

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

2008, EASL's 20th Anniversary and my tenure as Chair of EASL arrived with a bang in the form of the Annual Meeting, which was an unqualified success. The Post Mortem Right of Publicity panel brought a spirited discussion of whether the heirs of dead celebrities should be able to retain a right of publicity, or whether that "celebrity" should pass into the public domain. Stephen Bogart (son of Humphrey Bogart and Lauren Bacall) personalized the debate, while leading practitioners in the field posed opposing sides of the issue. The Real Issues in Virtual Worlds panel presented a forward-looking view of massively multiplayer Internet-based worlds, some legal



Kenneth Swezey

pitfalls and creative challenges. Many of the attendees commented after the program that this "virtual world," while new and ephemeral to most of us, is the new legal frontier that offers opportunities for members of our bar. Many thanks to all of those who helped organize the Annual Meeting, with special recognition to Tracey Greco who, along with Joyce Dollinger, worked tirelessly on these great programs.

The excitement, success and spirit of collaboration that marked the Annual Meeting will be carried forward through the rest of 2008. Already, several great CLE programs are scheduled. Please visit our Web site, www.nyeasl.org, for current program information.

Importantly, 2008 will see a refocus on pro bono efforts under the leadership of our Pro Bono Steering Committee, comprised of Elissa Hecker, Monica Pa, Christine

Inside

Editor's Note3 (Elissa D. Hecker)	3
NYSBA Guidelines for Obtaining MCLE Credit for Writing.....4	4
Law Student Initiative.....5	5
The Phil Cowan Memorial/BMI Scholarship.....6	6
Bargaining Power on Broadway: Why Congress Should Pass the Playwrights Licensing Antitrust Initiative Act in the Era of Hollywood on Broadway7 (Ashley Kelly)	7
"Faux" Couture: The Prevalence of Counterfeit and Knockoff Fashion Designs and the Attempt to Regulate.....21 (Saryn Leibowitz)	21
Saving Orphans from Abuse and Neglect: An Evaluation and Proposal Regarding the Problems Associated with Orphan Works.....28 (Jack Dustin Howell)	28

Virtual Legality: Copyright in Second Life39 (Jonathan M. Purow)	39
The Rangers' Gloves Are Off in a Digital Tussle with the NHL.....43 (Richard J. Cohen and Joseph M. Hanna)	43
Split Decisions48 (Keith C. Hauprich and Dan Coleman)	48
Canadian Copyright Board Sets the Bar for Digital Distribution of Music.....50 (Joseph P. Salvo)	50
Medical Malpractice and the Modern Day Athlete: A Whole Different Ballgame . . . Or Is It?54 (Tara R. Di Luca)	54
Entertainment, Arts and Sports Law Section Annual Meeting61	61
Volunteer Lawyers for the Arts.....98	98



Pepe and Carol Steinberg. All too often talented artists, musicians, writers and actors do not have access to the necessary legal resources. EASL's Pro Bono Committee, in conjunction with its counterpart in the IP Section, will collaborate with organizations and agencies that work with this underserved segment to provide legal advice. I hope that you will join this effort and volunteer your time and energy to help our pro bono efforts.

I look forward to serving as the Chair of EASL along with Vice Chair Judith Prowda; Treasurer Stephen Rodner; Secretary Rosemarie Tully; and Assistant Secretary Stanley Pierre-Louis, listening to your thoughts on the future of the Section and collaborating on programs that will help not only our members, but the New York bar and the community as a whole.

Kenneth Swezey

Are you feeling overwhelmed?

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



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

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

Editor's Note

We were so pleased with both the quality and quantity of submissions this year for the BMI/Phil Cowan Scholarship competition. I am proud to publish the articles submitted by the two scholarship recipients, Ashley Kelly and Saryn Leibowitz. Ashley's article, "Bargaining Power on Broadway: Why Congress Should Pass the Playwrights Licensing Antitrust Initiative Act in the Era of Hollywood on Broadway," is a timely, fresh insight into the issues that arise when bringing studio productions to Broadway theaters. Saryn's article, "'Faux' Couture: The Prevalence of Counterfeit and Knockoff Fashion Designs and the Attempt to Regulate," is a fascinating look into the lack of remedies that are available for protecting fashion designs. I hope you enjoy reading them as much as we judges did.



to promote our Speakers' Bureau, where we will match EASL member speakers with entertainment, art and sports entities, and we will be working in conjunction with all EASL committees. The third will focus on matching EASL member litigators with pro bono litigations. The fourth will be to establish our mentor program, which will match established practitioners with members of our Young Lawyers' Committee and other new attorneys who are EASL members. Of course, we have the pro bono liability insurance to cover up to 20 attorneys a year, so if you would like to volunteer for our clinics or work on a litigation and do not have pro bono liability insurance, please let me know.

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

Elissa D. Hecker of the Law Office of Elissa D. Hecker, located at 90 Quail Close, Irvington, NY 10533, practices in the fields of copyright, trademark and business law. Her clients encompass a large spectrum of the entertainment and corporate worlds. In addition to her private practice, Elissa is a Past Chair of the EASL Section. She is also Chair and creator of EASL's Pro Bono Committee, Editor of the *Litigation Handbook*, a frequent author, lecturer and panelist, a member of the Copyright Society of the U.S.A (CSUSA) and a member of the Board of Editors for the *Journal of the CSUSA*. Elissa is the recipient of the New York State Bar Association's 2005 Outstanding Young Lawyer Award. She can be reached at (914) 478-0457 or via email at: EHeckerEsq@yahoo.com.

Pro Bono Update

I am also very excited to write about the newly formed Pro Bono Steering Committee, which will include Monica Pa of Davis Wright Tremaine LLP; Christine Pepe of McDermott Will & Emery, LLP; Carol Steinberg of the Law Office of Carol Steinberg; and me.

Our goals for this year include a four-pronged approach. The first prong will focus on enlarging our clinic program, continuing our relationship with VLA and branching out to other organizations whose members can benefit from pro bono services. The second will be

**Next EASL Journal Submission Deadline:
Friday, May 16, 2008**

NYSBA Guidelines for Obtaining MCLE Credit for Writing

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

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

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

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

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

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

**Get CLE Credit:
Write for the *EASL Journal!***

The New York State Bar Association
Entertainment, Arts and Sports Law Section

Law Student Initiative Writing Contest

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

Law school students who are interested in entertainment, 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 *EASL Journal* is among the profession's foremost law journals. Both it and the Web site have wide national distribution.

Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form:** Include complete contact information; name, mailing address, law school, law school club/organization (if applicable), phone number and email address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author's blurb must also be included.

- **Deadline:** Submissions must be received by **Friday, May 16, 2008**.
- **Submissions:** Articles must be submitted via a Word email attachment to echeckeresq@yahoo.com or via mail to:

Elissa D. Hecker, Esq.
Editor, *EASL Journal*
90 Quail Close
Irvington, NY 10533

Topics

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 *EASL Journal* and on our Web site, and all winners will be announced at the EASL Section Annual Meeting

**Deadline:
Friday, May 16, 2008**

The Phil Cowan Memorial/BMI Scholarship

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

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

The Competition

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

The paper should be 12-15 pages in length, double-spaced and including footnotes, in *Bluebook* form. All papers should be submitted to designated faculty members of each respective law school. All law schools will screen the papers and submit the three best to EASL's Phil Cowan Memorial/BMI Scholarship Committee. The Committee will read the papers submitted and will select the Scholarship recipient(s).

Eligibility

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

Yearly Deadlines

November 15th: Law School Faculty liaison submits 3 best papers to the EASL/BMI Scholarship Committee

January 15th: EASL/BMI Scholarship Committee will determine the winner(s)

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

Prerogatives of EASL/BMI's Scholarship Committee

The Scholarship Committee is composed of the current Chair of EASL, all former EASL Chairs who are still active in the Section, all Section District Representatives, and any other interested member of the EASL Executive Committee. *Each winning paper will be published in the EASL Journal and will be made available to EASL members on the EASL Web site.* BMI reserves the right to post each winning paper on

the BMI Web site and to distribute copies of each winning paper in all media. *The Scholarship Committee is willing to waive the right of first publication* so that students may simultaneously submit their papers to law journals or other school publications. The Scholarship Committee reserves the right to submit all papers it receives to the *EASL Journal* for publication and to the EASL Web site. The Scholarship Committee also reserves the right to award only one Scholarship or no Scholarship if it determines, in any given year that, respectively, only one paper or no paper is sufficiently meritorious. All rights of dissemination of the papers by each of EASL and BMI are non-exclusive.

Payment of Monies

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

Donations

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

About BMI

BMI is an American performing rights organization that represents approximately 375,000 songwriters, composers and music publishers in all genres of music. The non-profit-making company, founded in 1940, collects license fees on behalf of those American creators it represents, as well as thousands of creators from around the world who choose BMI for representation in the United States. The license fees BMI collects for the "public performances" of its repertoire of approximately 4.5 million compositions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the NYSBA/EASL

The 72,000-member NYSBA is the official statewide organization of lawyers in New York and the largest voluntary state bar association in the nation. Founded in 1876, NYSBA programs and activities have continuously served the public and improved the justice system for more than 125 years.

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

Bargaining Power on Broadway: Why Congress Should Pass the Playwrights Licensing Antitrust Initiative Act in the Era of Hollywood on Broadway

By Ashley Kelly

The presence of “pic-to-legit musicals” on Broadway has been around for decades.¹ In recent years, Broadway has seen its share of motion pictures turned into musical hits² as well as disappointments.³ The 2007–2008 Broadway season alone features four new musicals adapted from movies, including the Disney production of “The Little Mermaid” and the Mel Brooks adaptation of “Young Frankenstein.”⁴ In the coming seasons, hit films such as “Gladiator”⁵ and “Shrek”⁶ will also be turned into musical adaptations. For major motion picture studios, a musical based on a movie takes a significant amount of risk out of investing in theater.⁷ Critics fear that “cherished musical-theater traditions are being suborned to serve a disposable mass culture.”⁸ Before a movie-musical ever hits a stage, there is a battle that critics and audiences hardly think about—the battle for copyright control between the playwright and the studio.⁹

At the core of this battle is the recognition that playwrights and screenwriters deal in two distinct legal realities.¹⁰ This distinction centers on the work made for hire doctrine of the Copyright Act of 1976, which carves out an exception to the rule that copyright ownership vests in the party who actually created a work.¹¹ If a work is made for hire, the employer or hiring party is considered to be the author and owns the copyright, unless there is a written agreement to the contrary.¹² Works created by independent contractors, individuals who are not employees under agency law,¹³ may be “specially ordered or commissioned” under limited conditions, in which case the second clause of the work for hire doctrine applies.¹⁴ In order to actually be a work made for hire under the second clause, two conditions must be met: (1) the work has to come within one of nine specified categories¹⁵ and (2) there must be a written agreement that states that the work is a work made for hire.¹⁶ Screenwriters clearly fall into the “part of a motion picture or other audiovisual work” category.¹⁷ Plays, and more broadly, dramatic works, are not one of the nine categories, and the work of playwrights may not be specially ordered or commissioned like a motion picture screenplay.¹⁸

This brings us back to the battle between studios and playwrights and the increasing presence of Hollywood on Broadway with movie-musicals. Movie studios are producing on Broadway in increasing numbers, but with the assumption that they are in control of playwrights’ works as works for hire.¹⁹ John Weidman, president of the Dramatists Guild,²⁰ warns against the dangers of allowing studios acting as producers on Broadway to make their

own rules—in essence, “build[ing] a wall around them and keep[ing] them quarantined.”²¹ Weidman argues that individual playwrights have been resisting the pressures to work under a work for hire regime, but he admits that “with the appearance of more and more studio-produced musicals like ‘Tarzan’ and ‘Aida,’ [these] pressures are only going to grow more intense.”²²

This is where Congress should intervene. Unlike screenwriters, who enter into negotiations with studios with the collective bargaining power of the Writers Guild of America behind them,²³ playwrights must bargain alone because Congress has not granted the Dramatists Guild the right to collectively bargain on behalf of playwrights.²⁴ For years, senators and house representatives have proposed bills allowing the Dramatists Guild the ability to collectively bargain.²⁵ However, none of the bills has ever been put to a vote.²⁶

This article advocates that now is the time for Congress to act on behalf of playwrights by passing the Playwrights Licensing Antitrust Initiative Act, which would allow playwrights as a group to collectively bargain with the powerful Hollywood studios now producing on Broadway. Part I addresses the functional differences between playwrights and screenwriters and the fundamental differences between the work made for hire implications on playwrights and screenwriters. Part II discusses bargaining power in the entertainment industry, focusing on the negotiating power of the Dramatists Guild and the Writers Guild of America. Part III looks at the past and current state of the Playwrights Licensing Antitrust Initiative Act. Part IV advocates for why, in light of past legislative arguments and the growing presence of Hollywood studios as producers, Congress should act now to bring a balance of bargaining power to Broadway by passing the Playwrights Licensing Antitrust Initiative Act.

I. Authorial Control: Writing for the Stage and Screen

The Copyright Act of 1976 provides that copyright ownership “vests initially in the author or authors of the work.”²⁷ The Supreme Court considers, as a general rule, the author to be “the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection.”²⁸ However, there is an exception to this rule, which is at the core of the legal division between screenwriters and playwrights: the work made for hire doctrine.²⁹ Section 101 of the copyright law defines a “work made for hire” as:

(1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer materials for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.³⁰

If a work is created by an independent contractor, then the work may be “specially ordered or commissioned” and the second clause of the work for hire doctrine applies.³¹ Two conditions must be met: (1) the work has to come within one of the nine specified categories and (2) there must be a written agreement that states that the work is a work made for hire.³² Screenwriters write as “part of a motion picture or other audiovisual work.”³³ Playwrights, however, maintain control of their copyrights.³⁴ John Weidman put it best when he said, “The intermittent sense of suicidal desperation which playwrights and screenwriters sometimes share is about the only thing they share.”³⁵

A. Playwrights: Creators for the Great White Way

The Dramatists Guild defines a dramatic author as any book writer, composer, or lyricist who is involved in the initial stages of the theatrical collaborative process and whose contribution is an integral part of a play as presented in subsequent productions by other producers.³⁶ Structure, dialogue, theme, and plot are solely controlled by the playwright, not “parceled out among a dozen writers and script supervisors and subject to executive meddling.”³⁷

Additionally, as author of a play, the playwright owns Intellectual Property, including the copyright of the play or musical. Since the playwright owns her work and is free to dispose of it as she sees fit, she can grant a producer a defined package of performance rights for a limited time while reserving all other rights to herself.³⁸ Specified in the playwright’s licensing contracts with producers is that all changes made to the script, title, stage business, or performance of the play or musical also belong to the playwright.³⁹ Typical licensing agreements between playwrights and producers also specify that the playwright shall receive a percentage of the gross box office receipts from the initial production of the work⁴⁰ and retain ownership and control over all subsequent productions.⁴¹ Indeed, a playwright is the only creator in the theater industry who enjoys the exclusivity of retaining the right of copyright ownership.⁴²

Producers and Broadway theaters typically do not hire playwrights who write exclusively for them.⁴³

Though occasionally a theater or producer will commission a play, most plays “are simply written—by someone, somewhere with an impulse and an idea.”⁴⁴ More importantly, playwrights do not write plays as works made for hire.⁴⁵

First, a playwright is not an employee under the first clause of the work made for hire doctrine.⁴⁶ In *Community for Creative Non-Violence v. Reid*, the Supreme Court articulated a multi-factor test for determining when a creator is an independent contractor and when she is an employee.⁴⁷ The factors to consider are (1) the hiring party’s right to control the manner and means by which the product is accomplished; (2) the skill required; (3) the source of the instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring parties have a right to assign additional projects to the hired party; (7) the extent of the hired parties’ discretion over when and how long to work; (8) the method of payment; (9) the hired party’s role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is in business; (12) the provision of employee benefits; and (13) the tax treatment of the hired party.⁴⁸ Applying the test to producers and playwrights, the factors demonstrate that playwrights are not employees of producers.⁴⁹ Producers do not control the manner and means by which a play is written or developed; rather, producers become involved only after a play has been completed.⁵⁰ The skill required is solely the playwright’s specialized writing ability and talent and the source of the instrumentality is her own imagination.⁵¹ The playwright uses her own workspace and the working relationship with the producer encompasses only the time it takes to produce the play.⁵² The play is only licensed to the producer.⁵³ Thus, the ability for a producer to assign additional projects to the playwright is irrelevant, as is the producer’s discretion over the timeline the playwright works, as the relationship does not commence until after a play is completed.⁵⁴ The method of payment to the playwright is governed by the licensing agreement.⁵⁵ The playwright does not receive a salary, and the playwright hires her own dramaturges,⁵⁶ if she so requires.⁵⁷ There are no employment benefits bestowed upon the playwright and producers do not take taxes out of the playwright’s share of the profits from the production.⁵⁸ Rather than outright control by a producer, producers in the theater industry are rewarded for their investment in a playwright through subsidiary rights.⁵⁹ In exchange for the original risk of developing a play’s first production, a producer is often entitled to a percentage of all subsequent licensing of the play and sometimes even a percentage of other rights, such as film adaptations.⁶⁰

Even if a play is commissioned as a “specially commissioned work,” a play is not a work made for hire under the second clause of the work made for hire doctrine. In order to be a work made for hire, the work must fall

into one of the nine specified categories,⁶¹ and dramatic works are not one of those nine categories.⁶²

A playwright may assign her copyright to a producer,⁶³ and indeed some contracts from producers contain language which states that if the work is determined to not be a work made for hire, the playwright irrevocably transfers and assigns the producer all rights, title, and interest therein, including all copyrights.⁶⁴ Playwrights often sign such contracts, unaware that they have lost the control they are rightfully entitled to for at least 35 years, when they can terminate the transfer.⁶⁵ In an industry riddled with egoism, paranoia, and severe financial hardship⁶⁶ and governed by custom and usage, playwrights are often blinded by “artistic euphoria and dreams of box office glory” and often fail to consider legal and business safeguards in their contracts.⁶⁷

Though playwrights enjoy the unique privilege of retaining copyright ownership, it is a right that must be safeguarded. Playwrights are considered at the bottom of the “financial totem pole” in the theater industry⁶⁸ and as such have little bargaining leverage with producers, especially large motion picture studios acting as producers.⁶⁹ Industry standards in theater to begin with are low. The industry standard advance against royalties for a 99-seat production is only between \$2,000 and \$5,000, with a five percent to seven percent share in gross box office receipts post-recoupment.⁷⁰ The advance for a Broadway production usually starts at \$10,000.⁷¹ With such small returns and little safeguard against the bargaining strength of producers, playwrights are increasingly being drawn to Hollywood to write for television and film.⁷² While they end up giving up their property rights in Hollywood, they are more likely to earn enough money to support their writing careers.⁷³

B. Screenwriters: All of the Money, None of the Control

In sharp contrast to playwrights, film and television screenwriters are almost always employees of a production and their work products are characterized as work for hire.⁷⁴ In essence, screenwriters are paid to write. Typically a screenwriter receives a large advance from a studio before she even puts fingers to her laptop, and will receive additional sums of money as subsequent drafts are handed in.⁷⁵ A standard option payment for a feature film can range from \$10,000 to \$25,000.⁷⁶

In the 1930s and 1940s, movie studios had their own “stables of writers” that were composed of screenwriters exclusively tied to particular studios.⁷⁷ These screenwriters were employees within the meaning of the 1909 work for hire doctrine.⁷⁸ However, as the large movie studios empires began to crumble, so did this practice of in-house screenwriters.⁷⁹ Thus, when the Copyright Act came up for revision, movie studios were some of the most vocal lobbying forces in Congress.⁸⁰ Largely due to their efforts (and likely their financial resources), the studios were

successful in having motion pictures included among the nine exceptions of the second clause of the work for hire definition.⁸¹ The work of screenwriters now comes under the second clause of the work made for hire doctrine for “specially commissioned works,” vesting all copyright ownership with the motion picture or television studio.⁸²

The studio is considered the sole legal author of the script, in complete control of the exploitation of a screenwriter’s creation.⁸³ Unlike playwrights, who do their own rewriting and have the last word on their scripts, Hollywood writers’ works are almost always rewritten by one, if not many, other screenwriters.⁸⁴ The studios, as owners of the copyright, have “free reign to decide whether to modify the content of a film to suit [their] economic and political needs.”⁸⁵ Though screenwriters have been known to balk at the creative control they forfeit to studios,⁸⁶ Stephen Breimer, a well-known Hollywood entertainment attorney, advises screenwriters, “Do not bite the hand that feeds you . . . whine about [the system] and you will be labeled a whiner . . . the system is the system. It is unlikely to change.”⁸⁷ Additionally, because the screenwriter relinquishes all creative control over her screenplay, her name is her only professional asset,⁸⁸ and even the decision to credit a screenwriter by name is relinquished to the producer.⁸⁹

II. Bargaining with Studio Producers: Writers and Guild Power

For a Hollywood studio, obtaining copyright ownership is perceived as essential in order to properly exploit the works being created by a studio, whether they are major motion pictures or a pic-to-legit musicals.⁹⁰ The studio producer may risk millions of dollars in production and exploitation of a work.⁹¹ If the studio cannot acquire all rights in the work, industry essentials such as marketing could be subject to a multitude of termination rights difficult to overcome.⁹² “In the case of motion pictures, a producer may not be able to sell a film in a foreign market unless there is one ‘author’ for the purpose of the film’s nationality.”⁹³ As the studio has a financial interest behind the work, it tries to ensure that it is holding the entire bundle of rights.⁹⁴

The effect of the work made for hire doctrine within the entertainment industry has been to tip the negotiating scales in favor of the copyright holder.⁹⁵ In Hollywood, a strong collection of guilds has developed over the years to support the creative employees negotiating with the big studios.⁹⁶ As Hollywood studios move to produce on Broadway, the studios collectively bargain with Actors Equity Association, representing live theater performers, and the Local 1 of the International Alliance of Theatrical Stage Employees. The playwrights can be members of the trade organization the Dramatists Guild, but cannot enter into collectively bargained agreements.⁹⁷ Indeed, Guild power for screenwriters and playwrights is very different,

strongly favoring the bargaining power of screenwriters when comparing the two.

A. The Writers Guild of America: Formidable Opponent in Studio Negotiations

Screenwriters are represented by what is viewed by some as one of the more powerful guilds in the entertainment industry.⁹⁸ When disputes between screenwriters and producers arise, the screenwriters turn to the WGA, a labor union and the screenwriters' collective bargaining representative in the motion picture and television industry.⁹⁹ The WGA primarily represents screenwriters hired to perform writing functions for employers engaged in the production of motion pictures and television.¹⁰⁰ Almost all agreements between studios and screenwriters are work made for hire agreements.¹⁰¹ The studios pay a percentage of pension, health, and welfare benefits to the WGA with respect to each writing assignment.¹⁰²

Since 1954, the WGA, East and WGA, West have negotiated and administered minimum basic agreements with major film producers and networks and stations, covering theatrical and television films, broadcast and cable television, documentary film and radio, public and commercial television.¹⁰³ In recent years, the WGA has expanded its coverage of radio and television staff employees, the latter group mostly in the news and documentary areas, including news writers and others at ABC and CBS and a number of major individual stations.¹⁰⁴ Currently the WGA administers 36 separate agreements.¹⁰⁵

Virtually every major motion picture studio's production agreements with screenwriters are governed by the WGA and virtually all network programming is written by WGA writers.¹⁰⁶ In fact, the only opportunities for non-WGA screenwriters are in animation, low-budget pictures, and in some cable programming.¹⁰⁷ Members of both the WGA, East and the WGA, West enjoy the benefits, privileges and protections under the various national Minimum Basic Agreements in effect in the field of radio, television and motion pictures.¹⁰⁸ WGA protections are minimum protections and screenwriters are often able to negotiate better terms based on their previous work.¹⁰⁹

Though the WGA ceded screenwriters' copyrights to the studios from the start,¹¹⁰ over the years it has been able to wield its considerable bargaining power to try and regain more rights for screenwriters.¹¹¹ In 1988, the WGA added a provision to its standard agreement that allows the screenwriter a limited right to regain control over her copyright under certain conditions.¹¹² If the screenwriter's script is original, not adapted from any pre-existing material, the screenwriter may reacquire such material upon the expiration of five years following the latter of (1) the studio's purchase or license of the material or (2) after the last draft is written if such literary material is not in active development and the studio still owns the first draft of the material.¹¹³ As it is incredibly

rare to see a basic reversion term in a studio contract with a screenwriter, this WGA provision is the only way for a writer to have a chance at getting her material back.¹¹⁴

This past winter, the WGA engaged in a 100-day bargaining struggle with studios over the future of digital media residuals for writers.¹¹⁵ Every three years, the collectively bargained WGA Minimum Basic Agreement is renegotiated with the Alliance of Motion Picture and Television Producers ("AMPTP").¹¹⁶ The most recent contract expired on October 31, 2007,¹¹⁷ and after three months of contentious negotiations went sour, the WGA membership authorized a screenwriters' strike¹¹⁸ that went into effect in November 2007.¹¹⁹ The issues were DVD residuals,¹²⁰ union jurisdiction over animation¹²¹ and reality television,¹²² and residuals for new media.¹²³ More than 12,000 writers "traded their laptops for picket signs."¹²⁴

In January, after 11 weeks of picketing and stalled negotiation, tensions between the WGA and AMPTP broke and talks resumed in the wake of an agreement made between the AMPTP and another industry guild, the Directors Guild of America.¹²⁵ A month later, the members of the WGA voted overwhelmingly to end the strike.¹²⁶ The deal struck between the writers and the producers granted writers residual payments for shows streamed over the Internet and secured the WGA's jurisdiction for programming created for the Internet.¹²⁷

The WGA strike showed the potential for studio vulnerability in negotiating.¹²⁸ It could prove advantageous for playwrights and the Dramatists Guild to capitalize on this vulnerability and take steps to push through its own negotiations with Hollywood studios on Broadway.

B. The Dramatists Guild: The Toothless Voice of Playwrights

The Dramatists Guild is an advocacy organization composed of playwrights, composers, and lyricists who write for the theater. It represents the common interests of playwrights.¹²⁹ The Dramatists Guild was started in 1919, under the umbrella of the Authors League of America, which also includes the Authors Guild.¹³⁰ "Matters of joint concern to authors and dramatists, such as copyright and freedom of expression, remain in the province of the [Authors] League, other matters, such as contract terms and subsidiary rights, are in the province of the [g]uilds."¹³¹ "The purpose of the Dramatists Guild is to protect and promote the professional interests of playwrights and to improve the conditions under which their works are created and produced."¹³² Its Mission Statement states that it represents not only the interests arising directly from theatrical productions, but also "those broader concerns which affect directly or indirectly the role of the theatre in society."¹³³

The Dramatists Guild has sought to enhance the bargaining power of playwrights by setting minimum standards and promulgating model agreements for use

by its members.¹³⁴ It advises its members on standard industry terms concerning advances, royalties, billing, and script changes.¹³⁵ For first-class productions, such as a large-scale Broadway musical or play, playwrights who are members of the Dramatists Guild are encouraged to use a guild-certified Approved Production Contract (“APC”).¹³⁶ The APC is a licensing agreement that sets forth minimum terms relating to fees, advances against royalties, territorial restrictions, and subsidiary rights for stock and amateur performances as well as motion picture rights.¹³⁷ The APC grants the producer the right to produce the play as written by the playwright without granting the producer any right to make any changes to the text, lyrics and/or music. The playwright retains the right to approve the director, cast, and all other creative elements of the play such as the scenic, costume and lighting designers.¹³⁸

The APC is negotiated between the playwright’s agent and the producer, the latter of which is often backed by the League of American Theaters and Producers.¹³⁹ The APC then goes through a certification process by the Dramatists Guild, to ensure that the negotiated contract conforms to its minimum standards.¹⁴⁰ If an APC does not conform to these terms, the playwright is asked to leave the guild.¹⁴¹

However, the Dramatists Guild cannot enforce the APC as a collective guild, which leaves the playwright to negotiate her own deal with producers.¹⁴² This is because the Dramatists Guild is a trade organization, not a labor union. As such, its activities are not shielded from federal anti-trust laws.¹⁴³ Over the last 60 years, numerous disputes have arisen regarding the restrictions the Sherman Act¹⁴⁴ imposes over the Dramatists Guild.¹⁴⁵

The first major dispute involving a standard contract certified by the Dramatists Guild was brought before the Second Circuit in 1945.¹⁴⁶ The plaintiff, a producer, took over a play’s production from another producer who had already signed the Dramatists Guild’s Minimum Basic Agreement (a precursor to the APC) with the defendants, the authors of the play.¹⁴⁷ A dispute arose when the replacement producer attempted to make changes to the play without the authors’ consent. The authors brought a breach of contract claim for failure to obtain their consent.¹⁴⁸

The Second Circuit Court of Appeals held that the producer made a *prima facie* showing of illegality and emphasized that the producer was exactly the type of person whom the Sherman Act sought to protect.¹⁴⁹ Though the producer was not awarded any damages and the injunction was discontinued, the decisions by the Second Circuit suggested strongly that playwrights were not employees, and the Dramatists Guild, therefore, not a labor union entitled to the labor exemption to the anti-trust law.¹⁵⁰

Subsequent case law involving other artists in theater exacerbated the lack of direction given to the Dramatists Guild under *Ring v. Spina*.¹⁵¹ In *Bernstein v. Universal Pictures*,¹⁵² the Second Circuit held that movie and television composers were independent contractors, not employees, and thus violated the Sherman Act by collectively bargaining with producers.¹⁵³ To the contrary, the District Court in *Julien v. Society of Stage Directors and Choreographers, Inc.*,¹⁵⁴ found that stage directors are employees and not independent contractors.¹⁵⁵

Almost 40 years after *Ring v. Spina*, the League of New York Theaters and Producers (“the League”) again brought the Dramatists Guild’s Minimum Basic Production Contract (“MBPC”) under fire.¹⁵⁶ Richard Barr, the president of the League, alleged a conspiracy among playwrights and the Dramatists Guild “to restrain trade and commerce in the sale of authors’ works for legitimate theatrical attractions”¹⁵⁷ by agreeing to not license plays to producers except upon the minimum terms in the MBPC.¹⁵⁸ The Dramatists Guild counterclaimed against the producers, alleging that it was the League¹⁵⁹ that violated the Sherman Act by setting non-competitive maximum levels of compensation for playwrights.¹⁶⁰ The court decided only whether or not the counterclaim should be dismissed and held that the Dramatists Guild could bring a counterclaim.¹⁶¹

Though this series of cases evidences inconsistent policies regarding the theater, the threat of additional lawsuits being brought against the Dramatists Guild if it tried to renegotiate the APC, which is now over two decades out of date, remains.¹⁶² Since the APC no longer reflects the best terms for either playwrights or producers, legislation should be passed allowing the Dramatists Guild and other peer groups of playwrights to collectively bargain with groups of producers. The ability to negotiate as a group of playwrights, in the same way that screenwriters negotiate as a group backed by the WGA, is especially important now, as more Hollywood studios migrate to Broadway.¹⁶³

III. The Playwrights Licensing Antitrust Initiative Act

When the collectively bargained WGA contract expired, the screenwriters were legally entitled to strike.¹⁶⁴ Such power is not limited to the film and television industry—the theater industry has creative workers with the ability to strike as well.¹⁶⁵ In November 2007, the stagehands represented by the Local 1 of the International Alliance of Theatrical Stage Employees (“IATSE”)¹⁶⁶ went on strike after negotiations broke down with the League of American Theaters and Producers.¹⁶⁷ The strike caused the shutdown of 27 shows on Broadway and a loss in revenue of approximately \$17 million per day.¹⁶⁸ The strike lasted for 19 days, the longest strike in the theater industry since a musicians’ strike (also supported by a union) in 1975.¹⁶⁹

It would make sense to assume, in light of the WGA and the IATSE strikes, that playwrights have the ability to exercise the same muscle to negotiate contracts. However, this is not the case. Despite the importance of their work, current antitrust laws¹⁷⁰ prevent playwrights from collectively negotiating a standard form contract for the production of their works.¹⁷¹ “As a result, playwrights, who are frequently at a substantial bargaining disadvantage, are forced to accept contracts on a take it or leave it basis.”¹⁷²

In an attempt to amend antitrust laws to enable playwrights to bargain collectively to create a modernized APC, a bill entitled the Playwright Licensing Antitrust Initiative Act has been sponsored numerous times in the House and Senate. However, it has yet to be put to a vote.¹⁷³

A. The History of Bills

On December 19, 2001, Representatives Henry Hyde and Barney Frank introduced the Fair Play for Playwrights Act of 2001 to the House.¹⁷⁴ The bill’s purpose was to “modify the application of the antitrust laws to authorize collective negotiations among playwrights and producers regarding the development, licensing, and production of plays.”¹⁷⁵ The bill proposed to modify antitrust laws to allow associations of playwrights¹⁷⁶ “to establish and enforce minimum terms and conditions on which the works of such playwrights could be developed, licensed, or produced, and allowed playwrights and producers to have discussions negotiating, implementing, or enforcing a standard form contract or other collective agreement governing the terms and conditions on which playwrights’ works will be developed, licensed, or produced.”¹⁷⁷ The bill was referred to the House Committee on the Judiciary but never reached the voting stage.¹⁷⁸

On April 10, 2002, Senators Orrin Hatch and Charles Schumer introduced the Playwrights Licensing Relief Act of 2002 to the Senate.¹⁷⁹ The bill proposed that antitrust laws should not apply to “any joint discussion, consideration, review, action, or agreement for the express purpose of, and limited to, the development of a standard form contract containing minimum terms of artistic protection and levels of compensation for playwrights.”¹⁸⁰ This second attempt at a bill for playwrights made clear that the collective negotiation powers would be limited to the creation of a modern APC. The bill was read twice and was referred to the Committee on the Judiciary, where it died.¹⁸¹

On April 26, 2004, Senator Hatch, along with Senator Edward Kennedy, again introduced the bill to the Senate, using the same language but with a new title—the Playwrights Licensing Antitrust Initiative Act of 2004 (“PLAI”).¹⁸² This time, the bill had legs and hearings were held before the Senate Judiciary Committee on April 28, 2004.¹⁸³ The Committee heard testimony from

famous playwrights Wendy Wasserstein,¹⁸⁴ Stephen Sondheim,¹⁸⁵ and Arthur Miller,¹⁸⁶ representatives of the Dramatists Guild,¹⁸⁷ and representatives from the League of American Theaters and Producers,¹⁸⁸ as well as opening remarks from Senator Hatch.¹⁸⁹

1. Testimony in Support of PLAI

Senator Hatch noted that the PLAI would enable playwrights, through the Dramatists Guild or any other peer organization, to collectively deal with “other industry groups that operate both under and behind the bright lights of the American stage.”¹⁹⁰ He emphasized that the bill covered only collective adoption and implementation, not collective enforcement, of an updated APC.¹⁹¹

In her testimony, playwright Wendy Wasserstein stated that the voice of the playwright “has become much more challenged as the ownership of the theaters and the production of plays has become increasingly dominated by corporate interests.”¹⁹² She argued that every other creative contributor to the theater has union representation and is able to bargain collectively.¹⁹³ She stated that the purpose of the PLAI was not to “force a producer to produce a play,” but to develop a standard form contract so that the playwright’s copyright is “respected throughout the production of [a play].”¹⁹⁴

Stephen Sondheim, president of the Dramatists Guild from 1973 to 1981 and current member of its Council, emphasized that the bill is not for the benefit of established playwrights like him, but for the younger generation of playwrights struggling to negotiate with ever-powerful producers.¹⁹⁵ He gave an anecdote about a producer once trying to reverse the order of events in his play “Merrily We Roll Along,” a piece written to go backward in time, starting at the end and proceeding to the beginning.¹⁹⁶ Mr. Sondheim pointed out that he was able to maintain the integrity of his intellectual property due to his status in the theater industry, but argues that young unknown playwrights do not have the same leverage when negotiating with producers.¹⁹⁷

In his testimony, playwright Arthur Miller argued that “American theater risks losing the next generation of playwrights to other media and opportunities as the pressures on playwrights increase and their power to protect their economic and artistic interests diminish.”¹⁹⁸ Mr. Miller also emphasized the growing pressures of corporate interests in the theater and argued, “only one entity does not have a seat at the bargaining table: the playwright.”¹⁹⁹ He explained that the PLAI would allow the APC to be updated to “take account of today’s market realities and intellectual property protection climate.”²⁰⁰

Vice president of the Dramatists Guild Marsha Norman concurred with Mr. Miller that young playwrights are being lost “to television and other unionized venues which pay them in advance and don’t quibble over the price.”²⁰¹ She noted that half of her students in the Jul-

liard playwrighting program in 2004 left for California to talk to television show-runners and producers and argues that once writers leave the theater, they rarely come back to it.²⁰² Ms. Norman argued that without a standard contract for young and mid-career playwrights to rely on, they will continue to leave the theater and lose the creative rights afforded to them as playwrights in exchange for being guaranteed a paycheck in Hollywood.²⁰³

The official statement from the Dramatists Guild of America addressed the string of decisions surrounding the Dramatists Guild's inability to collectively bargain.²⁰⁴ The Dramatists Guild argued that the case history has attempted to reconcile labor and anti-trust but is "a daunting challenge in the unique environment of the Broadway Theater."²⁰⁵ It pointed out that the PLAI is not an attempt to reconcile larger issues of anti-trust and labor law, but rather a simple solution to the small but important arena of American theater.²⁰⁶

2. Testimony in Opposition to PLAI

Representing the opposition to the PLAI were the producers, backed by the League of American Theaters and Producers.²⁰⁷ Gerald Schoenfeld, the Chairman of the Board of the Shubert Organization²⁰⁸ and Chairman of the League of American Theaters and Producers, spoke out against the testimony given by playwrights and members of the Dramatists Guild.²⁰⁹ Mr. Schoenfeld explained to the committee the nature of the APC and the need since 1985 to draft addendums to each agreement to meet the demands of modern theater, such as the creation of royalty pools.²¹⁰ He argued that by requiring producers to comply with the terms of the APC and Dramatists Guild certification, the negotiating power of producers would be hindered.²¹¹

Broadway producer Roger Berlind testified that freeing playwrights from the restraints of antitrust laws would be bad for competition and bad for playwrights.²¹² He argued that there were too many variables and that producers need flexibility in the terms they set.²¹³ He stressed that if the PLAI were passed, it would destroy the free market of theater producing and instead place the Dramatists Guild as the "gatekeeper" to pre-agreed terms.²¹⁴

Ultimately, although the PLAI of 2004 made it to the hearing stage, the Senate never put it to a vote and the bill died yet again.²¹⁵ A few months after the bill died in the Senate, the identical bill, again entitled the PLAI of 2004, was introduced in the House on June 18, 2004, sponsored by Representatives Howard Coble, John Conyers, Jr., Barney Frank, and Henry Hyde.²¹⁶ That bill also failed to be taken to a vote.²¹⁷

On February 2, 2005, Representatives Coble, Conyers, Frank, and Hyde attempted to re-introduce the PLAI of 2005 in the House. Again, the language of the bill remained unchanged and again it died on the floor without a vote.²¹⁸

B. Current Legislative Status

Over the past year, and continuing into 2008, the Dramatists Guild has been lobbying in both the House and the Senate toward getting an exception from labor laws so that it may collectively bargain without violating antitrust laws.²¹⁹ Meanwhile, the League of American Theaters and Producers has been successfully spending its time and money lobbying Congress to stall on the Dramatists Guild's legislative proposals.²²⁰

IV. Why Congress Should Act Now

The PLAI is intended to address and correct the disparate bargaining power between playwrights and producers.²²¹ Producers on Broadway have traditionally been very strong financially, and the League of American Theaters and Producers, controlled by the Shubert Foundation, has in the past resembled a monopoly.²²² Yet with the ever-growing influx of Hollywood studios producing on Broadway²²³ and the pressure to do business according to a Hollywood model in the same manner as it had conducted with screenwriters,²²⁴ the gulf in bargaining strength between playwrights and powerful studios as producers has grown even wider.

A. Battling the Giants: Hollywood Studios on Broadway

For large motion picture studios with a hit film, a move to adapt a pic-to-legit musical for Broadway has an added advantage over other straight Broadway productions.²²⁵ As opposed to an original musical like "Avenue Q" that must build a reputation by word of mouth, people already have an interest in "Spider-Man the Musical" or "The Little Mermaid" because they saw, and likely enjoyed, the films.²²⁶ The branding for a pic-to-legit musical is already in place.²²⁷ Broadway has become yet another area for movie studios to expand their successful franchises.²²⁸ This is why almost every major studio is making its mark on the Great White Way, including Fox Theatricals producing "Legally Blonde the Musical,"²²⁹ Dreamworks Animation producing "Shrek the Musical,"²³⁰ Sony Pictures Entertainment producing "Spider-Man the Musical,"²³¹ and of course Disney, which hopes to mimic past Broadway successes "Beauty and the Beast" and "The Lion King" with new productions of "Mary Poppins" and "The Little Mermaid."²³²

The studios come to Broadway prepared to do business with playwrights in the same manner in which they do business with screenwriters.²³³ They intend to contract with playwrights in such a way as to maintain control of their valuable franchises, including copyright control.²³⁴ In the same way that the studios argue that their financial interests behind a film entitle them to control over authorship, they are attempting to secure the entire bundle of rights from playwrights as well.²³⁵

The clearest example of the growing disparity in bargaining power is in the studios' attempts to use the work

for hire doctrine with playwrights and the playwrights' inability to effectively fight back against the studios.²³⁶ Even though a work for hire clause in a contract with a playwright could be challenged in court because playwrights are not employees,²³⁷ nor would they be employees of the Hollywood studios, and they are not among the nine categories of works that can be specially ordered or commissioned,²³⁸ most playwrights do not have the financial resources to raise such a challenge in court. Additionally, studios are frequently able to exercise their superior bargaining power to obtain assignments from playwrights,²³⁹ effectually taking the playwright's creative property rights away anyway.

Consider the following hypothetical: A writer with both a playwrighting and screenwriting background receives a Writers Agreement from a large motion picture studio to adapt a non-fiction book. The contract combines screenwriting services with an additional clause called "Playwright Services," granting the writer the first opportunity to write the book of a musical based on the screenplays she was hired to write. The clause includes the language "these services shall be rendered on a 'work-for-hire basis' for copyright purposes." The writer is not only required to sign over the copyright of her screenplay, but also her stage rights. In the grant of rights, the contract grants the studio "for all time, exclusively and throughout the world, all rights to use the Property as the basis of or in connection with stage plays (straight plays or musicals) and other live theatrical productions, and all ancillary and subsidiary rights related thereto." The studio, before the screenplay had even been written, takes control of the stage rights, using the language "work for hire" to do so. It then includes "and if this is not a work-for-hire, then it is an assignment." The writer attempts to negotiate with the studio to license her stage rights. Unfortunately, she has to negotiate alone on the stage terms, because unlike the WGA, the Dramatists Guild is not able to negotiate minimum terms without violating antitrust laws. The writer is told by the studio that altering the stage rights is a deal-breaker. Desperate to not lose the deal, the writer signs away all of her rights.

As the presence of motion picture studios on Broadway grows stronger, agreements like this hypothetical are becoming more common. Playwrights need the power and protection of the Dramatists Guild now more than ever, to protect them against the growing threat by Hollywood producers and their bargaining muscle. Indeed, "playwrights are often so desperate to get their plays produced and seen by audiences, that they will accept terms detrimental to their own interests."²⁴⁰ If Congress passes the PLAI, the Dramatists Guild could start to regain ground in bargaining power, and playwrights could begin to feel secure in their choice to stay in the world of theater rather than migrating to the world of screenwriting.

Furthermore, in light of the recent strikes of both the Writers Guild²⁴¹ and IATSE on behalf of Broadway stagehands,²⁴² it is evident that guild power is an effective means of asserting bargaining power over powerful producers. Congress should even the playing field for playwrights, the last remaining creative group that must bargain alone, without the support of a guild with collective bargaining authority. It is because of the strength that the screenwriters have through the power of the WGA and the stagehands through the power of IATSE that they held out for weeks and continued to negotiate for their rights. Congress should not alienate the Dramatists Guild from collectively bargaining because of the clear threat guild power has for producers and their money, but should embrace a policy that stimulates creativity by ensuring protection of young playwrights.

B. Following Legislative Precedence

Additionally, Congress should pass the PLAI based on its past legislative actions dealing with writers, specifically with regard to the work for hire doctrine, and its past consideration of guild power, of both the WGA and the Dramatists Guild. Congress has repeatedly put significant weight on the testimony of the publishers and the motion picture studios, which argue that work for hire protects their financial well-being.²⁴³ Congress perceived work for hire as appropriate in light of the power of the WGA²⁴⁴ and operated under the assumption that the Dramatists Guild's playwrights can "take care of themselves."²⁴⁵ These two arguments are in tension with one another, however, with the influx of motion picture studios into the realm of Broadway. The power of the studios, which can be managed with the power of a collectively bargaining guild, is not a legally viable option for playwrights without the PLAI.

1. The Revision Process of the Work for Hire Doctrine from 1956 to 1976

The revision of the Copyright Act in 1976 was the culmination of two decades of research acquired from the testimony from approximately 200 witnesses before the Subcommittee on Copyrights.²⁴⁶

One of the major issues being revised was the work for hire definition: specifically, the category of works prepared on special order or commission.²⁴⁷ The preliminary draft of the copyright law revision defined works made for hire specifically to exclude all works made on special order or commission, but was met with "strenuous opposition from publishers and motion picture companies."²⁴⁸ The publishing and motion picture industries asserted that exclusion of specially ordered works or commissioned works would create insurmountable obstacles and major economic dislocation.²⁴⁹ The motion picture studios argued that because they exercise creative control over a composite of screenwriters' works, they should be considered the authors for copyright purposes.²⁵⁰ The writers argued that the burden of bargaining should be placed on

the party with more ready access to legal advice.²⁵¹ The motion picture studios countered that the writers were represented by guilds, lawyers, and accountants, and therefore there was no inequality in bargaining power.²⁵² The writers also urged Congress to give them something similar to the “shop right” doctrine in patent law, which would give the commissioning party the right to use the writer’s work to the extent needed, but the writer would retain all other rights, as long as she did not authorize a competing use.²⁵³ The motion picture producers argued that unlike producers, motion picture writers were insulated from loss, and that they already received shares of producers’ revenue under collective-bargaining agreements set forth by the WGA.²⁵⁴

Congress ultimately had to decide between excluding commissioned works and “possibly crippling the production of and public access to composite works,” like films, or jeopardizing the rights of writers by including commissioned works in the work for hire definition.²⁵⁵ Congress accepted a compromise between the writers and the commissioning parties: In exchange for concessions from the commissioning parties relating to the termination of transfer rights, the writers consented to the second clause of the work for hire doctrine, which classified specific categories of works, including motion pictures, as works for hire if the parties expressly agreed in writing.²⁵⁶ The “shop right” proposal was altogether rejected as “mere conjecture” as to its ability to bring a benefit to writers.²⁵⁷

2. Later Attempts at Revision

The writers continued to argue that the writing requirement offered virtually no protection to them, because writers generally have no economic bargaining power and cannot insist on the exclusion of a clause that specifies a work is made for hire.²⁵⁸ From 1982 until 1989, Senator Cochran introduced a series of bills attempting to revise the work for hire doctrine to address the concern that independent contractors subject to the second clause of the doctrine were placed in a disadvantaged bargaining position.²⁵⁹ Of note, however, is that the Senator proposed to eliminate every category of works that may be specially ordered or commissioned *except* motion pictures.²⁶⁰ He argued to Congress that motion pictures are uniquely collaborative works, which require a work for hire relationship, and that employees in the motion picture industry are protected by union and guild contracts and are therefore less likely to be the victims of over-reaching.²⁶¹ Once again, the argument was raised before Congress that the screenwriters do not need additional copyright protection because of the power of the WGA.

