabled at Belmont Park to run at Jamaica. There was testimony presented that Smith was present in the receiving barn at Jamaica when the nostrils of his first horse scheduled to run that day were sprayed.<sup>4</sup> More significantly, later in the day, a Jockey Club investigator allegedly observed one of Smith's horses, Magnificent Duel, being sprayed. He entered the receiving barn and called for a state investigator to assist him. The state investigator uncovered an atomizer. The atomizer was tested by the state laboratory, and it was found to contain a 2.6 percent solution of ephedrine.<sup>5</sup>

The stewards summoned Tom Smith on November 5. He told them he used two atomizers. One contained vinegar, salt and water, and it was administered to horses with bleeding problems. It was, in fact, administered occasionally to horses before they went to the paddock. The other atomizer contained ephedrine. It was only administered to horses with head colds and never on the day of a race. He had never told his help to administer the atomizer with ephedrine, and his assistants had taken and used the wrong atomizer.<sup>6</sup> Steward Cassidy told Smith, "We have had to have a man stationed at your stable every time you ran a horse. We did that in preference to suspending the stable."<sup>7</sup>

The stewards forwarded the matter to the Jockey Club, which had the initial say over the licensing of participants in racing. An immediate hearing was held on November 7. Smith was not given any notice, and there were no charges presented against him. He was not present for the cross-examination of witnesses, and he was not given the right to have an attorney. The head of the panel was William Woodward, the Chairman of the Jockey Club. Woodward had for decades used Jim Fitzsimmons as the trainer of his horses, and Fitzsimmons had been the initial trainer of an under-achieving colt named Seabiscuit. Woodward asked Smith, "Did you ever use this ephedrine on 'Seabiscuit' in the morning or other times?" Smith replied, "No, I did not, because I did not find anything—well, he never had a head cold, or anything. He had leg troubles. That was all."<sup>8</sup>

The Jockey Club panel unanimously revoked Smith's license on November 8. Smith then appealed to a Joint Commission composed of the State Racing Commission and two members of the Jockey Club. Here, there were formal charges, and Smith was well-represented by counsel.

Counsel for Smith presented a wide array of arguments. Smith testified that he had begun using the ephedrine solution when he suffered a broken nose.<sup>9</sup> He then administered the solution occasionally to horses with head colds on the basis that anything that was good for humans was good for horses. Counsel suggested that the investigators could not have witnessed Magnificent Duel being sprayed (although the foreman admitted to spraying Magnificent Duel with the wrong atomizer), that the amount of spray utilized would have no stimulant effect on Magnificent Duel,<sup>10</sup> that Smith had in no way directed the ephedrine spray to be used on Magnificent Duel or any horse on race day, and that the Jockey Club rule making the trainer responsible for any drug administered to a horse was unconstitutional.<sup>11</sup>

The arguments fell on deaf ears. The Joint Commission unanimously rejected all of Smith's contentions. It found that, regardless of how much ephedrine was administered, the ephedrine was administered for the purposes of stimulating the horse,<sup>12</sup> and that under the rules of racing, the trainer was responsible for the condition of his horse.<sup>13</sup> Since this was the first significant challenge to the "trainer responsibility rule," and there was concern over the constitutionality of the rule, the Joint Commission buttressed its decision by finding that Magnificent Duel was treated "with Smith's tacit consent, if not upon his orders."<sup>14</sup> The Joint Commission based Smith's tacit consent on (a) the fact that his foreman tried to hide the atomizer, (b) the foreman showed by his demeanor that he would not have treated a horse without a direction or allowance from Smith, and (c) the failure of Smith to call a groom who was present during the incident.<sup>15</sup>

In what marked the first appellate level treatment of the trainer responsibility rule, Smith appealed to the courts. Again, a unanimous panel ruled against Smith. The appellate court found that there was a fair hearing, and there was substantial evidence to support the findings of the panel. "While the trainer was not present when the medicine was applied, there was evidence from which his responsibility for the treatment could be found to have been established."<sup>16</sup>

Smith then appealed to New York's highest court, the Court of Appeals. The Court of Appeals granted leave to hear the case,<sup>17</sup> but the matter was not pursued. Instead, Tom Smith regained his license in 1947. He returned to training for Maine Chance and won the

Kentucky Derby for Maine Chance with Jet Pilot in 1947.