If Congress previously allowed work for hire legislation to retain control over motion pictures by accepting arguments about equal bargaining strength, then it should also fortify the playwrights of America against the bargaining power of the motion picture studios as Broadway producers by passing the PLAI and empowering groups of playwright to collectively bargain. Further,

as a matter of policy, copyright law strives to protect and motivate individuals whose creativity produces works that will enhance the culture and development of society.²⁶² In passing the PLAI, Congress will strengthen the bargaining power of the next generation of playwrights by assuring through the Dramatists Guild and any other voluntary peer organization that rights are respected and agreements include fair compensation.

Conclusion

Young screenwriters in Hollywood are not forced to negotiate with large motion picture studios alone. As members of the WGA, they enter into agreements with the collective voice of all screenwriters and strive for fair compensation for all. With the ever-expanding migration of Hollywood studios producing on Broadway, young playwrights are also increasingly facing negotiations with these same motion picture studios, looking to do business in the same way that it is done in Hollywood. Congress should not leave these playwrights to negotiate alone. By passing the PLAI, and allowing for the modernization of the Dramatists Guild’s APC, Congress will increase the strength of American playwrights’ bargaining power and ensure that the vibrancy of American live theater continues for years to come.

Endnotes

1. See Gordon Cox, *Broadway’s “Blonde” Ambition*, VARIETY, Mar. 27, 2007–Apr. 1, 2007, at 39 (“‘Sweet Charity’ (1966) was based on ‘Nights of Cabiria,’ ‘Applause’ (1970) grew out of ‘All About Eve,’ and ‘Nine’ (1982) took its story from ‘8 1/2’”).
2. “‘The Lion King’ (1997), ‘The Producers’ (2001) and ‘Hairspray’ (2002) [were] among the winners at both the box office and at the Tonys.” *Id.*
3. “‘Dirty Rotten Scoundrels’ (2005) never quite recouped on Broadway, ‘The Wedding Singer’ (2006) foundered, and ‘High Fidelity’ (2006), based on the film as well as the book, barely opened.” *Id.*
4. Michael Kuchwara, *New Broadway Season: The Play’s the Thing*, ASSOCIATED PRESS, Sept. 30, 2007, available at newsday.com/entertainment/stage/ny-ffthe5391193sep30,0,161117.story.
5. See Mac Rogers, *From Screen to Stage: How to Turn a Movie into a Musical*, SLATE, May 23, 2006, <http://www.slate.com/id/2142258/>.
6. John Weidman, *The Seventh Annual Media and Society Lecture: Protecting the American Playwright*, 72 BROOKLYN L. REV. 639, 644 (2007).
7. See Rogers, *supra* note 5 (“The beauty of the movie-musical is that the branding is already in place.”).
8. *Id.*
9. See Weidman, *supra* note 6, at 645 (“The studio’s interest in maintaining control of the content of the stage version of [a movie] seems irreconcilable with the theatrical mandate which gives the playwright ultimate control of the work which he creates.”).
10. See Weidman, *supra* note 6, at 641-42 (“A screenwriter is an employee . . . From the beginning, he understands that everything he writes will immediately become the property of the studio which employs him . . . The playwright is an independent contractor. He owns his own work and is free to dispose of it as he sees fit.”).

11. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737 (1989) (citing 17 U.S.C. § 102 (2007)).
12. *Id.* at 737.
13. *Id.* at 751.
14. U.S. Copyright Office, *Circular 9.1104*, Nov. 2004, at 1, available at <http://www.copyright.gov/circs/circ09.pdf>.
15. The nine categories are (1) a collective work, (2) as a part of a motion picture or other audiovisual work, (3) as a translation, (4) as a supplementary work, (5) as a compilation, (6) as an instructional text, (7) as a test, (8) as answer materials for a test, or (9) as an atlas. 17 U.S.C. § 101 (2007).
16. U.S. Copyright Office, *supra* note 14, at 2.
17. *See* 17 U.S.C. § 101.
18. Alison Zamora, *Legislative Update: The Playwright Licensing Antitrust Initiative Act: Empowering the "Starving Artist" Through the Convergence of Copyright, Labor, and Antitrust Policies*, 16 DEPAUL-LCA J. ART & ENT. L. 395, 421 (2006) ("a playwright is not an employee of the producer, but rather an independent contractor"); *see* 17 U.S.C. § 101; *see also* Dramatists Guild's Business Affairs FAQ, http://www.dramatistsguild.com/lounge_ba_faq.aspx ("[work made for hire] is not an acceptable condition for writing in the theater, where authors still are entitled to own and control their own work").
19. *See* Weidman, *supra* note 6, at 645 ("[T]he most aggressive of the movie studios [bring] with them . . . a desire to do business, not according to the theater model which puts the playwright in first position, but according to the Hollywood model, in which the producing studio own[s] the author's copyright and writers [can] be hired and fired at will.").
20. The Dramatists Guild is an advocacy organization made up of playwrights, composers, and lyricists who write for the first-class theater and who represent the common interests of playwrights. *Barr v. Dramatists Guild*, 573 F. Supp. 555, 561 (S.D.N.Y. 1983). "The Dramatists Guild is the only national organization representing the interests of playwrights, composers, and lyricists writing for the living stage." Weidman, *supra* note 6, at 639.
21. Weidman, *supra* note 6, at 645 ("Why? Because as a general rule, what one producer gets, all producers want.").
22. *Id.* at 644.
23. The Writers Guild of America is a labor union and screenwriters' collective bargaining representative in the motion picture and television industry. *Wellman v. Writers Guild of America, West*, 146 F.3d 666, 668 (9th Cir. 1998).
24. *See* ROBERT M. JARVIS, *THEATER LAW: CASES AND MATERIALS* 80 (Carolina Academic Press 2004) ("Because producers typically have the upper hand in . . . negotiations, the [Dramatists] Guild has wanted to engage in collective bargaining but cannot do so—as a trade association rather than a labor union, its activities are not shielded from the federal anti-trust laws").
25. Zamora, *supra* note 18, at 395.
26. *Id.*
27. 17 U.S.C. § 201(a) (2007).
28. *Reid*, 490 U.S. at 737 (citing 17 U.S.C. § 102).
29. *See* Weidman, *supra* note 6, at 641-42. "In the case of a work-made-for-hire, the employer or other person for whom the work was prepared is considered the author . . . and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright." 17 U.S.C. § 201.
30. 17 U.S.C. § 101 (2007); *see* U.S. Copyright Office, *supra* note 14, at 1.
31. U.S. Copyright Office, *supra* note 14, at 2.
32. *Id.*
33. *See* 17 U.S.C. § 101.
34. Zamora, *supra* note 18 at 421 ("a playwright is not an employee of the producer, but rather an independent contractor."). *See* 17 U.S.C. § 101. *See also* Dramatists Guild's Business Affairs FAQ, *supra* note 18 ("[work made for hire] is not an acceptable condition for writing in the theater, where authors still are entitled to own and control their own work.").
35. Weidman, *supra* note 6, at 641.
36. Douglas Nevin, *No Business Like Show Business: Copyright Law, The Theatre Industry, and the Dilemma of Rewarding Collaboration*, 53 EMORY L.J. 1533, 1544 (2004).
37. Charles Isherwood, *Go East, Young Writers, for Theater!* N.Y. TIMES, Nov. 13, 2007, at E1.
38. Weidman, *supra* note 6, at 641-42.
39. Nevin, *supra* note 36, at 1540; *see* Richard Garmise, *Author's Bill of Rights*, DRAMATIST, October 1993, available at <http://www.dramatistsguild.com/lounge/articles/authbill.pdf>.
40. Typically between 5% and 7% of the gross weekly box office receipts. *See* Richard Garmise, *The Art of the Deal, Part 1: Money, Money, Money*, THE DRAMATIST, Nov. 1994, at 1.
41. *See id.* at 1. *See also* Nevin, *supra* note 36, at 1540.
42. Nevin, *supra* note 36, at 1540. *See* Weidman, *supra* note 6, at 642 ("it is in the theater, and only in the theater, that [the playwright] knows his own unique, idiosyncratic voice will be heard, unedited and uncompromised").
43. *See* Zamora, *supra* note 18, at 421.
44. Weidman, *supra* note 6, at 642.
45. *See* Dramatists Guild's Business Affairs FAQ, *supra* note 18.
46. Weidman, *supra* note 6, at 641-42.
47. *Reid*, 490 U.S. at 751-52.
48. *Id.* at 751-52.
49. Zamora, *supra* note 18, at 421.
50. *Id.*
51. *Id.*
52. *Id.*
53. *See* Dramatists Guild's Business Affairs FAQ, *supra* note 18.
54. Zamora, *supra* note 18, at 421.
55. *See* Garmise, *supra* note 40, at 1.
56. *See Thomson v. Larson*, 147 F.3d 195, 197 (2d Cir. 1998) ("the role of the dramaturg can include any number of the elements that go into the crafting of a play, such as actual plot elements, dramatic structure, character details, themes, and even specific language") (internal quotations omitted).
57. Zamora, *supra* note 18, at 421.
58. *Id.*
59. Nevin, *supra* note 36, at 1540.
60. *Id.*
61. *See* 17 U.S.C. § 101.
62. *Id.*
63. *See* 17 U.S.C. § 201(d).
64. E-mail from David Faux, Director of Business Affairs, Dramatists Guild (Oct. 17, 2005, 14:25:17 EST) (on file with author).
65. *See* 17 U.S.C. § 203 (2007).
66. Nevin, *supra* note 36, at 1540.
67. *Id.*
68. *See* Isherwood, *supra* note 37, at E1 ("[I]t is not easy to earn a good living strictly as a playwright.").

69. See Weidman, *supra* note 6, at 644.
70. See Victor Knapp and Ralph Sevush, *The Money Flow*, THE DRAMATIST, July-Aug. 2001, at Newsletter-1.
71. See Dramatists Guild's Business Affairs FAQ, *supra* note 18.
72. Nevin, *supra* note 36, at 1569 ("Despite intermittent moments of excellence, the American theatre has faced a considerable challenge during the last few decades. Exciting and vital artists are decamping for the hills of Hollywood, taking with them the innovative approaches that define each generation of the theatrical movement."); see also *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (statement of Marsha Norman, Vice President, Dramatists Guild) ("Norman statement").
73. See Isherwood, *supra* note 37, at E1 ("In theory a talented writer interested in making plays and making a living in other media should be able to do both. But in practice it doesn't seem easy. A lot of writers who head west never look back . . . Young writers who win some acclaim for a first or second play will probably continue to head west before they have had time to develop, which means the theater is potentially losing important voices before they mature.>").
74. Nevin, *supra* note 36, at 1540. See Matthew J. McDonough, *Moral Rights and the Movies: The Threat and Challenge of the Digital Domain*, 31 SUFFOLK U. L. REV. 455, 473 (1997) ("Because of a significant disparity in bargaining power, directors and screenwriters are almost always employed or otherwise contracted for work pursuant to the work for hire doctrine, with the motion picture studio alone as copyright owner.>").
75. Weidman, *supra* note 6, at 642.
76. STEPHEN BREIMER, THE SCREENWRITER'S LEGAL GUIDE 12 (3d ed. 2004).
77. *Id.* at 1.
78. See 17 U.S.C. § 26 (1909). See also *Reid*, 490 U.S. at 748 (an employment relationship existed sufficient to give the hiring party copyright ownership whenever that party has the right to control or supervise the artist's work).
79. BREIMER, *supra* note 76, at 12.
80. See, e.g., *Copyright Law Revision, Part 5: 1964 Revision Bill with Discussion and Comments Before H. Comm. on the Judiciary*, 88th Cong. 302 (1965) (statement by the Motion Picture Association of America).
81. See Seth F. Gorman, *Who Owns the Movies? Joint Authorship under the Copyright Act of 1976 after Childress v. Taylor and Thomson v. Larson*, 7 U.C.L.A. ENT. L. REV. 1, 23 (1999).
82. See 17 U.S.C. § 101. See also Gorman, *supra* note 81, at 23.
83. BREIMER, *supra* note 76, at 4 ("our own laws have helped to reinforce the philosophy that the employed writer can be forgotten."). See Weidman, *supra* note 6, at 642 ("As legal author of the film, [the] studio can change the content of the screenwriter's script at will. His pirate captain can become a teenage runaway, his teenage runaway a Cocker Spaniel, his original story, set in Boston during the War of 1812, can be moved to the fifth moon of Jupiter.>").
84. BREIMER, *supra* note 76, at 2.
85. McDonough, *supra* note 74, at 477 ("Absent a contractual agreement to the contrary, filmmakers remain powerless to prevent a studio from making significant changes to a motion picture.>").
86. See, e.g. Sean Mitchell, *Written Out of the Script*, L.A. TIMES, Nov. 11, 2007, at M1 ("Regardless of the head-turning sums they can make, screenwriters are often treated like second-class Hollywood citizens, routinely replaced by other writers and often not even invited to the set of a movie they've written.>").
87. BREIMER, *supra* note 76, at 6.
88. *Wellman*, 146 F.3d at 668 ("The credit does not merely satisfy a writer's longing to see his name in lights; it can propel him to other work—perhaps to the next blockbuster.>").
89. *Id.*
90. See Michael Carter Smith, *Work For Hire: Revision on the Horizon*, 30 IDEA: L.J. & TECH. 21, 30 (1989).
91. *Copyright Law Revision, Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law Before H. Comm. on the Judiciary*, 88th Cong. at 153 (1964) (statement of Adolph Schimel, Universal Pictures, Co.).
92. See Smith, *supra* note 90, at 30.
93. *Id.*
94. See Karen L. Gulick, *Creative Control, Attribution, and the Need for Disclosure: A Study of Incentives in the Motion Picture Industry*, 27 CONN. L. REV. 53, 66 (1994).
95. *Id.*
96. Movie and television actors are represented by the Screen Actors Guild and the American Federation of Television and Radio Artists. The writers are represented by the Writers Guild of America. The directors are represented by the Directors Guild of America. MELVIN SIMENSKY, ENTERTAINMENT LAW 105 (3d ed. 2003).
97. See *infra* Part II.B.
98. See, e.g., Damon Lindelof, *Mourning TV*, N.Y. TIMES, Nov. 11, 2007, at D13.
99. *Wellman*, 146 F.3d at 668.
100. *American Broadcast Co., Inc. v. Writers Guild of America, West*, 437 U.S. 411 (1978).
101. Nevin, *supra* note 36, at 1540.
102. BREIMER, *supra* note 76, at 215.
103. Writers Guild History, available at <http://www.wgaeast.org/index.php/articles/article/499?startnum=&sort=&letter=&wgc=109#>.
104. *Id.*
105. *Id.*
106. BREIMER, *supra* note 76, at 287.
107. *Id.*
108. Writers Guild History, *supra* note 103.
109. BREIMER, *supra* note 76, at 8.
110. See Mitchell, *supra* note 86, at M1 ("The agreement reached with the newly founded Writers Guild in 1942 contained the defining clause that survives to this day: 'The studio, hereinafter, referred to as the author . . . ' making it clear where the writer stood after the sale of his work—or service, as it were.>").
111. See BREIMER, *supra* note 76, at 42-43.
112. *Id.*
113. See 2004 WGA—Alliance of Motion Picture & Television Producers Theatrical and Television Basic Agreement, at § 16.A.8, available at http://wga.org/uploadedFiles/writers_resources/contracts/MBA04.pdf ("WGA Basic Agreement"). See also BREIMER, *supra* note 76, at 42-43.
114. BREIMER, *supra* note 76, at 43 ("The best thing about the WGA provision is not just that it exists, which is a major accomplishment in itself, but that it covers commissioned works as well as material that is purchased.>").
115. See Richard Verrier and Claudia Eller, *Hollywood Writers Strike as Talks Fail; The Studios and the Guild Prepare for a Long Work Stoppage*, L.A. TIMES, Nov. 5, 2007, at A1; Richard Verrier and Claudia Eller, *Strike Report; And That's a Wrap! Walkout to End; After 100 Days and Untold Losses, Writers Vote Overwhelmingly to Get Back to Work*, L.A. TIMES, Feb. 13, 2008, at C1.
116. See, e.g., WGA Basic Agreement, *supra* note 113.

117. Michael Cieply, *To Strike or Not? Hollywood's Next Drama*, N.Y. TIMES, Sept. 1, 2007, at B7.
118. Richard Verrier, *Writers Guild Votes 90% in Favor of Strike*, L.A. TIMES, Oct. 20, 2007, at C1.
119. Michael Cieply and Brooks Barnes, *With Resolution Unlikely, Writers Guild Sets Strike for Monday*, N.Y. TIMES, Nov. 3, 2007, at C1.
120. In April of 2004, the New York Times reported that studios made \$4.8 billion in DVD sales versus \$1.78 billion at the box office. Sharon Waxman, *Swelling Demand for Disks Alters Hollywood's Arithmetic*, N.Y. TIMES, Apr. 20, 2004, at E1. The WGA claims that DVD residuals are necessary to a writer's income to cover periods in between employment, which is common in the industry. The WGA wants the residual rate to double from what amounts to 4 cents per DVD sold up to 8 cents per DVD sold. WGA Contract 2007 Proposals, available at http://www.wga.org/contract_07/proposalsfull2.pdf.
121. According to the WGA, 100% of animated screenplays in 2005 were written by at least one WGA member; however the Minimum Basic Agreement currently does not include animation. See WGA Contract 2007 Proposals, *supra* note 120.
122. The WGA argued that the process of creating interesting scenarios and shaping raw material into a narrative with conflict and character arc should fall under WGA contract. They advocated for the creation of "Story Producer" and "Supervising Story Producer" as acceptable forms of credit. See *id.*
123. "New Media" includes Internet downloads, straight-to-Internet content, on-demand online distribution, and video on demand. See Verrier and Eller, *supra* note 115, at A1. The WGA proposed that all television and theatrical content re-used on non-traditional media like the Internet or phones would earn a residual payment of 2.5% of the distributor's gross. See WGA Contract 2007 Proposals, *supra* note 120. See also Lindelof, *supra* note 98, at D13 ("For more than 50 years, writers have been entitled to a small cut of the studios' profits from the reuse of our shows or movies; whenever something we created ends up in syndication or is sold on DVD, we receive royalties. But the studios refuse to apply the same rules to the Internet.").
124. David Carr, *New Media, New Values, Old Trouble*, N.Y. TIMES, Nov. 5, 2007, at C1.
125. See Richard Verrier and Claudia Eller, *Strike Report; Writers, Studios to Revive Negotiations; the Directors Accord Opens the Door to Ending the Nearly 11-Week Old Strike*, L.A. TIMES, Jan. 19, 2008, at C1. The Directors Guild deal doubled residual payments for television shows and films sold online and extended union contracts to Web shows.
126. See Richard Verrier and Claudia Eller, *Strike Report; And That's a Wrap! Walkout to End; After 100 Days and Untold Losses, Writers Vote Overwhelmingly to Get Back to Work*, L.A. TIMES, Feb. 13, 2008, at C1.
127. *Id.*
128. Without screenwriters, an entire season of television ended in December, no pilots will be shot in the spring, and a dearth of films will premiere at the Cannes Film Festival in 2008. See Lindelof, *supra* note 98, at D13.
129. Barr, 573 F. Supp. at 561. See Mission Statement of the Dramatists Guild, available at http://www.dramatistsguild.com/content.aspx?id=guild_mission.
130. The History of the Dramatists Guild of America, available at http://www.dramatistsguild.com/content.aspx?id=guild_history.
131. *Id.*
132. Barr, 573 F. Supp. at 563.
133. Mission Statement of the Dramatists Guild, *supra* note 129 (the Dramatists Guild claims it carries out its mission by (1) formulating production contracts; (2) promoting and protecting playwrights through these contracts; (3) speaking out on issues that affect dramatic authors; (4) educating theatrical institutions on the primacy of the playwright in theater productions; and (5) responding to emerging trends in theater).
134. JARVIS, *supra* note 24, at 80 ("respectively known as the Approved Production Contract for Plays and the Approved Production Contract for Musicals").
135. See Dramatists Guild Member Benefits, Business Advice, available at http://www.dramatistsguild.com/mem_benefits_business.aspx.
136. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong (2004) (statement of Gerald Schoenfeld, President, League of American Theaters and Producers) ("Schoenfeld statement").
137. *Id.*
138. *Id.*
139. *Id.*
140. *Id.*
141. *Id.*
142. JARVIS, *supra* note 24, at 80.
143. *Id.* See Zamora, *supra* note 18, at 399 ("If associations are not deemed labor unions, the Sherman Act prohibits them from collectively negotiating the terms of licensing agreements.").
144. 15 U.S.C. § 1-7 (2000) ("Every contract . . . or conspiracy, in restraint of trade or commerce . . . is declared to be illegal.").
145. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong (2004) (statement of the Dramatists Guild of America) ("Dramatists Guild statement").
146. *Ring v. Spina*, 148 F.2d 647 (2d Cir. 1945) ("*Ring I*").
147. *Id.* at 649.
148. *Id.* The authors requested arbitration, pursuant to the agreement, but the producer sued, claiming that the authors and the Dramatists Guild had violated the Sherman Act by creating a monopolistic contract through collective bargaining among members of the Guild. The Dramatists Guild argued it was a labor union and should come under the § 17 exemption of the Sherman Act. *Id.*
149. *Id.* at 653. The issue of damages was remanded to the District Court, which held that since the allegations made on the motion for a preliminary injunction had been proven, the producer was entitled to injunctive relief. *Ring v. Spina*, 84 F. Supp. 403, 407 (S.D.N.Y.). Both the producer and the Dramatists Guild appealed. In a decision by Judge Learned Hand, the Second Circuit discontinued the injunction because of the absence of a "tangible probability that the wrong [would] be repeated." *Ring v. Spina*, 186 F.3d 637, 643 (2d Cir. 1951) ("*Ring II*").
150. *Ring I*, 148 F.2d at 649; *Ring II*, 186 F.3d at 643.
151. Dramatists Guild statement, *supra* note 129.
152. *Bernstein v. United Pictures, Inc.*, 517 F.2d 976 (2d Cir. 1975) (antitrust dispute between Composers and Lyricists Guild of America and a group of television and motion picture producers asking whether composers are employees or independent contractors).
153. *Id.* at 980 ("antitrust jurisdiction cannot be denied simply because independent contractors masquerade as a union.").
154. *Julien v. Society of Stage Directors and Choreographers, Inc.*, No. 68 Civ. 5120, 1975 WL 957 (S.D.N.Y. Oct. 14, 1975) (plaintiff, a stage producer, brought an antitrust action against defendant, an organization of directors and choreographers in violation of the § 1 of the Sherman Act, 15 U.S.C. §1).
155. *Id.*, at *3 ("the producer has the right to and does exercise control over all facets of a production and of the director's work").

156. *Barr*, 573 F. Supp. at 555.
157. *Id.* at 557.
158. *Id.*
159. Specifically, the Shubert Organization and the Nederland Organization, which at the time controlled about 70 percent of the first-class theaters in New York. *Barr*, 573 F. Supp. at 558.
160. *Id.*
161. *Id.* at 563.
162. Dramatists Guild statement, *supra* note 129.
163. See, e.g., Borys Kit, *Marvel Spins Spider-Man into Broadway Musical*, HOLLYWOOD REPORTER.COM, Apr. 20, 2007, at 2.
164. Verrier, *supra* note 118, at C1.
165. See, e.g., Campbell Robertson, *Broadway's Showdown: The Lowdown*, N.Y. TIMES, Nov. 14, 2007, at B1.
166. *Id.* at B1 (“the most powerful of Broadway unions”).
167. *Id.*
168. Campbell Robertson, *On Broadway, Gloom Hangs Over Holidays*, N.Y. TIMES, Nov. 20, 2007, at A1.
169. Campbell Robertson, *On Broadway: Deal Reached by Stagehands*, N.Y. TIMES, Nov. 29, 2007, at A1.
170. “The term ‘antitrust laws’ has the meaning given it in section (a) of the first section of the Clayton Act (15 U.S.C. 12) except that such term includes section 5 of the Federal Trade Commission Act (15 U.S.C. 45) to the extent that such section applies to unfair methods of competition.” See S. 2082, 107th Cong. (2002).
171. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (statement of Senator Orin Hatch) (“Senator Hatch statement”).
172. *Id.*
173. Zamora, *supra* note 18, at 395.
174. H.R. 3543, 107th Cong. (2001).
175. H.R. 3543.
176. E.g., the Dramatists Guild.
177. H.R. 3543.
178. See GovTracks, available at <http://www.govtrack.us/congress/bill.xpd?bill=h107-3543>.
179. S. 2082, 107th Cong. (2002).
180. S. 2082. See Senator Hatch statement, *supra* note 171 (“Playwrights and their voluntary peer membership organization, the Dramatists Guild, operate under the shadow of the antitrust laws, and substantially without the ability to coordinate their actions in protecting their interests. This has impeded playwrights’ ability to act collectively in dealing with highly organized and unionized groups, such as actors, directors, and choreographers, on the one hand, and the increasingly consolidated producers and investors on the other.”).
181. See Library of Congress, available at <http://thomas.loc.gov/cgi-bin/bdquery/z?d107:s2082>.
182. S. 2349, 108th Cong. (2004).
183. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004).
184. Author of Tony Award and Pulitzer Prize winning play “The Heidi Chronicles.” See Charles Isherwood, *Wendy Wasserstein Dies at 55; Her Plays Spoke to a Generation*, N.Y. TIMES, Jan. 31, 2006, at A1.
185. Author of works such as “Follies” (1971), “A Little Night Music” (1973), “Pacific Overtures” (1976), “Sweeney Todd” (1979) and “Merrily We Roll Along” (1981). See Internet Broadway Database available at <http://www.ibdb.com/person.asp?ID=12430>.
186. Author of “Death of a Salesman” (1949) and “The Crucible” (1953). See Internet Broadway Database available at <http://www.ibdb.com/person.asp?ID=4316>.
187. See Norman statement, *supra* note 72.
188. See *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (statement of Roger Berlind, Producer) (“Berlind statement”).
189. See Senator Hatch statement, *supra* note 171.
190. *Id.*
191. *Id.* (“My hope is that the basic ability to update the standard form contract as well as provisions ensuring that certain artists’ rights are respected in the production of their plays will encourage young, struggling playwrights to continue working in the field”).
192. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (statement of Wendy Wasserstein, playwright).
193. *Id.*
194. *Id.*
195. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (statement of Stephen Sondheim, playwright).
196. *Id.*
197. *Id.*
198. *The Playwrights Licensing Antitrust Initiative Act: Safeguarding the Future of American Theater: Hearing on S. 2349 Before the S. Comm. on the Judiciary*, 108th Cong. (2004) (statement of Arthur Miller).
199. *Id.*
200. *Id.*
201. Norman statement, *supra* note 72.
202. *Id.* (“we try to warn the writers about the dangers of work for hire, but at the moment, the Broadway arena is offering them little reason to stay”).
203. *Id.*
204. Dramatists Guild statement, *supra* note 129. See *Ring I*, 148 F.2d at 647; *Julien*, 1975 WL 957, at *3; *Bernstein*, 517 F.2d at 976.
205. Dramatists Guild statement, *supra* note 129.
206. *Id.*
207. See Schoenfeld statement, *supra* note 136; Berlind statement, *supra* note 188.
208. The Shubert Organization has kept a harsh grip over the theater industry for years, controlling 70 percent of the first-class theaters as well as dominating the League of American Theaters and Producers by dictating the terms on which they will produce playwrights’ plays. See *Barr*, 573 F. Supp. at 558.
209. Schoenfeld statement, *supra* note 136.
210. *Id.*
211. *Id.*
212. Berlind statement, *supra* note 188.
213. *Id.*
214. *Id.*
215. See GovTracks, available at <http://www.govtrack.us/congress/bill.xpd?bill=s108-2349>.
216. H.R. 4615, 108th Cong. (2004).

217. See GovTracks, available at <http://www.govtrack.us/congress/bill.xpd?bill=h108-4615>.
218. H.R. 532, 109th Cong. (2005).
219. E-mail from David Faux, Director of Business Affairs, Dramatists Guild (Oct. 17, 2005, 14:25:17 EST) (on file with author).
220. *Id.*
221. See Zamora, *supra* note 18, at 428.
222. Shubert Foundation controls 70 percent of the first-class theaters. See *supra* note 136.
223. See, e.g. Kuchwara, *supra* note 4.
224. Weidman, *supra* note 6, at 644.
225. See Rogers, *supra* note 5.
226. *Id.*
227. *Id.*
228. See, e.g. Kuchwara, *supra* note 4.
229. See Cox, *supra* note 1, at 39.
230. See BWW News Desk, *Shrek Musical Announces Creative Team, '08 Debut Potential*, BROADWAY WORLD, Oct. 12, 2006, <http://www.broadwayworld.com/viewcolumn.cfm?colid=12880>.
231. See Kit, *supra* note 163, at 2.
232. See Weidman, *supra* note 6, at 645. See also Kuchwara, *supra* note 4.
233. See Weidman, *supra* note 6, at 645.
234. See *id.*
235. See Gulick, *supra* note 94, at 66.
236. See Weidman, *supra* note 6, at 645 (“[T]he most aggressive of the movie studios [bring] with them . . . a desire to do business, not according to the theater model which puts the playwright in first position, but according to the Hollywood model, in which the producing studio own[s] the author’s copyright and writers [can] be hired and fired at will.”).
237. See Weidman, *supra* note 6, at 641-42.
238. See 17 U.S.C. § 101.
239. Smith, *supra* note 90, at 29.
240. Zamora, *supra* note 18, at 428.
241. See Carr, *supra* note 124, at C1.
242. See Robertson, *supra* note 165, at B1.
243. See *Copyright Law Revision, Part 5, supra* note 80, at 302 (“we have indicated all along that provisions such as [the work for hire provisions] are the heart and soul of the operation of commercial and personnel relationships in our industry, without which there would be a very severe upset. Such remains true today and will be the cornerstone of our position with Congress”). See also *Copyright Law Revision, Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law Before H. Comm. on the Judiciary, 88th Cong. at 358-59 (1964)* (statement of Motion Picture Association of America, Inc.).
244. See, e.g., H.R. Rep. No. 2237, at 115 (1966) (rejecting proposed “shop right” doctrine changes to the work for hire doctrine because “[w]hile the change might theoretically improve the bargaining position of screenwriters and others as a group, the practical benefits that individual authors would receive are highly conjectural”).
245. *Copyright Law Revision, Part 5: 1964 Revision Bill with Discussion and Comments Before H. Comm. on the Judiciary, 88th Cong. 302 (1965)* (statement made by Irwin Karp, on behalf of the Authors League of America) (“The Dramatists Guild represents the very few professional playwright in the United States whose work is presented on Broadway and who are able to take care of themselves.”).
246. Smith, *supra* note 90, at 26-27.
247. *Id.*
248. Anne Marie Hill, *The “Work For Hire” Definition in the Copyright Act of 1976: Conflict Over Specially Ordered or Commissioned Work*, 74 CORNELL L. REV. 559, 581 (1989).
249. See *Copyright Law Revision, Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright Law Before H. Comm. on the Judiciary, 88th Cong. at 274 (1964)*; See also *Copyright Law Revision, Part 2, supra* note 91 at 153 (1964) (“It must be borne in mind that motion picture producers may and do risk millions of dollars in the production and exploitation of a film, and by their efforts and expenditure substantially enhance the value of the story, novel, or play which is the basis of the picture.”).
250. Hill, *supra* note 248, at 568. Saul Rittenberg of MGM commented, “If I commission a work from a man, ordering a work specially for my purposes, and I pay for it, what difference does it make whether I put him under my employment contract or establish an independent contractor relationship?” Gorman, *supra* note 81, at 23.
251. Smith, *supra* note 90, at 26-27.
252. *Id.*
253. H.R. Rep. No. 2237, at 115 (1966).
254. H.R. Rep. No. 2237, at 115.
255. Hill, *supra* note 248, at 569-70.
256. Gorman, *supra* note 81, at 23.
257. H.R. Rep. No. 2237, at 115 (“The presumption that initial ownership rights vest in the employer for hire is well established in American copyright law . . . To exchange it for the uncertainties of the shop right doctrine would not only be of dubious value to employers and employees alike, but might also reopen a number of other issues and produce dissension.”).
258. Hill, *supra* note 248, at 569.
259. See S. 2044, 97th Cong. (1982); S. 2138, 98th Cong. (1983); S. 2330, 99th Cong. (1986), S. 1223, 100th Cong. (1987); and S. 1253 101st Cong. (1989).
260. See S. 1223 (emphasis added).
261. *Hearing on S. 1223 Before the S. Comm. on the Judiciary, 100th Cong. (1988)* (statement by Senator Cochran).
262. Hill, *supra* note 248, at 580.

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“Faux” Couture: The Prevalence of Counterfeit and Knockoff Fashion Designs and the Attempt to Regulate

By Saryn Leibowitz

American fashion designers and their Intellectual Property counsel have long been troubled by the lack of legal protections afforded to their designs. The current scope of United States Intellectual Property law offers no explicit protection for fashion designs, including all forms of apparel, from clothing to handbags and accessories. Consequently, these creative works and the fashion industry at large are highly susceptible to design piracy, a practice that involves the copying of other manufacturers' styles and designs.¹ Design piracy takes on a myriad of forms—from counterfeits being passed off as originals on the black market to cheaply made, inexpensive knockoffs “inspired” by designer goods.

“In 2004, the U.S. Department of Commerce estimated an annual loss of \$20 billion to \$24 billion to American companies due to counterfeiting and piracy.”

Design piracy diminishes the creative and economic value of original fashion designs. When copyists imitate designers' most successful models and fashion runway hits, the original designers lose the value of time invested in developing, manufacturing, and marketing a new design.² The economic loss is significant. In 2004, the U.S. Department of Commerce estimated an annual loss of \$20 billion to \$24 billion to American companies due to counterfeiting and piracy.³

In addition to robbing designers of substantial production costs, piracy leads to unfair competition. While designer goods command a high price because they are made from expensive, quality materials and are assembled by highly trained workers, copyists are able to sell their goods inexpensively, having used poor materials and cheap labor in places like Guangzhou, China, the capital of China's counterfeiting business.⁴ Fashion designers simply cannot compete against the high volume and low prices that the copyists offer.

Aside from its devastating economic impact, design piracy undermines the purpose of intellectual property laws. The underlying purpose of the Copyright Act is “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”⁵ Upholding a utilitarian rationale, the Framers recognized that without rights to protect their works, authors would make the rational decision not to create

works of art.⁶ The result would be an underproduction of intellectual property materials, doing little to promote the progress of science and useful arts.

Fashion Designs Lack Legal Protection

Design piracy has been plaguing the fashion world and puzzling the courts for decades. In 1956, a New York Supreme Court voiced its concern for the lack of legal protections given to fashion designs: “It is surprising that in this tremendous field, ranking conservatively among the first five in the United States, such unregulated and primitive conditions obtain that unreserved pilfering is tolerated and openly permitted.”⁷ The court continued, “Style and creation constitute the life blood of this multi-billion dollar business. Without them, the industry would fade into obscurity. Yet for some unknown reason, style piracy is treated more indulgently than much lesser offenses involving deprivation of one's rights and property.”⁸

Despite this early recognition that design piracy should be regulated, the United States has done nothing to extend legal protection to fashion design. Meanwhile, developing technology has made it easier, faster, and cheaper for copyists to pirate designers' work. In many cases, copyists photograph designs worn by models in a fashion show and digitally send high-quality images to factories for copying and production.⁹ Such facility has made the need to regulate design piracy even more pressing.

While the traditional avenues of intellectual property—copyright, trademark, and patent—offer no specific protection for fashion design, some designers have nevertheless attempted to use these forms of protection to guard their designs from piracy.¹⁰ However, the result of their efforts has proven that the current scope of American intellectual property law is inadequate to serve the needs of designers and the industry as a whole.

Trademark as a Means of Protecting Fashion Designs

Many designers have obtained trademark registration for their designer logos, marks, and labels. For example, Prada has obtained a trademark for its famous triangle-crest logo to be placed on such items as wallets, purses, briefcases, and umbrellas.¹¹ Additionally, Harajuku Lovers, singer-designer Gwen Stefani's clothing and accessories line, obtained a trademark for its logo composed of Japanese lettering, English words, and heart designs.¹²

Although trademark is useful for designers who incorporate a logo or mark into their designs, it has limited application to fashion designs on a broader level. The Lanham Act sets forth the purpose of trademark law:

to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks.¹³

While the Lanham Act does aim to prevent deception through copies, counterfeits, and imitations of registered marks, it does not contemplate granting protection to the overall design of a garment.¹⁴ Designers seeking protection for their creations as a whole, that is, the overall look of the garment, will not obtain the desired result under current trademark laws. Therefore, trademark cannot be used as a catchall category for protecting fashion designs.

The Supreme Court asserted that trademark generally does not protect fashion designs against piracy.¹⁵ In *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, the Court held that product design is not inherently distinctive and is entitled to protection under the Lanham Act as unregistered trade dress only upon showing that it has acquired secondary meaning.¹⁶ Samara Brothers' primary product was a line of children's seersucker suits decorated with appliqués of hearts, flowers, and fruits.¹⁷ When Wal-Mart began selling garments almost identical to Samara Brothers' line, the latter filed suit against the retail giant for infringing its unregistered trade dress. In its decision, the Court acknowledged that the Lanham Act is meant to protect not only word and symbol marks, but also trade dress, a product's packaging or "dressing" as well as its design.¹⁸ Nevertheless, the Court was unwilling to extend the Lanham Act's scope to fashion designs without the unregistered mark having first acquired inherent distinctiveness or secondary meaning.¹⁹

The *Wal-Mart* case illustrates the difficulty that fashion designers face when relying on trademark to protect their designs.²⁰ To be protected by the Lanham Act, designers must establish that their designs have acquired secondary meaning, that the public associates the particular mark with the source of the product, rather than the product itself.²¹ For a young, up-and-coming designer to meet this standard is nearly impossible because the public has not yet familiarized itself with the designer and his or her goods.²² Even for a seasoned designer, to acquire secondary meaning is impractical, requiring sufficient time exposure and proper marketing. Moreover,

when a designer is faced with copyists who pirate their designs straight off the runway, the designer is not given the opportunity to market his designs, thereby making it impossible for the designs to acquire secondary meaning. As a result, piracy prevents designers from obtaining trade dress protection, the only available protection for fashion designs under the Lanham Act.

Patent as a Means of Protecting Fashion Designs

Just as the trademark system offers limited protections to fashion designs, the patent system provides similarly narrow, particularized protections. When applying for a design patent, it is insufficient to show that the design is novel, ornamental, and pleasing in appearance.²³ Rather, for a design patent to be granted, the design must satisfy a higher burden and be the "product of invention," exhibiting some exceptional talent beyond the range of the ordinary designer familiar with the prior art.²⁴

Some fashion designers have successfully obtained patents for their designs. For example, inventor Giampiero Bodino, working for Gucci, was assigned a patent for his ornamental bamboo wristwatch design.²⁵ Additionally, Christian Dior Couture, S.A. ("Dior") designer John Galliano obtained a patent for the design house's famous saddlebag purse.²⁶ These patents have been particularly useful because both design houses have adopted the designs as signature pieces. Each season, the original patented design is released with modifications that incorporate seasonal trends. Securing patent protection has allowed Gucci and Dior to utilize the patented elements of their designs for several years without fear that their designs would be copied, even when the original design is altered.

While obtaining patents is foreseeable for some designers who have developed particularly unique items, the patent system is generally unwilling to award patents to fashion designs. In *Nat Lewis Purses v. Carole Bags*, the Second Circuit examined a patent for a woman's purse in a case of first impression.²⁷ The plaintiff was denied an injunction against a copyist who had allegedly infringed the plaintiff's patented design. While acknowledging that fashion design piracy is often denounced as a "serious evil,"²⁸ the court ultimately determined not to extend the patent system's monopoly, "unless the monopolist's contribution is something out of the common."²⁹ The Court was unable to conclude that the patent holder's design for a woman's purse was in fact "something out of the common."³⁰

The Second Circuit again denied the validity of a registered patent and the plaintiff's request for an injunction in *Belding Heminway Co. v. Future Fashions*.³¹ The patent at issue was for a pattern composed of alternating bands of stylized flowers and polka dots.³² Although the alleged infringer's design contained the same thematic elements as the patented design, the Court resisted in extending

patent registration and protection to fashion designs: “That there may be as outstanding aesthetic invention as there is mechanical, only barbarians would deny; but it is as difficult to form an opinion whether it has appeared in a given instance in the one case as in the other.”³³

Certainly, patent protection can be quite useful for designers seeking an exclusive monopoly over particularly innovative designs which are to become part of the designer’s signature collection for years to come. However, fashion is by nature, ephemeral. The fashion industry is characterized by spring and fall collections which showcase the changing trends of each season. Rarely do consistent trends appear from season to season on the same designer’s runway. Thus, securing the patent monopoly is generally meaningless in the fashion industry. Designers simply do not need an exclusive, 20-year monopoly to protect their seasonal designs.

Besides granting excessive terms of protection, a patent is also an inefficient means of protecting fashion design because it involves such a lengthy application process. The patent application process requires a thorough examination and a time-consuming prior-art search. Since the typical lifespan of a fashion design is three to six months,³⁴ by the time a patent is applied for and granted, the design’s novelty will have expired.

Copyright as a Means of Protecting Fashion Designs

While the Copyright Act seems to provide for the protection of fashion designs, its purpose being “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries,”³⁵ fashion designs have been routinely excluded from the scope of copyright protection because they are considered useful articles.³⁶ Useful articles and the utilitarian aspects of otherwise protected works are not protected by the Copyright Act.³⁷ Nevertheless, Congress has made exceptions to this rule, extending copyright protection to certain useful articles, including boat and vessel hulls.³⁸ In order for Congress to include fashion designs within the definition of protected useful articles under the Copyright Act, the presumption that apparel is merely a utilitarian object must be overcome. However, courts have not been receptive to designers’ attempts to expand the definition of protected useful articles.

In the landmark case *Kieselstein-Cord v. Accessories by Pearl, Inc.*,³⁹ the Second Circuit held that the plaintiff’s belt buckle, a utilitarian object, was nevertheless entitled to copyright protection because it was so meticulously and artfully sculpted, that it was used primarily for ornamentation as an item of jewelry. Although this case veered in the direction of extending copyright protection

to fashion designs, the court was certain to limit the application of *Kieselstein*, saying that “[t]his case is on a razor’s edge of copyright law . . . We say ‘on a razor’s edge’ because the case requires us to draw a fine line under applicable copyright law and regulations.”⁴⁰ Taking heed of the Second Circuit’s warning that the *Kieselstein* holding is limited, other courts have followed suit, denying copyright protection to fashion designs.⁴¹ The *Kieselstein* presumption that fashion is utilitarian must be overcome if fashion designs are to be protected under the Copyright Act.

“Since the typical lifespan of a fashion design is three to six months, by the time a patent is applied for and granted, the design’s novelty will have expired.”

Industry Self-Regulation as a Means of Protecting Fashion Designs

In lieu of inadequate protections afforded by traditional avenues of intellectual property law, designers have attempted to self-regulate to prevent design piracy. Actress-designer Sarah Jessica Parker, who designs Bitten, a low-priced clothing and accessory line, discovered that a handbag made for her line was nearly identical to a much more expensive version by designer Anna Corinna. Upon this realization, Parker had the Bitten bag literally sacked, pulling it and all advertising materials from production.⁴² Certainly, not all designers and copyists can be expected to be so altruistic when piracy is so profitable and almost completely unregulated.

Also disconcerting is the Second Circuit’s condemnation of an industry boycott against design piracy. In *Milinery Creators Guild v. Federal Trade Commission*, designers who were members of a trade guild established a registration bureau in which any creator of original designs and styles could register her model.⁴³ Once the design was accepted by the bureau, it was considered to be an original design and style.⁴⁴ In an attempt to prevent design piracy, the guild members agreed to boycott against selling their designs to any retailer who purchased from design pirates. Although the boycott seemed to be an efficient solution to design piracy, the Second Circuit imposed a cease and desist order because the association’s method was unfair competition in violation of the Sherman Anti-Trust Act §§ 1, 2.⁴⁵ The court found that a boycott or other concerted action aimed at abolishing socially useful types of competition would not be tolerated and that the abolition of style piracy would eliminate a socially useful type of competition.⁴⁶

Increased Demand for Luxury Goods Supports the Need for Regulation Against Design Piracy

For decades, courts have recognized design piracy as a “serious evil” in need of regulation.⁴⁷ Today, the need for regulation has become more pressing than ever. Over the past two decades, social observers have noted an increasing demand for luxury goods, which has exacerbated the problem of design piracy. Since the 1990s, a social phenomenon dubbed the “democratization of luxury”⁴⁸ forced luxury brands to satisfy the middle-market demand for luxury items with lower-priced goods.⁴⁹ Nevertheless, middle-market consumers simply could not afford the high-priced designer labels, and instead sought out counterfeit goods to satisfy their desire for luxury goods.⁵⁰ Indicam, an anti-counterfeiting coalition based in Italy, reported that since 1993, the counterfeiting of all goods, including DVDs, pharmaceuticals, Ferraris, mineral water, and of course, clothing, purses, and footwear, has increased by 1,700 percent.⁵¹

The increasing demand for affordable luxury goods is also apparent in so-called “fast fashion” companies such as Target and H&M.⁵² In 2006, Target introduced its GO. International Flights of Fashion campaign, which enlists high-end fashion designers such as Luella Bartley, Proenza Schouler, and Behnaz Sarafpour to create affordable fashions for the masses.⁵³ Similarly, in 2004, the Swedish company H&M, known for its trendy and inexpensive fashions, recruited Karl Lagerfeld of Chanel, followed by Stella McCartney and Viktor & Rolf, to design affordable haute-couture collections.⁵⁴ The result of both retailers’ campaigns has been hugely successful among customers eager to obtain a piece of affordable luxury.

While “fast fashion” currently makes up about one percent of United States retail sales and is growing faster than the overall market,⁵⁵ another significant phenomenon facing the fashion industry is the desirability of designer knockoffs. Knockoffs are copies of designer goods, distinct from counterfeits because they are not passed off as originals.⁵⁶ Instead, knockoffs are made to look like designer goods, but are made of cheap materials and are sold inexpensively.⁵⁷

Popular chain stores Strawberry and Forever 21 both offer inexpensive designer knockoffs and have been the targets of numerous lawsuits. In mid-2007, more than 20 cases had been filed against Forever 21.⁵⁸ Remarkably, New York designer Anna Sui has claimed more than 26 instances of Forever 21 infringing upon her patterns.⁵⁹ One of Sui’s complaints alleges that her designs were copied before they were manufactured and distributed and that their only public appearance had been on the runway at New York Fashion Week shows.⁶⁰ This complaint illustrates the typical scenario of a copyist stealing designs from fashion runway photos before the original designer had even been able to produce and market his designs.

The consequence of these social phenomena—the democratization of luxury and the demand for designer knockoffs and affordable luxury goods—has made design piracy increasingly more prevalent. The adverse economic and creative effects will persist against designers until piracy is properly regulated.

The Design Piracy Prohibition Act

In response to the growing number of counterfeit goods and knockoff retailers, Representative William D. Delahunt, along with 13 co-sponsors, introduced the Design Piracy Prohibition Act before the 110th Congress.⁶¹ The Design Piracy Prohibition Act (“DPPA”) seeks to extend the current copyright protections as enumerated in the Copyright Act of 1976⁶² to fashion designs for a period of three years.⁶³ The DPPA was referred to the Subcommittee on Courts, the Internet, and Intellectual Property in May 2007; hearings have not yet been held. Soon after the Act was introduced before Congress, an identical companion bill was introduced to the U.S. Senate by Senator Charles Schumer.⁶⁴

The primary purpose of the DPPA is to expand the Copyright Act’s definition of useful articles to include fashion designs.⁶⁵ As Congress has allowed for copyright protection over such useful articles as boat and vessel hulls,⁶⁶ the DPPA seeks to amend the Copyright Act such that “fashion design,” “design,” and “apparel” are included within the definition of protected useful articles.⁶⁷ This proposal would overcome the presumption that clothing is an unprotected utilitarian object.⁶⁸

The DPPA defines “fashion designs” as the appearance as a whole of an article of apparel, including its ornamentation.⁶⁹ Further, “apparel” is defined as an article of men’s, women’s, or children’s clothing, including undergarments, outerwear, gloves, footwear, and headgear; handbags, purses, and tote bags; belts and eyeglass frames.⁷⁰ These broad definitions have left some critics to wonder if anything, including the plain white t-shirt or a classic denim jacket, could be protected.⁷¹

The House Subcommittee on Courts, the Internet, and Intellectual Property has yet to hold hearings for the DPPA, and therefore, its terms have not been debated or further described. However, this Subcommittee has already shed some light on the DPPA. In the preceding Congress, an identical bill to the DPPA was introduced before the House.⁷² This Subcommittee held hearings on the bill in July 2006, providing commentary that is applicable to the current DPPA.

The 2006 Subcommittee hearings revealed some limitations on what is intended to be a protectable fashion design. Jeffrey Banks, a fashion designer speaking on behalf of the Council of Fashion Designers of America (“CFDA”), specifically addressed this issue. “Anything that went before, that went on in fashion before this bill

would not be represented, whether it is a white buck shoe or seersucker suit or a spaghetti strap dress.”⁷³ Banks’s comment indicates that under the DPPA, designs created prior to its enactment would be considered in the public domain. This means that designers will be permitted to use basic silhouettes and design elements. Additionally, designers may still use design elements from historical and cultural dress. However, the DPPA will allow designers to copyright all elements of the garment, including its cut, fabric, and design details such as pleating and button placement.

The 2006 Subcommittee hearings also provided some insight as to when infringement occurs under the proposed DPPA. Subcommittee hearings suggested that infringement claims are to be determined under the “substantially similar” standard that is used for adjudicating claims under the Copyright Act.⁷⁴ The “substantially similar” standard, if applied to fashion design infringement, would not only prevent counterfeiting, but it would also inhibit knockoff artists. Clever copyists could no longer create a design, which although quite similar to the original, varies because of a raised hemline, an additional row of buttons, or a pattern of polka dots with a smaller diameter.

The DPPA permits designers to obtain the bundle of rights enumerated in the Copyright Act for a period of three years.⁷⁵ For all other copyrightable works created on or after January 1, 1978, the Copyright Act affords protection for a period of the life of the author plus 70 years after the author’s death.⁷⁶ However, recognizing the unique nature of fashion designs, characterized by changing seasons and fleeting trends, proponents of the DPPA recognize that it is reasonable to afford copyright protection to fashion designs for this shorter period of time.⁷⁷ This deliberate strategy was not meant to diminish the significance of fashion designs in relation to other copyrightable works. Rather, the period of three years was specifically chosen to permit designers time to recoup the work that went into designing the article and to develop additional lines of ready-to-wear based on the design.⁷⁸

Moreover, it is urged that American fashion design be afforded protection equivalent to that which is offered elsewhere.⁷⁹ For example, Europe provides most member states protection of fashion designs for a period of 25 years and Japan provides a period of 15 years.⁸⁰ It is recognized that American designers have experienced a burgeoning popularity around the globe.⁸¹ Design piracy threatens their ability to compete with designers from the international fashion capitals, Paris and Milan, where piracy is prohibited.⁸² Not only are American designers disadvantaged by design piracy, but American jobs are at risk when cheap manufacturing of counterfeit and knockoff goods is outsourced to other nations.⁸³

Conclusion

Design piracy is not a new problem facing the fashion industry, courts, and legislators. Despite designers’ attempts to use traditional avenues of intellectual property laws to protect their works, courts and legislators have struggled to fit fashion design under the scope of currently available protections. This difficulty evidences the need to carve out a law which will suit the particular needs of fashion designers. The DPPA satisfies this objective by expanding the scope of protection afforded by the Copyright Act in a reasonable, restrained manner. The proposed DPPA defines fashion designs as useful articles entitled to copyright protection, provides an appropriate scope and term of protection, and offers remedies in the case of infringement. If the DPPA were adopted, American designers would be protected from the devastating effect that counterfeit and knockoff goods have on their creative and economic livelihood.

Author’s Addendum

On February 14, 2008, the U.S. House Committee on the Judiciary Subcommittee on Courts, the Internet, and Intellectual Property held a hearing to discuss H.R. 2033 in “Hearing on Design Law: Are Special Provisions Needed to Protect Unique Industries?”⁸⁴ Among those testifying at the hearing were fashion designer Narciso Rodriguez, speaking on behalf of the Council of Fashion Designers of America (“CFDA”),⁸⁵ and Rep. Bill Delahunt (D-MA), one of the original co-sponsors of the Design Piracy Prohibition Act.⁸⁶ Testimony from the hearings can be accessed at: <http://judiciary.house.gov/oversight.aspx?ID=412>.

“If the DPPA were adopted, American designers would be protected from the devastating effect that counterfeit and knockoff goods have on their creative and economic livelihood.”

While the Act remains in committee in both the House and Senate, it is expected that Congress will vote on whether to move the legislation once the CFDA and the American Apparel and Footwear Association (“AAFA”) complete their discussions regarding the Act’s language.⁸⁷ The AAFA represents most of the industry’s major brands and companies and has concerns over the Act’s scope and risk of litigation.⁸⁸ The CFDA and AAFA have been holding meetings, attempting to reach a compromise so that the entire apparel industry can support the Act.⁸⁹ Most recently, on March 11, 2008, the AAFA rejected a proposed compromise.⁹⁰ Nevertheless, discussions continue in order to encourage Congress to consider the bill this year.

Endnotes

1. *Wm. Filene's Sons Co. v. Fashion Originators' Guild of America*, 90 F.2d 556 (1st Cir. 1937).
2. *Legislative Hearing on H.R. 5055, "To amend title 17, United States Code, to provide protection for fashion design,"* 109th Cong. 83 (2006) [hereinafter *Legislative Hearing*] (statement of Susan Scafidi, Visiting Professor, Fordham Law School).
3. Thomas, Dana, *Deluxe: How Luxury Lost its Luster* 274 (The Penguin Press, 2007).
4. *Id.* at 281-82.
5. U.S. Const. art. I, § 8, cl. 8.
6. *See Fox Film Corp. v. Doyle*, 286 U.S. 123, 127-128 (1932) ("A copyright, like a patent, is 'at once the equivalent given by the public for benefits bestowed by the genius and meditations and skill of individuals, and the incentive to further efforts for the same important objects.'") (quoting *Kendal v. Winsor*, 62 U.S. 332, 338 (1858)).
7. *Samuel Winston, Inc. v. Charles James Services, Inc.*, 159 N.Y.S.2d 716, 718 (1956).
8. *Id.* at 718.
9. Eric Wilson, *Before Models Can Turn Around, Knockoffs Fly*, N.Y. Times, Sept. 4, 2007, at A1.
10. *Legislative Hearing, supra* note 2, 3 (statement of Howard Berman, member, Subcomm. on Courts, the Internet, and Intellectual Property).
11. USPTO Serial Number 73822699 (filed Aug. 31, 1989).
12. USPTO Serial Number 78792067 (filed Jan 15, 2006).
13. 15 U.S.C.A. § 1127 (2007).
14. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (holding that trade dress of a product is its total image and overall appearance and can be inherently distinctive); *but see Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000) (holding that trade dress, in the case of the product design of a seersucker suit, requires a showing of secondary meaning).
15. *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000).
16. *Id.* at 216.
17. *Id.* at 207.
18. *Id.* at 209.
19. *Id.* at 211.
20. *Id.*
21. *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).
22. *Legislative Hearing, supra* note 2, 79 (statement of Susan Scafidi, Visiting Professor, Fordham Law School).
23. *Gold Seal Importers v. Morris White Fashions*, 124 F.2d 141, 142 (2d Cir. 1941).
24. *Id.*
25. U.S. Patent No. D447,703 (filed Feb. 27, 2001).
26. U.S. Patent No. D449,737 (filed Jul. 28, 2000).
27. *Nat Lewis Purses v. Carole Bags*, 83 F.2d 475 (2d Cir. 1936).
28. *Id.* at 476.
29. *Id.*
30. *Id.*
31. *Belding Heminway Co. v. Future Fashions*, 143 F.2d 216 (2d Cir. 1944).
32. *Id.* at 217.
33. *Id.*
34. *Legislative Hearing, supra* note 2, 3 (statement of Howard Berman, member, Subcomm. on Courts, the Internet, and Intellectual Property).
35. U.S. Const. art. I, § 8, cl. 8.
36. *Legislative Hearing supra* note 2, 1 (statement of Lamar Smith, Chairman, Subcomm. on Courts, the Internet, and Intellectual Property).
37. 17 U.S.C.A. § 102 (2007).
38. Architectural Works Copyright Protection Act, Pub.L. No. 101-650, § 701, 104 Stat. 5089 (provides protection under the Copyright Act to boat and vessel hulls as useful articles for a period of 10 years).
39. *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989 (2d Cir. 1980).
40. *Id.* at 990.
41. *See Galiano v. Harrah's Operating Co., Inc.*, 416 F.3d 411 (5th Cir. 2005); *Eliya, Inc. v. Kohl's Dept. Stores*, 2006 WL 2645196 (S.D.N.Y. 2006).
42. Susan Scafidi, *Once Bitten, Twice Shy*, http://www.counterfeitchic.com/2007/08/once_bitten_twice_shy.php (last visited Nov. 14, 2007).
43. *Millinery Creators Guild v. Federal Trade Commission*, 109 F.2d 175 (2d Cir. 1940).
44. *Id.* at 176.
45. *Id.*
46. *Id.* at 178.
47. *Nat Lewis Purses v. Carole Bags*, 83 F.2d 475, 476 (2d Cir. 1936).
48. Thomas, Dana, *Deluxe: How Luxury Lost its Luster* 274 (The Penguin Press 2007).
49. *Id.* at 18.
50. *Id.* at 273.
51. Thomas, Dana, *Deluxe: How Luxury Lost its Luster* 274 (The Penguin Press 2007).
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Saving Orphans from Abuse and Neglect: An Evaluation and Proposal Regarding the Problems Associated with Orphan Works

By Jack Dustin Howell

I was listening to the radio late one Saturday night on my way to the grocery store for a new pack of diapers. The host, a lawyer, was giving legal advice in response to questions from people who called in to the show. I do not know whether that was the type of radio show I would normally listen to, or whether I was listening, as a second-year law student, just to see if I knew enough to answer the callers' questions. In any event, a man called in to the show and said that he had obtained some photographs of warplanes from a museum that had since closed. A cable company had contacted him, wanting to use the photographs as part of a documentary it was making. For some reason, this man was aware enough to know that the photographs were likely under copyright protection. Without owning the copyright or having a license from the copyright owner, the man could not authorize the cable company to use the photographs. The question then became, "Who owns the copyright and how do I find him?" The host of the show told the man not to worry about the copyright because the chances of the copyright owner suing him for infringement were slim. This answer did not sit well with me. Although the chances of an infringement suit might be remote, the chance is still existed. Furthermore, even if an infringement suit were never brought, unauthorized use of another's copyrighted material is wrong.

"As the United States has eliminated the need to register a work for copyright protection, provide notice to the public of the copyright, and renew the copyright, there are millions of copyrighted works that are unavailable to the public because potential users of those works have no way of determining the works' copyright ownership status."

Hearing this conversation made me curious as to what this man should have done. Was the host-lawyer correct to tell the man to ignore the potential copyright infringement liability? Why was it so hard to find the copyright owner? These questions led me to discover that, within my lifetime, the United States has changed its copyright law so significantly that this man's experience is anything but rare. As the United States has eliminated the need to register a work for copyright protection, pro-

vide notice to the public of the copyright, and renew the copyright, there are millions of copyrighted works that are unavailable to the public because potential users of those works have no way of determining the works' copyright ownership status. Potential users are generally unwilling to risk exposure to infringement liability, and as a result, they do not use these works, often leaving the public without any access to them. This article will explore what changes led to this situation and provide an analysis of potential solutions to the problem.

Background

Constitutional and Statutory Copyright Law

When the Constitution replaced the Articles of Confederation in 1787, Congress then had the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors . . . the exclusive Rights to their . . . Writings."¹ The generally accepted justification for this protection, commonly known as copyright, is that it acts as an incentive for the creation of new works for the public's benefit.² In the conventional understanding, copyright is said to reflect a kind of quid pro quo: Authors receive exclusive rights for a limited time, in exchange for eventual contributions of their works to the public domain.³

In 1790, Congress enacted the first federal copyright statute pursuant to its plenary power in the Copyright Clause.⁴ This statute detailed copyright's subject matter, term length, exclusive rights, and requirements to obtain and maintain copyright protection.⁵ Originally, federal copyright was only available for a limited class of works, namely published maps, charts and books.⁶ However, in numerous subsequent acts, Congress broadened the scope of copyrightable subject matter. For the first 119 years after the Act of 1790, Congress slowly added new types of works to the list of copyrightable subject matter.

Expansion of Copyright Scope

In the Copyright Act of 1909, Congress shifted directions in defining copyrightable subject matter. Instead of compiling a list of specific types of works eligible for copyright, Congress generalized copyrightable subject matter by allowing "all writings of an author" to be eligible.⁷ Although all writings of authors were qualified for copyright, Congress retained the long list of classification of works for purposes of registration.⁸ In 1976, Congress again changed the subject matter of copyright to include

all original works of authors that are “fixed in a tangible medium of expression,”⁹ and included a list of categories of types of works for which copyright is available.¹⁰ Therefore, copyrightable subject matter now includes everything from the original books, charts and maps to sound recordings, audiovisual works, computer programs, sculptures, and architectural works.¹¹

Just as Congress broadened the scope of copyrightable subject matter, it has also broadened the scope of exclusive rights that copyright grants to copyright owners. Under the 1790 Act, the owner of a copyright had the right only to print, publish and sell a work.¹² Over the last two centuries, Congress has lengthened the list of exclusive rights that accompany copyright to include not only the right to reproduce and distribute the work, but also the right to create derivative works, and publicly perform and display certain types of works.¹³

In addition to expanding copyright’s subject matter and exclusive rights, Congress also lengthened copyright’s term. Under the Act of 1790, a work became eligible for copyright at the time of publication, and the copyright continued for an initial term of 14 years.¹⁴ The author could renew the copyright for an additional 14 years if the author were still alive at the end of the first term.¹⁵ Congress first changed the term of copyright in 1831 by extending the initial term to 28 years and allowing the author’s surviving spouse and children to renew the copyright.¹⁶ Since 1831, Congress has extended the length of the copyright term several times. Specifically, the 1909 Act extended the renewal term to 28 years, and beginning in 1962, Congress began extending the term of copyright one year at a time to prevent expiration of then-existing copyrights before the comprehensive revision of the copyright statute in 1976.¹⁷

The most significant change in the term of copyright came in 1976. Under the 1976 Act, Congress shifted the term of copyright from the two-term regime that provided for a specific number of years of protection to a term based on the life of the author. Initially, this term was equal to the life of the author plus 50 years.¹⁸ Congress most recently extended this term by an additional 20 years, so that any work created by an individual now lasts for the life of the author plus 70 years.¹⁹

Copyright Formalities, Then and Now

While Congress has broadened the above-mentioned areas of copyright, there is one aspect that it has all but eliminated. For nearly 200 years, authors could secure and maintain a copyright only through compliance with a list of formalities. These formalities included registration, providing notice, depositing a copy with the government,²⁰ and renewing the work.²¹ Initially, authors provided notice to the public by publishing notice of the registration in a newspaper,²² and later by affixing notice to each copy of the work.²³ Additionally, as mentioned

above, at the end of its first term, the author had to renew the copyright to maintain protection.²⁴

The practical effect of these formalities was to filter a large number of works out of the copyright system and into the public domain. The copyright system that included these formalities required authors to distinguish between works for which they desired copyright protection and those for which they did not. There are two main times that formalities performed this filtering function. The first filtering occurred at the time of publication of the work, when, to secure copyright protection, the author had to register the work and provide notice to the public. Copyright did not attach to works that were unregistered or did not provide adequate notice. The second filtering process took place at the end of the initial term of copyright. To obtain the full copyright term (the initial term plus an additional renewal term), the copyright owner was required to file a renewal application. Whether at the time of publication or at the renewal time, failure to comply with the required formalities allowed the work to enter the public domain.

Until the Copyright Act of 1976, the registration and notice requirements served as condition precedents to copyright protection. If the author failed to meet these requirements, then copyright did not attach to the work. Despite the fact that these requirements were simple and inexpensive, many copyrightable works were neither registered nor marked with copyright notices. Therefore, it is quite evident that the authors did not desire copyright protection for many of their works, because the benefits of copyright did not exceed the relatively insignificant cost of complying with these formalities (or the cost of educating themselves on the required procedures to obtain copyright protection). Hence, the registration and notice formalities acted as a filter to separate commercially valuable works, for which authors would want copyright protection, from works for which copyright protection would be of no consequence. Those works that authors did not deem valuable enough to secure copyright immediately entered into the public domain, where others could use them freely, often as a basis for creating new works. Another benefit of this initial filtering was that others who desired to use works could easily determine what was in the public domain simply by checking for copyright notices. If no copyright notice was attached to a work, a potential user could be reasonably certain that the work was in the public domain, and thus free to use. There was no need to even refer to the copyright registration records.

It may seem odd, in a day when a copyrightable work has the potential to make its owner very wealthy, that an author would not comply with the very simple and inexpensive registration and notice requirements. Chances are authors of most works that would garner large sums of money would comply with these simple requirements and would thus be entitled to copyright protection. How-

ever, there are indications that failure to comply with these requirements occurred so often throughout this country's history that it was certainly by choice rather than error.

For example, Professor Christopher Sprigman conducted a study that analyzed the number of copyrightable works²⁵ created during roughly the first century that the United States recognized federal copyright, and compared those with the number of works that were actually copyrighted.²⁶ During the period between 1800 and 1870, authors registered approximately 150,000 works.²⁷ Professor Sprigman's study estimated that during that same period, the number of published works was a minimum of 360,000, and could have easily been as high as 678,000, or even much higher.²⁸ Using these figures, one can easily determine that the percentage of copyrightable works that authors actually registered to obtain copyright protection was likely between 22 percent and 42 percent. Therefore, authors decided that the benefits of copyright protection for more than half, and possibly up to 80 percent were not valuable enough to invest the meager amount of time and money required to comply with these simple formalities.

Similar to Professor Sprigman's study, Professor Robert Harlan conducted a survey of works published between 1850 and 1870 in San Francisco.²⁹ The published works that Professor Harlan examined indicated that only about 13.5 percent of these works contained any type of copyright notice.³⁰ This again reflects the theory that authors determined the benefits of copyright protection did not outweigh the minimal costs and effort required to comply with the simple formalities.

Thus, the registration and notice requirement compelled authors to assess the value of their works at the time of creation.³¹ If the assessed value was minimal, the author would not make the trivial investment to comply with the formalities, because copyright protection would offer nothing of value to the work or the author.³² However, if the author expected the work to have more than an inconsequential commercial value that exceeded the cost of compliance, he would take the steps necessary to obtain copyright protection to preserve its value.³³

Renewal of copyright acted as a second filter for those works that made it through the registration and notice process. The purpose of this second round was the same as the first—to compel the author to assess the value of the work and decide whether continued protection was needed and desirable.³⁴ The main difference between these two filtering processes was the value that the author was assessing. The registration/notice filter assessed the commercial value of the work at the time of publication.³⁵ At the time of renewal, the assessment was whether the work had continuing commercial value.³⁶ Authors would renew those works that retained a commercial value at the end of the first term of copyright,

while they would allow commercially valueless works to enter the public domain. Typically, authors would be willing to renew only works for which they held a reasonable expectation of earning future profits.³⁷ Data published by the Copyright Office indicated that authors historically renewed only a small fraction of works at the end of the initial term—about 15 percent.³⁸ A separate study of the renewal issue, which covered a longer period, confirmed that renewal occurred for only about 15 percent of all copyrights.³⁹

In sum, the renewal data reinforces what the registration data suggests—that the difference between an unconditional and a conditional copyright system, in terms of the number of works each system reaches, is profound.⁴⁰ Under the conditional copyright system, more than half of the created copyrightable works were not valuable enough at the time of publication to warrant the small investment necessary to secure protection. Of the relatively small group of works initially worth protecting with copyright, only a small fraction had enough commercial value at the end of their initial term to merit renewal.

International Treaty Obligations

The shift from a conditional copyright system that uses formalities to an unconditional system that has displaced the need for any formalities is bad policy. Not only does it pose functional problems; it also has the potential of conflicting with the Constitution. Although there are numerous reasons for the change in policy, likely the primary reason for the removal of copyright formalities was the desire on the part of the content industries and their supporters in Congress to accede—more than a century after its promulgation—to the Berne Convention.⁴¹

The Berne Convention came into existence in 1886 after nearly 30 years of negotiations.⁴² In its current form, the Berne Convention requires signatory nations to adhere to two basic principles: (1) a "national treatment" principle requiring all signatory nations to grant the same rights to foreign authors that they grant to their own authors; and (2) a "baseline protection" principle requiring signatory countries to adhere in their domestic law to certain minimum levels of protection.⁴³ The Berne Convention's baseline requirements include a copyright term for works by individual authors equal to life of the author plus 50 years,⁴⁴ and a prohibition on any formalities that affect the "enjoyment and exercise" of copyright protection.⁴⁵

The United States refused to join the Berne Convention for more than a century because of the latter's prohibition to formalities. The first time the United States joined a multinational copyright agreement was in 1955, when it became a signatory to the Universal Copyright Convention ("UCC"). The UCC established multilateral copyright relations between signatories to the Berne Convention and other nations, including the United States,

which considered the Berne Convention's minimum standards incompatible with domestic law.⁴⁶ To accommodate the U.S., the UCC allowed signatory nations to impose formalities as a condition of copyright protection.⁴⁷

When the Berne Convention was first promulgated, it allowed signatory nations to use formalities, providing that enjoyment of the rights it prescribed were subject "to the accomplishment of the conditions and formalities prescribed by law in the country of origin of the work."⁴⁸ In other words, authors from signatory nations received copyright protection for works under the Berne Convention as long as they complied with their home countries' formalities. Despite these formality-friendly beginnings, by 1908 the Berne Convention's amendments provided that signatory nations could not condition the acquisition, exercise, or enjoyment of copyright protection for the works of foreign authors on the observance of any formality.⁴⁹

The Berne Convention's current provision that prohibits the use of formalities is set out in Article 5(2) of the 1971 Paris Act, which provides that:

[t]he enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of the origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.⁵⁰

The text of the Berne Convention does not contain a definition for "formality," but the term commonly refers to any administrative requirements under a nation's law which condition copyright protection on the satisfaction of those requirements.

In examining the United States' action taken to comply with the Berne Convention (i.e., elimination of all mandatory formalities), it is important to look at what the Berne Convention actually required. Although the terms of Article 5(2) disallowed the use of formalities on foreign authors, signatory nations had no duty to eliminate mandatory formalities on the works of their own nationals.⁵¹ As the World Intellectual Property Organization's ("WIPO") official exegesis of the Berne Convention explains, the freedom from formalities provided by the Convention "exists independently of any protection that the work enjoys in its country of origin. In fact, such country remains absolutely free to subordinate the existence or exercise of the rights on that work in that country to such conditions or formalities as it thinks fit: it is purely a matter of domestic law."⁵² Therefore, by joining

the Berne Convention, the United States was not required to eliminate the mandatory registration and notice formalities. It was free to require compliance with these formalities for works of U.S. authors. The United States could also have created a system for voluntary registration and notice formalities, with incentives that would induce foreign authors to comply.

"Although the protections associated with copyright have been enlarged significantly, especially since 1976, the lack of formalities, the long term of protection, and the advances in technology have created some significant and complex issues that need to be addressed."

While the issue is not entirely clear, one can make a strong argument that joining the Berne Convention did not require the elimination of the renewal requirement for U.S. works. Article 7(1) of the Berne Convention prescribes a minimum term of protection for the works of individual authors of life of the author plus 50 years.⁵³ However, it is apparent that Berne Convention members implement a registration formality on domestic authors—i.e., they can condition the enjoyment of any portion of the minimum term for native works upon registration.⁵⁴ Similarly, Berne Convention member states should be able to condition enjoyment for native authors of some portion of the "minimum" term on compliance with the formality. In both instances, the law would continue to offer a Berne-compliant minimum term.⁵⁵

Explosion of the Orphan Works Class Due to Changes in the Law

Although the protections associated with copyright have been enlarged significantly, especially since 1976, the lack of formalities, the long term of protection, and the advances in technology have created some significant and complex issues that need to be addressed. One such issue regards copyrighted works whose owners are either unknown or who cannot be located after reasonable efforts. This class of works, commonly known as "orphan works," is not new, but due to the changes in copyright law during the last 30 years as outlined above, it has and will continue to expand greatly.

The reason orphan works pose such a problem is that large amounts of copyrightable works incorporate older copyrighted works. This is especially true for preservation projects or historical publications that try to provide the public with access to pictures, documents, sound recordings and film footage. Before an author can legally incorporate one of these older works into a new work,

he must contact the current copyright owner and obtain permission to use that older work. Under the old, conditional copyright regime, it was relatively easy to locate the copyright owner by simply searching the copyright owner registrations at the United States Copyright Office. Many creators who would like to incorporate older works into new works, but who cannot identify or locate the owners of the older works, will not incorporate the older works into their own because of the potential liability for copyright infringement. This prevents authors from creating new works based on existing works and is in direct conflict with the Constitution's requirement that copyright "promote the Progress of . . . useful Arts."⁵⁶

Specifically, three changes to copyright law have enlarged the orphan works problem. Each of the changes involves the elimination of formalities as prerequisites to copyright protection. The first change that affects the orphan works problem came with the enactment of the 1976 Act. Under that Act, copyright attaches to a work at the time the work is first fixed in any tangible medium of expression,⁵⁷ rather than at registration or publication as under the old regime. This means that copyright attaches to every work whose subject matter qualifies for copyright regardless of whether the author desired copyright protection and registered the work. Before 1976, if an author created a work and he thought that it was valuable enough to necessitate copyright protection, the author had to take affirmative action by registering the work with the Copyright Office. Without this positive step by the owner of the work, no federal copyright attached thereto.

"In addition to stifling creativity and cultural innovation, one group has argued that the current copyright system also hurts, rather than protects, authors' interests."

Second, with the adoption of the Berne Convention Implementation Act, Congress eliminated the need for authors to affix notice of copyright to their works. Therefore, as soon as an author creates a work that is fixed in a tangible medium of expression, copyright protects that work and the author need not provide any notice to the public of that copyright. Therefore, with this change in the law, subsequent authors must assume that any previously created work they want to use is under copyright and requires permission before use, despite the fact that the subsequent author did not have notice of the prior copyright either on the work itself or in the Copyright Office.

The third change in law that helped fuel this problem came in the Copyright Renewal Act of 1992, which eliminated the need for authors to renew their works

before receiving the maximum term of copyright protection.⁵⁸ This Act also automatically renewed all works created between January 1, 1964 and December 31, 1977.⁵⁹ Although this Act eliminated the author's burden of seeking a renewal term, it also prevented works from entering the public domain, despite the author's desire. Therefore, even if a work was not economically valuable and the author had no interest in retaining control over it for more than the initial term of copyright, the copyright would persist for the maximum possible term of protection, which can now easily run to 100 years.

The formalities provided notice to subsequent users and provided them with a way of determining a work's status and ownership. With the information obtained, an author who wanted to incorporate an older work had some direction in determining the copyright owner and from there could seek permission to use the work. When Congress eliminated these formalities, not only did it create uncertainty as to the status of many works, but it also made it much more difficult for subsequent authors to locate the owners of older works. The inability of subsequent authors to track down the copyright owners as a result of these changes in the law means that the author has to make the choice of either taking the risk of using the work without the copyright owner's authorization, and thereby being exposed to copyright infringement liability, or simply not using the work, and thereby creating a work of lower quality.

In addition to eliminating formalities, Congress has also steadily increased the term of copyright,⁶⁰ which severely limits the amount of work that is entering the public domain and makes it more difficult to determine the ownership of copyrights. The older a work gets, the harder it is to track down the copyright owner. The lack of formalities only exacerbates the problem because it eliminates some of the primary sources used to find a copyright owner.

When a potential user chooses or is forced to abandon the use of an "orphan work" and produce a new work of lesser value out of fear of liability for copyright infringement, the ultimate costs will be borne by members of the public who read books, attend school, watch television, or listen to music.⁶¹ Potential users themselves suffer because they must engage in self-censorship to escape otherwise irreducible risks of liability.⁶² This self-censorship burdens cultural innovation, which is what the copyright laws should be protecting.⁶³

In addition to stifling creativity and cultural innovation, one group has argued that the current copyright system also hurts, rather than protects, authors' interests. The Duke Center for the Study of the Public Domain contends that the limited access that potential users have to orphan works under the current copyright law has devastating costs.⁶⁴ These costs include actual physical disintegration of the works, prohibitive costs for libraries,

incomplete histories, thwarted scholarship, suspended digital libraries, and delays in publication.⁶⁵ The Center's study of the issue notes that most potential users forgo using a work to avoid infringement liability unless it is clearly in the public domain.⁶⁶ When this happens, no license fees flow to the authors; the works are left unrecovered and unseen, and the forgotten directors, writers or composers do not have their works rediscovered.⁶⁷ Therefore, the Center contends that authors of orphan works would be better off under a system that allows a potential user to use the work after a reasonable search for the copyright owner has been conducted and notice of the potential use has been given.⁶⁸

Attempts to Save the Orphan Works

Although the problems associated with orphan works have existed from the inception of copyright, they have dramatically increased with the changes in the law over the last 30 years. However, even with the increased problems, it has only been within the last few years that there has been much of an attempt to address these problems. The first attempted challenge to the current system of copyright law came in *Eldred v. Ashcroft*.⁶⁹ Lawrence Lessig of Stanford Law School brought that case on behalf of parties that publish public domain works.⁷⁰ Lessig presented several arguments attempting to convince the courts that the Sonny Bono Copyright Term Extension Act ("CTEA") is unconstitutional.⁷¹

Without success in either the District Court⁷² or the Court of Appeals,⁷³ Lessig argued the case before the Supreme Court. In a decisive 7-2 opinion, the Court ruled that the CTEA is constitutional.⁷⁴ Specifically, the Court held that Congress did not exceed its authority under the Copyright Clause by extending the term of existing copyrights.⁷⁵ Furthermore, the CTEA did not violate the First Amendment because of such doctrine as the "idea/expression dichotomy" and the "fair use defense."⁷⁶

As one author has noted, Lessig's legal arguments were weak and properly dismissed.⁷⁷ However, this author also recognized that these legal arguments were not the purpose of the case, but rather the policy issues that it raised.⁷⁸ Such policy issues regarded the effect the CTEA would have, essentially locking copyright for an additional 20 years despite authors' desires, and the subsequent effect it would have on those who rely on an ever-increasing public domain. It is these types of effects that lead to works becoming orphans. If an owner of a copyright no longer has any interest in managing or retaining control over a work, it is unlikely that the owner will take any affirmative steps to relinquish the copyright and send the work into the public domain. Likewise, the owner is unlikely to make any effort to inform the public that the work is available for free use.

Despite losing in *Eldred*, Lessig continued his quest for copyright reform. In his most recent effort, he focused

more specifically on the problems associated with orphan works. In the spring of 2004, Lessig brought another suit on behalf of two parties that maintain Internet archives of public domain material and who wanted to be able to make orphan works available to the public.⁷⁹ Similar to his arguments in *Eldred*, Lessig contended that the current copyright system is unconstitutional because it grants copyright protection without regard to the copyright owner's desires.⁸⁰ Specifically, Lessig attacked the basic structure of current law compared to the prior structure that included formalities:

A conditional copyright regime limits copyright protection to those who take affirmative steps to claim copyright protection. For example, a regime that requires registration of a copyrighted work, or the deposit of a copyrighted work, or the marking of a copyrighted work with copyright notice, or the renewal of the term of protection, is a conditional regime. An unconditional copyright regime grants copyright protection whether or not the author or his assigns takes any affirmative steps to claim copyright protection. For example, a regime that grants protection whether or not the work is registered, deposited, marked, or renewed, is an unconditional copyright regime. In each instance, protection is automatic, regardless of the will of the author or his assigns. . . . The consequence of requiring . . . affirmative steps to secure copyright protection was that the overwhelming majority of published works either passed immediately into the public domain (because they were never registered or notice was not given), or passed into the public domain after a relatively short term of protection (because their terms were never renewed).⁸¹

In his complaint, Lessig stated that the current law, which requires no formalities or renewal, has "produced an extraordinary 'orphan class' of creative work—work that the author has no continuing interest to control, but which, because of the burdens of the law, no one else can effectively and efficiently archive, preserve, or build upon in the digital environment for a term now reaching almost a century."⁸² "Whereas the traditional contours of a conditional copyright regime produced, through the renewal requirement, a fresh record of copyright ownership, an unconditional copyright regime guarantees no mechanism to identify the current or even presumptive owner of copyrighted material. This makes subsequent reuse practically impossible for the vast majority of uses that Plaintiffs would enable."⁸³

The CTEA only enlarged the problems because it “unconditionally extended by 20 years the term of all subsisting copyrights . . . regardless of any expressed desire by the copyright owners to secure the benefits of an additional term.”⁸⁴ Furthermore, it was the “first statute to extend the copyright term for works that had not been filtered by a renewal requirement.”⁸⁵ Therefore, without traditional registration and renewal requirements, there is “no viable or reasonable way to identify copyright owners”⁸⁶ for works that are no longer commercially valuable or available, with the result being “that a vast number of copyrighted yet no longer commercially valuable works sit idle rather than enriching public knowledge.”⁸⁷

Although Lessig has been unsuccessful so far⁸⁸ with this most recent effort to get copyright law changed through the courts, he has brought significant attention to the problems, especially those relating to orphan works. One development that has come about since his quest began is the Copyright Office publishing a Notice of Inquiry in the Federal Register requesting comments and suggestions on how to deal with the orphan works problems.⁸⁹

Possible Solutions

The potential solutions to the problems associated with orphan works are as varied and numerous as the problems themselves. Some of those possible solutions would deal with the problems more effectively, while others may be more likely to be adopted.

Withdrawal from the Berne Convention

Since the orphan works problems have come about because of changes Congress made in the law to comply with the Berne Convention, it is reasonable to consider solving the problems by withdrawing from the Berne Convention and simply relying on the UCC. The United States relied on the UCC before joining the Berne Convention because the former allows the use of formalities for the works of domestic and foreign authors. Therefore, withdrawal from the Berne Convention would allow the United States to return to a conditional copyright system, which would dramatically decrease the problems associated with orphan works. However, this solution would create other problems for the United States, including noncompliance with the TRIPs accord and the North American Free Trade Agreement, both of which prohibit the use of formalities.⁹⁰

As the problems resulting from withdrawal from the Berne Convention are too great to make it a practical solution, the next logical step would be to change the Berne Convention to remove its prohibition on formalities. The Berne Convention first prohibited the use of formalities in 1908, a time when requiring authors to comply with formalities in many countries was difficult, expensive,

and often resulted in unintentional noncompliance and the loss of valuable rights.⁹¹ The most recent revision of the Berne Convention was promulgated in 1971.⁹² Despite the advances made during that 63-year period, the nature of the problem remained static: copyright systems were still substantively and procedurally diverse, the mechanisms of compliance in many countries remained complicated, and the costs of informing oneself about requirements in different countries, and then complying with them, remained high.⁹³

Since 1971, however, there has been no need to prohibit the use of formalities because compliance, even in other countries, could be simple and inexpensive. In the last three decades, there have been huge technological advances, especially in the area of computers and the Internet. Using modern technology, an author could comply with typical formalities, such as registration and renewal, by filling out a simple form on a computer and submitting it online. Furthermore, software could easily be developed that would configure and insert the registration and renewal data onto the appropriate forms for foreign countries. An author could similarly submit the foreign forms online. The only provision that would need to be added to the Berne Convention would be a standard for the type of information required to comply with each formality. As long as all member nations required similar information to comply with the particular formalities, the data could be configured and submitted easily and inexpensively.

Although changing the Berne Convention from an anti-formality agreement to a pro-formality agreement seems like a simple and effective solution, the likelihood of this change is remote. Too many countries are beholden to the current system, authors and content industries throughout the world would strongly oppose any such change, and the implications on other treaties are too far reaching.

In the alternative, some have argued that the United States should take advantage of the right under the Berne Convention to impose formalities on works of domestic authors.⁹⁴ This approach has obvious drawbacks. Although such a solution would help to improve some of the problems associated with an unconditional copyright system, such as the orphan works problem, the scope is too narrow. Additionally, the idea of granting more rights or requiring fewer in the way of formality compliance from foreign rather than domestic authors is repugnant and would be unacceptable to the United States.

Therefore, despite the broad range of possibilities, some aspects of a likely solution seem to be necessities. A workable solution will need to continue to protect authors' rights, prevent inadvertent loss of copyright due to formalities, take into account the changes taking place in technology, and comply with the United States' obligations under the Berne Convention.

The Canadian Approach

While most countries with a developed copyright system face similar problems with respect to orphan works, Canada is the only country that has developed a comprehensive program that has any real potential of dealing with the problems. Under the Canadian system, the Copyright Board can issue licenses that are non-exclusive for works whose authors cannot be located.⁹⁵ Under this system, a potential user is required to submit an application to the Copyright Board.⁹⁶ In this application, the potential user must describe in detail the efforts made to find the copyright owner.⁹⁷ On a case-by-case basis, the Copyright Board then examines the applications to determine whether the applicant has used “reasonable efforts” to find the copyright owner.⁹⁸ If the Board determines that the applicant did use reasonable efforts, then it will issue the applicant a non-exclusive license to use the work.⁹⁹ The Board sets the terms of the license, including fees for the particular use.¹⁰⁰ It then holds the collected fees for five years, during which time a copyright owner can come forward and claim them.¹⁰¹

Although this system appears to open a path that would allow for the use of orphan works, it also has many drawbacks and shortcomings. First, the structure of the system would greatly increase the workload and burden of the administrative agency responsible for managing the program, most likely the Copyright Office. As the Copyright Office would have to review each application on a case-by-case basis, it would have to employ enough manpower to review each application received. If the Registrar received a significant number of applications, the efficiency of the system would be very low, and the costs would be prohibitively high.

In addition to the vast amount of resources necessary to run a Canadian-like system on a scale that would alleviate the problem at all, guidelines would need to be established. The current Canadian system neither provides an application format nor defines what would qualify as a “reasonable efforts” search beyond requiring doing “everything you could to find the copyright owner.”¹⁰² This may explain why the Canadian Copyright Board has not been overwhelmed with applications for statutory licenses.¹⁰³ With the uncertainty of what is required in the application and what type of search will constitute a “reasonable efforts” search, it is unlikely that potential users would be willing to invest time and money in searching for a copyright owner, only to be told that the search was insufficient and a license will not be granted. If the United States adopts this system, and potential users experience this uncertainty, the users would likely forgo the effort and use only works that are already in the public domain. This would revert the U.S. to its current position. Additionally, the Canadian system’s application is limited to published works whose authors cannot be located,¹⁰⁴ rather than the broader scope the United States is looking to cover, namely any work, published

or unpublished, whose author is either unlocatable or unknown.

Solution Necessities

Despite the shortcomings of the Canadian system, an examination of its strengths and weaknesses reveals some general principles that the United States could use to develop a workable solution for the orphan works problems. Any program or system would need clear guidelines to eliminate as much uncertainty with the process and requirements as possible. If there is more than a negligible amount of uncertainty involved, potential users will not be willing invest time and money in the process, thus leaving the orphan works unused and unavailable to the public.

The system should encompass all orphan works. It should not be limited, as the Canadian system is, to works that are published but where the author is merely unlocatable, or to works of domestic origin, as would be the case if formalities were re-introduced for only domestic works. The system should cover works regardless of their publication status or whether the author is unknown or unlocatable, including works that are created as a result of technological advances.

Furthermore, the system should be simple and efficient. The Copyright Office should not evaluate applications on a case-by-case basis to determine whether a potential user has met all the necessary requirements, as that would be too costly and burdensome. If copyright owners surface later, claiming that the users of their works failed to meet the necessary requirements, courts could make the determination as to whether the users satisfied the requirements.

One of the most challenging aspects of a solution is the type and level of search required of a potential user. If the required search is too detailed, lengthy, and expensive then, as is the case now, most potential users will simply decide not to use orphan works, and either entirely forgo projects or use works that are already in the public domain. Therefore, the search should be one of reasonable and good-faith effort to find the copyright owner.¹⁰⁵ This does not mean that a potential user could slide by without performing a legitimate search. There would always be the potential of a court later determining that the search was not reasonable and in good faith, and therefore the use of the orphan work would constitute infringement. This would provide the potential user with an incentive to actually perform a reasonable search, because if the copyright owner is found, a licensing fee will certainly be less expensive than a judgment for infringement. Furthermore, the Copyright Office could provide information to potential users about how to perform a satisfactory search and some of the standard databases or organizations that could be searched, for example, in the case of musical works, ASCAP, BMI, and SESAC.¹⁰⁶ The

guidelines from the Copyright Office should provide at least enough direction so that a potential user would feel confident when performing a satisfactory search.

The sheer variety of the types of orphan works in existence implores more than just one search method. For example, a potential user may have come across a photograph that has no identifying markings or indicators of who owns the copyright. Certainly there should be a different level of search required (not nearly as high) as is required for a book published in the U.S. 20 years ago. What this means is that a “reasonable efforts” search should take into account the type of work, its age, how the potential user obtained the work, its history (i.e., whether it is published or registered with the Copyright Office).¹⁰⁷ A potential user should be able to consider these factors when determining the extent of a search. If the likelihood of finding the copyright owner is extremely low, then the potential user should not have to expend significant amounts of time or resources in the search. Additionally, the level of search required should depend on how much of the work the potential user desires to use, and what type of use. For commercial uses, a higher level of search would be required because the economic return on the use is greater, while non-profit and educational uses should require a lower level of search, because the return is lower and the potential damage to the copyright owner is smaller. Regardless of what type and level of search is performed, the potential user should keep meticulous records. Using these records and the nature of the orphan work would help establish whether the search was reasonable under the circumstances. These records would act as a safeguard for the potential user. In addition, if the potential user wanted to incorporate the orphan work into a work that was to be published, the records could be used to satisfy the publisher that a reasonable search was performed, thereby increasing the likelihood of publication of the work, which in turn would further the purposes of copyright law of enriching the public.

In order to protect the copyright owner, a potential user should have to provide notice of the intended use.¹⁰⁸ The potential user could satisfy the notice requirement by posting a description of the intended use on a searchable online database available to all. This would provide the copyright owner with a greater ability to monitor the use of his work. Without a tool like this, the copyright owner would not have an effective way of monitoring such uses. The requirement of providing notice as a prerequisite to protection would provide a potential user with the needed incentive to post the intended use. The notice would need to include as much information as possible about the work. The information could include title, author, copyright date, description, pictures, and sound or video clips of the work.¹⁰⁹ The type of use intended by the potential user should also be included, as in whether for commercial, educational, or non-profit

use.¹¹⁰ A description of how much of the work the potential user desires to use could also be included. This information would not only help copyright owners search the system for their works, but it would also help them decide whether they object to the uses and if it is worth their efforts to object.

After the potential user provides this notice, there should be a waiting period before the potential user can begin to use the work. This will provide the copyright owner with time to discover the intended use and make a determination of whether to object to it.