There is no way to establish what went on in the receiving barn at Jamaica on November 1. We do not know whether Magnificent Duel accidentally received treatment from the atomizer containing ephedrine, or whether Smith intentionally had his foreman spray Magnificent Duel with ephedrine. What is fairly clear, however, is that Tom Smith did not receive anything close to what in 2003 would be considered a due process hearing. The stewards were certainly prejudiced. In the record of their November 5 interview with Smith, the stewards even inserted the following note: "In the opinion of the Stewards, Mr. Smith is extremely nervous which is entirely different from his usual bearing."<sup>18</sup>

The proceeding before the Jockey Club was a total farce, where Mr. Smith's license was revoked in the absence of even the semblance of a fair hearing.

The Joint Commission hearing also had a series of problems. Mr. Smith was found guilty of violating provisions of law that he was not charged with. The use of the Joint Commission and the role of the private Jockey Club in regulating state-issued licenses were found unconstitutional four years later by the Court of Appeals in *Fink v. Cole*.<sup>19</sup> There were questions over whether the rules of the Jockey Club had been properly promulgated. The finding in the opinion that Smith somehow consented or ordered the atomizer treatment seems at best far-fetched. The foreman denied any hiding of the atomizer, and even if the atomizer were hidden by the foreman, it is hard to see how his action would implicate Smith. The finding that the foreman's demeanor showed he would not do anything against Smith's wishes was pure conjecture. The Jockey Club could equally have called the groom who was present during the treatment, and there was hardly any likelihood that the groom would have testified differently than the foreman who had admitted use of the spray. Everybody present at the receiving barn had previously given testimony to the stewards or the Jockey Club. The record shows no consent of any kind given by Smith to the ephedrine administration.

In any event, the penalty imposed on Tom Smith was way beyond acceptable. In an era of indiscriminate use of narcotics to stimulate horses, the evidence against Tom Smith, considered at its worst, was minor in nature. All the record shows was a mistaken small administration of an ephedrine spray by Smith's foreman. A suspension for one or two months was the maximum penalty in order. Whatever may have actually happened to Magnificent Duel, Tom Smith received especially unfair treatment from the Jockey Club and the Racing Commission. He got a raw deal.

It is possible that the steward Marshall Cassidy was right, and that Tom Smith in the fall of 1945 was in the regular business of spraying an ephedrine solution into horse's nostrils before they raced. The process, however, under which the Jockey Club and the Racing Commission went about proving these violations, deprived Tom Smith of any significant measure of due process.

## Endnotes

1. Much of the data in this paper comes from the record before the Appellate Division, First Department in the case of *Smith v. Cole*, 270 A.D. 675, 678 (1st Dep't 1946). The material will be denominated as the "Record" at the correct page.
2. Record at 122.
3. *Id.* at 104–105. The point here is that whatever Smith was administering it was not a vinegar solution which would have had a distinctive taste and smell. Since Smith admitted using an atomizer only to administer a vinegar solution or an ephedrine solution, Cassidy was insinuating that Smith was using the ephedrine solution.
4. *Id.* at 56. This was not the basis of the revocation of Smith's license by the Joint Commission, but it was brought up before the meeting of the Jockey Club.
5. Ephedrine is still considered to have a significant effect on race-horse performance. The Association of Racing Commissioners, International classifies ephedrine as a Class 2 substance. "Class 2 substances have a high potential for affecting the outcome of a race. These substances are not generally accepted as therapeutic agents in race horses or they are therapeutic agents that have a high potential for abuse."
6. *Id.* at 27.
7. *Id.* at 29.
8. *Id.* at 79.
9. *Id.* at 348.
10. Much of the hearing was conducted on the issue of whether the dosage of ephedrine administered to Magnificent Duel could have had a stimulant effect.
11. Counsel argued that the rule was "thoroughly illegal; to say that a man who was not there, who knew nothing about it, and who

the evidence shows had never permitted any man to perform the administration of this spray, . . . when Mr. Smith had never permitted any man to spray an animal; there was no authority for it and it was not within the scope of his duties to cause a man's reputation to be blemished and his livelihood taken from him." Record at 454.