Once a potential user has performed a reasonable and good-faith search and has provided notice to the copyright owner, the potential user should be able to use the works unless and until the copyright owner resurfaces. If the copyright owner does later appear, the user should have protection from infringement claims for uses made up to that time, at which time the user could either enter into a private licensing agreement with the copyright owner or continue to use the work contingent upon payment of a predetermined statutory licensing fee. The user would also be able to distribute any remaining copies of the work without paying a licensing fee. This means that a user could sell off any copies of the work remaining in inventory, but could not continue to reproduce the work without paying a fee to the copyright owner. For any additional uses not already undertaken by the user, the user would have to work out a licensing agreement with the copyright owner. This would protect the user’s investment in the work, provide the copyright owner with compensation, and prevent copyright owners from waiting to surface until a user has invested time and money into the work. Furthermore, it would be grounds for forfeiting a copyright if a copyright owner did know of an intended use, but waited until the user had invested time and money into restoring or adding value to the work before coming forward.

There should also be explicit protection for users who use the orphan work in creating a derivative work, similar to exceptions already in existence.¹¹¹ Often derivative works can take significant time and money to create. Therefore if a user has created a derivative work based on the orphan work or has incorporated the orphan work into a derivative work, there should be protection against infringement claims not only until the copyright owner resurfaces, but forever. This means that if the copyright owner later resurfaces, the user of the orphan work would not have to pay a licensing fee, private or statutory, to the copyright owner or cease using the work.

Conclusion

The current unconditional copyright system in the United States provides tremendous protection to authors. Aside from actually creating their works, authors must do

nothing to obtain what has effectively become perpetual copyright protection. This level of protection that is so freely given might appear to provide authors with an incentive to create new works that will benefit the public, but in practice, this system locks many works outside the reach of the public. Orphan works that have significant historical, educational, and even commercial value are unavailable to the public simply because those who would like to make these works available are not willing to risk the potential liability for copyright infringement. Therefore, in order to be true to the Constitutional purpose behind copyright, namely to “To promote the Progress of Science and useful Arts,” the United States should adopt a system that would allow potential users of orphan works to perform a reasonable, good-faith search for the copyright owner, provide notice of the intended use, and thereafter use the orphan work. This system would satisfy Constitutional requirements and international agreement obligations, in addition to protecting the interests of the involved parties and the public.

“This level of protection that is so freely given might appear to provide authors with an incentive to create new works that will benefit the public, but in practice, this system locks many works outside the reach of the public.”

Endnotes

1. U.S. Const., Article 1, Section 8, Clause 8. This clause is commonly referred to as the Intellectual Property Clause or the Patent and Copyright Clause. For purposes of this comment, this clause will be referred to simply as the Copyright Clause.
2. David Lange, Mary LaFrance & Gary Myers, *Intellectual Property Cases and Materials*, 619 (2d ed. 2003).
3. *Id.*
4. Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124, 124 (repealed 1831).
5. *Id.*
6. *Id.*
7. Copyright Act of 1909, § 4.
8. Copyright Act of 1909, § 5.
9. 17 U.S.C. § 102(a).
10. *Id.*
11. 17 U.S.C. § 102.
12. Act of May 31, 1790, *supra* note 4.
13. 17 U.S.C. § 106.
14. Act of May 31, 1790, *supra* note 4.
15. *Id.*
16. Act of Feb. 3, 1831, ch. 16, § 14, 4 Stat. 436, 439.
17. Act of Mar. 4, 1909, ch. 320, § 24 (previously codified at 17 U.S.C.A. § 24).
18. 17 U.S.C.A. § 302.
19. Sonny Bono Copyright Term Extension Act (“CTEA”), Pub. L. No. 105-298 (signed Oct. 27, 1998).
20. *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 8 L. Ed. 1055 (1834). The Supreme Court held deposit was mandatory under the 1790 Act.
21. Act of May 31, *supra* note 4.
22. *Id.*
23. Act of Apr. 29, 1802, ch. 36, § 4, 2 Stat. 171.
24. Act of May 31, 1790, *supra* note 4.
25. “Copyrightable works” refers to works of an author that meet the threshold requirement that the work be a creative expression, originating with the author. This does not mean that the work is copyrighted. It only means that the work could have been copyrighted if the author had taken the affirmative steps to register the work, give notice, and deposit a copy of the work with the government.
26. Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485.
27. *Id.* at 504.
28. *Id.* at 505-506.
29. *Id.* at 510.
30. *Id.*
31. *Id.* at 514.
32. *Id.*
33. *Id.*
34. *Id.* at 519.
35. *Id.*
36. *Id.*
37. *Id.*
38. Barbara A. Ringer, *Renewal of Copyright*, in 1 STUDIES ON COPYRIGHT 503, app. at 616-20 (Arthur Fisher memorial ed. 1963).
39. William M. Landes & Richard A. Posner, *The Economic Structure of Intellectual Property Law* 236 (2003).
40. Sprigman, *supra* note 26, at 521.
41. *Id.* at 539.
42. Jane C. Ginsburg, *International Copyright: From a “Bundle” of National Copyright Laws to a Supranational Code?*, 47 J. COPYRIGHT SOC’Y U.S.A. 265, 267 (2000).
43. Berne Convention for the Protection of Literary and Artistic Works, Paris Act, July 24, 1971, 25 U.S.T. 1341, 828 U.N.T.S. 221, 228 (hereinafter Berne Convention).
44. *Id.* art. 7(1).
45. *Id.* art. 5(2).
46. Sprigman, *supra* note 26, at 540.
47. Universal Copyright Convention, Geneva Text, Sept. 6, 1952, art. 3(2), 6 U.S.T. 2731, 2735, 216 U.N.T.S. 132, 136.
48. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, art. 2(2), reprinted in Arpad Bogisch, *Berne Convention for the Protection of Literary and Artistic Works*, from 1886 to 1986, at 228, 228 (World Intellectual Prop. Org. Public’n No. 877(E), 1986).
49. Berne Convention for the Protection of Literary and Artistic Works, Berlin Act, Nov. 13, 1908, art. 4(2), reprinted in Berne Convention from 1886 to 1986, *supra* note 43, at 229, 229.
50. Berne Convention, *supra* note 43, art. 5(2).
51. *Id.*
52. World Intellectual Prop. Org., *Guide to the Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971)* 33 (1978).

53. Berne Convention, *supra* note 43, art 7(1).
54. Sprigman, *supra* note 26, at 543.
55. *Id.*
56. Const. Art. I, section 8, clause 8.
57. 17 U.S.C. §102.
58. Copyright Renewal Act of 1992, Pub.L. 304, Title I, June 26, 1992, 106 Stat. 304.
59. *Id.*
60. *See, e.g.*, the CTEA, 17 U.S.C. § 302 (extending the general copyright protection term from 50 years after the author's death to 70 years). The CTEA also extended the protection for anonymous works from 75 years to 95 years from the date of publication or 125 years from date of creation instead of 100 years, whichever expires first. *Id.*
61. Glushko Samuelson Intellectual Property Law Clinic Response to Notice of Inquiry on the Issue of "Orphan Works," submitted to the UDCO, Library of Congress on March 24, 2005, at page 3.
62. *Id.*
63. *Id.*
64. Duke Center for the Study of the Public Domain, Orphan Works Proposal and Analysis, 3.
65. *Id.*
66. *Id.*
67. *Id.*
68. *Id.*
69. *Eldred v. Ashcroft*, 537 U.S. 186 (2003).
70. *Id.*
71. The CTEA reduces the number of works entering the public domain each year by extending their copyright by 20 years. In addition, it eliminates entirely any works from entering the public domain for 20 years, starting on January 1, 1998. Therefore, this single change in the law will leave the public domain stagnant until January 1, 2018.
72. *Eldred v. Reno*, 74 F. Supp. 2d 1 (D.D.C. 1999) (granting defendant's request for summary judgment), *aff'd* 239 F.3d 372 (D.C.C. 2001), *aff'd sub nom Eldred v. Ashcroft*, 537 U.S. 186 (2003).
73. *Eldred v. Ashcroft*, 239 F.3d 372 (D.C. Cir. 2001).
74. *Id.* at 198.
75. *Id.* at 199-204.
76. *Id.* at 218-221.
77. Matthew Dean Stratton, *Will Lessig Succeed in Challenging the CTEA, Post-Eldred?*, 15 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 893, 895.
78. *Id.*
79. Amended Complaint for Declaratory Judgment at 3, *Kahle v. Ashcroft* (C 04-1127 BZ), *available at* http://cyberlaw.stanford.edu/about/cases/kahle_v_ashcroft.shtml.
80. *See id.* at 9-10.
81. *Id.*
82. *Id.* at 1-2.
83. *Id.* at 13.
84. *Id.* at 12.
85. *Id.* at 14.
86. *Id.* at 16.
87. *Id.* at 18.
88. *Kahle v. Ashcroft*, No. 04-CV-1127, 2004 WL 2663157, at 8, 18 (N.D. Cal. Nov. 19, 2004). (Dismissing all claims under Fed. R. Civ. P. 12(b)(6)).
89. Copyright Office Notice of Inquiry, FR Doc. 05-1434.
90. *See Agreement on Trade-Related Aspects of Intellectual Property Rights*, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of the Uruguay Round vol. 31, 33 I.L.M. 81 (1994) (TRIPs). *See also* North American Free Trade Agreement, Dec. 17, 1992, U.S.-Can.-Mex., art 1703(2).
91. Sprigman, *supra* note 26, at 546.
92. Berne Convention, *supra* note 43.
93. Sprigman, *supra* note 26, at 546.
94. *Id.* at 551-52.
95. Copyright Act, R.S.C., ch. C-42, §77 (1985) (Can.).
96. *Unlocatable Copyright Owners Brochure*, Copyright Board of Canada, *available at* <http://www.cb-cda.gc.ca/unlocatable/brochure-e.html>.
97. *Id.*
98. *Id.*
99. *Id.*
100. *Id.*
101. *Id.*
102. *Id.*
103. *Unlocatable Copyright Owners: Licenses Issued to the Following Applicants*, Copyright Board of Canada, *available at* <http://www.cb-cda.gc.ca/unlocatable/licenses-e.html> (During that last 15 years, the Copyright Board has only granted 143 of these types of licenses.).
104. Copyright Act, R.S.C., c. C042, s. 77 (1985) (Can.), *available at* <http://www.cb-cda.gc.ca/info/act-e.html#77>.
105. *Id.* at 7.
106. *Id.* at 9.
107. *Id.*
108. *Id.* at 10.
109. *Id.*
110. *Id.*
111. 17 U.S.C.A. § 106A. This section provides protection to creators of derivative works. The law currently provides authors moral rights and further provides copyright owners the right to revoke a license at certain periods in time. These rights contain exceptions for parties that lawfully created derivative works when relying on a valid license. Therefore, if an author or copyright owner exercises its moral or revocation rights, that does not affect any previously created derivative works. The creators of those derivative works can continue to exploit the derivative works without infringing the original work.

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Virtual Legality: Copyright in Second Life

By Jonathan M. Purow

The Internet enables people from across the world to interact as if they were standing next to each other. This capacity initially manifested itself in the popularity of online fantasy games, but in the past few years virtual worlds like Second Life have seen their citizenry swell into the millions. Unfortunately, technology also enables citizens to steal the virtual creations of their fellow users, implicating copyright rather than traditional property rights.

This article will provide an introduction to the virtual world Second Life, its economy, and creation. It will give an in-depth analysis of how the Second Life program works technologically. The article will also discuss recent issues and copyright lawsuits based on actions in Second Life and will discuss how Linden Labs has attempted to resolve in-world disputes through enforcement of various provisions in the Second Life Terms of Service. Finally, this article will examine current case law and precedents that are relevant for analysis of copyright disputes in Second Life.

Introduction to Second Life

Second Life is a “3D online, 3D digital world imagined and created entirely by its Residents,” that was started by the company Linden Labs.¹ In order to interact in this virtual world, citizens of Second Life create online representations of themselves known as “avatars.” Second Life is not a game in that there are no set goals, and the world is merely an environment in which people interact. As of late January, Second Life claimed over 12 million user accounts, and over \$1 million was exchanged on a daily basis.² Second Life has a functioning in-world stock exchange, with a conversion rate of approximately 240 Linden dollars (the currency in Second Life) to U.S. dollars.

There are numerous signs that Second Life has begun to infiltrate the collective consciousness. In 2006, Reuters created a news division specifically to cover events within the world.³ In addition, Judge Richard Posner of the Seventh Circuit Court of Appeals conducted a question-and-answer session within the world.⁴ In the fall of 2007, Second Life was featured in episodes of “The Office” and “CSI:NY.” Perhaps the most telling sign of Second Life’s legitimacy is that Congress has even contemplated taxing in-world gains.⁵

Creation in Second Life

In Second Life, the users create most of the content inside the game, such as buildings, landscapes and any

sort of product. Second Life provides users with a “3D modeling tool” program that enables users to easily create objects inside the game.⁶ More advanced users can create objects outside the world and then upload them into Second Life. When a user creates an object in Second Life, he gets to specify certain rights associated with the object within the virtual world (analogous to copyright), such as 1) the right to copy the object, 2) the right to modify the object, and 3) the right to transfer the object to another owner.⁷ These copy restrictions are attached to the object so any avatar that interacts with it is put on notice of the rights associated with it. Users can create objects that have a specific appearance online called a “texture” (like a piece of clothing) that serve no particular function outside of their appearance. They can also create objects that employ a “script,” which allows the object to display autonomous and functional behavior (such as a door that opens automatically when approached.)

The Technology of Second Life

The architecture of Second Life is similar to that of a Massive Multiplayer Online Role Playing Game.⁸ Two separate programs are necessary to view Second Life on a user’s computer—the “client” program and the “server” program.

The client program operates on a user’s computer to enable the person to view portions of Second Life.⁹ While the program is functioning it is stored in the random access memory (“RAM”) of the user’s computer. RAM is a computer’s temporary memory, and it is deleted when a user stops using a program or turns off the computer. The user inputs actions into the client program, such as instructing the avatar to walk or fly.

The server program resides on Second Life servers and dictates how multiple users interact within Second Life. When a client modifies its avatar or inputs an action into its client program, that command is communicated to the server program, which processes the action and then alerts all other users’ programs that are influenced by the action (e.g., when one user tells his avatar to walk and it collides with another user’s avatar).¹⁰ The Second Life server contains all of the data in Second Life, including objects and avatars. Each object resides on the Second Life server in a single location. The object appears in different parts of the virtual world not because there are multiple copies, but because there are “addresses” that dictate to the server where to place the object on the different individual user’s client program. When a user views an object on its client program, a copy of the texture of the object is stored in the RAM of the user’s computer, but the scripts

that dictate how that object functions remain on the Second Life servers.

Second Life Copyright Problems and Lawsuits

Recently, Second Life has been home to a number of different copyright disputes. First, a software tool called Copybot was modified so that it could copy the textures of objects in Second Life (but not the scripts that give objects functionality.)¹¹ The threat of Copybot impacting the in-world economy prompted several online merchants to boycott Second Life.¹²

A second means of copying items in Second Life is through the manipulation of a “rollback.” A rollback is when a server restores to a prior point in time to recover from a system crash. For example, hackers can remove an item like the SexGen bed from the Second Life simulation seconds before inducing a server crash that causes a rollback.¹³ The rollback re-creates a point in time prior to the removal of the bed so it reproduces an entirely new bed that can also be removed. Through this process hackers can essentially duplicate any object in the game. Relatively little is known about this method, as only very advanced hackers can achieve it.

The first copyright infringement lawsuit arose last year when successful Second Life adult business owner Kevin Alderman sued the avatar “Volkov Catteneo” (later identified as defendant Robert Leatherwood) in Florida District Court for trademark and copyright infringement in relation to his “SexGen Bed,” which enables avatars to engage in virtual intercourse.¹⁴ Alderman sold the beds on a “no copy” basis in Second Life. The complaint alleged that the defendant had infringed on Alderman’s rights by “copying, displaying, distributing and selling copies” of the SexGen Beds, and it was later discovered that the copying had occurred through the manipulation of rollbacks.¹⁵ The lawsuit was eventually resolved when a default judgment was entered against Leatherwood, who did not contest any of the filings.¹⁶

The case illustrated a separate but important issue of Second Life—sometimes it is a task in and of itself to determine the identity of the person underlying an avatar. “Volkov Catteneo” boasted that he could not be caught because he was not a “newbie” (online lingo for an unsophisticated user). Alderman had to obtain a subpoena to compel Second Life to turn over information that enabled the identification of the avatar Volkov Catteneo as Robert Leatherwood.¹⁷

More recently, six major Second Life content creators, including Alderman, sued Thomas Simon (a/k/a “Rase Kenzo”) for copyright infringement in the Eastern District of New York.¹⁸ Like Alderman, the other plaintiffs had applied for copyright registration, and asserted the ownership of copyrights under 17 U.S.C. § 101. In an unorthodox move, the plaintiffs posted screen shots

depicting Simon’s unauthorized copying of their items on Flickr as evidence for their complaint.¹⁹ The lawsuit was resolved when a judgment by consent was filed with the court.²⁰ Simon agreed to: 1) pay damages totaling \$525, 2) present his transactional records from Second Life and PayPal to the plaintiffs’ attorney and 3) inform the plaintiffs of any other accounts he creates in Second Life in the future. The judgment could possess some import if the judge enters it as written, for it would stand as the first recognition of virtual property in the U.S.²¹

Linden Labs Usage of Contract Law to Resolve Copyright Issues

Linden Labs has attempted to resolve infringement claims within the world through enforcement of certain provisions in the Terms of Service (to which every occupant of Second Life must agree).²² The company responded to Copybot by posting on its official blog that any use of the software constituted a violation of Clause 4.2 of the Terms of Service agreement.²³ It is worth noting that Linden Labs is immune from lawsuits due to a provision in the Terms of Service, although it would otherwise presumably be able to qualify as an Internet Service Provider under the Digital Millennium Copyright Act’s (“DMCA”) safe harbor provisions. Linden Labs has repeatedly revised the Terms of Service in response to varying situations that have arisen within its world.²⁴ Unfortunately, the most severe penalty that Linden Labs can mete out is a ban from Second Life.

The Terms of Service contain various clauses that can be interpreted to address the problem of copying within the virtual world. These include Clause 4.1, which states:

You agree to abide by certain rules of conduct, including the Community Standards and other rules prohibiting illegal and other practices that Linden Lab deems harmful . . . In addition to abiding at all times by the Community Standards, you agree that you shall not: (i) take any action or upload, post, e-mail or otherwise transmit Content that infringes or violates any third party rights; . . . (iii) take any action or upload, post, e-mail or otherwise transmit Content that violates any law or regulation.

Additionally, Clause 4.2 states: “You agree to use Second Life as provided, without unauthorized software or other means of access or use. You will not make unauthorized works from or conduct unauthorized distribution of the Linden Software.” Clause 4.3 stipulates that all users must comply with the provisions of the DMCA regarding copyright infringement claims.

While Linden’s actions might resolve disputes in Second Life, they do not serve to redress injured parties

for the loss of profits from sales of infringing items, and so standard legal action is still necessary.

Copyright Analysis of Second Life

While the recent lawsuits have come to successful resolutions, there are copyright issues that will inevitably be implicated in lawsuits of a similar nature. The first issue is whether or not the items within the virtual world are protected by copyright law and, if not, whether they should be. This can be broken down further into two questions: 1) Are the copyrightable design aspects of virtual property conceptually separable from their utilitarian aspects? and 2) which of the incarnations of these objects (the code on the Second Life server and/or the RAM of the client program) are currently protected under copyright case law? The second issue is what standard of liability should be utilized to judge infringement when the means of infringement (i.e., Copybots and rollbacks) could vary greatly.

Conceptual Separability

One of the initial hurdles that any plaintiff in an infringement lawsuit would need to prove is that the item in question is entitled to copyright protection. Under the Copyright Act, “useful articles” as a whole are not eligible for copyright protection, but individual design elements may be to the extent that they “can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”²⁵

When examining whether a virtual item can be copyrighted, the nature of the article must first be examined. An item like the SexGen bed, which contains a script that permits avatars to have sex, clearly has a function outside of its appearance. Since scripts are the pieces of code that imbue objects with a function, it is possible to separate these aspects from the design element. Yet what about the objects that have no scripts or functions and possess purely ornamental value, such as a piece of virtual clothing? Courts have struggled enough to separate the fashion aspects from the function aspects of real-world clothing. Whereas certain aspects of a piece of clothing or a lamp could be determined to have artistic substance outside of their functionality, it is more difficult to determine which portions of code are aesthetic and which are functional. There is unfortunately little guidance in the case law, and so this issue will have to be litigated in order to establish precedent.

Copyrighting Computer Programs

Since infringers could potentially copy different incarnations of the virtual objects to reproduce them, it is important to understand which of these incarnations are protected by copyright law.

Object Code/Source Code

There are two different forms of software code—object code and source code. Source code is the set of instructions written by programmers that performs varying functions and is readable only by humans. Source code is converted automatically into object code so that a computer can then read the code and follow embedded instructions. Luckily, the distinction is irrelevant, as courts have held that copying either form of code infringes the reproduction right.²⁶

Random Access Memory

When an infringer creates an illegal copy within Second Life, it does not necessarily reproduce the software code on the Second Life server. The Second Life server could be deceptively given the address to send the object to an unentitled user’s computer. Therefore, the only illegitimate copy of the object would be in the RAM of the unentitled user’s computer. The question of whether or not copies stored in RAM are copyrightable hinges on the perceived permanence of these copies. Under 17 U.S.C. § 101, a work is only “fixed,” and therefore copyrightable, if it is “sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” RAM copies are ephemeral, for they cease to exist when a program ends or the computer shuts down. Despite this fact, a line of cases starting with *MAI Systems v. Peak Computers* has held that reproductions in RAM are sufficiently fixed for purposes of the Act’s requirement.²⁷

The Substantial Similarity Test for Computer Programs

In cases where direct and complete copies of virtual items are made, the determination of infringement should be relatively straightforward. Inevitably, conflicts will arise where the question of copying is not as clear-cut, and a substantial similarity test should be utilized. In *Computer Associates International v. Altai*, the Second Circuit created a three-part “abstraction, filtration, and comparison” test to resolve this issue in relation to computer programs.²⁸

The abstraction step is meant to determine what elements of a computer program are unprotectable ideas and which are protectable expression:

At the lowest level of abstraction, a computer program may be thought of in its entirety as a set of individual instructions organized into a hierarchy of modules. As a higher level of abstraction, the instructions in the lowest-level modules may be replaced conceptually by the functions of those modules. At progressively higher levels of abstraction,

the functions of higher level modules conceptually replace the implantation of those modules . . . until finally one is left with nothing but the ultimate function of the program.²⁹

The second step is filtration, which involves separating out other unprotectable elements, such as “elements dictated by efficiency, elements dictated by external factors, and those taken from the public domain.”³⁰ The final step is to contrast the remaining elements with the alleged infringement. With this relatively vague test as a guide, courts will have some capability to compare similar items to judge infringement.

Conclusion

It is inevitable that virtual worlds will increase in popularity as the capacity for human interaction evolves with the underlying technology. A world like Second Life has built a booming economy on the premise that every user owns all Intellectual Property rights over its creations. Linden Labs has ensured the growth of Second Life by enforcing certain provisions in its Terms of Service to protect wronged creators. The question is whether the legal system will fulfill its part and protect items of virtual property from copyright infringement. Courts have laid the groundwork by establishing that software code is protected in its permanent form on hard drives, and in its temporary form in RAM. The glaring unresolved issue however, is whether items of virtual property fall under the purview of copyright law, for it is difficult to split them into their respective aesthetic and functional parts. If the courts can create a standard or means to adjudicate this issue, then it is likely that an economy based on the sale of virtual objects would be sustainable.

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The Rangers' Gloves Are Off in a Digital Tussle with the NHL

By Richard J. Cohen and Joseph M. Hanna

As a member of the "Original Six" hockey teams of the National Hockey League ("NHL" or the "League"), the New York Rangers (the "Rangers") have one of the most storied histories in professional sports. Whether it was 44-year-old head coach Lester Patrick inserting himself into the 1928 Rangers lineup to help that team win the Stanley Cup or Ranger great Mark Messier's superhuman performance in the 1993-94 playoffs to bring the Cup back to Gotham City, the New York Rangers have always seemed to separate themselves from the other 29 teams in the League.

However, contrary to the belief of the Rangers and its ownership group, Madison Square Garden, L.P. ("MSG"), no one team is stronger than the whole when it comes to the NHL. So said the United States District Court for the Southern District of New York, which recently denied MSG's motion for a preliminary injunction against the NHL and its affiliated entities for what the Rangers alleged as anticompetitive practices stemming from the NHL's New Media Strategy.¹

The Organizational Structure of the National Hockey League

The NHL is an unincorporated association of 30 Member Clubs organized in a joint venture. Each of the 30 Member Clubs operates independently and as a separate business. However, all 30 clubs have signed and ratified the NHL Constitution and By-Laws. Upon signing these two documents, the Clubs' internal affairs become subject to the provisions of those agreements.

The NHL Constitution delineates the joint venture's purposes and objectives, which include: (i) the promotion of the common interests of the Members of the League; and (ii) the promulgation of rules governing the relationships between Member Clubs and the League and between the Member Clubs themselves.²

Gary Bettman, the League's Commissioner, serves as the Chief Executive Officer of the NHL. Bettman's chief responsibility is to act in the best interest of the League as a whole. He has the power to interpret the provisions of the League's Constitution, By-Laws, and rules. Bettman also has "full and complete authority" to discipline Member Clubs for violations of League rules.

The League's Marketing Efforts in Creating a National Brand

Although running fourth in a four-horse race, the NHL competes against the National Football League ("NFL"), Major League Baseball ("MLB") and the National Basketball Association ("NBA") as a provider of sports

entertainment. Moreover, the NHL is still feeling the negative impact on the sport caused by the 2005 lock-out.

Another problem that the NHL faces in terms of marketing stems from the fact that the League has a difficult time translating support for local teams into interest in the sport as a whole. For example, a Buffalo Sabres fan is not likely to watch the playoffs once the Sabres are eliminated. Yet, a Buffalo Bills fan is more apt to watch the NFL playoffs even if the Bills are eliminated from contention.

In an effort to be more competitive with the NFL, MLB and NBA, the NHL has decided to take steps to improve the strength of the League brand. The NHL wants to provide fans with more League-wide hockey coverage that emphasizes the importance of other League games and news. The NHL believes that its website³ is a critical element in its national brand-building strategy. The League argues that NHL.com encourages and facilitates traffic by hockey fans among the various NHL Member Clubs' websites.

The NHL's Early Initiatives in Developing Its Intellectual Property Rights

Much like the members of other professional sports leagues, the Member Clubs of the NHL realized that they could best maximize the value of their Intellectual Property rights by assigning them to the League to market on a collective basis. In 1994 the Member Clubs, including the Rangers, granted the NHL exclusive worldwide rights to use or license team trademarks for various marketing purposes, such as advertising, and according to NHL Deputy Commissioner William Daly, the sale and distribution of "products and services . . . of any nature."⁴

In 1996, the NHL entered into an alliance with IBM for the purpose of developing an NHL website. During the course of this project's development, the Member Clubs agreed that the right to develop and exploit the Internet as a marketing tool was conferred upon the League. Deputy Commissioner Daly noted that the Clubs also granted Commissioner Bettman broad discretion to carry out the NHL's objectives relating to the exploitation of the Member Clubs' Intellectual Property on the Internet, including the authority to make directives regarding advertising and merchandising rights. As such, since 1996, all Member Clubs have been subject to certain advertising, sponsorship, and merchandising restrictions.

In 2000, the Member Clubs revisited their Internet strategy. Changing it somewhat, the Clubs concluded that a hybrid approach would be the optimal business model. This hybrid consisted of both the League's and Clubs' websites as part of an integrated network, with certain

elements available on the Clubs' Internet sites and others available on NHL.com. Once again, the Member Clubs reaffirmed the position that the League had exclusive rights in exploiting their Intellectual Property rights on the Internet, and that Commissioner Bettman had the authority to promulgate rules and regulations to carry out this mandate. Pursuant to this authority, Bettman instituted Internet regulations, including rules for the operation of the Clubs' websites. These regulations included a provision that all merchandise sales be made through the League store, setting aside a portion of each Club site as an "NHL Area" for League content, and reserving to the League the right to control 35 percent of all advertising on each Club's website.

As a result of Commissioner Bettman's and the League's Internet marketing initiatives, each Member Club began setting up its website. These websites were supported by a variety of Internet service providers. However, there were several undesirable effects, including divergent levels of quality, problems with content sharing between sites, and other technical issues resulting from the many different Internet service providers. At no point did the Rangers object to the League's Internet Regulations. MSG never contended that such regulations constituted a violation of the antitrust laws.

The New Media Strategy

In December 2005, the Executive Committee of the Board of Governors of the NHL instructed the League Office to consider potential alternative business models for the NHL's "new media business." The Board of Governors specifically wanted the League to pay particular attention to the benefits of greater centralization and integration of the League's media rights. Pursuant to this directive, Commissioner Bettman formed a committee comprised of 10 Member Clubs to develop a plan to maximize new media revenues (the "New Media Committee"). Interestingly, MSG's Chairman, James Dolan, was invited to be on the New Media Committee but declined due to a scheduling conflict. The New Media Committee analyzed and reviewed the new media strategies of each of the Member Clubs. It concluded that a majority of the clubs were not using their websites as marketing or sales promotions tools. It also found that the Member Clubs were not utilizing best practices or up-to-date technologies in the design and function of their websites.

After a careful review of the approaches taken by the other professional sports leagues, the New Media Committee concluded that the best approach for the NHL would be to migrate each team's site into a common technology platform, serviced by a single content management system ("CMS"). There, the individual clubs would be responsible for supplying local content and advertising, while the League would retain space for national advertising and League news. The plan did not allocate any more space for national advertising than what was permitted under previous League Internet regulations.

The New Media Committee stated that there were several important reasons why the transition to a common technology platform would be beneficial to the League, including: ensuring minimum quality standards across team sites; attracting national sponsors to advertise on the team sites; enabling greater interconnectivity; facilitating the sharing of local content; and a saving of two million dollars, as a result.

MSG Votes Against the Proposals Set Forth in the New Media Report

After receiving the recommendations in June 2006, MSG objected to the New Media Committee's strategy. Bettman and Daly met with MSG's representatives (including Mr. Dolan) in an attempt to alleviate MSG's concerns. The Commissioner and Deputy Commissioner failed in reaching an accommodation for MSG, and Dolan expressed his concerns that the New Media Committee's strategy would benefit small-market teams at the expense of large-market teams, amounting to "revenue sharing," which the Rangers did not support. After hearing Dolan's objections, the League nevertheless voted to proceed with the strategy as set forth in the New Media Committee's report, to extend for another 10 years the license agreements held by the NHL and to grant to the NHL the exclusive ability to exploit various new media rights.

In February 2007, the NHL and the Rangers met to discuss, according to Deputy Commissioner Daly, "differences of opinion on a variety of issues," including the League's Internet Regulations.⁵ After failing to reach a compromise with the League, the Rangers launched three initiatives that violated League rules: (1) an "Internet store" was established for selling Rangers merchandise; (2) "virtual advertising and signage" was inserted into the broadcast of Rangers home games; and (3) live broadcasts of Rangers games were streamed to Internet subscribers in the team's local broadcast territory. In response to the violations, Daly sent the team a cease-and-desist letter on April 18, 2007, indicating that the team would be fined \$100,000 a day for the violations. The Rangers remained in violation for two days and was fined \$200,000.

In June 2007, the Rangers notified the League that it would not go forward with the migration of the Club's website onto the new League platform, further escalating tensions between the two sides. The team's employees were given strict directions not to provide the NHL with any content that would help the League set up the Rangers site on NHL.com. Once again, in an effort to resolve the differences between the NHL and the Rangers, League officials met with MSG officials. Although the parties resolved to find a solution to their disagreement, the relationship deteriorated once again.

Over the course of the summer, representatives from both sides met to iron out a compromise. The NHL attempted to incorporate MSG's suggestions into the new site. For example, the League agreed to devote a section of

the website to the Rangers' history; not to have any stories about the Rangers' local rivals, the New York Islanders and the New Jersey Devils, on the new page; and to move local advertising to a more prominent position on the home page. Negotiations broke down once again over whether the Rangers, like every other team, would have to migrate its site to a single CMS. The Rangers insisted on operating newyorkrangers.com from its own server. The League would not compromise on this issue, because the NHL saw the single CMS as an essential part of the New Media Committee's strategy. The League stood by its assertion that the single CMS played a pivotal role in ensuring minimum quality standards and facilitating fan navigation.

After the parties failed to reach a deal, Deputy Commissioner Daly sent the Rangers a letter on September 20, 2007 informing the team that starting September 29 (the first day of the season), the team would be fined \$100,000 each day that it operated its website outside of the League platform. The Rangers filed a complaint for injunctive relief on September 28, 2007.

The Complaint

MSG's complaint alleged that the NHL had become an "illegal cartel" in its attempts to prevent off-ice competition between and among the NHL member clubs. Furthermore, the Rangers alleged that under the New Media Committee strategy, there was no competitive justification for "seizing" the Rangers' website other than to suppress or eliminate competition. In the complaint, the Rangers conceded that the NHL is a legitimate joint venture. However, in MSG's motion papers, it argued that the New Media Committee's strategy violated antitrust laws because it was not "reasonably necessary for the success of the NHL venture," and constituted a "naked horizontal restraint in the absence of a competitive justification."

The Court's Analysis

The NHL Regulations Are Not a Naked Restraint

The court focused on whether the NHL may sanction the Rangers for refusing to migrate its website to the League-run CMS or for operating a rival site without running afoul of the antitrust laws.

In its motion papers, MSG did not contend that the League's Internet Regulations constitute a per se violation of the Sherman Act. Instead, MSG argued that the NHL's directive to migrate newyorkrangers.com to the League-run CMS was "blatantly anticompetitive" and a "naked" horizontal restraint by virtue of its being "an agreement among competitors on the way in which they will compete with each other."⁶

The court disagreed with MSG's narrow reading of *NCAA v. Bd. of Regents*.⁷ In *NCAA*, the Supreme Court reviewed a lower court ruling that held that the NCAA's

plan for limiting television coverage of college football games violated the antitrust laws. The United States District Court for the Western District of Oklahoma had found that the NCAA plan unreasonably restrained competition in the relevant media market of live college football television in three ways: (1) by fixing the price for particular telecasts; (2) by its exclusive contracts amounting to a group boycott of all other potential competitors; and (3) by placing an artificial limit on the production of televised college football.⁸ The Supreme Court upheld the ruling of the trial court, finding the anticompetitive consequences of the NCAA arrangement were apparent, a "naked restraint on price and output," that required some competitive justification.⁹ However, the Court emphasized the limited nature of its decision: It held only that "the record supports the District Court's conclusion."¹⁰

MSG argued that the court should declare the NHL restraint unlawful under *NCAA* without need of "elaborate industry analysis" or "proof of market power." MSG's position was that in the context of a sports league joint venture, only those restraints that are necessary for the product to be made available at all, such as rules dictating the size of the field or the number of players on the team, are permissible. On this basis, MSG believed that the burden of proving an actual adverse effect on competition in the relevant market, ordinarily belonging to the plaintiff under a rule of reason analysis, should have been dispensed in this matter.¹¹

Relying on its holding in *Major League Baseball Properties, Inc. v. Salvino*,¹² the court noted that a truncated rule of reason analysis, a "quick look," would indeed relieve the plaintiff of its initial burden of identifying a relevant market and showing an actual adverse effect on competition.¹³ However, it reasoned that a quick-look analysis is appropriate only when the anticompetitive effects of the restraint are obvious, where an observer with even a rudimentary understanding of economics "could conclude that the arrangements in question would have an anti-competitive effect on customers and markets."¹⁴

District Judge Loretta Preska held that "it is far from obvious that this restraint has no redeeming value." The court found that the NHL has established there were several procompetitive effects of the New Media Strategy, including: assuring minimum quality standards across team websites; increasing the interconnectivity across the NHL.com network; facilitating the sharing of team content; and reducing the costs of operating 30 "back office" website operations. Judge Preska noted that:

[T]he increased online scale and standardized layout will attract national sponsors and advertisers interested in uniform exposure across the NHL.com network, which is a key element of the League's new growth strategy to enhance the NHL's "national brand" and to compete better against other sports

and entertainment products and their websites. The common technology platform also will enable these sponsors and advertisers to reduce transaction costs by negotiating centrally with the League-an 'obvious advantage[] of one-stop exploitation of the intellectual properties of the [thirty] teams.'¹⁵

The court held that these effects would increase competition between the NHL and other sports entertainment providers, which was the only relevant market identified on the motion, and that the quick-look doctrine was inappropriate because the casual observer could not summarily conclude this arrangement had an anticompetitive effect on customers.¹⁶

As the court found that the NHL's New Media Committee's strategy was not a "naked restraint" and that it had procompetitive virtues, it found the quick-look doctrine inapplicable. Therefore, the rule of reason is the appropriate standard of review for MSG's claim.¹⁷

MSG's Claims Fail Under the Rule of Reason

Since the court "failed to perceive the nudity" of the NHL's actions as a naked horizontal restraint, MSG carried the burden of "showing that the challenged action has had an actual adverse effect on competition as a whole in the relevant market."¹⁸ MSG failed to do so.

The court held that "although the Complaint identifies several *potential* relevant markets, MSG's moving papers provide no evidence on the complex question of defining *the* relevant market." It was MSG's burden and it followed logically from the burden of showing an actual adverse effect on competition as a whole in the relevant market.¹⁹ MSG submitted two *reply* expert declarations on this subject. The first expert declaration stated that (1) having a common league website will reduce competition in the New York metropolitan area, and (2) the expert saw no reason to believe that the League can market itself better on a collective basis. The second expert declaration discussed why a team website was an important marketing tool to the Rangers.

The court noted that neither of the two expert declarations nor the declarations submitted by Rangers employees was sufficient to show an actual adverse effect either on competition in the relevant market or market power. The court concluded by holding that MSG's assertion that migrating newyorkrangers.com to the CMS constituted a reduction of "output" was not sufficient to carry its burden. Judge Preska noted that "[i]n the antitrust context, output does not simply refer to the number of units produced, it also involves a qualitative judgment."²⁰ Furthermore, as the Supreme Court noted in *California Dental Association v. Federal Trade Commission*,²¹ making a judgment about output requires an empirical, not an *a priori*, analysis given the complexity of

the market in which the NHL operates. Therefore, Judge Preska found that MSG failed to carry its initial burden of showing a *prima facie* case of an anticompetitive restraint.

Since MSG failed to demonstrate a likelihood of success on the merits or a sufficiently serious question going to the merits, the court did not render a decision regarding the issue of whether the League's fine on the Rangers constituted irreparable injury or whether the balance of hardships tipped decidedly toward the team.

The court refused to block the NHL from taking control of the New York Rangers' website and denied MSG's preliminary injunction against the League.

The Dallas Cowboys and New York Yankees Provided a Road Map for MSG

MSG's actions are not without precedent. In the mid-1990s, two of America's most beloved (or hated) sports franchises, the Dallas Cowboys and New York Yankees, entered into sponsorship deals that led to litigation with the NFL and MLB. The NFL and Dallas Cowboys sued one another over the parties' Intellectual Property rights and the many opportunities to generate and retain income associated with those rights.²² The NFL Member Clubs entered into a trust agreement with the NFL that provided that each Member Club would transfer to the NFL the exclusive right to use its "Club Marks" for commercial purposes.²³ These "Club Marks" included a team's name, helmet design, uniform design, and identifying slogans.²⁴ The Member Clubs also granted to the NFL Trust the exclusive right to use NFL Marks, such as the NFL Shield Design, and the names "NFL," "American Football Conference," "National Football Conference," and "Super Bowl."²⁵ The revenue generated from the NFL's sale of licensing and sponsorship rights is shared equally by the NFL's Member Clubs, which are the sole shareholders of the NFL.²⁶

During the height of the Dallas Cowboys' Super Bowl run in the NFL in the mid-1990s, the team's merchandise single-handedly generated roughly 25 percent of NFL Properties' revenues, yet the Cowboys received only 3.3 percent of the net proceeds.²⁷ In an effort to evade the NFL's revenue sharing plan, Jerry Jones, owner of the Dallas Cowboys, entered into agreements with Nike, Pepsi-Cola, American Express, Pizza Hut, and Dr. Pepper.²⁸ The agreements allowed those businesses to use the name and logo of Texas Stadium, where the Cowboys played their home games.²⁹

The NFL responded by filing suit against Jones and the Cowboys. The complaint alleged that the defendants "have engaged in an unlawful plan and scheme, in violation of contractual and fiduciary obligations, to misappropriate for themselves valuable business opportunities and revenues that rightfully belong to . . . NFL Properties."³⁰ One year later, Jones filed an antitrust lawsuit against the NFL, alleging that the NFL and its licensing agreements

had created a “price-fixing cartel that precludes free competition in the professional football sponsorship and merchandise markets.”³¹ The NFL and Jones settled their lawsuits and allowed the Cowboys to maintain its agreements with its new corporate sponsors.³²

In 1997, the New York Yankees sued MLB and its application of baseball’s antitrust exemption to merchandising and licensing. Based upon the Yankees’ 1996 World Series victory over the Atlanta Braves and its national marketing popularity, the Yankees signed a 10-year, \$95 million exclusive merchandising agreement with the sports merchandising company Adidas.³³ The contract allowed Adidas to promote and sell merchandise featuring the Yankees logo. It also allowed Adidas to advertise its products on television commercials, print ads and throughout Yankees Stadium. The agreement between the Yankees and Adidas lead to MLB suspending Yankees owner George Steinbrenner from its Executive Council.³⁴

In 1998, the Yankees, Adidas, and MLB announced a settlement.³⁵ Although not all of the details of the settlement agreement were announced publicly, a joint press release provided that the marketing agreement between the Yankees and Adidas would be allowed to stand; the Yankees would pay MLB’s legal costs, which amounted to nearly \$500,000; MLB restored George Steinbrenner to the Executive Council; and, Adidas would be incorporated into the MLB marketing scheme as a business partner, although it would not have the right to display its logo on official uniforms and jackets.³⁶

Conclusion

The court clearly flexed its muscle in not allowing the Rangers to dictate how the NHL was going to implement its New Media Committee’s strategy. The League’s decision to put together a comprehensive plan to create its own brand with centralized control of team sites to compete with other major sports entertainment providers benefits the NHL as a whole. The Rangers’ failure to abide by the League’s plan to strengthen the quality of its Internet relationship with fans and advertisers has garnered the franchise a five-minute misconduct from the NHL.

Endnotes

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4. *Madison Square Garden* at 2.
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12. 420 F. Supp. 2d 212 (S.D.N.Y.2005).
13. *Id.* at 220.
14. *Cal. Dental Ass’n v. Fed. Trade Comm’n*, 526 U.S. 756, 770 (1999).
15. *American Needle, Inc. v. New Orleans Louisiana, Saints*, 496 F. Supp. 2d 941, 943-44 (N.D. Ill.2007).
16. See *Major League Baseball Properties, Inc. v. Salvo*, 420 F. Supp. 2d at 220.
17. See, e.g., *North Am. Soccer League v. Nat’l Football League*, 670 F.2d 1249, 1259 (2d Cir. 1982) (“agreements between members of a joint venture . . . are subject to scrutiny under the rules of reason”).
18. *K.M.B. Warehouse Distributors, Inc. v. Walker Mfg. Co.*, 61 F.3d 123, 127 (2d Cir. 1995).
19. *Delta Kappa Epsilon (DKE) Alumni Corp. v. Colgate University*, 492 F. Supp. 2d 106, 114 (N.D.N.Y.2007).
20. See, e.g., 11 Herbert Hovenkamp, *Antitrust Law: An Analysis of Antitrust Principles and Their Application* ¶ 1901d, at 205-206 (2d ed. 2005) (demonstrating how a reduction in output must assess both quality and quantity).
21. 526 U.S. 756, 774 (1999).
22. *National Football League Properties, Inc. v. Dallas Cowboys Football Club, Ltd.*, 922 F. Supp. 849 (S.D.N.Y. 1996). See also *Dallas Cowboys Football Club, LTD. v. National Football League Trust*, No. 95 Civ. 9426, 1996 WL 601705 (S.D.N.Y. October 18, 1996).
23. *NFL Props*, 922 F. Supp. at 850.
24. *Id.*
25. *Id.*
26. *Id.*
27. See Jeffrey Meitrodt, *Follow the Money*, *New Orleans Times-Picature*, Jan. 24, 1997, at S36.
28. *NFL Props*, 922 F. Supp. at 853.
29. *Id.*
30. See Verified Complaint at 18, P 25, *National Football League Properties, Inc. v. Dallas Cowboys Football Club, Ltd.*, No. 95 Civ. 7951 (S.D.N.Y. September 18, 1995).
31. *Dallas Cowboys Football Club, LTD. v. National Football League Trust*, No. 95 Civ. 9426, 1996 WL 601705 (S.D.N.Y. October 18, 1996).
32. See Richard Sandomir, *Jones-N.F.L. Lawsuits May End in a Draw*, *N.Y. Times*, Dec. 10, 1996, at B17.
33. See Murray Chass, *Suit Seeks to Increase Yankees’ Revenue*, *N.Y. Times*, May 15, 1997, at B8.
34. See Murray Chass, *Steinbrenner Banned as Executive Council Member*, *N.Y. Times*, May 14, 1997, at B11.
35. Michael Hiestand, *Yankees, Adidas Drop Lawsuit About Logos*, *USA Today*, May 1, 1998, at 4C.
36. *Id.*

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Split Decisions

By Keith C. Hauprich and Dan Coleman

Keith C. Hauprich (KCH): Many things in life and in music publishing are fully negotiable, though some myths persist to the contrary.

Dan Coleman (DC): Maybe you can help me negotiate a few more days of vacation. In the meantime, let's dispel some myths about song copyrights and their ownership.

KCH: Okay, here's a statement for scrutiny: *Each writer of a song automatically controls an equal percentage of that song.*

DC: Ah, that tricky word, "control." In the absence of any written agreement between the songwriters to the contrary, we can turn to the U.S. Copyright Act section 201(a), which provides that a work's copyright "vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work." This would imply equal percentage control, but we must distinguish between (1) the *owners* of the copyright, and (2) the parties who *control* licensing and benefit from revenue streams. The latter could be all songwriters, or one songwriter, or a third-party publisher that administers the work, or a "royalty participant" (such as an investor) who will receive a negotiated percentage of revenue but not actually own the copyright. In addition, the various exclusive rights under copyright can be transferred to separate parties, and the percentages of royalty revenue divided any which way. Even before any assignments, it is very important for the original authors of a song to specify in writing the percentages each one controls. Those percentages are certainly negotiable from the very beginning. How often do Byzantine "royalty participant" split agreements cross your desk?

KCH: Royalty participant agreements cross my desk with the same frequency as holiday cards in early to mid-December. Most such agreements, of course, do not expressly state the justification for the "investor's" ability to receive revenue other than the legal fiction of good and valuable consideration. Absent facts, rumor and surmise are commonplace. One justification might be that the investor's contribution is justifiable but does not quite rise to the level of an original work of authorship. Another more cynical justification might be that certain well-established artists are unwilling to record and release a third party's song without a vested interest.

DC: There is a popular belief in the R&B/Hip Hop field that says the producer of the "beat" (a.k.a. the instrumental track that serves as the musical accompaniment upon which songwriters will craft a melody and lyrics) is automatically entitled to 50 percent of the resulting joint

work. Yet this is another point that must be negotiated in each instance, especially when that beat contains samples. This brings me to another persistent canard: *The composer/producer of a new work which "samples" another original song must always transfer or assign 100 percent of the copyright in any new work to the owner of that original song.*

KCH: 100 percent ownership of the derivative work containing the sample may be the perfect result for the owner of the original work. However, there are certain rules of engagement that allow both sides to achieve satisfactory results somewhere between negotiating with a bayonet and folding like a lawn chair. We have come a long way as an industry since Judge Kevin Thomas Duffy's seemingly foreboding invocation of the Seventh Commandment in the context of sampling.¹ Today it is well settled that using a portion of a song in a derivative work requires the permission of the owner of the original song. Most sample uses are cleared through arm's-length negotiations without resorting to formal legal measures.

DC: We should review the basic facets of a sample agreement (focusing on the song, and leaving the master use aside). In most cases you have seen, does the sample owner receive a percentage of ownership in the derivative copyright, or does the sample owner simply participate in revenue?

KCH: Typically, the derivative work is co-owned for the purposes of administration and collection of royalties. The sample agreement should provide that the derivative work be registered for copyright in the Office of the Register of Copyrights in the United States.

DC: When a song contains a sample, what steps must be taken to ensure proper collection from the various societies?

KCH: Letters of direction must be sent to all third parties charged with exploiting the derivative work (e.g., subpublishers) as well as all third parties responsible for collecting revenue derived from the new work (e.g., performing rights organizations, mechanical rights societies, etc.).

DC: It is fair to say that many works are slated to hit the marketplace before all the nuances of the sample agreement are worked out between the parties. Is there a method for dealing with that problem in the sample agreement, short of suing for infringement?

KCH: One safeguard is to negotiate for an adjustment for revenue derived from the exploitation of the derivative work from the creation through the date the sample agreement is executed.

DC: How might a publisher ensure that one party does not “over collect” (i.e., collect another party’s share) on a work that has a complex participant structure?

KCH: A cross-accounting provision is essential. Simply put, in the event that either party receives revenue attributable to the other party’s share of the derivative work once the sample agreement is executed, the receiving party is obligated to account for and pay any such sums to the other party.

Endnote

1. *Grand Upright v. Warner*, 780 F. Supp. 182 (S.D.N.Y. 1991).

Keith C. Hauprich is the father of three beautiful daughters, Ashleigh, Mackenna and Amber. He also happens to be the Vice President, Business & Legal Affairs for Cherry Lane Music Publishing Company, Inc., one of the world’s leading independent music publishers, where he serves as in-house counsel and is responsible for all legal matters.

Dan Coleman (Managing Partner of “A” Side Music, LLC) was born in New York City and educated at the University of Pennsylvania and The Julliard School. His original concert music has been commissioned, performed, and recorded by leading American symphonies and chamber ensembles. Dan has composed string arrangements for popular albums on the Geffen, A&M, and Atlantic record labels, including projects by Lisa Loeb and Calexico. In 2001, Dan served as an orchestrator for David Mamet’s caper film *Heist*. In 1999, Dan entered the music publishing business as the administrator for R&B songwriter John Legend’s nascent catalog. Currently Dan administers “A” Side’s roster of musical luminaries, including Rock and Roll Hall of Fame inductee Ronnie Spector, leading jazz pianist Brad Mehldau, and many others. Dan enjoys commenting on music publishing and copyright matters, and has been invited as a guest speaker to Harvard, MIT, Johns Hopkins, and the University of Arizona Rogers School of Law.

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Canadian Copyright Board Sets the Bar for Digital Distribution of Music

By Joseph P. Salvo

Twelve years ago, the U.S. Copyright Act was amended to extend copyright protection to the digital distribution of music,¹ and eight years have passed since the launch of the first illegal peer-to-peer service in the U.S.² Yet despite that passage of time, many critical issues—like which copyright rights are implicated and what fees are payable for the digital distribution of musical works—remain largely unresolved. These uncertainties plague “legitimate” operators trying to compete against illegal, “pirate” services. Recent proceedings are just now addressing core legal and business issues in a number of critical jurisdictions, including the U.S.,³ the UK⁴ and Canada.⁵ Interestingly, our Canadian neighbors have taken the lead with a series of recent decisions that may critically impact the future of music on the Internet.

In an October 2007 ruling with intriguing U.S. implications, the Canadian Copyright Board issued a decision, reaffirming a separate right in—and establishing a separate payment for—digital transmissions of musical works “communicated to the public” over the Internet. Specifically, the decision established rates for different digital offerings, reducing the rates sought by the Society of Authors, Composers and Music Publishers of Canada (“SOCAN”) for the 10-year period from 1996 to 2006.⁶ SOCAN—the Canadian collective licensing society better known for administering public performance rights in Canada—proposed in Tariff 22 rates for the use of musical works “communicated to the public by way of telecommunication.” The “communication to the public” right in Canada exists separately and apart from “public performance” rights that SOCAN collectively licenses⁷ and from “reproduction” or “mechanical” rights licensed by Canada’s mechanical rights collection agencies, CMRRA and SODRAC.

The decision was the second of two published by the Copyright Board this year, setting rates for the online distribution of music. The first issued in March 2007, when the Copyright Board set the rates payable to CMRRA and SODRAC for the reproduction of musical works digitally delivered. In that earlier decision, the Copyright Board set royalty rates for use of the “reproduction right” in services providing (i) permanent downloads, (ii) limited downloads and (iii) “on-demand” streams, for the period from 2005 to 2007. The Board established rates of 7.9 percent, 5.3 percent and 4.1 percent, respectively, of the retail price paid by consumers for each such service⁸ (inclusive of a 10 percent “new format discount”) and set minima, applicable for all three years. The Board left open whether any additional sums might be due for the use of a sepa-

rate “communication to the public right” in the Internet transmission of musical works for each type of service.

In its recent decision, the Copyright Board has resolved that issue, identifying additional payments due for the “communication to the public” right when those songs are digitally distributed. The Board set a combined rate for both rights (the “reproduction” and “communication” rights) equal to 12.2 percent of the retail price, for all such exploitations—i.e., the same 12.2 percent rate applies to permanent downloads, limited downloads and on-demand streams. The results are significant, because the U.S. Copyright Royalty Board (“CRB”)—an analogous administrative body charged with setting compulsory license rates in the U.S.—is wrestling with the same thorny issues of rights and rates for digital distribution of musical works in its current Section 115 proceedings.⁹

The Canadian decision may influence the U.S. CRB proceedings, notwithstanding significant differences between U.S. and Canadian copyright law that well might compel different results or disparate analysis. The most significant of those differences are (i) the absence of a “distribution” right in Canada,¹⁰ (ii) the absence of a “communication to the public by telecommunication” right in the U.S., and (iii) the fact that in the U.S., a “mechanical license” (typically issued by a publisher to a record company to make and sell phonorecords) historically has included both the rights to *reproduce and distribute* musical works in the form of records. In Canada, that same mechanical license extends only to the “reproduction” right.

When the U.S. amended its Copyright Act in 1995 to extend Section 115 compulsory “mechanical” licenses to “digital phonorecord deliveries” or “DPDs,” it made clear that a compulsory mechanical license subsumed both the “reproduction right” (by way of allowing the making of a digital file of the song) *and* the “distribution right” (by defining DPDs as the delivery by digital transmission of the digital file to the end user).¹¹ Thus, under U.S. law, no separate “transmission” or “communication” right is implicated by the digital transmission of a musical work resulting in a permanent copy. That principle was recently affirmed by the ASCAP “Rate Court” as part of a proceeding to determine public performance fees for digital distribution of musical works. ASCAP unsuccessfully sought a determination that the transmission and sale of a permanent download, in addition to requiring a “mechanical license,” also implicated a separate, compensable public performance. Judge Connor of the Southern District of New York disagreed, holding that no public

performance was implicated by the sale of a permanent download.¹² Significantly, Judge Connor “[was] not persuaded by ASCAP’s argument that downloaded music files are indistinguishable from streamed performances . . . ,” focusing not on the similarities in the transmission of the data but on the differences in the ultimate resulting transaction.¹³

The Canadian Copyright Board took a different view. After first acknowledging a separately compensable “communication to the public” in a permanent download,¹⁴ the Copyright Board noted that:

attempts to distinguish streams from downloads are based on technical and legal assumptions that are incorrect. Both are broken down into packets and transmitted, on request, to each end user individually, in separate transmissions and at different times.¹⁵

Thus, whereas in the U.S., a “mechanical license” subsumes all necessary rights to effectuate the permanent download, Canada requires a second “communication to the public” license.

The Decision and Reasoning

The Copyright Board “confirmed” rates proposed by SOCAN for the 10-year period from 1996 to 2006 for use of the separate “communication to the public” right in digital transmissions of musical works as part of SOCAN’s proposed Tariff 22. Though SOCAN sought rates for a wider array of online uses (including web-casting and podcasting), the Copyright Board set rates for only three offerings— (i) permanent downloads, (ii) limited downloads and (iii) “on-demand” streams.

The Copyright Board first addressed the core legal issues—(i) did a digital transmission resulting in a permanent copy require an additional “communication to the public” license? (it did); (ii) could the Board set rates having a retroactive effect? (it could); (iii) did the com-

munication right apply only to transmissions originating in Canada or those received in Canada? (both); and (iv) was the offering of “previews” a fair use (or “fair dealing” under the Canadian Copyright Act) such that no license and no payment was required? (it was).

The Board then established “headline rates” for the three types of offerings by looking to the increased “profitability” to the labels of digital downloads over traditional CD sales (i.e., lower production, storage and distribution costs). It attributed a percentage of that “increased profit” to the value of the communication right, and set minimum royalty payments for each service.

After establishing a rate for the “communication right,” the Board added the rate it had previously set for the “reproduction right” for permanent downloads from the March 2007 proceeding, and arrived at a combined “all-in” rate equal to 12.2 percent of the price paid by the consumer (i.e., the combined rate for use of both the “communication” and “reproduction” right). Importantly, it concluded that the value of the combined bundle of publishing rights should remain the same for all other types of exploitations. The net result is that services offering any of (i) permanent downloads, (ii) limited downloads or (iii) on-demand streaming all pay the same 12.2 percent “all-in” rate for publishing rights. That approach marks a departure from U.S. practice, where publishing rights historically have been valued on a continuum, with publishing payments for permanent copies exceeding payments for performances or “streams.”

The Copyright Board then applied a 10 percent “new format discount” to both the rates and minima for the entire 10-year period. The “communication right” rates and minima are set forth in the table on the last page of decision, available at <http://www.cb-cda.gc.ca/decisions/m20071018-b.pdf>. When one combines this with the March 2007 decision of the Board on “mechanical rates,” the Copyright Board has set combined rates and minima for each type of service for the period of 1996 to 2006 as follows:

(“All-in Rates”)

Permanent Downloads:

<p>Actual Effective Rate (i.e., inclusive of 10 percent discount):</p> <p>11 percent of revenue (price paid)</p>	<p>“Headline” Rate (without 10 percent discount):</p> <p>12.2 percent of revenue (price paid)</p>
<p>Actual Minima:</p> <p>5.6 cents/download (bundled)</p> <p>7.4 cents/download (non-bundled)</p>	<p>“Headline” Minima (without 10 percent discount):</p> <p>6.2 cents/download (bundled)</p> <p>8.2 cents/download (non-bundled)</p>

Limited/Tethered Downloads:

Actual Effective Rate (i.e., inclusive of 10 percent discount): 11 percent of revenue (subscription fee)	"Headline" Rate (without 10 percent discount): 12.2 percent of revenue (subscription fee)
Actual Minima: \$1.06 /sub/month (portable) 69.6 cents/sub/month (nonportable)	"Headline" Minima (without 10 percent discount): \$1.18/sub/month (portable) 77.3 cents/sub/month (nonportable)

On-Demand Streaming:

Actual Effective Rate (i.e., inclusive of 10 percent discount): 11 percent of revenue (subscription fee)	"Headline" Rate (without 10 percent discount): 12.2 percent of revenue (subscription fee)
Actual Minima: 69.6 cents/sub/month	"Headline" Minima (without 10% discount): 77.3 cents/sub/month

The Copyright Board excluded from the royalty base advertising income generated by the online music services, noting that it was difficult to properly allocate advertising revenue to uses of music on such sites, especially where the consumer was already paying a fee for content. The Copyright Board addressed publishers' concerns that excluding advertising could lead to underpricing by establishing minimum payments for each offering. The decision applies to only digital services offering music for a fee. It thus provides no guidance on the thornier issue of what income should be excluded from the fee base when the service is advertiser-supported only.

What This Means in Canada

The decision represents a significant victory for publishers in Canada, who now enjoy higher publishing fees for digital exploitations thanks to the "additional right" license. The decision, in establishing a 10 percent "new format" discount, gave no indication as to when that would end. It also does not provide a timeline for the Board's decision on rates for 2007 and beyond, or for rates for the remaining uses covered by Tariff 22 (e.g., webcasting and ad-supported business models). The Board's rationale in (i) determining a rate based on the increased profitability of online distribution and (ii) maintaining the same 12.2 percent rate for all three types of digital distributions raises interesting questions about how the Copyright Board might approach these additional issues.

What This Means in the U.S.

The Canadian Copyright Board is non-binding on the CRB, but the decision may nonetheless impact on the current Section 115 proceedings.

First, the Canadian Copyright Board's determination that both a "reproduction" right and "communication to the public" right are implicated by "on demand" streaming supports the publishers' request in the CRB proceedings to find the existence of a reproduction right in "on-demand" streaming.

Second, the determination may impact the rates fixed for U.S. publishers. For "on-demand" streams, for example, the publishers are seeking in the U.S. a mechanical license rate alone equal to the greater of (i) 12.5 percent of retail; (ii) 27.5 percent of total content costs; or (iii) .275 cents per song streamed (in addition to public performance fees in the range of six to seven percent of revenue). If successful, the publishers' position thus could result in "all-in" royalties closer to 18 percent of revenue in the U.S. (vs. 12.2 percent in Canada and eight percent in the UK) for "on-demand" streaming services.

Finally, the Canadian decision—in seeking to value the "communication" right by tying it to the increased "profitability" of digital distribution—may suggest an approach that the CRB may find useful or attractive in setting a reasonable license fee for use of any "reproduction right" in "on-demand" streams.

Endnotes

1. See the Digital Performing Rights in Sound Recordings Act, Pub. L. N. 104-39, 109 stat. 336.
2. See www.en.wikipedia.org/wiki/Napster.
3. See Docket 2005-1 CRB DTRA (webcasting rates for recordings, 2006-2010); Docket 2006-1 CRB DSTRA (satellite radio rates for recordings, 2007-2012); and Docket 2006-3 CRB DPRA ("mechanical rates" for musical works 2008-2012), all available at www.loc.gov/crb/proceedings.
4. See *In The Matter of a Reference Under the Copyright, Designs & Patents Act 1988 (CT 84-90/05), BPI et al. v. MCPS*

et al. (June 2007), available at www.ipo.gov.uk/ctribunal/ctribunaldownloadingdecision.pdf.

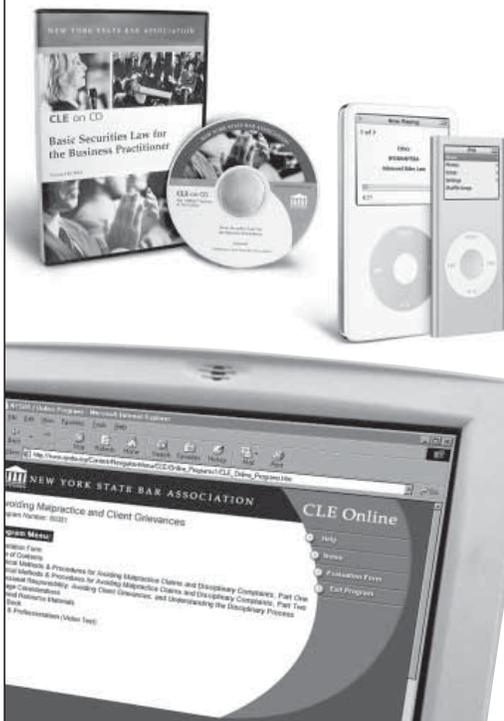
5. Decision of the Board, Collective Administration of Performing Rights and of Communication Rights [Tariff No. 22 A (Internet-Online Music Services) 1996-2006], October 18, 2007, Copyright Board of Canada, available at www.cb-cda/decisions/m20071018-b.pdf (the "SOCAN Decision"); Decision of the Board dated March 16, 2007, certifying the CSI Online Music Services Tariff, 2005-2007, available at www.cb-cda/tariffs/certified/i17022007-b.pdf (the "Tariff") and www.cb-cda/decisions/i16032007-b.pdf ("Decision") (collectively the "CSI Decision").
6. See "SOCAN Decision," *supra* note 5.
7. See Canadian Copyright Act, subsections 3(1)(f) and 68(3), R.S.C. 1985, c. C-42 (the "Act").
8. See CSI Decision, *supra* note 5.
9. See Adjustment or Determination of Compulsory License Rates for Making and Distributing Phonorecords (Docket 2006-3, CRB DPR), available at www.loc.gov/crb/proceedings.

10. See 17 U.S.C. § 106(3) (the right to distribute copies or phonorecords) and compare with Section 3(1) of Canadian Copyright Act, R.S.C. 1985, c. C-42.
11. See 17 U.S.C. § 115(d).
12. See *U.S. v. ASCAP*, 485 F. Supp. 2d 438, 447 (S.D.N.Y. 2007).
13. *Id.* at 446.
14. SOCAN Decision, ¶¶ 3-4 (p. 2) and ¶ 93 (p. 27).
15. SOCAN Decision, ¶ 95 (p. 28).

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Medical Malpractice and the Modern Day Athlete: A Whole Different Ballgame . . . Or Is It?

By Tara R. Di Luca

A 28-year-old marathon runner collapses and dies five-and-a-half miles into the U.S. Olympic men's marathon trials in New York City. A college football player in Tennessee receives two blows to the head and is rendered hemiparetic. A professional boxer suffers a fatal head injury during a boxing match in New York City. A 21-year-old college lacrosse player in Pennsylvania suffers a fatal cardiac arrhythmia during practice. These are all too familiar devastating tragedies occurring nationwide in athletes competing at all different levels, from different ethnicities and from different backgrounds. These are young, healthy and active individuals, promising stars, role models and mentors. These are stalwart athletes suffering sudden death. Is there responsibility? What happened? How did this happen? Why did this happen? These seemingly simple questions become legal and medical anomalies, as families, friends, teammates and fans are left to piece the medical and legal puzzle together.

A topic of broadening interest in the legal realm of medical malpractice involves the standard of medical care given to an athlete by team physicians and athletic trainers in the setting of high school, collegiate and professional athletics. Ironically, given the amazing impact that sports has in our daily lives, this area of law is very green with many unresolved legal issues, and lacks any overwhelming legal precedence regarding physicians' potential malpractice in treating athletes.¹ For the cases that eventually reach the courtroom, courts have applied general medical malpractice principles in actions brought by athletes against physicians and athletic trainers for alleged negligent medical treatment of athletic injuries.²

The Team Physician

Standard of Care

Sports medicine is a relatively newly recognized subspecialty of medicine. Without confusing "newly" with "recognized," the origins of sports medicine date as far back as ancient Greece and Rome. However, it was not until the 1972 Summer Olympics in Munich that a true medical team accompanied Canadian athletes. Subsequently, other countries followed this "phenomenon" and assigned medical teams to their own Olympic athletes.

Sports medicine is a unique facet of the medical field focusing on the prevention, diagnosis, and treatment of injuries in athletes. Sports medicine encompasses vast medical specialties. Team physicians are often doctors specializing in family practice, internal medicine, orthopedic medicine, cardiovascular medicine, or neurological medicine.³

Before a defendant can be found liable for negligence, a duty must be found to exist between the tortfeasor and the plaintiff, and a breach of that duty, which is the proximate cause of the plaintiff's injuries.⁴ When a case presents with allegations of medical malpractice against a team physician, a physician-patient relationship must be established first before a physician can be held liable for negligence. In *Scotland v. Duva Boxing*,⁵ the court found that a physician-patient relationship was created where the defendants were retained as ringside physicians during a boxing match. In this capacity, they were charged with the duty to exercise reasonable medical care and to provide an ongoing medical diagnosis of the athlete's physical condition throughout the match. The court found that it was within the boxer's reasonable expectation that a ringside physician would call the match if necessary to protect his well-being and attend to any injuries the boxer sustained during the match. The physicians' duty extended to monitoring the physical conditions of the boxing participants and practicing in accordance with good and accepted standards of medical care.

"A topic of broadening interest in the legal realm of medical malpractice involves the standard of medical care given to an athlete by team physicians and athletic trainers in the setting of high school, collegiate and professional athletics."

In *Kleinknecht v. Gettysburg College*,⁶ the court found that a special relationship existed between the college and the athlete simply by the fact that the college had actively recruited the athlete to play lacrosse. The court found that this relationship created a duty to provide *prompt* emergency medical services to a lacrosse player who suffered a fatal arrhythmia.

Since an athlete's participation in college or professional athletics is relatively short, a team physician's main purpose should be to protect the health and safety of each individual athlete without the unnecessary restriction of athletic activity.⁷ It is imperative that the interests of the individual athlete should be balanced with the interests of the team as a whole. This balancing act requires that physicians be competent in preventing and treating injuries and in assessing whether and when an athlete is medically capable of returning to play. Specific duties of a

team physician may include providing pre-season physical examinations, diagnosing, treating and rehabilitating athletic injuries, referring athletes to appropriate specialists if needed, providing medical clearance to athletes to play the sport, and informing athletes of the risks involved when returning to play. Team physicians are subject to unique external pressures that may affect their ability to properly assess a particular athlete's condition. A physician's medical judgment must not be clouded by the pressures from coaches, the team, school administration, and even the injured athlete in assessing whether the athlete should be cleared to return to play.

In medical malpractice suits involving team physicians, the recent trend is to apply a national standard of care.⁸ Courts have been hesitant to apply the traditional locality rule, in favor of a more uniform national standard of medical care, with the rationale that appropriate treatment should not vary with the geographic location of where the treatment is rendered. The rationale against discordant medical standards is that athletic teams travel to different geographical locations, and it would be irrational to vary the standard of care an athlete receives as a team travels from state to state and from urban to suburban or rural areas. Virtually instant universal access to technology and information sharing exists to ensure that physicians have access to new and emerging medical developments. It is also important to consider the fact that some medical facilities in suburban or rural areas may not have the benefit of the latest and most sophisticated medical equipment or available specialists on hand. However, a health care provider's lack of the latest equipment must be distinguished from a provider's failure to administer appropriate medical care by utilizing outdated treatment methods.⁹

Pre-Participation Physical Examinations

Team physicians are required by law to perform medical examinations of athletes to determine whether they are medically able to participate in a sport. An athlete's level of athletic experience may be a relevant factor in establishing whether a pre-participation physical examination is appropriate and reasonable. There is no specific standard for pre-participation examinations and physical procedures.

Athletes alleging medical malpractice against sports medicine physicians often proceed on the theory that the physician was negligent in failing to discover latent injuries or physical defects.¹⁰ In *Rosensweig v. State*,¹¹ the heirs of a boxing athlete who died after suffering a fatal head injury during a match claimed that the examining physicians were negligent in failing to discover the boxer's pre-existing brain injury. The trial court determined that the physicians were negligent because giving the athlete an electroencephalogram¹² and a standard pre-fight physical exam was negligent under the circumstances. In

arriving at its decision, this author believes that the trial court probably took into consideration the innate nature of the sport, the fact that the athlete was competing at an elite level, and the fact that the athlete had received several blows to the head in previous fights.

The Appellate Division found that the pre-participation standard examination was appropriate and found no evidence of a brain injury or concussion.¹³ In further support, the decedent's previous medical history indicated no sign or symptom of any concussion or brain injury that would have warranted further evaluation. Of course, expert medical testimony is essential in proving the acceptable standard of medical care. In *Rosensweig*, the appellate court refused to rely on expert medical testimony that, even though a standard examination found no evidence of a brain injury, good medical practice under these circumstances required the boxer to be withheld from fighting for two to six months due to a severe head beating received in a prior fight.¹⁴ Regardless of the testimony, the court found that the examining physicians were not negligent because the decedent was provided with the customary pre-fight examination.

The customary standard applied by the appellate court appears to have been given precedence over the alternative approach of defining the standard in terms of acceptable practice of what should have been done under the circumstances, given the nature of the sport of boxing and the associated risks, which was the standard the trial court seems to have applied.

The appellate court's decision in *Rosensweig* was consistent with the court's decision in *Classen v. State*,¹⁵ which similarly found that a physician who examined the athlete prior to his fight was not liable for malpractice because he had conducted a pre-participation physical and neurological examination of a boxer prior to clearing him to fight, which the court deemed were in accordance with standard medical practice. However, in *Classen* the court held that the ringside physicians' failure to stop the boxing match, in which the boxer received several head blows leading to his death, could be held liable. The ringside physicians had a duty to practice in accordance with standards of medical care in determining whether the athlete should continue fighting.

Duty to Properly Diagnose and Treat an Athlete's Condition

As with any medical care provider, team physicians have a duty to appropriately diagnose and treat an injured athlete. Expert testimony regarding the appropriate standard of sports medicine care is generally required to prove that the physician deviated from the appropriate standard of care. Included in this specific duty is the team physician's duty to conduct appropriate tests to determine the nature and severity of an athlete's particular condition. In *Gardner v. Holifield*,¹⁶ a deceased athlete's

cardiologist was held liable for failing to properly interpret two echocardiograms that were ordered to confirm an initial diagnosis during a routine physical examination that a player had Marfan Syndrome.¹⁷ The athlete died six months after the routine examination as a result of the physician's failure to properly interpret the ECGs. The court in *Gardner* relied on expert testimony to prove medical malpractice.¹⁸ Medical experts testified that a proper confirming diagnosis and treatment would have prevented the athlete's death and given him a normal life expectancy.

Team Physician's Duty to Provide Proper Medical Clearance

A team physician has a duty to medically clear an athlete to return to play. This duty extends to the responsibility to refuse clearance of an athlete if there is a belief that there is a significant medical risk of harm from participation. A physician must keep the best interests of the athlete in mind when determining whether the athlete is capable of returning to play, without succumbing to the pressures by coaches, administration, teammates and the injured athlete's desire to get back in the game. Athletes, by nature, are competitive and driven to succeed and most would rather play injured than "be benched" or "red shirted" for fear of becoming the next Wally Pipp.¹⁹

Along with the duty to provide medical clearance is the requirement that the team physician inform the athlete of any material risks of playing a sport in light of his physical condition. In *Krueger v. San Francisco Forty Niners*,²⁰ a California intermediate appellate court held that a professional football team's conscious failure to inform a player that he risked a permanent knee injury by continuing to play was fraudulent concealment. The court found that the plaintiff was not informed by team physicians of the true nature and extent of his knee injuries, the consequences of steroid injection treatment, or the long-term dangers associated with playing professional football with his medical condition. The court found that the purpose of this nondisclosure was to induce the athlete to continue playing football despite his injuries, thereby constituting fraud.

The Athletic Trainer

Athletic trainers have a duty to exercise reasonable care for the health and safety of student athletes.²¹ An athletic trainer as "gatekeeper" is perhaps the individual in the best position to assess athletes' conditions and report to the team physician, as the trainer is in constant contact with athletes on a daily basis. While recognizing that an athletic trainer is not a licensed physician, trainers nonetheless share many of the same duties as the team physician and may be found liable for the negligent care and treatment of an athlete. Athletic trainers are licensed in their respective states and hold themselves out to be

professionals. Their legal duties may include properly assessing an athlete's condition, providing or obtaining proper medical treatment, providing medical clearance to participate, and informing the athlete of the risks of athletic participation given a particular medical condition. Establishing the standard of care for athletic trainers in their treatment of athletes ordinarily requires expert testimony.²²

An athletic trainer can be held liable for failing to refer an athlete to the proper specialist in a timely manner. In *Jarreau v. Orleans Parish School Board*,²³ a team trainer was found liable for failing to refer a football player to an orthopedist for his wrist injury until after the football season was over. The athletic trainer's failure to timely refer the athlete proximately caused permanent injury to the athlete's wrist.

*Pinson v. State*²⁴ is undoubtedly the leading case in setting legal precedence in sports medicine malpractice pertaining to the treatment of athletic injuries. *Pinson* recognized that a duty existed between an athletic trainer and an athlete akin to that of a physician and athlete. In *Pinson*, the court held that the athletic trainer had a duty to report the plaintiff's neurological symptoms to the team physician and treating physician, and failing to do so proximately caused the plaintiff's injuries. The plaintiff in *Pinson* was kicked in the head during football practice and collapsed, unconscious. The athletic trainer failed to inform the Emergency Room physician about the neurological signs he had observed, including that the plaintiff had remained unconscious for about 10 minutes, had suffered palsy on the left side of his face, and had no control of the left side of his body. Therefore, no CT scan was ordered. The plaintiff continued to complain of severe headaches in the days following his discharge. Additionally, the athletic trainer failed to inform the team physician of the plaintiff's continued headaches, and the plaintiff was medically cleared by the team physician to return to play.²⁵ Soon after, during another practice, the plaintiff was kicked in the head a second time and collapsed, unconscious. He underwent brain surgery, which revealed that he had sustained a chronic subdural hematoma of three to four weeks' duration as a result of the first blow suffered. As a result of his injuries, he remained hemiparetic, suffered from severe cognitive problems and frequent seizures, and required a shunt to relieve fluid buildup in his brain. The court found that the athletic trainer had a duty to report the neurological symptoms the plaintiff had exhibited at the time of the first blow to the Emergency Room physician, to report the plaintiff's subsequent headaches to the team physician and treating physician, and that the failure to do so was the proximate cause of the plaintiff's injuries. *Pinson* expanded the court's prior ruling in *Kleinknecht*, that *Pinson*, as a college athlete, not only enjoyed a special relationship with his college giving rise to a duty to provide prompt medical care, but that the school also had a duty to the athlete to

provide *appropriate* medical treatment to athletes injured during regularly scheduled games or practices.

Steroids and Athletes: The New Rage

Steroid use among athletes, with the aid of physicians, trainers and coaches, has flooded recent headlines,²⁶ bringing to light many medical and legal consequences. Naturally, athletes, along with their coaches and trainers, are always looking to gain that extra edge, but many have resorted to unnatural means, fearful that new and upcoming talent will replace them with the blink of an eye. The term “steroids” has unfortunately become almost synonymous with elite-level athletes, and suspicion of steroid use continues to permeate locker rooms and athletic fields nationwide.

Steroid use among athletes is not a new phenomenon. Taking it back a few decades to the 1976 Summer Olympic Games in Montreal, the world looked on in amazement as the East German women’s swim team, otherwise known as “Wonder Girls,” swept gold after gold medal in each of their respective events. Years later, after investigations were commenced and lawsuits filed, a former East German sports doctor admitted in a Berlin court that he had handed out anabolic steroids to coaches “as an official carrying out an order,” suggesting that the order came from the doctors’ commission in the national swimming association. He further testified that one of the association’s doctors decided which athletes received the steroids. The coaches were then charged with administering the “little blue pills” to young female athletes as part of an East German state-sponsored campaign to attain athletic excellence. Further testimony revealed that the girls were given the steroid known as Oral-Turinabol without their consent, being told that they were vitamins. The fall of the Berlin Wall ushered in the end of the old system, and Stasi secret-police files were opened and confirmed the worst of suspicions, including details that some women were ordered to abort fetuses that might have been deformed by the drugs.²⁷ Years later, the women who were victims of the state-mandated massacre on their bodies came forward testifying that they suffered from a host of illnesses, including ovarian cysts, cardiovascular difficulties, enlarged hearts, gynecological problems, miscarriages, liver tumors, and birth defects in their children.

A physician’s duty to an athlete is to use due care not to increase the risks to a participant over and above those inherent in the sport.²⁸ The physicians who administered the steroids to athletes knew or should have known that the use of steroids would cause severe injury to their athletes. Legally speaking under U.S. law, such conduct was clearly the proximate cause of the athletes’ injuries. Morally speaking, their conduct went far beyond the bounds of illegality and was nothing short of an ethical atrocity.

This leads to modern day discussions regarding the use of cortisone injections and COX-2 non-steroidal anti-inflammatory medications (“NSAIDs”), such as Celebrex, for “quick fix, band-aid” treatments of athletic injuries.²⁹ There are few cases discussing athletic trainers or physicians’ improper dispersion of medications to athletes, but this does not mean that it does not occur. Anyone who watched the movie *Varsity Blues* probably recalls the scene where the team’s quarterback is manipulated by his coach and trainer into taking cortisone shots into an injured knee that finally gave out. This scenario probably occurs in the setting of collegiate, professional, and even high school athletics. In the case of *Krueger v. San Francisco Forty Niners*, discussed previously, the team physicians failed to inform the plaintiff of the effects of cortisone injections in his knee. Similar to the scenario in *Varsity Blues*, the plaintiff suffered a permanent, career-ending injury.

For some athletes, these treatments become their security blanket and main source of pain relief. While cortisone works to reduce inflammation, repeated injections have the potential to produce deleterious effects. Cortisone injections can weaken tendons and break down cartilage, causing long-term further damage.³⁰

Physicians and athletic trainers should inform athletes of the risks associated with taking these medications and should not approve of these treatments without further evaluating or assessing the athlete’s condition. In some situations, these treatments mask the seriousness of an injury, which can lead to further and permanent damage.

Dying to Win

Eating disorders among female athletes are very serious and potentially deadly, and are estimated to afflict as high as 62 percent of collegiate female athletes.³¹ A more accurate estimation is not readily discernible, as this silent epidemic is all too often undiagnosed, untreated, and underreported. The most common eating disorders in female athletes are anorexia nervosa, bulimia, and compulsive exercise. Eating disorders affect an athlete’s body in devastating ways, leading to a host of consequences, including bone density loss, severe weight loss, potassium imbalance, stress fractures, osteoporosis, cardiac arrest, and even death. There is virtually no case law addressing the issue of what duty, if any, a team physician has in identifying and treating an athlete presenting with an eating disorder. Athletic trainers and team physicians, simply because of their positions, should be cognizant of warning signs and symptoms of eating disorders, and should respond appropriately by referring the athletes for proper medical and mental health treatment.

Yet should the legal duty of a team physician and athletic trainer extend to recognizing the symptoms of eating disorders in athletes under their supervision? Do they have the duty to refer an athlete to a mental health

provider for treatment? Do they have the duty to pull an athlete from competition or refuse to medically clear her to participate to protect the athlete from further harming her health? These are legal questions that remain unanswered and elicit different responses from coaches, physicians and athletes themselves. Individuals with eating disorders are often embarrassed and ashamed of their illnesses and take careful measures to hide their disorders from coaches, parents, teammates and healthcare providers. Many deny that they have a disorder and therefore refuse to seek help.

The case of *Wattenbarger v. Cincinnati Reds* perhaps sheds some light on the legal duty of coaches, team physicians, and athletic trainers to identify and treat athletes presenting with eating disorders. In *Wattenbarger*, the court held that the defendants had a duty to use due care not to increase the risks to a participant over and above those inherent in the sport. This duty extended to restricting participation by an injured player to avoid aggravation of an injury, including pre-existing injuries. Whether this general duty of care extended to restricting participation by an injured player to avoid aggravation of an injury became a question of foreseeability. The court relied on good 'ole *Palsgraf v. Long Island R.R. Co.*,³² and: "The risk reasonably to be perceived defines the duty to be obeyed." The court in *Wattenbarger* found it was foreseeable that allowing the plaintiff to continue to pitch after he informed the powers that be that his shoulder had "popped" would lead to further injury. In applying the court's extension of the duty of care in *Wattenbarger*, the argument can be made that a coach, physician, and athletic trainer each has a duty to protect an athlete with an eating disorder against further aggravation of the condition and against further aggravation of injuries associated with eating disorders such as heart problems, stress fractures, bone loss and even death. Aggravation of these injuries is reasonably foreseeable when an athlete's body is severely weakened and deprived of nutrition as a result of suffering from an eating disorder.

Classen v. State was previously noted for its proposition that physicians have a duty to practice in accordance with good and accepted standards of medical care in determining whether the athlete should continue participation. Applying this standard of care to the duty owed to athletes with eating disorders, one could argue that team physicians have the duty to determine whether athletes with eating disorders should continue to participate in their sports or be pulled from competition.

The first step in establishing a duty is to train team physicians, athletic trainers and coaches to recognize the warning signs and symptoms of eating disorders. This duty should extend to referring athletes to appropriate health care providers and evaluating athletes' health before medically clearing them to participate in sports.

Hopefully, this will raise the bar in setting a national standard of care regarding this issue.

The Future of Sports Medicine

Sports medicine is fast becoming a specialized area. There is a huge incentive (financial and personal) in getting an athlete up and running again. An athlete's career is relatively short, financial stakes are high, and fans eagerly await an athlete's return. While claims of medical malpractice brought by injured athletes only recently hit the litigation spotlight, medical recommendations published by the Bethesda Medical Conference³³ have been recognized in some cases as appropriate cardiovascular guidelines to be relied on by physicians when determining the fitness of an athlete for participation in a particular sport. These guidelines perhaps will continue to be paramount in assisting the resolution of legal issues regarding the standard of care in the area of sports medicine.

In the case of *Knapp v. Northwestern University*,³⁴ a federal appellate court recognized the appropriateness of a physician's reliance on current consensus medical guidelines when making a recommendation for an athlete with a cardiovascular abnormality. The court upheld the University's legal right to accept the team physician's recommendation, which was consistent with the then-current 26th Bethesda Medical Conference guidelines, to medically disqualify a student-athlete from playing college basketball. This case perhaps sets the legal precedent that a physician may justifiably rely upon the now-current 36th Bethesda Conference recommendations in determining the medical fitness of an athlete to participate in a sport, given the athlete's cardiovascular condition. The guidelines provide American Heart Association Panel recommendations for pre-participation athletic screening, including family history, personal history and physical examination.³⁵

Earlier, the case of *Gardner v. Holifield* was discussed, where a deceased athlete's cardiologist was held liable for failing to properly interpret two echocardiograms that were ordered to confirm an initial diagnosis during a routine physical examination of Marfan Syndrome. According to the recommendations provided by the 36th Bethesda Conference, athletes with Marfan Syndrome can participate in low and moderate static/low dynamic competitive sports if they do not have certain accompanying symptoms, as detailed in the guidelines. It would be worth investigating whether the physicians in *Gardner* considered the recommendations set forth by the Bethesda Conference and whether they determined that the plaintiff fell into the category of athletes who can compete with Marfan Syndrome.

In November 2007, 28-year-old distance runner Ryan Shay collapsed and died five-and-a-half miles into the U.S. Olympic men's marathon trials held in New York

City. He had been diagnosed with an enlarged heart at age 14, but had been medically cleared to continue running. As the cause of Ryan's death still remains inconclusive, it will be interesting to establish what factors, criteria, and guidelines, if any, Shay's physicians considered in recommending that he be medically cleared to continue running, despite his condition.

"As the specialty of sports medicine continues to develop and become nationally recognized, team physicians, athletic trainers, and coaches should work together as a team, with the best interests of their athletes at the forefront of any decision, by sharing information with the goal of appropriately and timely diagnosing and treating injuries in their athletes."

Hopefully, the recommendations provided by the Bethesda Conference will assist in creating judicial precedence and lead to the development of national standards of care regarding pre-participation screening of cardiovascular abnormalities in high school, collegiate and professional athletes.³⁶

Conclusion

As the specialty of sports medicine continues to develop and become nationally recognized, team physicians, athletic trainers, and coaches should work together as a team, with the best interests of their athletes at the forefront of any decision, by sharing information with the goal of appropriately and timely diagnosing and treating injuries in their athletes.

Endnotes

1. Matthew J. Mitten, *Emerging Legal Issues: A Synthesis, Summary, and Analysis*, ST. JOHN'S L. REV. 5 (2002).
2. Many cases involving the alleged negligent care and treatment of an athlete either settle or are governed by Collective Bargaining Agreements or Workers' Compensation Statutes, and therefore never reach the courtroom.
3. Sports medicine has been recognized as a subspecialty of the American Board of Medical Specialties since 1989.
4. William L. Prosser, *Prosser and Keeton on Torts* (5th ed. 1984).
5. *Scotland v. Duva Boxing LLC*, 2005 N.Y. Misc. LEXIS 3513 (2005).
6. *Kleinknecht v. Gettysburg College*, 989 F.2d 1360 (3d Cir. 1993) (Student athlete with no prior medical history of heart problems suffered cardiac arrest during lacrosse practice after developing cardiac arrhythmia).
7. Mathew J. Mitten, *Team Physicians and Competitive Athletes: Allocating Legal Responsibility for Athletic Injuries*, 55 U. PITT. L. REV. 129 (1993).
8. Matthew J. Mitten, *Emerging Legal Issues: A Synthesis, Summary, and Analysis*, ST. JOHN'S L. REV. 5 (2002).
9. *Nowatske v. Osterloh*, 198 Wis. 2d 419, 543 N.W.2d 265 (1996) (physician held liable where the treatment methods utilized were outdated).
10. Matthew J. Mitten, *Emerging Legal Issues: A Synthesis, Summary, and Analysis*, ST. JOHN'S L. REV. 5 (2002).
11. *Rosensweig v. State*, 5 N.Y.2d 404, N.Y.S.2d 521, 158 N.E.2d 229 (1959).
12. An electroencephalogram, or EEG, is a test that measures and records the electrical activity of the brain.
13. *Id.* at 295.
14. *Id.* at 295.
15. *Classen v. State*, 137 Misc. 2d 489, 520 N.Y.S.2d 999 (Sup. Ct., New York Co. 1987).
16. *Gardner v. Holifield*, 639 So. 2d 652 (Fla. Dist. Ct. App. 1994).
17. Marfan Syndrome is a connective tissue disorder, externally characterized by long, disproportionate extremities, and internally characterized by weakened walls of the major arteries. This syndrome is among the most common congenital heart lesions that have been associated with sudden death during sports participation.
18. *Id.* at 656.
19. The legend is that Wally Pipp, who played first base for the Yankees, was replaced by Lou Gehrig when he sat out a game with a headache.
20. *Krueger v. San Francisco Forty Niners*, 189 Cal. App. 3d 823 (1987).
21. *Searles v. Trustees of St. Joseph's College*, 1997 ME 128, 695 A.2d 1206 (1997) (The existence of a duty involved the question of whether the defendant was under any obligation for the benefit of the particular plaintiff. The court found that the athletic trainer has the duty to conform to the standard of care required of an ordinary careful trainer).
22. *Id.*
23. *Jarreau v. Orleans Parish School Board*, 600 So. 2d 1389 (La. Ct. App. 1992).
24. *Pinson v. State*, 1995 Tenn. App. LEXIS 807 (Tenn. Ct. App. 1995).
25. An interesting legal inquiry is whether the team physician should have physically examined the plaintiff himself before clearing him to return to play, rather than simply relying on what the athletic trainer told him.
26. Recent television and news headlines report allegations of steroid use by baseball's Barry Bonds, Jason Giambi, Roger Clemens, and Andy Pettitte, among others, and Track and Field athletes including Marion Jones and Tim Montgomery. In December 2007, the Mitchell Report was published, which was the result of an intensive independent investigation into the use of anabolic steroids and other performance-enhancing substances by major league baseball players. In total, 89 current and former major league players are named in the report and many are expected to testify before the House Committee on Oversight and Government Reform.
27. Steve Kettmann, *E. German Olympic Dopers Guilty* (July 18, 2000), <http://www.wired.com/politics/law/news/2007/07/37631>.
28. *Wattenbarger v. Cincinnati Reds, Inc.*, 28 Cal. App. 4th 746, 33 Cal. Rptr. 2d 732 (Cal. Ct. App. 1994) (Defendants were held liable where they allowed plaintiff to continue to pitch and who knew or should have known that to continue would cause irreparable harm, and such conduct was the cause of plaintiff's injuries. The defendants owed a duty to the participants not to increase the risks inherent in the sport).
29. COX-2 inhibitors selectively block COX-2 enzyme, which impedes the production of the prostaglandins that cause the pain and

swelling of arthritis inflammation. Unlike the most common anti-inflammatory drugs like aspirin, ibuprofen, and naproxen, which act to block both COX-1 and COX-2 enzymes, COX-2 inhibitors act to selectively block only COX-2 enzyme. Cardiovascular risks have been shown in COX-2 specific inhibitors as prostaglandins involved in regulation of blood pressure by the kidneys.

30. Tricia Stuart, Long Road Ahead for Those With Knee Problems (March 30, 2005), <http://www.uhc.edu/ocomm/newsarchive/news05/mar05/knee.html>.
31. Simmons College Press Release, *Eating Disorders Among Female Athletes: Big Problem, Little Knowledge* (March 12, 2002), http://www.simmons.edu/about/news/releases/2003/3_12_03_eatdisorders.shtml.
32. *Palsgraf v. Long Island R.R. Co.*, 248 N.Y. 339, 162 N.E. 99 (1928).
33. The Bethesda Conference is a medical conference that was created for the specific purpose of establishing consensus recommendations among cardiologists and sports medicine physicians regarding the eligibility of athletes with cardiovascular abnormalities to participate in sports. The now-current 36th Bethesda Conference was held on November 6, 2004.
34. *Knapp v. Northwestern University*, 101 F.3d 473 (7th Cir. 1996).
35. The consensus recommends a physical examination consisting of evaluating athletes for heart murmurs, assessing femoral arterial pulses, identifying any stigmata of Marfan Syndrome, and taking brachial blood pressure measurements. The guidelines also outline various cardiovascular abnormalities and provide recommendations regarding athletic participation in athletes with these conditions.
36. Italy has a formal national pre-participation screening and medical clearance program in place, which mandates that young, competitive athletes in organized sports programs have annual examinations that include a 12-lead electrocardiogram, history and physical examination.