12. *Id.* at 116.
13. *Id.* at 118.
14. *Id.*
15. *Id.* at 118–120.
16. *Smith v. Cole*, 270 A.D. 675, 678 (1st Dep't 1946).
17. *Smith v. Cole*, 296 N.Y. 614 (1946).
18. Record at 30.
19. *Fink v. Cole*, 302 N.Y. 216 (1951).

**Bennett Liebman is the first Coordinator of the Government Law Center's Program on Racing and Wagering Law at Albany Law School. He served as Commissioner at the New York State Racing and Wagering Board from 1988 to 2000. Prior to his service at the Racing and Wagering Board, Mr. Liebman served as Assistant Commissioner for Legal Affairs at the New York State Department of Taxation and Finance. He previously served as Special Deputy Counsel to the Governor and as Counsel to then-Lieutenant Governor Mario Cuomo. From 1983 to 1988, Mr. Liebman also served as the Counsel to the State Board of Public Disclosure, which was the predecessor to the current New York State Ethics Commission.**

**Mr. Liebman is a summa cum laude graduate of Union College and a cum laude graduate of New York University School of Law. He received the University of Arizona's Race Track Industry Program's Distinguished Service Award in 1997.**



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#### **VOLUNTEER LAWYERS FOR THE ARTS [www.vlany.org](http://www.vlany.org)**

VOLUNTEER LAWYERS FOR THE ARTS was pleased to honor the EASL Section with its 2003 VLA PRO BONO SERVICE AWARD at the VLA Fall Benefit, which was held at Sotheby's on October 28, 2003.

The awards are presented annually to law firms that have made exceptional contributions to New York low-income artist and nonprofit arts organization clients through *pro bono* service and representation. This year's honorees were: Cleary, Gottlieb, Steen & Hamilton; the Entertainment, Arts & Sports Law Section of the New York State Bar Association; and Latham & Watkins LLP. Arts organizations Brooklyn Arts Council, Finger Lakes Arts Grants & Services, and the Lower Manhattan Cultural Council were also honored at the event.

Since 1969, VLA has been the exclusive provider of *pro bono* and low cost legal services, legal representation, mediation services, educational programs and publications, and advocacy to the arts community in New York. VLA also serves as a public information resource center about legal issues that affect the arts. Through public advocacy, VLA frequently acts on issues vitally important to the arts community.

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The VLA Legal Clinic is a bi-monthly forum for any VLA member to meet privately with an attorney to discuss his/her arts-related legal issues. The clinic provides an opportunity for attorneys to advise clients in a direct and effective manner. Held from 4 p.m. to 7 p.m. on the second and fourth Wednesdays of each month, the clinic also provides volunteer attorneys with a low time commitment option.

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# Entertainment Law Symposium

presented by  
The St. John's University School of Law  
Entertainment & Sports Law Society  
and the  
Entertainment, Arts and Sports Law (EASL) Section  
of the  
New York State Bar Association

which took place on  
Friday, October 17, 2003



Panel 1: "A Midlife Crisis? The Effect of Termination of Transfer of Copyright on the Music Industry": (l-r) Mark Avsec, Ross Charap, Joe Salvo and Moderator Stanley Rothenberg.



Panel 2: "Ethics: Conflicts of Interest in the Entertainment Industry": (l-r) Joel L. Hecker, Janine Natter, Loren Plotkin and Moderator Robert K. Vischer.



Matt Finkelstein (l), Co-President of the St. John's University School of Law Entertainment & Sports Law Society, and Michelle Johnson (r), the student organizers from St. John's.

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