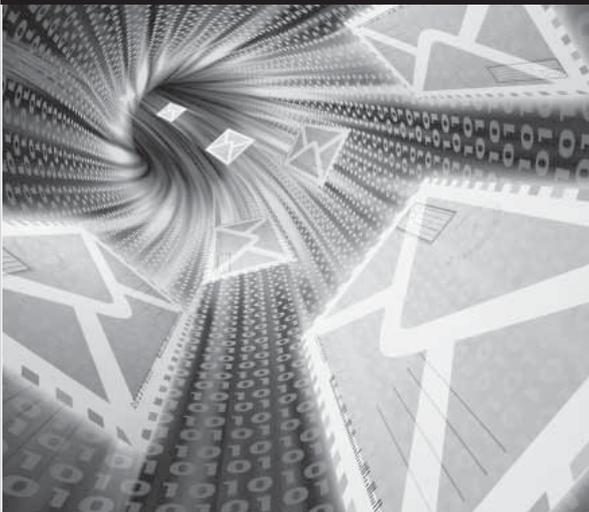
Tara graduated from Fordham University Undergraduate with a BA, majoring in Political Science with a minor in Communication and Media Studies.

While at Fordham she was a Division I-A Track & Field athlete competing in the hurdles. Tara was a financial recruiter for Northwestern Mutual Financial Network before attending law school. She graduated from Pace Law School in 2004. While at Pace, she was a member of the National Trial Advocacy Team Competition and Grand Moot Court Team and was President of ITALO Italian-American Law Students Organization. While in law school, she completed internships with the United States Army, Office of the Staff Judge Advocate General at West Point, completed an externship with the Westchester County Office of the District Attorney, Narcotics Bureau, and was a Judicial Intern in the New York State Family Court System. Tara's current professional affiliations include the New York State Bar Association, EASL Section Member, Westchester Bar Association, Westchester Women's Bar Association, and Columbian Lawyers Association of Westchester.

Tara was a New York State Bar Association Student Initiative winner, with her article "Tort Liability in Sports Products Liability" published in the New York State Bar Association's *Entertainment, Arts and Sports Law Journal*, Spring 2004 edition. Tara is currently an Associate Attorney with the law firm of Wilson Elser Moskowitz Edelman & Dicker LLP.

Tara currently competes in Track & Field in the hurdles, most recently competing and placing first in the 55 meter hurdles at the Colgate Women's Games, which is a six-week indoor series with the finals held at Madison Square Garden. Tara also competed last summer at the Empire State Games held in Westchester County.

Request for Articles



If you have written an article you would like considered for publication, or have an idea for one, please contact *Entertainment, Arts and Sports Law Journal* Editor:

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Articles should be submitted in electronic document format (pdfs are NOT acceptable), along with biographical information.

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Monday, January 28, 2008 • New York Marriott Marquis

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Program Introduction

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MR. BARSON: Welcome, and I'm congratulating all of you who are members and who have been loyal to us for a number of years. Our membership is what our Section is all about. And we also have a great Executive Committee, who will all be introduced a little later on. Again, I'd like to thank you all and welcome you and thank you for being part of us in this great year.

I'd like to read a letter. I invited Mark Jacobson, who was the founding Chairperson of this Section 20 years ago, to come in and make an address. He is in Cannes at MIDEM, and on the beach in Cannes, France somewhere, you know, hanging out, so he wrote a little letter and I'd like to read it.

This is the 20th Annual Meeting of our Section with which I've been happily involved since its creation. The EASL Section was created because I was rejected from membership on another bar association's committee on entertainment law, and we vowed that what the State Bar would offer would be open, accessible to all, egalitarian and substantive.

Without question, as the Section matured into adulthood, we've achieved those goals. When 20 of us had dinner in 1984 to form the Committee on Entertainment Law, our goal was simply to provide a forum for entertainment lawyers and those interested in the field to meet and discuss issues of the day. We did that happily for about three years, but demand indicated that another structure should be created.

"We asked for, and received permission, to become a Section and, sure enough, the 35 or so members of the Committee on Entertainment Law quickly blossomed



to more than 1,000 members and regularly exceeds 1,600 members annually. And we've done that again this year. We truly are open and accessible to all.

The programs, whether a broad-base, day-long or weekend-long program, or even just an hour at lunch, are of the highest cali-

ber. The *Journal* regularly impresses me and other subscribers with the quality of its content. The networking at the committee meetings is exceptional, and the respect the Section has achieved is remarkable.

I am proud to be a part of it. I think that the work of Alan Barson and other chairmen who preceded him is nothing short of terrific. I regret not being able to celebrate with you all today, but I am honored to have been asked to say a few words. Now, back to the champagne here in Cannes. Congratulations one and all."

Well, I echo a lot—I echo all of those sentiments. The Section has really been firing on all cylinders for several years now, and it's because of your support, your attending the meetings, your suggestions, your feedback, your involvement. That's the reason why.

And you know, also, of course, the *Journal*—you've also seen our 20th Anniversary issue—continues to be one of the crown jewels of the Section. And that's been edited for a number of years by Elissa Hecker. Hopefully, she'll continue to do that for many years to come.

So I would like to turn the meeting over briefly to Stephen Rodner, who is the Treasurer, who is going to give a few words about our finances.

MR. RODNER: I'm going to make it brief because I know you're here to see the wonderful program we have. Just briefly, I've got to say that our financial situation is wonderful. We're going to end the year with a significant surplus.

If you want a little history of how we got there from the significant deficit we had about five years ago, look at my little report in the 20th Anniversary issue. If anybody has any questions, feel free to see me after the program or during the break. Thank you.

MR. BARSON: And, Steve, thank you for looking after our finances so responsibly. As you said, this Section was operating at a deficit for many, many years, and we now have a very healthy balance sheet, and it looks to continue that way for years to come.

Next, I'd like to introduce Rosemarie Tully, who is our Membership and Diversity Chairperson.

MS. TULLY: Once again, welcome. And to echo what Alan said earlier, membership is what our Section is all about. So we have over 1,600 members in this Section. They are diverse and vibrant, and we are thrilled.

Just a thought for those of you here today. If you're not already on a committee of the EASL Section, maybe you want to consider that now or sometime in the future. And if you take a look in the back of the *Journal*, you will see a listing of all the committees. Committees put on fabulous programs throughout the year. They are opportunities for you to speak as a professional in your field. So we just encourage you to do that.

Also, a number of us on the Executive Committee, all the members of the Executive Committee today are wearing yellow ambassador badges, so if you have anything that you'd like to let us know, any ways that you think we can improve the Section operation or any thoughts that you might have, please stop one of us. Let us have your thoughts so that we can make the Entertainment, Arts and Sports Law Section even better than it is today.

So, again, thank you. And please give us your thoughts.

MR. BARSON: Thank you, Rosemarie. I continue to be amazed, actually; I still get emails and calls from people who are not members of committees who are just simply a member of the Section, which is great, by the way, saying, "How do I get involved?" It's easy. Join a committee. Join as many committees as you like. There's no additional fee once the Section membership fee is paid, and the committees are really the engine of this Section. If you want to get involved, join a committee or two or three; reach out to the co-chairs or chairs of those particular committees, and get involved. There's lots to do, and it's fun.

So moving along, I'd like to introduce Judith Bresler and Gary Roth, who will present the BMI/Phil Cowan Memorial Scholarship legal writing competition winners.

MS. BRESLER: The Phil Cowan Memorial Scholarship was developed a few years ago to honor the memory of Phil Cowan, a former and much beloved Chair of our Section who died precipitously.

We decided to honor his memory by offering a scholarship based on a writing competition open to any students in an accredited New York law school, as well as a number of other law schools on a rotating basis selected by Broadcast Music, Inc., who has joined up with us in partnership.

The students who participate commit to practicing in the area of entertainment, art, or sports law for their legal profession.

The scholarship has grown and knowledge of the scholarship has grown by leaps and bounds, as have the submissions and the extraordinary qualities of the submissions. The winners are each awarded a \$2,500 scholarship, as well as publication in the *Entertainment, Arts, and Sports Law Journal*. And this year, Gary and I are thrilled to make two awards of two truly outstanding papers.

The first one is to Saryn Leibowitz. Are you here?

MS. BRESLER: I have to add with pride that Saryn is a former student of mine in art law, but I was not involved in the judging of the papers. She had an absolutely fabulous paper entitled, "'Faux' Couture: The Prevalence of Counterfeit and Knock-Off Fashion Designs and the Attempt to Regulate." Saryn.



MS. LEIBOWITZ:
Thank you very much.

MR. ROTH: On behalf of BMI, I want to say this was a banner year for our competition and we're thrilled to be in partnership with EASL to present this every year, and we hope that it will



only get bigger and better. And I have the pleasure of presenting the award to the other winner for her paper entitled, "Bargaining Power on Broadway: Why Congress Should Pass the Playwrights Licensing Antitrust Initiative Act in the Era of Hollywood on Broadway." The award goes to Brooklyn Law School student Ashley Kelly.

MR. ROTH: Congratulations.

MS. KELLY: Thank you.

MR. ROTH: You're welcome.

MR. BARSON: Congratulations to our scholarship recipients. And we look forward to seeing those papers, both of which I've read, both of which are wonderful, published in an upcoming issue of the *Journal*.

Next, I'd like to introduce Elissa Hecker, who is the Immediate Past Chair, to give the report of the Nominating Committee. This being an election year, Elissa will give you the report of the Nominating Committee and announce the names of the officers for the next two years.

MS. HECKER: Thank you. I also want to take this opportunity as editor of the *Journal* to congratulate the authors. These were phenomenal papers, and they will be in the Spring issue of the *Journal*.

I'd like to announce the slate as planned. You should all have the information on a piece of paper that was included in your materials.

The incoming Chair on the slate would be Ken Swezey; the Vice Chair would be Judith Prowda; Treasurer, Stephen Rodner; Secretary, Rosemarie Tully; Assistant Secretary, Stanley Pierre-Louis; and the delegates to the House of Delegates would be Judith Prowda, Bennett Liebman, and an alternate would be David Faux. First District would be Alan Hartnick; Second District, David Faux; Third District, Bennett Liebman; Seventh District, there's a correction, should be Mark Costello. On your paperwork, it's reading as "Vacant," but his name should be there. Eighth District, Leslie Mark Greenbaum; Ninth District, Alan Barson; and Tenth District, Rosemarie Tully.

MR. BARSON: The procedure for the election is very simple. At this time, we open up the meeting to take any nominations from the floor. So if anybody would like to nominate anybody else, please make yourself known. There being no nominations from the floor, we close the nominations.

They are as presented by the Nominating Committee, and as approved and recommended by the Nominating Committee. So basically, it's a very simple up-and-down vote. You raise your hand if you approve this slate of Officers, Delegates, and District Representatives. So all in favor, please signify by raising your hand, high, very high. Okay. Thank you. Those opposed? And those abstaining? Okay. It is unanimously carried. Thank you very much.

Congratulations to the Officers, the Delegates, and District Representatives for the 2008/2010 term. And I know you'll give them the wonderful support and encouragement that you've given me for the past two years, for which I'm very, very grateful.

If there's any business that anybody would like to bring to the attention, anything—

MR. SWEZEY: I have a small piece of business that involves you.

MR. BARSON: Okay. Well, Ken, our Chair-Elect.

MR. SWEZEY: Okay. Alan has done an outstanding job for us, leading us for two years. He's brought this Section to where we are today, and we just couldn't be more pleased than to be able to give him this small token of our gratitude and esteem for all of his hard work, immense effort, great leadership, and putting it into my hands now with a hell of a hard act to follow. Alan, thank you very much.

MR. BARSON: Thank you.

Well, thank you very much. This is great. The next Annual Meeting of the Section is January 26, 2009. Mark your calendars now.

I'd like to now turn the proceedings over to Tracey Greco and Joyce Dollinger, who are the Program Committee Co-Chairs. Tracey will announce our speakers and take it from here. Thank you, Tracey. And thanks for putting together a wonderful program this year yet again.

First Panel Discussion: Post Mortem Right of Publicity: Return of the Living Dead?

MS. GRECO: Once again, I'd like to welcome everyone, thank everyone for attending, as well as thanking the speakers for participating today.

Next to me is Paul LiCalsi. He is a partner at Sonnenschein, Nath & Rosenthal. He's also Co-Chair of the Litigation Committee of the Entertainment, Arts and

Sports Law Section. He's an Intellectual Property litigator who has experience on both sides of the issue of our first panel, which is the Post Mortem Right of Publicity. Paul will be introducing all the panelists and moderating this panel as well. So without any further delay, please welcome Mr. Paul LiCalsi.

MR. LiCALSI: Thank you. Just before I begin, I'd just like to acknowledge the original moderator who sadly recently passed away. It was Professor Joe Beard, a much beloved and highly respected Professor of Law at St. John's. He was the Editor-In-Chief of *The Journal of the Copyright Society of the U.S.A.* And he will be badly missed.

Last year was a very interesting one for the residuary heirs of Marilyn Monroe. In two actions, one in Federal Court in California called *Greene v. CMG*, and one in the Southern District of New York called *Shaw Family Archives Against CMG*, photographers of Marilyn Monroe challenged the Monroe parties' rights claims to control the post mortem publicity rights of the late film star. The residuary legatee of her will was Lee Strasberg, the famous acting coach and actor. His widow licensed the rights, and, reportedly, within the last 12 years in licensing Monroe's name and likeness, they had made more than \$30,000,000.

In each instance, in both cases, the courts based their rulings on the facts that, one, in 1962 when Monroe died, neither New York nor California had statutory post mortem rights of publicity. And it was also found that although at this point they don't know what her domicile was at the end, it had to be either New York or California.

Both courts reasoned that, therefore, a residuary clause—that's the catchall clause that's common in most wills, saying that property that hasn't otherwise been bequeathed goes to a residuary beneficiary, both courts reasoned that the residuary clause in her will could not then have transferred property that didn't exist.

In other words, Monroe could not have passed by will a statutory property right that she didn't own at the time of her death. Therefore, her name and likeness were in the public domain, and advertisers were not required to pay for the use of her name and likeness.

Given the lucrative business that they had enjoyed up to that point, the Monroe interests were understandably upset.



Aggressive lobbying in Sacramento and in Albany ensued. California passed a law late last year, purporting to clarify the existing California post mortem publicity statute which had been passed in the 1980s, to determine that that statute had had a retroactive effect.

The bottom line was two weeks ago, the California Federal Court in *Greene* granted a Motion for Reconsideration and ordered discovery to commence to determine whether Monroe was domiciled in New York or in California at the time of her death in 1962. If the court finds that she was domiciled in California, the Monroe interests are back in business in the California litigation.

In New York, the lobbying has resulted in the consideration for the first time of a statutory post mortem right of publicity by the New York State Legislature. The materials that you have that were passed out to you have a couple of iterations of this bill that's now pending. The New York bill would apply to anyone who died after 1938, 70 years ago, and, thus, would create publicity rights for New York domiciliaries to qualify retroactively.

Also, unlike other states' post mortem statutes, there is no expiration date provided to these rights. As the bill is written now, it would provide those rights in perpetuity. If passed, this is a major historical development in New York law. A little history is required.

New York's current statute prohibiting the commercial use of a living individual's name and likeness for purposes of advertising or trade also originated out of reaction to a case which some people thought was unfair.

At the beginning of the 20th century, a young woman named Abigail Roberson found herself on 25,000 posters advertising flour that a flour mill had put out. She was a private person. She was not a celebrity. And she felt humiliated and outraged by this use of her image. She sued. A divided New York Court of Appeals eventually threw her case out, saying there was no common law right of privacy in New York. The law simply didn't cover such an offense.

The public outcry at the perceived unfairness of this resulted in the adoption of the current New York statute in 1903. It was the first privacy statute in America. It was conceived as a personal tort which protected human feelings and dignity.

Despite its early arrival on the scene establishing a right of privacy in the commercial context, New York courts for over 100 years now have consistently refused to recognize the existence of common law rights, especially a common law right of publicity. While other states' decisional and statutory law increasingly recognized these rights as a form of property interests that are assignable and devisable, New York jurisprudence has been adamantly conservative in this regard. Thus, this new statute, again responding to what some perceive

as an unfair court decision, would represent an overt embrace of the property theory underlying the right of publicity. Its adoption would be a change in the law of New York and New York's legal traditions.

Now, the panel today is eminently qualified to talk about the issues involved in this. Alphabetically, first, the only layperson on our panel is Stephen Bogart. Stephen is a successful novelist, memoirist, a film and television producer, and a radio personality. He has spent over 30 years in the entertainment industry. He heads MODA Entertainment, which is an innovative, multi-faceted entertainment company.

Also of particular note, he is the son of Humphrey Bogart and Lauren Bacall, and he brings a personal perspective to this panel that the other members do not.

Sara Edelman is a partner with Davis & Gilbert of New York City, where she specializes in representing advertising agencies and media clients on copyright, trademark, and right of publicity matters. Sara's informative article about the pending New York legislation is in your materials.

Next, we have Paul Slevin, General Counsel of the book publishing giant Macmillan. Among the distinguished publishers that are under the Macmillan umbrella include Farrar, Straus & Giroux, Henry Holt & Company, and St. Martin's Press. As a point of disclosure, I should mention that Macmillan is a client of my firm and we are involved in right of publicity litigation for them.

Surjit Soni is a prominent Intellectual Property litigator in southern California, and he has a particular interest in some of the materials that you have in front of you. He represents the photographer plaintiffs in the California litigation *Greene v. CMG*. You know you're a prominent litigator when one of your wins prompts a state legislature to reverse your case.

Dorothy Weber, again full disclosure, is a very good friend of mine, and we've worked together on cases in the past. Dorothy is a name partner in the well-known New York entertainment firm of Shukat Arrow Hafer Weber & Herbsman. She has represented the estates and heirs of many prominent celebrities, including John Lennon, Pablo Picasso, Bob Marley, Mickey Mantle, Miles Davis, and Jimi Hendricks. That's quite a client list.

Our format today is going to be an open one, and I'm going to invite the panel to jump in, question each other, open new topics at will. I will be around to try to keep things going and to try to stay out of the way as much as possible. But I'd like to start by asking Steve Bogart the basic question here from his point of view.

Steve, as the son and heir of one of the great icons of our culture, what does the right to control the commercial use of your father's name and likeness mean? Why is that important to you?

MR. BOGART: Well, I wrote a little something, and I appreciate everybody having me here, and it's very important that we deal with this bill, and please forgive any legal stuff that I mess up. I'm not a lawyer. I am actually, as opposed to Anna Strasberg, I guess you'd call it a statutory or direct heir of my father's name and likeness and eventually my mother's, hopefully, if she lives, and we hope she does long enough to get this bill passed in the New York Legislature since she lives here.

My name is Stephen Humphrey Bogart. My son's names are Richard Humphrey and Jamie Stephen Bogart. My daughter's name is Brooke Ann Bogart, named after my wife. My family, just like your families, is inextricably connected to our past. Our namesakes are our fathers, our grandmothers, our aunts, our uncles. People come up to me or to all of you and say, "Hey, I knew your dad or mom" or this and that to me. This past helps make us who we are. The beliefs that your parents had and that you had and your grandparents had are rooted in your community, no matter how small or large that community is.

It follows you and your children and your grandchildren until the day each of you passes on to the great beyond. All of this adds to the framework of what a family is and stands for. And some of you want to say, "All that's well and good, but when you die, it's basically up for grabs," just like poor Abby happened when she was alive back in the flour days.

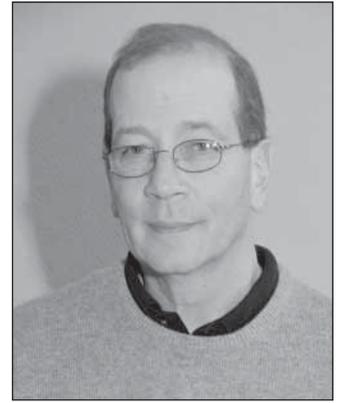
We're not talking about books, I don't believe, or movies or newspapers or First Amendment stuff here. What we're basically talking about is money, in my opinion, plain and simple. That's what it's all about.

Those advertising, selling or even politicizing a name or likeness of someone, like my parents, your parents, your grandparents, who have lived their lives a certain way and left the legacy that they want to leave on this earth. And that's especially true of my mother. My father is very much identified with his films. My mother is more identified with who she is, and I think many of you, especially the women in this audience who do know of my mother really understand that because she's identified with herself as a person and what she's represented in her life.

The cons, I believe, want to say once you die in New York, no matter what you believed in, it's not up to the family to decide the way they want their name to be used. It's up to anyone who wants to use it.

If the family doesn't have the right to control its legacy, you allow, in my view, the trash in the front door; from being put on a cigarette ad to being the face of the newest sex toys, sorry about that, to some charity that turns out to be a scam, even to a company that decides to use my father as its face. Maybe a company named Enron.

The cons are saying "That's okay; you can do anything you want to me after I'm gone. The heck with the kids and the grandkids. Put my famous parent on dog-food cans and doggie bow-wow. We can make a mint." And this doesn't even address the Kathie Lee Gifford issue, whether it's a toymaker using lead paint or a clothing maker using underage and unpaid workers. The face the public remembers and the press murders when the companies get busted is the celebrity face of that company. And this is who gets killed in public, and probably didn't have anything to do with the problem in question.



If there's no right of publicity, it's my father, my mother, your father's, my mother's, Johnny Cochran's parents, Johnny Cochran, his kids, and I know you all know who he is, or the next dead person that we could use in any way we want. And if there are no rights of publicity, it absolutely will happen.

I'm not a lawyer, obviously, but the public, in my view, does not have a carte blanche right to sell or use me or you or anyone else after we die to sell their products or promote their ideas to use me in any way as a financial boon without consideration of those I love and have been with my whole life. My family, I believe, has a right to see my work, what I stood for, and what I leave on this earth to my children and grandchildren does not become fodder for the masses. And why should it? And that's my view.

MR. LiCALSI: Thank you, Steve. So in your view, would this post mortem right of publicity be to protect the psyche or the pocketbook or some combination of both?

MR. BOGART: Well, both, but to me, the law has always been logical, and it seems perfectly logical that you or my friend over there or any of you in the audience should have control over the life that you've lived.

And I know—and what I mean by that is the life that I have lived has been inextricably connected to my father and to my mother. People come up to me all the time. I mean the last thing that you said to me was, "This is my father's son and this is my mother's son." And it's so important to understand that connection. And that's why I just—I can't see my kids being embarrassed by something that somebody else does, and I just have to look at it and say well, that's okay.

MR. LiCALSI: Let me ask the rest of the panel, what does the culture pay, what does it cost a culture to grant a post mortem right of publicity? What are the social costs involved?

MR. SLEVEN: Can people hear me? Okay, good. I'll address it from one standpoint and respond to something that Stephen said, which is that this is not a First Amendment issue; it's not about First Amendment stuff. Well, it is, unfortunately. Perhaps wrongly, but it is.

Very recently, the Supreme Court of the State of New York and then the Appellate Division allowed to stand a lawsuit against HBO over a documentary. It was a right of publicity case. In this case, it was a living person. My point is not between post mortem and pre mortem, if you will, but the fact that it does implicate First Amendment issues.

Right now, there's pending a lawsuit seeking to enjoin a book brought by Chuck Norris alleging, among other things, invasion of the right of publicity. There was a case some years ago brought against Random House by an author with whom Random House's book disagreed, this was a Kennedy assassination book. The plaintiff was a—we'll call him a conspiracy theorist.

The book said that it—that the Warren Commission Report was right, and they promoted it by saying, "These conspiracy theorists were wrong." Used names, used pictures, brought suit under right of publicity.

Ultimately, the publisher won. I don't really want to ask them how much they spent before succeeding in that case before the Second Circuit Court of Appeals. That



was a fortune paid for exercising of a First Amendment right.

It is an unfortunate reality that every time—whenever you pass a statute, especially some-

thing as vague as the right of publicity, there's going to—even if it's not intended, even if it's meant to be kept to the cereal box—there's going to be claims that exceed that, and there's going to be judges that allow them to proceed, and there's going to be costs to the First Amendment that result from those claims.

MS. WEBER: I think there's always an intertwine between First Amendment rights and any Intellectual Property right. We see it all the time in copyright cases. We see it all the time in trademark cases.

And I'm not really sure why there's always such a disconnect with the right of publicity because the excep-

tions guaranteed by the First Amendment don't change because it's the right of publicity as opposed to copyright or trademark, and, certainly, publishers spend a great deal defending against copyright infringement suits, trademark infringement suits.



And I also think that there's no question, especially under New York law, that applies to celebrities while they're alive. So I really don't understand what the disconnect is in guaranteeing that the statutory heirs or the beneficiaries continue to enjoy the benefits of the fame of their parent or their grandparent as opposed to the public in general, and I think Stephen really articulated the position of many of my clients personally in the fight that they've had to pursue this right of publicity, which may or may not overlap with other interests. But certainly, having right of publicity statutes gives the heirs a great deal of benefits that a common law right wouldn't.

And my personal feeling is I'm not really sure why New York, which has always been so at the forefront of Intellectual Property rights, including sound recording protection before the Copyright Act, the birthplace of Broadway, and next door Fort Lee, the birthplace of movies.

I'm not really sure why New York has such a hesitation to enact a statute to protect not the right of publicity, because I think that's a given, but to protect what Stephen and a lot of my clients say is a right their father or grandfather has to exploit.

MR. SONI: Let me address some of that. I think it's important to go back to the beginning as to where the source is for a publicity right in the first instance.

Dean Prosser taught us that there is a recognition in common law for a right of privacy. And it is the four branches of the right of privacy that bring to mind that there was a need for a recognition for a right of publicity for living people.

Now, we know that the four branches involve intrusion into private facts, disclosure of private facts, false light and defamation. Included within that clearly, that attaches to a living person that uses the personality rights, and it is that living right which is a personal right, it is an individual right.

It exists for a living person and dies with the death of that person, that was always recognized in the United States. That came to change in about 1984 when California, in response to—and I don't mean this in any pe-

jorative sense—but in response to great concern and sentimentality for Fred Astaire, for Bela Lugosi, and for others who had passed and whose rights were being used commercially without any compensation at all.

The California Supreme Court looked at the situation and said, “There is no right of publicity for deceased people. They’re dead. It’s a personal right. It’s gone.” The California Legislature came in, of course in California, with SAG, with the Screen Actors Guild, with the celebrities there, and their tremendous lobbying power, and what they did is they said: “Okay, we’re going to create a post mortem right of publicity that is a property right. It’s not a personal right; it’s a property right. And we’re going to give this, and we’re going to do this because the families of celebrities are left having contributed to their celebrity during their lives and often not fully enjoyed the commercial value. They’re left without an opportunity to benefit from the commercial value that still exists.”

That was the notion which propelled a post mortem right of publicity in California. That was also the notion that propelled it in many other states. But we’re in a different world today than we were then.

The celebrities that they were talking about often were the slaves to the studios, and often did not earn a great deal during their lives. And the commercial values that were created often were recognized after their death. This is a different environment than we’re in today.

Today, celebrities are very well paid. They’re very well represented by many of you. They are represented by excellent agents. And during their lives, they do earn a great deal of money.

They’re also represented by exceptional lawyers who can help them maneuver trusts in states’ laws, recognize which states provide them the best benefits, and make conscious decisions about where they want to reside and how they want to reside.

Keeping that in the framework, the issue then becomes of under what circumstances in today’s environment is there a justification to provide a post mortem right of publicity and who should benefit from it?

Now, realize that when you provide a new right of this type, somebody is going to earn money from it. And there is a decision that has to be made, who should earn that money and who’s paying for it?

When you impose a 10 percent royalty upon a manufacturer, that translates to a 40 percent retail share of the retail price. Everybody doubles. Manufacturer, distributor, retailer. Consequently, an item that sells at 80 dollars potentially could be 40 or 50. Who pays? Society pays.

Is there a justification for that? Should that be appropriated solely to the families? And is it for the families? Or should it go to somebody that the celebrity has designated should benefit from it?

Realize also that in most cases, even in today’s world, celebrities are a product not just of their innate personalities, though some of them truly are unique personalities. Most of them are a product still of movie studios, of photographers, of decorators, of costume designers, of makeup artists, and a whole host of other people that contribute to creating this larger-than-life person. And we often associate celebrities less so with them individually, more so with the characters they played. And there you have script writers, directors and producers who are involved in the creation of that identity.

So before you go launching on into the fundamental notion that there must be some means of controlling a post mortem right of publicity, we have some thorny questions to address. Who should benefit from it? Should it be family? Should there be a tax imposed upon society for the affinity that they hold for these people who, during their lives, gained great celebrity, great fame, great opportunity to make money?

They certainly benefited their children in all of this. And if you’re going to create such a right, you have a whole host of other problems. Is it alienable? To whom it is alienable? What is the impact of alienability? Realize that photographers own copyrights in the products that they create as do authors in their writings, and yet when they deal with publishers, 90 percent of the time the copyright belongs to the publisher. Why? Because there’s a superior bargaining power.

Do you think it will be any different if there is an alienable post mortem right of publicity and a studio gets a right to negotiate that with a young actor or a young actress?

There are consequences to these decisions. The problem with the New York law, as it is currently proposed, is wide ranging. How long should the law extend this protection? It currently, as proposed, intended it indefinitely. How far back do you go? When do you vest that law? When do you vest this new right? As of the passage of the law or retroactively to the date of death of those people?

What do you do with the intervening vesting of rights that commercial entrepreneurs may have invested in this product line, in creating a product line that’s based upon a character or celebrity? How do you deal with those intervening rights?

California’s law started relatively simply with a sentimental notion, but it is a thorny bag of problems. It’s really a thorny bag of worms. We have spent, I’ve spent personally, since 2005 a good deal of my time litigating the Marilyn Monroe cases, and I can tell you that looking at the original 1984 version of the law, there was a question as to where the right of publicity vests.

If you vest it in the celebrity themselves, there are huge tax consequences. The estate of that celebrity will have to pay a probate tax, an income tax, a state tax, relat-

ing to that asset and its capital value at the time of death. That could potentially bankrupt the estate with liability for an income not yet received.

California's law as originally written didn't vest it in the deceased's personality. It was unclear in who it vested. It provided that the right would vest in persons to whom it is transferred or if it's never been transferred, then it would vest in statutorily designated family heirs. And it was a limited set, a subset of the standard intestacy group.

If you had a spouse and children, 50 percent to each. If no children, 100 percent to the spouse; if no spouse, 100 percent to the children. If neither, 100 percent to the parents, and then it stops. It terminates. If a celebrity dies without leaving spouse or children, nothing is left. It terminates. And no parents, it's terminated.

It was patterned structurally after the copyright law in that regard. So you've got some issues with respect to this. Now there's been an amendment that provides that the right of publicity is going to go to the residuary heirs within the will if the deceased person died testate.

Well, that's an interesting question. The judge in California noted that when Marilyn Monroe died in 1962, she didn't know she had a right of publicity. She didn't know what value it would have. It was created some 22 years after her death. Had she known, would she have allowed her residuary beneficiary to have it? Would she have wanted somebody else to have it? How do you structure a will?

There are two principal ways attorneys write wills. One is, "I give everything to my spouse and whatever is left I give to a couple of charities, maybe, or whoever's left over, my third cousin's second child," or "I make specific bequests and I leave the corpus, the large balance of my estate, to the person I care most about."

How did Marilyn Monroe write that will? How did anybody else write their wills if they did not know this right existed? If it was that leftovers were intended for the residuary beneficiary, can we really give this new candy apple to those residuaries in good conscience?

MR. LiCALSI: Surj, I'd like to bring some of the other panelists in, and you've hit on a number of topics that are very thorny questions about this right and how it would work. In the New York statute, as you point out, it is a potential being—by creating retroactive rights. People in New York who have



been using the name and likeness of deceased persons in their businesses, let's say there's an FDR Bar & Grill, or apparently have some property right or some right that—whether it be trademark or some other right, does the retroactive aspect of the New York State law have due process implications under the Constitution?

MR. SLEVEN: It's huge due process implications. Not only that, it actually criminalizes the conduct.

MR. LiCALSI: But who has standing to challenge the law in that? And if it does have those implications, are there limitations on the right grandfathering people in who have established a use for these names and likenesses, or does the bill have to be thrown out altogether? I'd love to hear from some of the others as well, too.

MS. EDELMAN: The bill doesn't make any exception for that. I mean, it immediately criminalizes and makes unlawful activity that you could have last month, you could have the FDR Bar & Grill, and then once the bill is enacted, it automatically makes that to be unlawful activity. So I think that's a real flaw in the drafting of the bill.

MR. LiCALSI: What would be a reasonable remedy for that?

MS. EDELMAN: Well, I would propose it not be retroactive. I just think that that makes it very difficult for businesses to be able to proceed and know what their rights are going forward. So I think it's a real mistake to have the retroactivity, to make the bill retroactive.

MR. SLEVEN: I'd just point out, in the copyright world at the time of the Berne Convention Implementation Act, they had a special set of provisions for reliance parties, people who were using then public domain works at the time those works were taken out of the public domain. I think something like that would obviously be necessary as a matter probably of due process and of basic equity before you criminalize at 12:01 A.M. some morning something that somebody's been lawfully doing for years before.

MR. LiCALSI: So there could be some kind of a grandfather provision in here that would protect people who have developed rights and have acted on that use prior to the adoption of the statute?

MR. SLEVEN: In theory, yes. It was done in copyright. That law is actually now under challenge, I've forgotten which Circuit, on the very issue of retroactively restoring copyright, but I don't think there was a lot of complaining that the grandfathering provisions didn't work.

MR. BOGART: I'd just like to ask one thing. Please educate me as to the difference between passing a law that says you can't light up a cigarette here, and all of a sudden at 12:01 A.M. you can't do that? And aren't you doing the same thing with this? What you're doing is

you're saying, "Okay, I'm talking about the retroactivity." I don't understand. I mean, you know, the dire consequences of criminalization I really don't think are going to come to bear. What I don't understand is what's the big deal? Laws are passed all the time that makes stuff illegal that used to be legal.

MS. WEBER: I think Stephen has really hit the nail on the head in the thorny issues presented perhaps by the current draft of the statute having been dealt with in other areas of Intellectual Property law. Paul pointed out correctly that works that were public domain in the United States were put back into copyright, and the publishing world and the users of previous public domain works, like Beatrix Potter, managed to survive and flourish, and the estate of Beatrix Potter was able to participate in those profits.

So I think the fact that it's retroactive can be dealt with in the legislation. And I think the real issue here is not whether there are problems with the bill, but I think an overall view by the three people that Stephen and I have managed to corral are not going to let out until they change their mind is that the right exists or it doesn't exist, and it exists posthumously or it doesn't because then it's a question of, like the copyright term extension, people batting it around, how long should it be, and finally coming up with something from a legislative standpoint.

MR. SONI: Remember that whenever you grant a right to a specific subset of society, you take that away from the rest of society. That can't be ignored. That's a serious question. And, Stephen, I think you're correct in noting that there are social causes that take society's attention, like the smoking problem that we've all suffered through for so many years.

And when there is a communal recognition in society, that there is a value to society as a whole, to ban cigarette smoking in public places, to not allow a subset of people to benefit because they want to by smoking, and put the rest of us at risk because we're going to suffer the second-hand smoke.

That's a decision that the legislature rightly can make. We're not in that world here. We're talking about a specific commercial interest for a subset of persons who happen to have achieved celebrity.

And neither the New York statute nor the California statute nor any other statute in the country speaks to demeaning uses, makes it unlawful to use the name, likeness, or voice, or signature of a deceased celebrity in a manner that puts them in false light or in bad perspective before society. It doesn't do that. All it does is allows a single beneficiary or a residuary beneficiary or children with family of the deceased celebrity to control it.

You're assuming we all start with the fundamental assumption that those people closest to the deceased

celebrity would care for and want to preserve that bright light that's shown on them. It's not always been the case.

MR. BOGART: It might not be a bright line.

MR. LiCALSI: Let's look at some of the economic underpinnings of this and see what may be New York State's goals are here. New York prides itself in being a source of national culture. It thrives on its citizens' creativity and willingness to pursue public life.

Doesn't New York State have a great interest in encouraging people who are in the public eye to domicile themselves here? If—for example, you have, within the last year, Mohammad Ali, it was reported he sold 80 percent of his right of publicity for \$50,000,000 upfront.

If I were Mohammad Ali, and certainly if I was one of his heirs, I sure wouldn't want him domiciled in New York until this law is passed. Doesn't the state have a legitimate interest in adopting this law in order to attract these people to live and be domiciled here?

MR. SLEVEN: It's an odd view of New York if that's the only reason to live here. But more seriously, New York also has a long tradition of protecting First Amendment interests. And one of the things that makes it a cultural center is its tradition of freedom of speech, its tradition of allowing speech that may not be—everyone may not view as desirable, people won't like, but you always have to have speech that some people won't like in order to allow the full diversity of speech to exist.

Now, one of the costs of extending any law that touches on First Amendment issues is what's called "the chilling effect." You've got the scope of the law and, unfortunately, we don't know what that is.

There are cases that seem to expand it or maybe just get it wrong. You've got the chilling effect, the fear that the next judge will get it wrong or will expand it, especially if he or she does not like the content that is in suit, the result being that speakers will refrain from speech that may well be lawful, but the economics of testing its lawfulness are not justifiable.

So that's an additional cost, and a cost that New York has traditionally sought, even more than other states, to not impose on its speakers.

MR. SONI: There's more. New York is also the hub of commerce and entrepreneurship, and it has a very vibrant industry that comes up regularly with wonderful products that society wants that pique the interest of consumers, and many of them involve association with or use decoratively of the images of celebrities from time to time. Those are also citizens of New York whose rights are entitled to be protected.

MR. BOGART: But would you say that a bill that limits those rights solely to commercial uses is—would you

say that's a trivial encroachment on First Amendment rights compared to the culture at large's use of celebrity images? In other words, what social value is there in keeping the purely commercial use in depriving a family or an individual of that value? What is socially gained if it is restricted to commercial uses?

MR. SLEVEN: Let me throw the question back at you. If you define for me "commercial use," then I'll answer your question, but let me remind you, we endeavor to sell copies of every book we publish. We think we are in business, and so in one sense of the term, the book business, the newspaper business, every other form of communication is a commercial use. Define "commercial," then we can answer how worried or not worried we are in restricting commercial use of certain names and likenesses.

MR. LiCALSI: I think you gave an excellent example of this a few minutes ago with the new Chuck Norris case. The Chuck Norris case is a case against Penguin who published a book called *The Truth About Chuck Norris: 400 Facts About the World's Greatest Human*. It's a satirical book, and it has funny faux facts, things like Superman wears Chuck Norris pajamas; Chuck Norris uses a night light, not because Chuck Norris is afraid of the dark, the dark is afraid of Chuck Norris. There are also some—

MR. SONI: The one I like is Chuck Norris's tears cure cancer.

MR. LiCALSI: Yes.

MR. SONI: So that he doesn't cry.

MR. LiCALSI: But he never cries, yeah. Norris claiming that some of the facts, the faux facts, make him out to be a racist and put him in a bad light has sued and he has asserted claims, not only under New York Right of Privacy as it exists now, the Sections 50 and 51, but also under Texas common law.

First of all, I'd like to ask the panel why isn't the sale of this book a use of name and likeness for trade purposes, or is it? And, secondly, does the case become different if the manufacturer, instead of putting out in a book form, made T-shirts that had a picture of Norris with the faux facts on the T-shirts?

MS. WEBER: I'd like to sit here and be able to answer that question, but like with fair use and copyright, it's the most litigated area of the copyright law. There is no bright, white line. And this is something the courts, all the way up to the Supreme

Court and back down, grapple with every day: Is it a commercial use or is it an exempt First Amendment use? And I think there's always going to be the interplay of what's a commercial use and what's a First Amendment use. And that exists during the celebrity's lifetime, Chuck Norris's life, and it's going to exist after their deaths, and there are other Circuits that deal with that and have dealt with it.

The Eleventh Circuit granted Martin Luther King's estate the right of publicity decades ago. The court in Jamaica, in applying U.K. law, actually relied on the Martin Luther King case in granting Bob Marley's estate the right of publicity.

And, again, these cases all evolved out of commercial versus non-commercial. I mean that's always going to be the issue. And I think publishers have the edge with First Amendment rights and publishing books, and I think a lot of celebrities don't sue. Most of them don't sue because of the time, the cost, and the fact that you bring attention to a book that might not otherwise get the press that it would because the celebrity has now taken a position against it.

MR. LiCALSI: But isn't that a real social cost? It's what Paul referred to as "the chilling effect." Is Penguin going to think twice about the next book they put out about a celebrity or, you know, we're in a time of technological innovation. Books aren't books anymore. There are many different ways to express ideas and to exercise what are traditionally First Amendment rights. Does adding a post mortem right of publicity to the mix ask too much of the courts?

MS. EDELMAN: All it does is add an additional group of people. It doesn't really change the underlying impact on society. I mean publishers have to deal with those issues during the celebrity's lifetime.

MR. SLEVEN: Let's assume for a minute that there are both costs and benefits to granting a right of publicity at all; I think when you add more people to the mix, I think it's true that the benefits of a right of publicity diminish after death; that is, some of the hypothesizable purposes for this right are no longer there. The recipient

of the right will not have hurt feelings; it will not affect his or her future career in acting or whatever. That doesn't mean they reduce to zero. The benefits of the law are reduced.

The costs, even if they're just the same as the costs of having this law for living people, the cost benefit analysis has been skewed. And when you grant it in perpetuity, as this law proposes to do, you're imposing



those costs long after anybody has any right to expect to benefit from the person's persona.

MS. EDELMAN: Yeah. I think it's important, when we're talking about should we have post mortem right of publicity is to examine what are the reasons why we have a right of publicity in the first place and to see whether or not those reasons make sense for it to carry on after death.

I think if you look at the various reasons that the courts have articulated, they just don't hold up. One of the reasons for a right of publicity, it's supposed to provide some economic incentive for people to engage in publicly, social and creative activities.

Well, I think people seek fame and fortune for a lot of reasons, but I've got to think a right of publicity isn't one of them. And to say that a post mortem right is somehow going to be an encouraging motivating factor, I just think that that's quite weak. I mean the U.K. doesn't recognize a post mortem right of publicity, and there are no shortages of celebrities there.

So I don't think that reason holds up. I think one of the reasons is for people to control the use of their identity and to make sure that their image is not used in ways that are offensive to them. And I think that that makes sense, but what is the reason to extend that right after death? What you're really protecting there is what you mentioned before when you spoke, is that you're protecting feelings.

And, frankly, that's deemed to be a personal right that dies with the individual. And just as one can libel the dead, there is no right under the law to protect against feelings of the dead.

MR. BOGART: Well, see, it's different because I think what you're protecting are not the feelings, but the legacy. And my father was a public figure, and my mother is a public figure, and there are certain things that she believed in her life. And for you to be able to appropriate those things the second she dies and use them any way you want, no matter what, if she believed—if she was pro-choice, you can put her out on a—

MS. EDELMAN: Okay. But the law—

MR. BOGART: That's a bad example because it's political and all that, but—

MS. EDELMAN: No. It's fine—

MR. BOGART: Oh, good.

MS. EDELMAN: —because the law does provide some remedy in that instance, in which case the Lanham Act is designed to protect against consumer confusion—

MR. BOGART: But then I'm continually going to court.

MS. EDELMAN: But you're going to court—I mean you're going to court anyway, right, if I use Lauren Bacall's—

MR. BOGART: Well, yeah—no.

MS. EDELMAN: Right. I mean—

MR. BOGART: Let me tell you, I've been doing this for 20 years and I've never had to sue anyone because we've always come to some sort of an agreement. I think that there are a lot of remedies to these situations without having to sue someone.

If they put in a right of publicity and there's a Bogart's Restaurant and the guy calls me and he says, "Look, I've been doing this for a long time and I really—," you know.

I—now this is a personal thing, and, obviously, there needs to be some uniformity of law, but I would negotiate with this person, and I've done this because we've done this with restaurants, and there are a lot of people there, a lot of Bogart's Restaurants around, and we've never closed one of them. What you want to do is you want to get some sort of an agreement so that they use your father or your parents in a certain way.

MS. EDELMAN: But I think we're talking about larger issues as to should there be such a right in the first place?

MR. BOGART: Of course there should.

MS. EDELMAN: I know you believe that to be so, but I think if you look at what are the reasons why we



have a right of publicity at all? And there's this, it provides an incentive which I don't think really holds up, and we want to protect against feelings and to ensure that it's not used in offensive ways, which, again, you don't have that right after death.

MR. BOGART: It's not really feelings. It's what the person represented. If I represent a certain thing, when I die, that doesn't throw me out to the wolves. You can do anything you want.

MR. SONI: But, Stephen, you have some remedies already.

MR. BOGART: Not if I'm dead.

MS. EDELMAN: Yeah.

MR. SONI: You still do.

MS. EDELMAN: You can bring a trademark claim even on behalf of—

MR. BOGART: My heirs can.

MR. SONI: Yes.

MR. BOGART: Right, exactly.

MS. EDELMAN: Yes, right.

MR. SONI: Okay. And, you know, Chuck Norris's claim doesn't have to depend on a right of publicity. He can assert his defamation claim, his false-light claim, without the reliance on right of publicity. That already exists.

MR. LiCALSI: Didn't the Diana estate and the Diana Foundation try to assert such rights in California against Franklin Mint?

MS. EDELMAN: Right.

MR. SONI: Correct.

MR. LiCALSI: What happened to them?

MR. SONI: Diana was domiciled in the U.K. at the time of her death. The United Kingdom doesn't recognize a post mortem right of publicity. The California Act only extends the right to those that domiciled in California at the time of their death.

MR. LiCALSI: But the court also found that she also didn't have—the estate didn't have Lanham Act rights.

MR. SONI: Correct. And the reason they didn't have the Lanham Act right is because during her life, she had never used her image in connection with the sale of decorative plates of any kind.

Now, you know, the Lanham Act requires that for a trademark right, you need to have had some use in order to be able to do so. You can assert a generalized unfair competition claim under the Lanham Act for false designation of origin for which you don't need to establish a secondary meaning. But you've got to have some rights in the first place in order to be able to assert it. I realize that—

MR. LiCALSI: Well, what about Stephen's example, though, of associating a deceased celebrity's name and likeness with a charity or some movement or some political movement that the heirs prefer not to? It would be deemed a commercial use if it was to raise money. What social value is there in not protecting his rights?

MR. SLEVEN: That's remediable in the marketplace of ideas. If David Duke wants to go around claiming that Martin Luther King endorsed him, people will just not believe it. If there is a record that your mother was pro-choice, and I don't know which side she is, but you gave the example, and some pro-life organization tries to adopt her name, the response is no, look at her work on the pro-choice side. That's just false. It's more—more speech is the remedy, and it's no different there than in the defamation claim.

If somebody writes a book, I mean leaving aside it's probably not defamatory to say somebody's on either side of that debate, if somebody writes a biography asserting allegedly false facts, the response is in the marketplace of ideas, not in the courtroom once the person's gone. It's not different in that scenario.

MR. BOGART: I agree with that; I agree with that as far as the writing because there have been a number of things written about my father that I don't even know if they're true, happened a long time before. I don't have a problem with that stuff. But when you get into using my father and my mother or anybody's parents on, say, a clothing manufacturer and then it's found out that that clothing manufacturer is—the example I gave before, it doesn't matter what you say.

It doesn't matter what you do. That face is going to be linked with that negative thing, no matter what you say. So you can say, well, you know, everybody should know that Lauren Bacall is really pro-choice and—but that's not realistic. It doesn't happen that way. There's 6 billion people in the world. Maybe the few people that watch a lot of cable, but other than that, people aren't going to know.

MR. SONI: But we do know this, images of celebrities are used in two fashions. One is pure affinity products, which are not an association or endorsement product, and the other is an endorsement product. Tiger Woods endorsing TAG watches is an endorsement. Tiger Woods' appearance on a T-shirt is not an endorsement.

MR. LiCALSI: And post mortem rights are much more an affinity—

MR. SONI: Correct.

MR. LiCALSI:—by their nature.

MR. SONI: Absolutely. I mean Marilyn Monroe is a perfect example. There are millions of Marilyn aficionados. The Marilyn clubs are phenomenal. They have meetings all over the world. They collect everything Marilyn. They want to associate with more than just the woman, but her style, her panache, her sophisticated lack of it, depending on which side of the table you're sitting on. Everything about her intrigues these people. That falls into the realm of the world of ideas.

They have a right to engage in that, and entrepreneurs have a right to cater to their needs, whether it's producing a doll, which is clearly not endorsed by Marilyn. Marilyn didn't endorse a thing after her death. She was dead.

This is now happening by virtue of somebody who happens to be the second wife of her acting coach that now owns 75 percent of this right and is asserting it. And in the Freud center in the UK, in London, that owns the remaining 25 percent.

When a license is taken with respect to Marilyn products, it has nothing to do with Marilyn. It has everything to do with whether Anna Strasberg decides she wants to let you have the license for money. What has this got to do with preserving Marilyn's name, integrity, feelings, career? Nothing. It has absolutely nothing to do with anything other than lining the pockets of those that currently control that right.

MS. WEBER: I think the issues that you raise with Marilyn and the freedom of her fan base, et cetera, is answered by Elvis Presley's estate. Elvis Presley has fan clubs, and that's probably one of the most litigious estates around, the Elvis Presley Estate. They've been—and I don't know how much—

MR. SONI: The issue of the Bogart Restaurants is an interesting one. And if you're a trademark practitioner, I don't know how many of you in the audience are, but if you're a trademark practitioner, you know that those people have superior rights and they have the right to continue to use the mark with respect to restaurants, because as far as I know, your father never owned a restaurant or operated a restaurant during his life. So consequently, who has the senior rights? And is that right now going to be set aside?

We have the same problem with respect to copyrights. I represent photographers. They had model releases for Marilyn. Marilyn explicitly, in her own handwriting, expressed a willingness to let them use her name, image and signature in any fashion that they chose without any further approvals on her behalf. You extend a right of privacy to somebody to control Marilyn's image and signature, how does that interfere with the copyright owner's right to distribute, make derivative works, license, uses of the photographs?

MR. LICALSI: Wouldn't that just be an issue of contract? Because during the person's life, she may have contracted away rights in that particular image.

MR. SONI: Well, that's a matter that's being debated right now in courts all over the country. The *Laws v. SONY* case came down and held that to the extent a right of publicity is extended for the mere use of a copyrighted work as opposed to an endorsing use, that would be unconstitutional interference with the Copyright Act. It would be preempted. But California has just ruled in a case that I was involved in that that's not necessarily so.

So we're debating this issue still as to how much we're going to allow a state right of publicity to interfere with a federal right under copyright law or under trademark law.

MS. EDELMAN: And your example, actually, it's not clear the way the New York bill is written as to whether or not that license by Marilyn Monroe would be sufficient, because it says that if you're a person who uses a deceased image has to find the heirs. So even if you

have consent from the person while alive, it still seems to require you to find and get permission from the heirs of that individual.

I think when we're talking about copyright law, it's important to remember that there are very few rights that extend after a person's death. And copyright law is certainly one of them; trademark law is another. And in both instances, society is benefiting from that grant of an exclusive right, right? And copyright law, it's deemed to incentivize artists to create new works to benefit society.

Trademark law, consumer protection statutes, they prevent consumers from being confused. So what is society gaining by granting a post mortem right of publicity?

MR. SONI: And realize that many of the concerns that Stephen has are addressed, and can be addressed, by existing laws. We have defamation laws that still exist. We have unfair competition laws that still exist.

MR. BOGART: Not for post mortem—

MR. SONI: No, no post mortem defamation, but you've got unfair competition; you've got unfair trade practices. You have a whole host of existing laws that will help you if you feel that your father's legacy or name or image is being used in a manner that is false and misleading.

MS. WEBER: I really disagree with that. I don't think the trademark law is sufficient to cover the broad rights that a right of publicity, name, image, likeness, voice.

Trademark law is very specific, and from personal experience, what I found that the bootleggers are doing because celebrities have started to assert trademark rights, is they'll create T-shirts that have just an image and don't use the name, so a circumvention of the trademark law, and the right of publicity statute really is designed to give the protection to more than just the trademark and certainly more than the copyright. Mr. Bogart, during his lifetime, I'm sure, didn't own the copyright in any of his films. He certainly didn't—

MR. BOGART: I wish I did.

MS. WEBER: Right. I mean he didn't—

MR. BOGART: I wish I did. They've certainly been using it. Nobody's ever come to me and said, "We're going to fight them for you." The studios used it, and when Reagan in the early '60s decided that everybody born before a certain date doesn't get to share in the profits of the films, we were out in the cold.

Now, I really think that's another problem, but I do have one question of all of you, and I was talking to a friend of mine, and I was trying to bring up an analogy. I was trying to figure out an analogy as to compare the right of publicity as a commercial property to something, and I came up with a car. And if you're driving a car

around New York and New York has the right of publicity, and New Jersey doesn't, I decide to drive over the G.W. bridge and I park in Hoboken, somebody walks up to my car and say, "You don't own that car; I'm going to take that car."

So my question is, since some states do have a right of publicity, and some states don't have a right of publicity, isn't it incumbent upon New York to do something to level the playing field? Because it seems as though that's how the progression will be.

MR. SLEVEN: The states that have it wrong should correct their statutes. (LAUGHTER)

MR. BOGART: That's good. That's not going to happen.

MR. SLEVEN: But the point is, we're still in a poor situation. Some states yes; some states no.

MR. BOGART: Right.

MR. SLEVEN: I mean obviously in a federalist system, you're accepting the possibility that different states are going to have different laws. There are a lot of realms where inconsistency is a very big problem. I don't see a problem here. There are very few cases where one doesn't know the domicile of death of a celebrity.

I mean, we happen to have litigated one at length, but that's the exception, not the rule. So I don't see a big problem with the inconsistency and, of course, if there is a problem, there are two ways to fix that inconsistency. I want to get at one other thing.

Where did we get the notion that a public figure, dead or alive, does or should have a right to control how he or she is seen by the public? It seems that one of the trade-offs of becoming a celebrity is that people will talk about you, some people who adhere to the truth, others who not so much, and your name will be on the—nowadays, your name will be on the talk shows; it'll be in the tabloids.

I don't know where we get the idea that one can or should put that genie back in the bottle and say the family gets to decide how this person is going to be perceived by the public.

MR. LICALSI: Well, isn't the question whether—and, again, granted, there are difficulties in figuring out what exactly is for purposes of trade or advertising, but isn't it a fact that if you limit it to commercial interests, to commercial uses alone, this is a very small encroachment on the culture

at large's ability to comment and to discuss and to have a free flow of ideas?

MR. SLEVEN: Let me rephrase. If the right were limited to what's been referred to here as endorsing uses, my objections would more or less dissipate, because none of the things I'm worried about should be understood as endorsements.

Penguin can write a book about Chuck Norris if it wishes, whether humorous or serious, whether fanciful or factual. If Penguin wants to take out an ad that says, "Chuck Norris endorses Penguin brand books," I don't have a problem with that being impermissible, and I don't have a problem with extending that post mortem. Somebody would limit this law to that and then make sure there's an absolute exception for all First Amendment activities. Let me put it this way. I might be for or against the bill, but I wouldn't be here because I wouldn't have spent the time to be concerned about it.

MR. SONI: Do we trust the courts to perform a balancing function in the hard borderline cases?

MR. SLEVEN: No.

MR. LICALSI: Why do we trust them in fair use issues? I mean, the law is filled with balancing tests. Why is this different?

MR. SLEVEN: Let me—a couple of points. Fair use, to borrow a phrase, a phrase applied to democracy, as best I can tell, fair use is the worst possible way to balance the interest, except for anything else I've ever been able to think of. I think it's hard, but I also think the courts are good and getting better at doing fair use cases.

I would come back to defamation cases where the U.S. Supreme Court has specifically rejected a balancing test as insufficiently protective of First Amendment interests because they don't trust it, because they're concerned that the popularity or unpopularity of the speech is going to skew the judge's decision.

Remember, *Times v. Sullivan* was a southern court finding liability for *The New York Times* for a pro-civil rights ad. That was what was going on there.



And in the cases that I found, the HBO case I mentioned, a judge didn't like some rude language that the characters on the TV show were using. If I'd seen the show, I might have been offended, too, maybe not, but that's not a basis for potentially enjoining a work of authorship. Judges fall victim to that too often. That's why balancing tests don't work.

MR. LiCALSI: A judge can have tenure when it comes to this kind of thing—

MR. SONI: It goes beyond that. Yes, the judge can absolutely have tenure. They certainly have their own likes and dislikes. But the bigger problem—

MR. LiCALSI: I think we see that in the parody cases quite often.

MR. SONI: Absolutely. But the bigger problem, it seems to me, is that no balancing test can ever work without a clear articulation as to what principled objective we're seeking to balance, and we don't have that.

What we have in the New York statute, what we have in the California statute are absolute statements against use, period. No use without consent. No balancing test; no exceptions; no limitations. It's as arbitrary as it can get, and if left to the arms of the court, the court can only view it and apply it one way.

MR. LiCALSI: Well, in fairness, in the New York case law, courts do bring to bear First Amendment protections and balances in the realm of Section[s] 50 and 51.

MR. SLEVEN: There's a problem with the way they do it. And the statute is worded, all is prohibited, and then there's a judge-made First Amendment exception for public interest uses.

So now we're putting the speech on the stand. Do I like it? Do I not? In the HBO case, the woman who—the plaintiff was a minor figure. It wasn't necessary for a newsworthy use, the court said.

Another case that I found in my research under the statute yesterday was where the plaintiff was paid for her use in advertisement. No issue. It was an advertisement for some Swedish bread, and it was very much playing on sexes, 98 percent of advertisements nowadays seem to do.

MR. LiCALSI: Especially if the bread was Swedish.

MR. SLEVEN: It was Swedish. Yes. The woman comes into the kitchen, as described in the case, wrapped in a towel and she and her companion are eating this bread. A late-night pornographic TV show did a parody of that ad. It was the parody that was without consent, but was also not in any way an endorsing use. The judge, a federal judge, obviously offended by late-night television, found in favor of the plaintiff in that case because of, I'm assuming, because her analysis I think was just wrong. They said, "This stuff isn't in the public interest. It's dirty," you know.

MR. BOGART: I'm really—I actually—I hate to say this. No, I actually agree with a lot of the stuff that you're saying about the First Amendment. Nobody's stopping people from writing books, and nobody's stopping people for something like that.

And even in the case of making parodies, nobody's trying to stop any of that. What I don't understand, what seems to me to be so logical is that this is my family and it's what I've grown up with and my kids and my grandparents and my mother and my father and everybody.

And so logically, why shouldn't we have some say in how everybody else uses me, uses us? It just seems illogical that it shouldn't be. And I think that you guys have both said that if there were certain provisos put in the bill that you'd be all for it anyway, right?

MR. SLEVEN: So we could agree that limit the New York right of publicity to purely endorsing uses and then extend it post mortem. I think maybe we have a—

MR. BOGART: Well, I'm not a lawyer, so—

MR. SLEVEN: The narrower, the less problematic the extension, the narrower the right, the fewer the cases. Where a judge has the freedom to get it wrong, the less problematic the extension to post mortem.

MR. LiCALSI: Let's talk about a few—

MS. EDELMAN: But you don't need a post mortem right if we're talking about purely endorsement uses because then you just have the Lanham Act. So then you don't need a post mortem right of publicity at all. I mean I think the—

MR. BOGART: But it makes it so much easier—you know, I'm not a lawyer, but it just—and I really wish you'd help me on this because I'm getting Lanham-Acted to death here.

MS. WEBER: The problem is that the courts in a trademark context, if you're relying solely on a non-registered right, always fall back to say, "Well, how did the trademarks balance against right of publicity interests?"

So if the court says there's no protectable trademark or the use is not, again, using Marley, there was a recent case in Vegas, the T-shirt just reproduced his image.

We have federal registrations for his name, but in that case, the court had a real problem with saying you don't have a trademark on this particular image; it's right of publicity. Without right of publicity protection, there's no protection. And I think Stephen before said, his mom lives in New York. She's lived here her whole life. Does she have to move to Vegas where there's a protective right of publicity, or Jamaica, simply because New York doesn't have a post mortem? It has protection during her lifetime.

MR. LiCALSI: What social use, what social purpose is served by having—allowing the unrestricted use of a deceased person's persona for purely commercial purposes, simply putting Bob Marley's face on a T-shirt and selling it? The association of Bob Marley is what makes that a valuable product. If they put my face on a T-shirt, they probably would have far fewer sales. What social

purpose is gained by not allowing the Marley estate to say “You should pay for that”?

MS. WEBER: It really boils down to economic gain. The estate—the argument is that the estate is the one that should benefit, not the publisher, not somebody who’s manufacturing T-shirts because that part of it is pure commercial gain.

MR. BOGART: So who’s going to benefit? The family, or if they’re a party—

MR. SLEVEN: Even if it’s not an endorsing use.

MS. WEBER: Well, the question is, is use of Bob Marley’s name on a T-shirt a First Amendment use or is that a commercial product?

MR. BOGART: What if it’s a lousy T-shirt? The family, the people who—

MS. WEBER: But you don’t have that without right of publicity?

MR. BOGART: What if it’s a lousy—you know, I can come up with a good doll that’s not going to fall apart, that’s not going to have lead paint, that’s not going to have any of that, instead of this mass-produced stuff that you’re going to be getting.

MR. SONI: But one thing that you have to take into consideration is there’s living people. Our spouses, our children, the people that care about us, have no cause of action because a bad picture of us is published. Nick Nolte had a really doozy of a picture when he was arrested, but nobody—none of his family rushed out to file lawsuits and say, “Oh, our feelings are hurt because you showed our loved one in bad light.” And yet that’s the fundamental reason that you claim, Stephen—

MR. BOGART: But he was in that light.

MR. SONI: Well, I’m using—

MR. LiCALSI: That was a mug shot, you know.

MR. SONI: It was a bad hair day.

MR. LiCALSI: Surj, but what happens when you use that mug shot, put it on merchandise and sell it? Is there a different consideration that’s involved?

MR. SONI: While he’s alive, he certainly already has the right to control. Once he is gone, there is no further false light defamation claims that are available to the extent that he can assert a Lanham Act claim, an unfair competition, or his family can or unfair trade practices claim suggesting a false endorsement or association that still exists. Is there a real justification to allow his family, or perhaps not even his family, but somebody who’s listed as a residuary beneficiary, that isn’t close to him, doesn’t really care and is more interested in the money than in his reputation, is it appropriate to let them control it or to let them say “Our feelings are hurt”?

MR. LiCALSI: One thing I wanted to address before we run out of time, what about this aspect of the law that is essentially in perpetuity? Most other states have limitations. I believe Tennessee is the only one that doesn’t, but Tennessee has adopted some kind of quasi-trademark idea. If you don’t use it for two years—

MS. EDELMAN: Two years. If you don’t use it for two years, then the right expires.

MR. LiCALSI: I mean in New York, think about John Hancock Insurance or Lincoln Continentals. Do we want in our state perpetual rights? Isn’t this like inherited titles? Is this really American? And if it is limited, is the limited duration purely arbitrary? How do you decide how long is long enough?

MS. EDELMAN: I don’t think we want perpetual rights. Again, under the Copyright Act, copyrights didn’t last in perpetuity. It’s for a limited period of time. Trademark law is the only law that, certainly a trademark can last in perpetuity if it’s in use, and, again, society is benefiting from that because it’s designed to prevent consumer confusion.

What is the justification for allowing the heirs of a celebrity to prevent forever the use of their relative’s image? I mean, I just don’t see any benefit in the rationale.

MR. BOGART: I don’t have a problem with the forever thing. We can cut that down.

MS. EDELMAN: To what time?

MR. LiCALSI: To what? Is any time you cut down, is that purely arbitrary?

MR. SLEVEN: It has to be. What’s wrong with that?

MR. BOGART: Well, it doesn’t have to be arbitrary. I suppose it is somewhat arbitrary, but you can do a generational thing. I mean at some point, you know, 600, 700 years from now, as I said, I’ve got to think that what all these people are talking about are going to be lost in the psyche of everyone. And you’ve got the Internet and all this sort of stuff, but I think that Calif—is it Indiana that’s 100, and California is 70? And I mean, all these disparate numbers, I think they are kind of arbitrary, but I think that what they’re trying to do is to make sure that the generations who are most directly affected by these things that might happen would be protected.

MR. LiCALSI: Well, if the right is descendible, if I could put in my will, “Stephen you get my right of publicity” or “Sarah, you get my right of publicity,” and it’s—and I have total freedom to do that, if Stephen or Sarah go bankrupt, why isn’t that on the block? Why can’t someone just take it? If it’s just property, can’t people levy judgments against it?

Fred Goldman recently tried to enforce his \$25 million or so judgment against O.J. Simpson by levying on

O.J.'s right of publicity. The court in California expressed a certain squeamishness about this and said maybe constitutional rights are implicated in this. Is it a right of privacy? Is it a personal right? What are you protecting? Are you protecting property or are you protecting a personal right? What you've been talking about not wanting to besmirch the legacy. If it's purely property, then why can't anyone get it?

MR. BOGART: It's not the public legacy. We're not talking about besmirching *Casablanca*. What we're talking about is besmirching what he stood for as a person.

My mother is an even better example because she's not won an Academy Award, yet because of the way that people perceive her being as a person and how she's lived her life, she has lived her life with certain standards, and those are the standards that she espouses to and that she wants to be remembered as.

And people are going to just come in and—not well-meaning people, but the people that we all know of in this world and they're just going to suck all that stuff out of her, and they're just going to go to the lowest denominator and base her out and just do anything that you want.

And that's why you have to have some sort of post mortem rights of publicity so that my kids don't walk about and say, "Hey, there's Grammy," and I won't even go into what it could be. But it's just—to me, it's so illogical not to have that.

MR. LiCALSI: Well, you know, we're lawyers and we are—

MR. BOGART: Okay.

MR. LiCALSI: I know. It's terrible. And we are very uncomfortable with things that are not fish or fowl. I mean here, there are certain underpinnings of this law that sound like it's a personal right and it's to protect image and it's to protect people's perception of something. And then there's also the idea that it's also a property right. Is it okay for it to be a hybrid right? What's the problem with that?

MS. WEBER: I was just going to say, I don't see that there is a problem because I think a lot of Intellectual Property rights are a hybrid. And the fact that there may be problems enforcing it and that there may be issues is begging the question of whether the right should exist.

MR. SONI: But I'm not aware of which ones you're talking about because they're all typically either property rights or they're personal rights.

MS. WEBER: But why can't there be a hybrid? There are hybrids in other areas—

MR. SLEVEN: What are the existing personal versus property rights in the IP area that you referred to?

MR. SONI: Well, trademark and copyright are clearly property rights. Disparagement, defamation claims and such are personal in nature.

MS. WEBER: A trademark right is a property right—

MR. SONI: Correct.

MS. WEBER:—but it has the built-in element that the *Gilliam* case discussed, which is using the name in a way that falsely identifies the show, and that was Terry Gilliam's—

MR. SLEVEN: It was a copyright case, and it was a byproduct of the right to enjoin. The copyright isn't there to preserve your personal rights. It sometimes is usable because of the right of injunction to accomplish that purpose, but it's not the intent.

MS. WEBER: But the moral rights that accompany copyright is a hybrid.

MS. EDELMAN: I don't think it makes a difference. I mean, I think even if we agree that it's a hybrid, which, you know, the court in the O.J. Simpson case did. There's Fred Goldman saying, "I can't collect on my judgment. I want the court to assign his right of publicity to me so I can collect." And the court said, "You know, this is a personal right as well as a proprietary right, as well as protecting the commercial interest, but—"

MR. LiCALSI: Is that less so for post mortem rights? Is the balance much more toward property rights when you're dealing with a post mortem right as opposed to a living person? In other words, if O.J. Simpson were dead, would there still be the same implications, constitutional implications that made the judge uncomfortable in that case?

MS. EDELMAN: I think she would be less concerned, because I think you could just imagine what Fred Goldman could do with O.J. Simpson's image. Put it on some steak knives or ski masks. I mean he could go to town.

But, and I think that that's really sort of antithetical to the whole notion of a right of publicity, at least, you know, that it derived from a right of privacy. And so I think she would be less concerned if he had died. And I think that's sort of the concern, why a right of publicity shouldn't—doesn't protect personal rights—

MS. WEBER: You know, one of the things that we've kind of gone full circle on that Stephen raised initially is that we sit here and the cases that we rely on are always the extreme example, whereas most of what celebrities do in their endorsement deals during their lifetime are worked out. He's right, they're worked out.

So the statutes and the laws are always designed to deal with the worst-case scenarios because when you can work it out, it's not a problem. When you go to court, it's a problem because you've got two people who are taking

extreme views, and then you've got a judge kind of in the family law context with the Intellectual Property right.

Do you want a judge deciding the fate of your child? And I think most of the families of celebrities, and whether you consider them ne'er-do-well or not worthy of being the beneficiaries of their deceased parents or grandparents' rights, don't.

MR. SONI: Well, if I might, two things. Let's talk about O.J. for second.

MR. LiCALSI: We should probably wrap up in terms of our conversation here and open the floor to some questions, and then we could have a few minutes break between the panels.

MR. SONI: In the case of O.J. and Goldman's effort to secure or foreclose on the right of publicity of a living person, that was a personal right. It couldn't be separated from the individual. So the court correctly said, "Sorry, you can't get there." Now, if they were trying to attach the post mortem right, there's a problem if he was a California domicile. He's now a Florida domicile. But if he was a California domicile, the deceased person never owns it.

It's never vested in the deceased person. It belongs to somebody else right from the get-go. The person—it comes into existence at the time of their death as to those that died before 1984. As to those that die after 1984, it still doesn't exist until death, but it belongs to somebody other than the deceased person. So you've got this interesting thing.

But the other point that's important is, you know, we've been talking about all the different justifications and reasons why a post mortem right of publicity may be considered. And we've talked about the First Amendment problems, and I think there's a concession that generally, First Amendment uses should be okay and should not fall within the scope of the right of publicity.

We've also talked about uses that are affinity uses. And it seems also, I think, in that category that there isn't a strong-felt—maybe I'm wrong, Stephen—feeling that you want to have a right of publicity that you're going to tax for mere affinity uses.

Then you have the third kind of use, which is the endorsing use, and I think you're going after that kind of use. But that kind of use is already protected in the Lanham Act.

The fourth kind of use that you talk about is the disparaging use. And with respect to that, the right of publicity laws in every state don't address that at all. They don't control it. There's nothing that does that.

And then the final is, well, you're going to get associated with cheap products, or cheap-quality products, and I think that's really looking at the glass half full.

There are also exceptionally fine products that are very, very high value and premium that are out there that are created by entrepreneurs and artists in connection with deceased personalities. And they're there, too.

So in the grand scheme of things, I'm not sure that the reasons that are articulated for the need for a right of publicity really stand up under close scrutiny. And I think that the tax on society is huge in terms of the costs that those people that want to be associated with the deceased personality have to pay for goods, the impairment on business and entrepreneurs, and the suggestion that our families, or even not our families, other people should be able to control, as Paul indicated before, how we're perceived in the future. Those things really do belong to the public. When you infuse yourself into public life and become a public person, you leave your legacy to their memory.

MS. WEBER: But during their lifetime, the celebrity—there's no question, the celebrity has the right to control that, and it doesn't—

MR. SONI: No, no, they don't.

MR. SLEVEN: To a very small degree.

MS. WEBER: On commercial—we're talking now, because I think we've all capitulated, that First Amendment uses are a carve-out. We're talking now strictly commercial and advertising purposes.

MR. SLEVEN: Let me ask you a question since I've wanted to do my show-and-tell for the whole time. I brought—I have a glass here. It's from my personal collection. Now you all can't see it. It says, "Yitzhak Spector, Heroes of the Torah, swap 'em with your friends." Commercial? First Amendment? Please tell me which side of the line this glass falls on.

MS. WEBER: Commercial product.

MR. SLEVEN: He's a hero of the Torah, and the First Amendment value in this is you want to find out more about the great writings of Yitzhak Spector, I hope.

MS. WEBER: Does anybody seriously doubt if that was a picture of somebody who was not as identifiable?

MR. BOGART: If it was Bob Marley.

MS. WEBER: If it was Bob Marley or Jimi Hendricks or Lauren Bacall—

MR. BOGART: That's a problem.

MS. WEBER:—that glass would have to be licensed.

MR. SLEVEN: Under existing law, I don't seriously doubt it. I question whether there's a First Amendment aspect of communicating who the writer of the text of this glass believes are the true heroes of the Torah, or to change the hypothetical, the heroes of world music.

MR. BOGART: Well then stand out there with a sign, but just don't sell something.

MS. WEBER: And you know what? I don't know that there's an easy answer because you've got the Tiger Woods case with the Sadderly [*sic*] case. I mean there's conflicting case law.

MR. SLEVEN: Which is—I'm always afraid of conflicting case law and difficult minds in the First Amendment area.

MS. WEBER: But there's always going to be conflicting case law, and really, the question is who benefits from a celebrity's lifetime of putting their effort into what they do. And that's really what it boils down to.

MS. EDELMAN: Also what is the appropriate time to start and extinguish that right.

MS. WEBER: That's a separate issue. Whether or not the statute should exist in perpetuity, I mean that issue came up with the copyright term extension. Should it be 70 years? Should it be 90 years? But that's kind of working out the fine detailing as opposed to saying it shouldn't exist at all.

MR. SLEVEN: Is there a big social problem nowadays with impoverished celebrities?

MS. WEBER: You know what? I think that the issue of—and I'll actually use a little story. Miles Davis was having a problem with one of his producers who said, "You know, I'm telling you what to do in the studio. I'm telling you you should do this. Why shouldn't I own half of the copyright on this and get half of the royalties?" And Miles, with full, colorful expletives said, "When you come into the studio and you write the music and you play the horn, come back to me."

MR. LICALSI: Unless someone has a burning need to say something, I'm going to open the floor up to some questions.

AUDIENCE MEMBER: Stephen's argument for the moral case, we want to protect the legacy of a celebrity is fairly strong, except for the problem, what happens if the estate believes the exact opposite of what the celebrity cared about? Not necessarily one generation, but imagine two generations out. Your children or your grandchildren want to take Lauren Bacall's image and have it animated as a CGI Avatar to make strong endorsements of the exact opposite of her stand on abortion or some other wrenching issue like that, would you accept a compromise social compact or provide for a third-party right to enjoin the estate on behalf of the position of the dead celebrity?

MR. SLEVEN: Would you let friends of Lauren Bacall render a lawsuit to stop your children from re-animating Lauren Bacall?

MR. BOGART: They may do that. No, no. I think that somebody has to have that responsibility of making sure that—and it's not, you know—legacy is kind of a weird thing. I mean the bottom line really is about money, but what the deceased celebrity chooses to endorse or what the family of the deceased celebrity choose. So I guess you can't have a third party decide. Somebody has to make that decision, and who better than the—you have to trust somebody, so you may as well trust the family because they're the ones that are probably going to do the best job in that area.

AUDIENCE MEMBER: It goes back to what Stephen started with and just came back to, which is most of this conversation has been about feelings, and those are valid and important things, but it seems to me it really is about money, then—the question then is, and it never really got addressed, the question is since it's about money, why should a third-party corporate commercial enterprise have the right to make money from Humphrey Bogart as opposed to him making money from Humphrey Bogart?

MR. SLEVEN: It depends on what you mean by making money from Humphrey Bogart. Let me put it this way.

AUDIENCE MEMBER: But that's what it is, I mean—

MR. SLEVEN: Yes—no. I'm very serious. That's why I said when we're talking about purely endorsing uses, I tend to agree with that. The ability to say Humphrey Bogart endorses this product, I don't have a big problem with that being limited to those who have the right to speak on his behalf. When we move beyond that, we—I'll give you an example since I'm in book publishing.

My company is making a reasonable amount of money this month by using Tom Cruise's name as the title of a biography that has gotten a decent amount of publicity. Is your comment meant to say that why should we make money from the use of his name? Now, obviously, we're really making money from the extraordinary efforts of a diligent researcher and author, but the book wouldn't have sold if it was about John Doe. People are interested because it's about Tom Cruise. Why is that not using his name?

If next week, *Newsweek* puts the picture and name of Barack Obama on the cover, in some sense, they are using his picture to make money. And if they instead choose Heath Ledger, they're using his picture to make money.

AUDIENCE MEMBER: Because your book about Tom Cruise is protected and you obviously have to be entitled to put the name of the subject on the book. That's—I can't conceive that that's a problem. But that doesn't mean that somebody can put Humphrey Bogart's face on a T-shirt and exploit Humphrey Bogart's persona to make money.

Why do we have to protect their right to make money as opposed to protecting his right to see the benefit of his father's fame and celebrity?

MR. LICALSI: Surj, could you take this?

MR. SONI: I think the short question to that answer is if Steve wants to go out there and start up a T-shirt company and use those images and make his financial investment, create the manufacturing, arrange for the distribution, he has the right to retain all of those profits. And if he wants to put out fedora hats or come up with a line of mystery books detective novels, he has a right to do that. But he's not doing that.

What he wants to do instead is to take a slice out of other people's financial investments and efforts. And the question is why should he be allowed to?

MS. WEBER: And during his father's lifetime, his father had the right to control his.

MR. SONI: But it's not his.

MS. EDELMAN: It's his father's property, and his father is no longer with us; why does it belong any more to Steve than to anyone else?

MR. BOGART: That's the reason I'm here.

AUDIENCE MEMBER: Two points. One of the interests that hasn't gotten addressed here is that New York State has a significant economic interest and cultural interest in the modern theater. And if I remember correctly, the balancing that the legislature did between what is protected in the First Amendment was not—it was problematic for a lot of people in New York as well as for the state of New York.

As I recall, you have a right to make a play, to make a book. You have a right to advertise it, but you don't have the right to do a lot with the merchandising and so on. That is absolutely inherent with producing and presenting theater and probably the same is true with books. So you get a line drawn that's really very problematic.

The other problem that I would like to hear someone address is this issue of who really owns and what is this right of publicity? Because we can, and in getting away for a moment from Humphrey Bogart and Lauren Bacall, the persona that we're interested in is not really created by the person. And that was addressed by Mr. Soni very early on, but it's not been addressed since.

Rock Hudson did not really marry his secretary. Spencer Tracy was probably not really a teetotaler. Those celebrities are largely created by studios and by enterprises.

And if there is some right in some persona, the real question is why in the windfall, and that's what it is that we're talking about, goes to the heirs when, in large part, the person is not really the persona. And I suspect that

the California legislature that said 50 percent of the right of publicity goes to MGM and Paramount. We have a different group of people up here with a possibly different result. So I would like to hear a bit of that addressed to the second point really, which is what is this right of publicity, and why should the windfall of it go to the estate?

MS. WEBER: Because your assumption is that the studio or the director developed Lauren Bacall or Humphrey Bogart's persona.

AUDIENCE MEMBER: But that's what we want to see. We don't really want to see the personal life as a matter of publicity. It is image.

MR. LICALSI: Well, is it one way or the other? I mean if *Casablanca* starred an unknown actor, would anyone want to see it right now or would fewer people want to see it?

MR. LICALSI: Having both the entertainment companies that continue to enjoy the fruits of their investment and the individual who inserted himself into the public eye and risked humiliation, didn't both of them contribute to this thing called the persona? Or is it just one or the other?

MR. SONI: You know, you have a dynamic change over time. You'll recall in early cinema, we had typecasting and you would see the same actor playing essentially the same role in iterations, and every time he was successful, they'd write another one and put him back out there again. John Wayne was John Wayne in every movie. Tony Curtis was Tony Curtis in every movie. It was the same character that was written, enforced and reinforced repeatedly.

In today's world, we have Harrison Ford playing a variety of different roles, but the fundamental character that he keeps being able to sell is the same character, that stoic, heroic, interested, hardworking, hard-driving kind of guy. Whatever it is, that's a character that is a result of scriptwriters, acting coaches, movie studios, lighting, cinematography, camera, makeup, photographers, publicity companies, and it is what propelled him into the limelight. It is the character that we want to associate with.

MR. BOGART: It could have done that for me?

MR. SONI: It could have done that for me.

AUDIENCE MEMBER: They're not robots.

MR. SONI: They're not, by any means.

AUDIENCE MEMBER: Is the right of publicity subject to estate tax by New York State?

MR. SONI: Every property that is owned by the decedent is subject to estate tax. Today, there is no post mortem right of publicity. Consequently, there is no estate tax. The statute, as intended, doesn't specifically vest it

in the decedent. There is a question as to how—where it would get taxed. So it's an interesting situation.

If you vest it in the decedent, it's subject to estate tax and probably would bankrupt the estate if you compute the value. If you don't vest it in the decedent and give it instead to the heirs or any beneficiaries, then it passes without tax to society without any benefit to the state and ends up as a tax-free windfall, an insurance policy, so to speak.

MR. BOGART: Yeah, but I still pay taxes. That's the tax.

MR. SLEVEN: Not on the investment in the right that generates the income on which you—if the—

MR. BOGART: But there's no income generated until you start to generate it, so how could you pass it—

MR. SLEVEN: Analogize to a factory; you inherit the factory tax-free. You may pay tax on every piece of product your factory turns out, but the way this would work, you'd take the factory that was built by your father tax-free.

MR. BOGART: But there's a value. There's no value to the right of publicity unless you use it after post mortem.

MS. WEBER: It's like the tail wagging the dog.

MR. SLEVEN: Right.

MS. WEBER: I think most families would say I'm happy for the tax implications, or like the Presley estate to generate, or the Marilyn Monroe estate, multimillions of dollars because I—

MR. LiCALSI: Well, other forms of Intellectual Property are taxed—

MS. WEBER: Are taxed.

MR. LiCALSI:—when they pass from an estate.

MS. WEBER: That's right.

MS. WEBER: If I own copyrights and I leave it to my son—

MR. SLEVEN: Exactly.

MR. LiCALSI:—that's why you get taxed.

MS. EDELMAN: Right. What happens if you don't want to exercise the right? You're going to pay for it anyway.

MS. WEBER: I would hazard a guess that most celebrities and their estates would be happy for the tax.

MR. SONI: Tom Waits would disagree.

MR. LiCALSI: Excuse me a second. Did you have a follow-up?

AUDIENCE MEMBER: Mr. Bogart is taking the position that there's an asset here that passes to him. He has a right, and the state has a right of publicity, there's an asset just like any other asset. It's going to be taxable through the estate, and what the value of that asset is at the date of death compared to what it's worth in the future has to be determined by a lot of rules, temporary values, estimating what [it is] going to be worth in the future.

But clearly, if you take that position and there is an asset of the estate, the estate has a right to tax it. People have a right and they should be paid for that.

MR. BOGART: But how do you estimate that? How do you estimate that value? You don't know what the value is because it all depends on—

AUDIENCE MEMBER: Well, theoretically, it would be based on the expectation of remuneration you would receive over your life and the life of your children. Let's say it's a perpetual right, and that would be discounted back to the present value of those —what it is right now.

MS. WEBER: That's a valuation issue, though, that arises all the time with—

MR. LiCALSI: Well, I guess the only thing we can say is that the pending legislation doesn't address those concerns. It might be something that the legislature should think about.

MR. SONI: Well, let me just add, when Marilyn died in '62, there was no recognition for right of publicity, so it wasn't computed as part of her estate tax. That estate remained opened until 1980/81. And during that time period, there was an—oh, actually, it was later than that, '91.

During that time, the estate generated \$16 million in royalty incomes off of the right of publicity. Since that time, they've generated an additional \$16 to \$20 million, and informs us, if to be believed, they report that she's pulling down between \$6 to \$8 million a year. Now, you add that up for a period of seven years from the date of her death, net present value, allowing for inflation, you've got one whopping tax bill. I think the State of New York would be interested if she was living here and there was such a right.

MS. WEBER: So another reason to enact the legislation.

MR. LiCALSI: Do we have any other questions?

AUDIENCE MEMBER: I was wondering if you could talk a little bit more about the retroactive application of the statute? And then secondly, you also mentioned some things about photographers.

For instance, I have a friend who is a celebrity photographer who has the copyrights of one of his photographs, but if this were to be passed, I think he would be subject to challenges to the use of that.

I think there may have been a case where Corbis was—I mean technically, if you’re selling copies of a photograph, it’s a commercial exploitation, okay, but the photographer has the copyrights for it.

MR. SONI: Well, here’s the problem. The copyright statute—

MR. LiCALSI: Could you repeat the question for people?

MR. SONI: Certainly. As I understood it, two questions. One as to the applicability and impact of retroactivity, and, two, as to the crossover and impact on copyright owners, particularly with use of photographs and what rights they have and they don’t have.

Copyright owners, let me deal with the second question first, copyright owners have the right to exclude all others and the exclusive right to distribute, to make copies, to make derivative works from those pictures.

The right of publicity as it’s been construed in the states that have recognized it say that the photographer can make fine art prints, singles, and can distribute them, but not series. That’s clearly an encroachment on the copyright that he has been granted or she has been granted by the Constitution.

In addition, the right to make derivative works would arguably also let him make T-shirts, cups, mugs, sculptures, virtually anything that he wants to do, a composed image using multiple celebrities, multiple pictures overlaid with each other and so forth. He can’t do that anymore if those pictures are used in what is perceived to be a violation of the right of publicity for a commercial use, not just an endorsing use, but any commercial use.

Now, you’re absolutely right, you can’t draw a line between what’s commercial. Anything that makes money is potentially commercial. And I would disagree about just raising money for charitable purposes. I’m not sure that’s a commercial use, but aside from that, virtually everything is commercial.

So there is a fundamental problem with creating a state right that interferes with an area of law that the federal government has decided is going to be preemptive of everything else that’s in that area.

MR. LiCALSI: And there’s still—I mean the issue of preemption and how it affects rights of publicity, it’s litigated all over the country.

MR. SONI: It’s happening all over the country. And the first part of your question as to retroactivity is if you go back, what do you do with respect to all of the people that have developed intervening rights of interests that have invested heavily? Are you going to require them to cease, and under what time period? Are you going to

grandfather them in? And if you do, what are we talking about?

Are we talking about a scenario like you’d have in trademark arenas where you have a federal registration that gives you nationwide right, except to the extent somebody was a senior user in a particular geographic territory, that they can continue to use that? And even that concept no longer stands up under scrutiny when you have a world that is controlled by the Internet and by advertising and by mobile humans and citizens that are everywhere.

In the old days, you couldn’t get a trademark on a local restaurant because you were local. You can get a federal trademark registration. Today, because citizens of all over the world will come to your restaurant and, therefore, you have use in commerce.

So that’s the kind of problems that you have. It’s all additional reasons to put the brakes on this statute until you’ve had a chance to figure it out.

MR. LiCALSI: Let’s try and get one more question.

AUDIENCE MEMBER: Sure. Just following up on that copyright question. I guess it’s not disputed as the way the law stands now that a photographer can’t take a picture of a living person and then market that person’s image on a T-shirt without getting the person’s permission. So I’m not sure why you [indiscernible] the right [indiscernible] retroactive would have any different implications for copyrights.

MR. SLEVEN: There actually is still litigation and dispute going on. A statute as to the right of publicity is or is not pre-empted. I think the analysis on preemption asks under copyright, is there an additional element to the cause of action, not just did you reproduce the copyrighted work which is a claim that preempted?

In my humble opinion, the additional element has to be an implied endorsement kind of use. I’m not sure the courts have gone there. There have been some cases that have held pre-emption, some cases not, so it’s not a solved problem.

MR. SONI: Actually, there are two areas. One is the endorsing use, which is forbidden by the Lanham Act, so you have a co-equal standing, so you don’t have the pre-emption problem. You got a federal statute under the Lanham Act. You got a federal statute under the Copyright Act.

The other area is defamation, or defamatory uses, or in false light. So a photograph that is taken that is subject to copyright, you would have the additional element if somebody complains that this place is being false light.

MR. SLEVEN: I would think that’s just a different cause of action.

MR. SONI: Correct.

MR. SLEVEN: If you defend somebody, you defend somebody. It has its own set of rules, and that's not preempted because, as you say, you have the damage to reputation.

MR. SONI: Right.

MS. WEBER: I think that's right, Paul.

MR. SLEVEN: You have all the other elements.

MS. WEBER: I think that's right, Paul.

MS. EDELMAN: Yes. We have to look to see if it's protecting rights that are qualitative different than a Copyright Act right.

MS. WEBER: Right.

MS. EDELMAN: And so—then a copyright right. And I think for right of publicity, you are.

MR. SLEVEN: Depends on how it's defined.

MS. EDELMAN: I think that's true, but I think for the most part, I think it's inherently a different kind of right than a copyright right.

MR. LICALSI: I think that will have to be the last word. Feel free to approach any of our panel members with further questions. And I'd like to thank the panel and thank you all for attending.

Second Panel Discussion: Real Issues In Virtual Worlds: Business Affairs and Legal Issues in the New Massively Multi-User Universes

MR. PATRY: I'm Bill Patry, Senior Copyright Counsel at Google, and I can promise you, unlike the last panel of bloviating lawyers, many of whom are my friends, we'll do something different here. First of all, we have two principal speakers and they won't be fighting with each other to talk.



So what we're going to do is introductions. Mine's over, so I'm keeping my promise in making it short. And then we'll have a little presentation about what virtual worlds or massively multi-user universes are, and then we'll have some discussion of the legal issues and then business affairs issues.

Now, in many companies, in-house, at least, business affairs and legal affairs are sort of the same person

because there's a good interaction between what business deals you can do, what rights you have and whether you're going to get sued. We're usually on the defendant's side of that.

I had a friend, Judge Leval, who's a Second Circuit Judge, who had a lot of fair use cases, and he was always getting reversed. And he said, it's great to be on the cutting edge of law, but he had been cast in the role of a [indiscernible]. And that's sort of Google's role apparently, too, is as a defendant. So we haven't been sued over any of these, so I'm very happy to participate and be a moderator.

The first person we have is Jeff Gomez. He's with Starlight Runner Entertainment, which is a leading creator of highly successful fictional worlds, maximizing the value of Intellectual Properties by preparing them for extension across multiple media platforms. And Jeff's the one who's going to run through a bit of what's going on in this particular space. And then we'll have Jason Archinaco, who is a partner at White and Williams, and he has both been involved in a number of the cases, including the *Bragg* case that's in your material. He's also, I believe, an avid gamer, correct?

MR. ARCHINACO: Yes.

MR. PATRY: Right. And he's written a lot on these subjects. So without any more B.S. there, we're just going to do it. So, Jeff, you want to take over?

MR. GOMEZ: All right. First of all, I am not an attorney. I am dependent on the kindness of attorneys all my life because I would get myself into some odd situations by virtue of my imagination.

A little bit of a primer on virtual worlds. When we're kids, we play games with each other and often become lost in our imagination. We play house; we play doctor. In the old days, we used to play cowboys and Indians or war, and then usually we kind of grow out of it and lead straight-up lives. Some of us resist, and that's where we get into things like role-playing games.

We formalize our imaginary play, and for me in the late '70s and early 1980s, role-playing games took the form of a kind of method of collective story-telling, *Dungeons & Dragons*.

This is a scenario where you're sitting around a table. You have a kind of formalized set of rules. There's a referee or dungeon master, and there's a group of people who take on the persona of characters. It's usually some kind of medieval fantasy, and a story is told in which the players involve themselves, and conflicts are resolved with dice. And I was pretty good at that, and actually founded a magazine about it called *Gateways* in the mid 1980s.

This was published on a McIntosh—Mac Plus computer, and with 40 megs of memory. It was amazing. And

it got national distribution because it filled a niche. We studied things like the advent of technology into fantasy role-playing games, like *Dungeons & Dragons*, and, hence, began to explore multi-user dungeons and video games that employed some of these role-playing notions.

The fascinating thing about adventure gaming back then, which was table-top, pencil-and-paper gaming, is that once in a while, one of us would come up with a fabulous idea for a character, and in my case, sometimes I would fall in love with my character so much, I would want to go and write fiction about that character.

And, in fact, at some point, I even took that character out of the game and wrote a novel about the character, and the novel actually became a short film that helped to launch my career.

Now legally, all I really did was ask the dungeon master if I could take the character away, and she said "sure." And hopefully, she hasn't come back to haunt me. That resolved the issue. But things would get more complicated as I went along.

There were then massively multi-player on-line games that came in the '90s, and console video games formed these huge kind of persistent or virtual worlds. And more recently, there are other kinds of virtual worlds depicted in alternate reality games like what's going on with "Lost" and "Heroes" these days, and most recently, trans-media worlds, which I'll get into as well.

Now, I know that we're going to focus, I guess, on massive multi-player worlds, but I want everyone to keep in mind, because this is happening and it's unfolding in front of us right now, that, to me, a fictional world becomes a virtual world the moment that canon, that part of the actual legal fiction is extended onto another media platform and becomes inherently interactive, that fans are able to dabble and talk about and discuss these fictional worlds and perhaps one day even contribute to that canon or influence that canon as it goes along.

So to me, virtual worlds exist by virtue of the imagination and by the virtue of collective imagination. They're most concrete in these massively multi-player online games or the social on-line worlds, like *Second Life*. But they do exist in other forms.

I wanted to just briefly go over kind of my definition of what makes for a virtual world. It's interactive in some form, that there is a suspension of disbelief that is required of the person interacting with the world, that the world is created by one or a few centralized visionaries, that the world has extensions that can be considered multi-platform, and that the rights tend to belong a single central entity.

Now, as to what I wound up doing with my crazy imagination, I wound up creating worlds. These are for pretty significant Intellectual Properties.

We—our clients include Fortune 500 companies, like the Walt Disney Company and Coca-Cola, movie studios like 20th Century Fox, videogame publishers like Acclaim Entertainment, more recently Konami, toy companies like Mattel and Hasbro, Disney consumer products, things like that.

We develop original Intellectual Properties that get extended across multiple media platforms. We resurrect classic properties or expand them. We do that because our client furnishes us with some kind of source material and then we take that source material and vastly expand it. We create the mythology, the actual virtual world as defined by my criteria before.

Most recently, we've been blessed by working with 20th Century Fox on James Cameron's *Avatar*. That's the next big feature film from Jim Cameron, not the Nickelodeon cartoon.

We're also working with the Coca-Cola Company on Happiness Factory. That's that commercial that you see where somebody walks up to a Coke machine, throws a coin in, and all these creatures and bizarre, fantastical entities are building a bottle of Coca-Cola. That's incredible, because Coca-Cola wants a virtual world, and they want to tell the story of Happiness Factory in a global rollout over the course of the next couple of years in a trans-media implementation that we're going to be helping them with.

We're known for working with the Walt Disney Company on *Pirates of the Caribbean*. This is taking their Intellectual Property and basically putting it into the context of a much greater and grander history so that Disney can extend *Pirates* into console video games, into a massively multi-player online game, which just opened up, novels and things like that. So we invented a kind of gigantic mythology for the pirates' universe, and we helped to oversee its implementation.

In the '90s, some of you may remember Magic the Gathering. Here's a situation where Mom, who frowned on my investment of dozens and dozens of hours of *Dungeons & Dragons*, was surprised because I sold in 1994 the continent of Corondor off of my *Dungeons & Dragons* world to Wizards of the Coast, who integrated it into their world of Magic the Gathering. That was for a sum in the low six figures. So nobody could tell me I'm wasting my time with D&D again.

We're also working with Disney on Fairies, and we have a huge trans-media story lined up, rolled out from 2003 to 2006 in *Hot Wheels*. Mattel engaged us to be the creators of the first narrative story line, and it was trans-media *Hot Wheels*. Turok, dinosaur hunter, was a big 1990s property for us, and those are main guns. So that basically introduces me and introduces my perspective. We'll bounce back and forth after this. Go ahead.

MR. ARCHINACO: Thank you. All right, good afternoon. My name is Jason Archinaco. I'm a partner at White and Williams. I had the fortune of representing Marc Bragg in what is now known as the first virtual property case in the United States, although in all reality, it was the second, but it's the first one that resulted in any substantive decisions being made, so I'm now infamous or famous for that case at the current moment.



I wanted to talk a little bit about some philosophy with regard to massively multi-player games. And for those of you that don't know what they are, I'm going to walk through a little bit about the history of video games and where we are now. The title of my PowerPoint presentation, "I Am, I Am, I am Superman, and I know what's happening, I am, I am, I am Superman, and I can do anything" is from an REM song.

And although I don't think that they intended the use the way I put it here in my PowerPoint, I'm going to come back to this then in a minute because I think this morning we heard a lot about the ownership of someone who's dead or even somebody who's alive, and these issues are actually starting to play into virtual worlds to a great degree.

There's a concept that originates in Hindu philosophy, the "Avatar," and I think we just saw a reference to James Cameron's film. I know nothing about the film itself. But in Hindu philosophy, the Avatar was the incarnation of the supreme being or God on earth. And like many things, it has been ex-appropriated to, or appropriated by, the computing space.

And the avatar, the broadest definition of what an avatar is, it's simply a three dimensional or a two-dimensional object that represents the user or the player. So a player comes into a game, and whatever the computer thing is on the screen that represents you as the individual is your avatar, whether it's two-dimension or three-dimensional. And over time, that has evolved.

Historical avatars go back—you know, we can even say Pong would have been an avatar, but there's a game that was highly influential, but little is known about it, Maze War, which is regarded as the first-person shooter where the avatar, the individual who was playing the game, was represented as an arrow or an eyeball; 1979, the Atari 2600, which was a console game.

The game Adventure, the avatar was a dot, that green dot that's on the screen, that is the personification of the player. That is your avatar, your two-dimensional image. And that image, that thing that looks like a duck was I think supposed to be a dragon. I think—and the arrow is actually a sword. But that's your avatar in that game.

Zork, 1980, those who played—I guess I had to put this in here, homage to the old school, what would your avatar be here? This is a word-based game. The avatar is simply a cursor. The cursor represents the player. The player types in words and interacts with the game system as a cursor.

How about Microsoft Word, although this is not the 1983 version? Microsoft Word, what's different about the cursor? Is that not an avatar? Does that not indeed represent the person? I mean isn't that your incarnation in the world of Microsoft Word? And I'm going to come back to that later to use that as an example.

Massively multi-player games, transitioning for a moment, we've heard about them. At this point, they are worlds that are created by developers where thousands and thousands of players can play simultaneously.

And, you know, I guess you can liken it to a playground in a sense—they build the slides; they build the swings, but if nobody comes to the virtual world, the swings and the slides remain empty.

But famous examples of avatars in massively multi-player works, the Shadows of Yserbius in 1992, the avatar was simply a two-dimensional image, somewhat customizable in the upper right-hand corner. And there was a crude, text-based chat interface where you could chat with other players.

This was sort of a centralized chat room where a number of players could come into the chat room at the same time. Ultima Online, 1997, changed that a little bit. It's still two-dimensional, but there was a three-dimensional perspective.

This slide, in fact, was taken from a very historic moment in massively multi-player where Ward British was killed and he wasn't supposed to be killed, so there's a little in-joke for the massively multi-player crowd. But as time evolved, now we have what is emulating three-dimensional, but still a two-dimensional space.

In 1999, groundbreaking was EverQuest where, indeed, if you see the avatar in the center, this is a photo that's taken from a distance, but you can see the three-dimensional world and you can actually play this game in the first person where you can watch your own arm swing back and forth against monsters.

This is actually another homage to a famous griever, that's F-A-N-S-Y the Bard, who was a famous griever in EverQuest. F-A-N-S-Y is anyone wants to look it up. It's quite

funny. 2004, the Revolution, so to say, in terms of meeting the masses occurred with World of Warcraft. World of Warcraft in 2004, as of the last few days, exceeded 10 million users worldwide.

And, again, you know, there are a number of servers and they keep putting servers online to accommodate. The avatar in this instance is seated on a throne. And as you can see, the three-dimensional aspect of the game is improved and you can, in fact, in this game use first-person or third-person views. But the avatar is the incarnation of the player sitting there on the throne.

Each of these games presents an end-user license agreement. And I'm not going to get into great detail on them. They're all different, but they're all click licenses. They're the ones that everyone—at one time, they were shrink-wrap licenses on the back of boxes of software. Nowadays, they are clicking "I Accept" ones. We've all seen them when we download software. We all have seen them when we load software.

And as Edward Castronova, who's a famous writer in the massively multi-player space says, "Nobody ever reads them." And that's a true statement. Nobody ever does read them except lawyers who are filing lawsuits like me who actually read them in great detail.

Generally speaking, massively multi-player end-user licenses vary—place great restrictions on the rights of a person who's come into the virtual world. The—and EU-LAs,¹ by their own definition, are not inherently wrong. There's nothing wrong about limiting those rights, but what we're seeing is a proliferation of EULAs which, in some instances, are trying to assign away rights that potentially cannot be assigned away.

The first EULA case in the massively multi-player space, transitioning for a moment, was *BlackSnow Interactive v. Mythic Entertainment*. They made a game called Dark Ages of Camelot, and the people in that massively multi-player world were, in essence, in the real world viewed as criminals because what they did was they set up gold-farming in China and other third-world countries. They paid a low wage for these third-world workers, just like any other business, I suppose, Nike we heard reference to this morning, set up these businesses in third-world countries and they farmed virtual gold, and they acquired and accumulated mass amounts of virtual gold.

Now, one would say, what do you do with mass amounts of virtual gold? Well, of course, you go on eBay and other third-party sites and you see the mass quantities of virtual gold, and this has gotten to the point whereas of today, it's believed that this industry exceeds \$1 billion.

People paying billions of dollars for virtual items. You're seeing it in the X-Box. You're seeing it in a lot of different virtual-world-type environments. But virtual

gold, that was the first lawsuit. It was not a pay-to-play world, which Second Life is, and I'll talk about in a minute. It was a world in which it said you pay a subscription fee to come and play, but what you can't do is charge anybody anything for anything.

We don't accept real-world money, which was an important distinction at the time, and that's sort of been the industry standard. You cannot own anything. And selling virtual gold, of course, was prohibited in the EULA, but these gentlemen that had BlackSnow Interactive and had their accounts confiscated filed a lawsuit.

And in that instance, there was a two-page order that said that the arbitration agreement was not unconscionable under Virginia law. So they tried to strike an arbitration agreement. And, of course, being the scoundrels in real life that they really were, shortly after the arbitration clause was enforced, the story ends with the attorneys not being paid.

The principals of BlackSnow, Lee Caldwell and Richard Phim, were actually—were pursued by the FTC for selling computers that didn't exist. They were very much into the virtual and—in the real world, that's called fraud, and they were fined. And Julian Dibble, who's a famous writer in this space, comments that they left without a trace, and to this day, I tried to Google them yesterday in homage to your company, and if I can't find them on Google, they're gone. So I couldn't find them as of yesterday.

Bragg v. Linden, which is my case; Mr. Bragg was an attorney who was claimed to have cheated—now Second Life claims something unique. They built a world and they were competing with World of Warcraft that had Dungeons & Dragons and exciting things for the players to do, quests, heroic efforts.

And then Second Life came along and it was this blank, desolate world. And they created it more as a sandbox and nobody was coming. The first one, the beta test began, which is a way for players to come in and test, people were playing, and then they tried to charge money and everybody left and there was no one there.

So Philip Rosedale, who was their CEO, said, "Why don't we do this; why don't we say you can own the virtual land." They were the first ones to say, "You can own your Intellectual Property rights in this virtual world." So they came out with this revolutionary statement about "you can own if you come." And, sure enough, players that were in these other worlds started to look at Second Life and started to come to this world saying, "Wow, I can own."

Now, my client, who was a lawyer, came to this world that they touted, as one imagined, created and owned by its residents, and, of course, he believed that he was going to be Howard Hughes and he started buying massive quantities of virtual land.

Now, in the news, you'll see a name Anshe Chung, and she's supposedly the first virtual property millionaire in the world. She's a massive landowner in the game, and my client started buying this land, \$1,000 apiece, for the most part.

And ultimately, he was thrown out of the world because he learned of what they call as an exploit, an unintended consequence of the game, which was that someone at Linden, and we still don't know to this day, had priced land at a dollar and he learned about these dollar auctions.

So my client started to bid on this dollar land at, in fact, one or two of these actions. Well, they wound up saying, "You can't buy the mismarked item at that price." So they banned him from the world, and they took the mismarked items away.

Well, then he wrote a letter saying, "I'm a lawyer, and how dare you" and a number of other things that lawyers do from time to time, so they banned him completely, and they took all of the other land that he had bought, \$5,000 worth, and they confiscated all of his virtual items. In fact, they even confiscated his cash. He had \$2,000 in cash in the account. And so we pushed on this.

And, of course, arose the arbitration clause that required arbitration in San Francisco before the International Chamber of Commerce, which if anyone knows those rules, is about a \$10,000 filing fee to just start the matter. So that having been said, he was, in essence, out of court between having to pay me, my law firm, the filing fees, et cetera.

It made no economic sense for him to pursue this matter if, in fact, he was in San Francisco. So we filed a lawsuit and, naturally, Linden tried to assert its arbitration clause, and the court, for a variety of reasons, in a published opinion, determined that the arbitration clause was unconscionable, not only because it required small sums to be litigated in San Francisco, but because of the cost of the forms and also because it imposed confidentiality in a consumer action, which is not favored in the law.

The court also found that the jurisdiction over—and this might actually be the more lasting impact of the case—found that jurisdiction over Philip Rosedale, who had never stepped foot in Pennsylvania in his entire life, perhaps unless as a virtual avatar in the game, found that it was proper, and he called the court. Judge Robreno called Mr. Rosedale "the hawker sitting outside Second's Life circus tent, singing the marvels of what was contained inside to entice customers to enter." So he found jurisdiction was proper over Rosedale.

And after the arbitration clause, an answer was filed, and Linden, interestingly, instead of saying, "Own means own," they evolved in Bill Clintonisms and it started depending on what the definition of "'is' is," and they said

that "no, own doesn't mean own; own means licensed to computing resources."

And so their position, in essence, was, "Well, we were selling something that you couldn't buy." And, in fact, this was stated to me, and my response was, "Well, if that's the defense, then I might not give any opening statement. I might let them stand up, look to the jury and say what they said, 'they're selling something you can't buy'" because, in fact, it held this out as being capable of being bought and my client had spent thousands of dollars on it.

So we come back to what was he buying? He's buying something, isn't he? Wasn't there an expectation right there because he was paying real-world money?

And so what's happened now is these worlds have moved towards pay-to-play world. And because the black market is so large and Sony and Microsoft and others are seeing this market, they're now starting to allow players to pay for virtual items and virtual things. And, you know, one day will come when your children don't want the toy from the toy store. They want the upgrades to their virtual Hot Wheel or they want, you know, new spray paint, so to say, for their virtual world.

The Second Life EULA also had an interesting clause. The question became well, if you deposited real-world money, let's get away from the virtual property for a second. What about his real-world money? I mean what about the \$2,000 he had in there? What about the \$2,000 he converted?

They had a conversion system where you could convert your money into Linden Dollars. Well, who owns those? I mean you would think that if you convert your money into euros, it's still your money, right? I mean you would think that. And that's the way it was presented. But the EULA had some goofy language that we never got to reach because the case resolved. And it said that Linden had this absolute right to manage their money supply.

So if you bought Linden Dollars, even though you were looking at this exchange, the truth was that Linden then said, "Well, you know, we have a right to regulate this. We can delete your virtual dollars once you transfer your U.S. dollars into virtual money."

And, in fact, that was backed up with another, what I call the forfeiture clause, 2.6, which gave Linden this, you know, unfettered right to just simply take your money whenever they wanted to.

Now, I mean—you know, it struck me when I started—when I did some interviews that this would be like Wal-Mart putting a sign on the front door saying, "if you ever bounce a check in our store, we can come to your house in the middle of the night and repossess anything you bought from us over the last year." And I started

thinking about that concept saying, well, just because they created a virtual world, what separates them from the rest of us in the real world where these kind of practices just simply wouldn't be tolerated?

And, in fact, forfeiture clauses are, quite frankly, illegal. We would have litigated this issue. I think we would have won this issue, but sure enough, to this day, the clause remains.

How about online banking? If any of you have online banking accounts, whether it's with Charles Schwab or others, what if the EULA says, "We can take your money whenever we want?" Can they just take your money? I mean all it is, is in actuality to you looking at an Internet browser screen, a digital representation of your money. If you find in a EULA that it says, "We can confiscate at any time we want," does it not become your money by virtue of the fact that you deposited or made the mistake of depositing your money with them?

So I come back to a—something that was going on this morning a little bit where we're seeing this tug-and-pull about the tools and the creator, and I'm coming back to the avatar for a moment.

On the screen is an excerpt from Microsoft's new Word EULA, and my Google counterpart may pay attention for a moment because they have a competing product now, and perhaps, perhaps the marketplace decides what a EULA can do. But if you read the first paragraph, I'm not going to go into this too much. "You have no interest in the value of your time spent while using the program. All documents developed as a result of use of the program are the sole and exclusive property of Microsoft." Now, that's pretty shocking, isn't it? And, in fact, we probably wouldn't be having a writers' strike right now with Hollywood. We'd be having a Microsoft strike with Hollywood. And then we emphasize the next part, which is, "If you want to contest it, you have to go to Iceland," and you consent to their law, Icelandic law.

But the shock, I think that the audience sees from thinking about it as Microsoft, I have to admit, it's not Microsoft's new clause, because the marketplace—if any of you saw that, you'd say "Why would I ever use Microsoft?" I mean my counterpart, who's here, he would be texting people back in the office saying, "We win. We're going to have 80 percent of the market share tomorrow as soon as we get out there that Microsoft is stealing people's copyrights because you are using their program."

Yet, EVE Online, which is a massively multi-player world with science fiction, does exactly this. It says you have no interest in the value of your time spent playing the game.

Now, the concept that someone could own your time while you're playing the game, it's just—it's flabbergasting. Yet there it is in a EULA that you're required to click "I accept" anytime you go into their world. And the rea-

son for it, of course, is that smart black marketers started not selling the virtual items anymore.

They started saying, "The virtual items in this eBay auction are free; however, you are paying me for my time used to acquire the items." Aha! Now it was not a prohibited auction. Everybody could buy it. And, of course, they require you to dispute any of this in Iceland, which is not enforceable, and I don't think any court in the United States would.

So I turn over a philosophical question about this a little bit because these are consumer click licenses. And you start saying, well, who's Superman? I mean who owns Superman's costume? Who owns the phone booth? But what if D.C. Comics owned Superman's costume and you step into the costume and you decide to do good while you're in that costume as opposed to bad? Who is Superman? Is Superman the costume or is Superman at least, in part, embodied by who you are, about who you are as an individual?

Same thing with Iron Man. The movie's coming out this summer. I mean in the comic books, it's Tony Stark, who's an alcoholic philanthropist, but he steps into a suit of armor, and if you use the suit of armor which allows him to fly and shoot ray beams and fight villains, but if he steps into the suit of armor and he's a villain, or somebody else steps into the suit of armor, doesn't that change the definition of who Iron Man is? Isn't there something about that?

If Humphrey Bogart is created into a digital format and one of us steps inside of his skin, are we Humphrey Bogart? It's like *Being John Malkovich*. You step into John Malkovich's head, are you John Malkovich, or is there some part of you that's acting out John Malkovich? These are questions that are arising in these worlds because aren't there some things that you can't sell? Isn't there some part of yourself that you just can't sell, that you can't sell to someone else, you can't click away? Stephen King using Microsoft, Monet using paint and paintbrushes.

I'm going to skip ahead for a second to one audio clip. [AUDIO CLIP PLAYING] With that having been said, there's now a series of commercials in which William Shatner, Mr. T, are now being represented as the World of Warcraft characters.

And, in fact, there's a recent book called *Alter Egos: Avatars and Their Creators*, by Robbie Cooper, and he shows images of real people side by side, their avatar. This is a gentleman's avatar, Rurouni Kenshin. He fights monsters, rides around on speeder bikes, pretty imposing character, isn't it? That's him in real life. That's Jason Rowe, 32 years old, suffers from a rare muscular dystrophy, and he says, "My character in the game is a lot different from what you see here in real life. Pretty much gave me a window to the world." And he talks about the fact

that he's treated as an equal and he's not disabled in the virtual world. Can he assign away who he is and what he brings to that character because he clicked "I accept"?

Skipping ahead, I just postulate Stephen Hawking and whether or not he created the—if he—because of the fact he was in his zero gravity environment, he creates *The Answer to Life, the Universe, and Everything*. Do the people who own the spacecraft own the fact that he has now created *The Answer to Life, the Universe, and Everything*?

So I come back to the Superman quote at the end, and I thank you for your time. But these are issues that are coming up now, and they're coming up in the virtual world space. Thank you very much.

MR. GOMEZ: Here's something interesting about Rurouni Kenshin. That name is the name of the lead character in the Japanese animated series, *Samurai X*. So while he may or may not own that character in that world, that name is probably trademarked by the Japanese animation studio and so forth. There are layers upon layers of challenges that you guys are going to have to face. I'm going to need you.



MR. ARCHINACO: Keep us busy.

MR. GOMEZ: Yeah, yeah. As a creator of these virtual worlds, a lot of what you have to say is fascinating and, of course, I'm in the process of building these worlds and need to think about all these sorts of situations.

There are going to be worlds—one of the next phases of virtual worlds, as exemplified perhaps by *Second Life*, but now with intellectual properties that are going to be persistent universes, consistent fictional worlds, they're going to invite user-generated content to become a part of that world. That means that when the audience member comes to my web portal and knocks at my door and wants to participate in this universe, I'm going to have to list some kind of Terms of Service that lets that person know that whatever it is that they fabricate, because it's my Intellectual Property, is going to become my Intellectual Property, but at the same time, I don't want to alienate that person because that's what a lot of that language sounded like. "I don't want to be in there if what's in my mind, my time, belongs to you."

So what we're trying to do is to make that as user-friendly as possible by validating and celebrating the participant's contribution. So if my sponsors, if my advertisers are weaving their content into my world, if you participate for a certain amount of time or contribute

a certain amount of content to this world, you're going to be compensated with Nike sneakers, or a six-pack of Coke, or cash, because it's part of some promotion and so forth. And I'm hoping that that begins to approach some kind of solution. There's a tricky element.

On top of that, I have to consider whether the content that you're contributing to my universe is original content. Do I have to vet every single piece of content that enters into this fictional world to make sure that it doesn't belong to somebody else, that it's not a Rurouni Kenshin? Yes, I do, I suppose.

So I'm going to have to develop a kind of implementation to filter that content, a kind of buffer zone in my virtual world to filter that stuff and to make sure that other people's properties don't become permanently attached to mine, because then there'll be a scuffle.

Does this sort of thing make sense in terms of—

MR. ARCHINACO: Absolutely, absolutely.

MR. GOMEZ: What's next?

MR. PATRY: What I wanted to do to keep my promise of less bloviating and more questions, is just to raise a few issues that might be there, and then open it up to the floor to ask questions, make comments, participate, you know, in some way that is meaningful for you.

So I would say that the traditional role for Intellectual Property is sort of the centralized one rather than of the individual genius working alone. And indeed, I think in Jeff's presentation, there's a strong element of that even now, which is the reference to centralized visionaries.

In that sort of traditional role, the audience was rather passive, right? You may be adoring, and consumptive, but you weren't a creator, aside from what's always been their fan fictions and things where people do that. We now have hybrids, too, to use the term from the last panel.

So I have 6-year-old twins, and they're fascinated by Webkinz, which is a real live, stuffed animal, but, of course, what makes it different from any other stuffed animal is that you give it a name, you give it an identity, and then you go on the computer and play it with other kids and playing games that are there.

In fact, I have two computers side by side so they don't fight and they can each have their own Webkinz and play along with whomever.

The New York Times today had an article about Leap-Frog, which is going to come out with a new product called "Tag," and the way that they're trying to, in their words, up-sell, is to make sure that you have to connect to the Internet to have add-ons, you know, to get updates, to interact with other kids, and so stuff like that.

That's sort of a hybrid where you have a real physical thing with stuffed toys, in the case of Webkinz, but what

gives it some of the value, at least, is being able to play it in a virtual environment.

Jeff mentioned user-generated content, and certainly one big change is the value that we see in creations by either social network or user-generated platforms, like Wikipedia. There had never been a product like Wikipedia that was done by a centralized authority, in the sense that that authority doled out to and hired and edited and supervised people creating.

The *Encyclopedia Britannica* I think could not have done what Wikipedia did, at least in the amount of time that it did and in the manner that it did.

A company that we own, YouTube, of course, is the same. There are, I believe, around eight hours of video that's uploaded to YouTube every minute of every day. There's a lot of video. Most of it, by the way, from outside the United States, too. You know, that's possible because there is no centralized authority that says, "Yeah, I want a video about this or that," you know. "This is what I think is going to be hot" or "This is what I think," you know, "the market wants."

That's a change, certainly a change for traditional media companies who, you know, believe that they could sell to people what they thought people wanted and on the same terms and conditions that they had done for a long time.

If you want to buy a single, you got to buy a CD, for example. You know, if you're on the radio, you're going to listen to Top Ten. That's not the way that things are going. Things are going more towards, you know, social creations of things.

However, as we know from Second Life and the parts that Jeff does, there does have to be some sort of centralized authority, right, to make the trains run, to make it work. I mean there was a lot of stuff that went into the back into YouTube so that people could do that.

When you go onto a site and you want to watch a video, I won't name names, but you need to have the right player. And even if you have the right player, you need the right version of that player. That's not true for YouTube. It doesn't matter where it comes from. And so for all of these things to work, there needs to be a centralized system that does it.

Having created that sort of centralized environment, then, that raises a lot of legal issues, I think. So that's nothing virtual about Linden servers. Those are real servers. And on those servers are things, and some of those things may well be infringing things or defamatory things or things that violate right of publicity, trademark law, whatever it is. So in terms of legal issues, they're there. Is it primary infringement? Is Linden directly liable because it's on their servers? Are they secondarily liable for making things happen?

There was a big brouhaha a while back, a year or so ago about CopyBot, which is a program that lets people copy other people's advertisers and other things. Well, did Linden facilitate that? Did they not act when they knew what was there? Did they have any secondary liability for permitting their program to operate on their system that they had created and that they controlled as well? Were they an Internet Service Provider within the meaning of the Digital Millennium Copyright Act, which has a definition of that? And if so, did they comply with the Notice and Takedown requirements by having a provision for notice and takedown and appointing an agent?

And if you go onto Second Life, in addition to the terms of service, you'll see they instruct you how to file DMCA notices. So, I think in the *Bragg* case, that was an issue, right? There was an issue about whether—it wasn't resolved because it was settled, but—or was it—that was *NC Soft* case.

MR. ARCHINACO: I believe it's the *NC Soft* case.

MR. PATRY: *NC Soft* case, so there's an issue about whether for that, they had DMCA liabilities. So we're sort of in that very early stage in that. Fortunately, YouTube is not in an early stage because we had what you might call our Austin Powers' suit, right: "We're going to sue you for \$1 billion," so, you know. We're facing and—on the user-generated content side, but they certainly arise in this environment.

So we have somewhere to around a half-hour, which I think is a good amount of time for people to stand up, say what they want, ask questions of any of us or do what you like. Don't be shy. Yes, sir.

AUDIENCE MEMBER: This isn't a question so much as a statement, but I think gaming officers are going to have to choose whether you want to be in the content business or is it a game business.

It seems like game companies like that are trying to do both in owning the content that people put up on their games, so that potentially they can use those characters and the right to make a film based on a successful character that belongs to the studio, not the creator. But companies like Microsoft who don't claim any ownership in what you create using Word or companies that make Groucho Marx glasses don't claim any ownership in funny things you say while you're wearing their glasses.

They decided that they're in the business of selling glasses and software and not in the content. If I represented a videogame company, I would have written the EULA that broad on behalf of my client. But, again, you know, you face a risk because nobody's going to want to play the game—those are your rules and you intend to enforce that. The first time that becomes public, you're, in effect, out of business because you've decided you're going to enter the content business rather than the tools

business because I think that's the threshold decision you face with the next game that you develop when you go to your lawyer and say, "Please write me some terms of service." I'm going to have to ask you what's your goal here, what's your revenue?

MR. GOMEZ: To me, a fascinating case, there's a group of kids in Vermont or New Hampshire—they're not kids, they're in their 20s and 30s, who are creating entire *Star Trek* episodes. Some of you may have heard of this, the *New Voyages*, and they're not the only ones. These are the original *Star Trek* series, Captain Kirk, Mr. Spock, on reproductions of the sets which are absolutely astounding. They're using contemporary special effects so it looks fantastic. They run an hour long. They're in the format of the old *Star Trek* episodes, and they distribute them on the Internet.

Of course, they're not charging at all, or I'll say I would think Paramount would really come down on them, but there is a kind of tacit approval on the part of Paramount, the owners of *Star Trek*, because they're letting them do this.

In fact, the kid who plays Captain Kirk in the show will have a cameo in J.J. Abrams' feature film because in essence, Paramount is tipping its hat to this group of people who are keeping the spirit of the franchise alive during slim times.

I think there's room for Intellectual Property owners to allow for a certain amount of expression in the exegesis, as I call it, of the universe, that kind of netherworld where fans write fiction about Professor Snape from the Harry Potter universe, and it's usually involving all kinds of sexual situations.

But anyway, it's outside of the universe and it's allowed to exist and persist because if you take that away from your core fan base, you really will upset them. I'm hoping to draw a distinction between all that which nobody's charging any money for and it sort of keeps interest in the property alive versus the entering through the box office, so to speak, where there is an agreement that's formed between the player and the universe that what happens inside this universe sort of stays inside this universe. These are things we haven't perfected, but are still working on right now.

AUDIENCE MEMBER: See, the irony is that you mentioned making a low six-figure sum by selling a character that you developed in the *Dungeons & Dragons* world—

MR. GOMEZ: Yes.

AUDIENCE MEMBER:—to which Gary Gygax and his company didn't claim any proprietary ownership, although they sold you the tools to create that character and you roll the dice and it has these attributes and, you

know, that was a physical world as opposed to a virtual world. They invested time and money and resources in creating those books that you bought and having that board printed and those dice manufactured. But they—I mean—

MR. GOMEZ: We read those books cover to cover and there was no rule that said what we create in our games belongs to TSR.

AUDIENCE MEMBER: That's right. I think that would have been difficult to enforce.

MR. GOMEZ: So we wouldn't hide that stuff all the way in the back in the terms of, you know—that would have to be out front and center and it's the rules to the game. We just have to be clear about it and cool about it with our audience.

MR. ARCHINACO: Can I say something? One comment about it, I think that this is a distinction that hasn't been raised yet. But, in the instance what we heard this morning of Harrison Ford who plays Indiana Jones and, of course, Harrison Ford has some right in who he is. But the difference with the massively multi-player world is Indiana Jones is a character who is highly scripted. I mean it's not a tool. It's not a mechanism for original creativity by Harrison Ford. It's not—he puts on the cap and the fedora and the whip and he just does whatever he feels like doing. There are scripted events that occur. And in a massively multi-player world, while you have a lot of that, while you have scripted events that the players can participate in, the players build their own characters.

And there was one study in the game *Lineage*, which is a Korean-based game, where they ask I think over several thousand players, what is your belief about ownership rights in your character and your items in your account? And over 90 percent of them said, "Me or my avatar own the items in my account."

Now, that's fairly astounding, particularly given that the EULA stated specifically, "You own absolutely nothing." So unlike Indiana Jones, yes, you're stepping into a suit of armor. There are tools that are being given to you that may enable you to fly. You can't fly in real life. You can fly in the virtual world. But at what point, what part of you do you still own?

You don't own the tools that the developer's given you, and the people building a jet, building these beautiful virtual worlds. They give you amazing tools to do creative things with. You don't own those tools. But right now, you don't have any interest in who you are when you use those tools, when you're creating the character that expresses who you are. And I think that's some of it, stepping into the armor, so to say, or stepping into the costume that Jeff creates.

I would never argue—and I think there's a fine line—I would never argue that I would ever be entitled to own

a costume that Jeff created in his virtual world. But as for what I do with it in there, because it's somewhat of a collaborative effort, that becomes the question, and that's the question we're going to grapple with.

And what I did in my presentation is simply to point out just because you call it a game, just because you call it a virtual world, do not think this isn't serious business.

AUDIENCE MEMBER: Given the discussion about the relationships that your company has with a lot of other content creators, whether it be the Hot Wheels creator or *Pirates* or what have you, can you talk a little bit about what developing custom in the industry there may be in terms of what the allegation is of Intellectual Property rights when you take someone else's underlying creation and adapt it?

Is it a work for hire or is it some type of—what is the custom for companies like yours in terms of either demanding or being flexible with your own independent Intellectual Property rights?

MR. ARCHINACO: This is the maze I walk every day. Great question. What's really interesting to me is that the—and I'll speak in generalities so I don't get in trouble, the very large—

MR. GOMEZ: The very large clients that we have who have film series that are becoming iconic, that are really, really well-known and that they hope will be well-known and iconic for years to come, the so-called Evergreen Franchises, they are grappling with the fact that the reason why there's such an incredible fan loyalty is because of the movie stars.

Well, movie stars have to be paid a lot of money, and movie stars grow old and die. And if we were all *Star Wars* fans because we worshiped Mark Hamill and Carrie Fisher, this wouldn't work out so well for George. So what I'm hired to do, quite often, is to create ways to get fans to appreciate the Intellectual Property as a whole, to move away from being stargazers and move toward becoming involved in and getting lost in the fiction, admiring the mythology and fabulous details of this universe.

Well, what Starlight Runner then has to do is fabricate a tapestry, a cloth against which the base Intellectual Property is made. So what we're doing is expanding this universe and creating a lot of rich detail.

Well, in the earlier phase, like with the Hot Wheels, we are being hired work for hire and, of course, everything belongs to Mattel. What we're grappling with is trying to tell these very large companies that what we're doing is vastly improving their revenue streams by creating trans-media properties and telling stories that will have them generate multiple revenue streams. That's worth a lot of money. That ought not to be strict work for hire.

We ought to get a piece of the underlying rights or revenues for the property royalties, things like that. Because we've been fortunate and have been successful, that's something that's starting to happen for us. But it is something that is being grappled with by everyone at every level of the development of these worlds.

An author who writes a *Star Wars* novel doesn't own the copyright to his own work. Lucasfilm takes that copyright, and so does Paramount for the *Star Trek* novels and so forth. It's just going to be a matter of leverage and a matter of re-thinking the way that these universes work to the degree to which people like myself start to benefit from participating in these giant things.

MR. PATRY: Yes, sir.

AUDIENCE MEMBER: Jeff, do you see us getting to the point of when virtual content will be transferable to all parts of the world? Will we get to the point where there's some sort of standard put in place so that, let's say someone develops a very, very detailed simulation of a restaurant, and that restaurant on the south side of Chicago in the 1930s.

MR. GOMEZ: That's fascinating. To a certain degree, and I think you probably have thoughts on this—

MR. PATRY: But the question is, what happens when somebody takes something from a part of, say *Star Wars*. If someone could explain to my 6-year-old why the first one is really Part Four. I keep trying, but I'm not successful. And the question is if you take something, say a locale from *Star Wars* and then put it into a different environment, what happens there when you're going across different media, right?

AUDIENCE MEMBER: Yes. And will we have the technology to be able to do that comfortably?

MR. PATRY: Well, I think we do now.

MR. GOMEZ: Those are two separate and interesting questions. Maybe some people know Richard Belzer/Detective Munch on *Law and Order*. That character has appeared in several different television programs, some of which are owned by different studios.

I think Detective Munch appeared on an episode of *X Files*. That's fascinating to me. I call it the Stephen King clause. Stephen King has built this universe, this cosmology where characters recur in different novels. The character of Sheriff Batterman appeared in *Cujo*, in the *Dead Zone* movie, in the *Dead Zone* TV series. He's actually killed in *Misery* as an old man.

So all these studios purchased the rights to these novels and created these movies, and yet somehow, King is able to get away with repeating that character in many books and the studios don't fight amongst themselves for it. So I think that's certainly what we have to do and have

to think about when we're creating original content. And it is doable with the right legal finagling.

As to the ability to have everything digital be compatible, there is pressure on the part of the young generation, I think, to make it so. They want to be able to move their digital content from one medium to the next, from one console to the next. They want it when they want it, where they want it.

There is now just starting a movement among videogame console developers and software developers to come up with a universal videogame console so that the games can be created across all the different platforms and can be freely exchanged. So you have—

MR. ARCHINACO: Yeah. What you're saying, though, developers are a little selfish about that. So what you're saying, for example, is Microsoft with Microsoft Live.

MR. GOMEZ: Yes.

MR. ARCHINACO: They've created a system where there are tokens and things where you can move things in and out perhaps in games that are on the Microsoft Live platform, but you, of course, cannot move them over to Sony's platform.

So there's a distribution or, so to say, and Microsoft Live is a good example of that. Where the players want the benefit of badges and virtual things they've accumulated in the world to carry on to other worlds and have some type of tokens of their achievements, but if you leave the Microsoft Live environment, no, you're not going to have that. And I think the place you're going to see it first, you're going to see the issue you're talking about is with eBay. I think eBay is the one who is going to be attacked first with regard to their feedback system.

It's a little bit different than what you're talking about, but I think that's the first place you're going to see someone try to challenge the fact that they claim that your feedback, your reputation is proprietary to them.

So I think you're going to see it there where someone's going to try to move it and change it off one platform and make it so that that reputation can be used amongst multiple platforms. eBay will fight very hard on that because that's one of the cornerstones of their business model.

MR. PATRY: Are you saying that Google's business model is an open platform, so we're certainly doing that with social networks and with the Open Handset Alliance, but we also face some of these issues, say, with Google Maps where we have lots of mash-ups, right, and we want people to

be able to take stuff from different places and put it on, whether it's descriptions of places, photographs, all sorts of stuff. That, too, of course raises issues.

So, one thing I think the companies will face is that the more they make this possible by having open systems and permitting people to do mash-ups, as we do, then you run into issues of copyright infringement, the start of the no-good-deed-goes-unpunished approach.

AUDIENCE MEMBER: Nothing's really been said about the responsibilities that go along with the developers of these worlds. You created this world.

If something happens, like an avatar steals from another avatar or an avatar committed suicide because of another character, something like that is to happen in one of Mr. Gomez's worlds or any other, I'd like to know if there is anything, who's going to be responsible for that?

MR. PATRY: Well, CopyBot, you know, raised that issue I think in a serious way for Linden Labs, you know. What did they do with a program whose purpose was to go around and rip off other people's stuff? That's hardly as serious as the suicide, but that was an earlier one that I think raised some issues about what it meant to be a community self-policing. That is an issue for all of the communities, whether you police yourself, whether you rely on real laws. I'll let Jeff speak to the rest, but that was certainly an early one.

MR. GOMEZ: I'm reminded by your remarks about what was happening in the early days of fantasy world-playing games and when there were suicides or the linking of Dungeons & Dragons to things like Satan worship and runaways and—

AUDIENCE MEMBER: What was it called?

MR. GOMEZ: Mazes and Monsters.

MR. ARCHINACO: Mazes and Monsters.

MR. GOMEZ: Oh, what a headache! I think those issues were litigated, and in those cases, the publisher of Dungeons & Dragons and so forth were found not directly responsible in a similar way to how you can watch a television show or movie and mimic it and perpetrate a crime and it wasn't the fault of the TV show.



But that all being said, I do think that these virtual worlds are so sophisticated and so psychologically engaging that some responsibility for reminding the player of the distinction between the virtual world and the exiguous is the outside world is in keeping with their play. I don't know what—what do you think?

MR. ARCHINACO: I think there's two things you're pointing to. The first is a real-world crime, and that, in fact, happened in China. One player stole another player's highly coveted virtual sword and sold it, and the other player did not find humor in that, went to his house and killed him, and that person's serving whatever jail sentence is imposed under Chinese law. So that's a real-world crime.

Virtual crimes, it depends. I mean, you know, the platform developer, Jeff develops a platform that allows player-to-player combat where players can kill one another. And there was a guy named Aqua Man in the game *Ultima Online*. He killed hundreds and hundreds and hundreds and hundreds of players.

In fact, they had to change the system because he was so efficient at killing everybody, that they said, "Our system is broken," so they had to change the rules to prohibit that. But that was part of the game world.

You know, it's a *Dungeons & Dragons* type of world and part of it is, virtual loot, stealing, et cetera. So there's a game set that—game element that's put into it. And the one that crosses over from the virtual to the real potentially is a game *EVE Online*.

They built the system out to have these massive corporations and they designed the system so that players could engage in espionage. And, in fact, there's a great example where for over a year, there was an infiltration of the largest corporation in the game, and these players had infiltrated, executed the leader and all of the leaders of this corporation and stole all of their credits.

Now, the virtual credits, according to the end-user license agreement, are worth zero. On the black market, I think the value is in excess of \$100,000. Now, did they sell them? I don't know. But there's a crossover because that virtual currency has real-world dollars. So, you're looking at two issues that are somewhat separate and distinct and then others that cross over.

AUDIENCE MEMBER: We had a bit of discussion about some hypotheticals about what rights might be created and we're also specifically talking about the fact that, Jeff, you had a character that you created that took away from the game and sold. But what about if you really are just using a game-world system as a tool to create an entertainment product?

I'm speaking directly about where you take a game engine to create an episodic content that basically has nothing to do with the game or may or may not have anything to do with the game, but literally just using it as a production tool to make a show like, for instance, *Red Versus Blue* is a show that—it was made using the Halo game and has millions of viewers and multi-millions of dollars behind it as far as sales are concerned. Who owns that if you're just using the game as a tool? Would that be the company or would that be the creator?

MR. GOMEZ: Well, interestingly, Microsoft tried to take that head on by granting certain rights, trying to make themselves look reasonable because I think the end analysis is going to be they're going to lose that fight. So they've given certain rights to the creator, so to say. But I think you're pointing out what the very issue is, which is somebody's using a tool, and the toolset may be limited.

It's more limited than someone who's filming a movie in the real world, because in the real world, you can do all kinds of things. But you're using a toolset, and you're using a toolset to create a movie.

And so it's literally, okay, so who owns the content? And I think Microsoft's license says something like, "Well, as long as it's not commercial use" and then there's all this iffy language in there, and at the end of the day you can't really understand it other than to say that they're not enforcing it because they know what the outcry would be from the player base.

But if you view it from the sense of a toolset, why would the toolset owner own anything that you create with the toolset if that's the way you're viewing it? If you're viewing it as proprietary content, that's only made possible because of the toolset, it only exists in that environment, then why does it own it? The person who writes the heavy-handed EULA and gets caught with that is going to be the person that defines the law. You know, the extreme situations are the ones that get contested. And in the case of *Bragg*, that's what happened.

MR. PATRY: All right, great. I hope I kept my word to you and hope it was interesting, and thank you very much.

Endnote

1. End User License Agreements.

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An experienced, engaging and highly qualified faculty examines the legal issues arising with the increasingly popular and widespread activities of videogaming and cybergambling in today's society. (4.0 total MCLE Credits; available in DVD and videocassette formats)

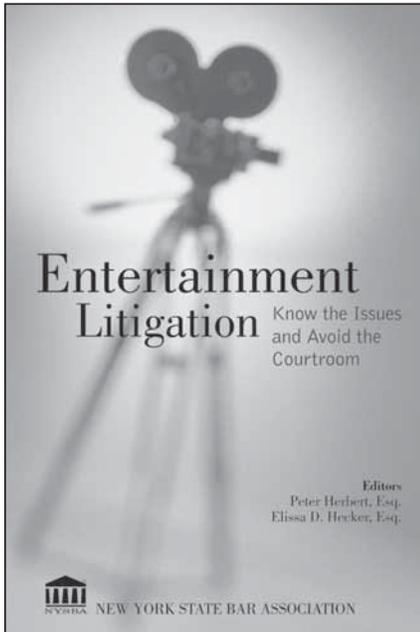
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VLA Receives Grant from New York State Music Fund

In 2007, Volunteer Lawyers for the Arts was awarded a two-year grant from the New York State Music Fund, established by the New York State Attorney General at Rockefeller Philanthropy Advisors, to support VLA's **Ask the Music Lawyer™** program (<http://www.askthemusiclawyer.com>). This grant will help support workshops and clinics for musicians from the New York region, the expansion of our mediation service to handle music-related negotiations, and the development of a special section of the VLA website to include music-related resources and information.

For more details about VLA's award and the New York State Music Fund, please see http://www.vlany.org/forms/nysmf_vla_press_release.pdf. For questions about this program, please contact Elena M. Paul, Esq. at 212.319.2787 x17.

Bimonthly Legal Clinic

The **VLA Legal Clinic** is a bimonthly forum for VLA members to meet privately with a volunteer attorney to discuss their arts-related legal issues. Held from 4pm – 7pm on the second and fourth Wednesdays of each month, the clinic is a rewarding opportunity for attorneys to volunteer without a large time commitment. If you are interested in volunteering, please contact Kate Nelson at 212.319.2787 x14 or knelson@vlany.org.

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VLA's Executive Director and senior staff attorneys are available for private career counseling and to review your resumes in the context of charting your desired career path. By private appointment only. Please contact Alexei Auld, Esq., Director of Legal Services, at 212.319.2787 x12 to arrange an appointment.



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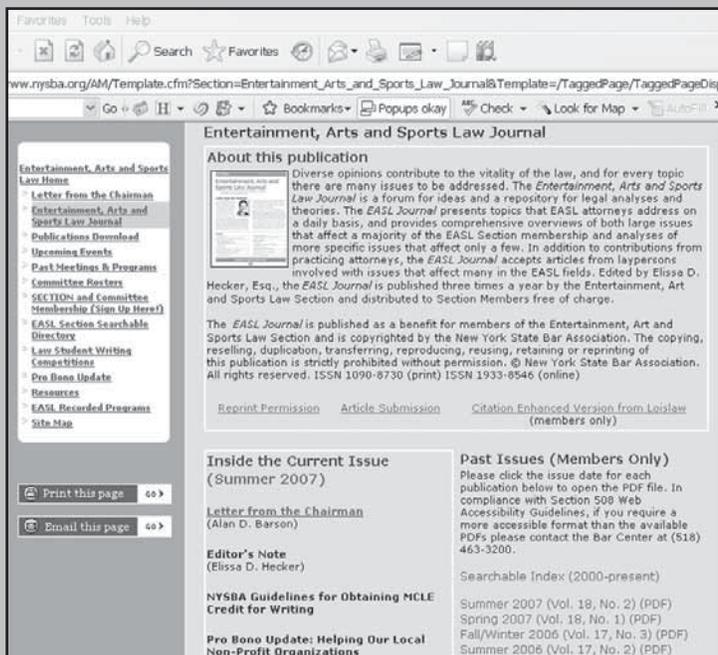
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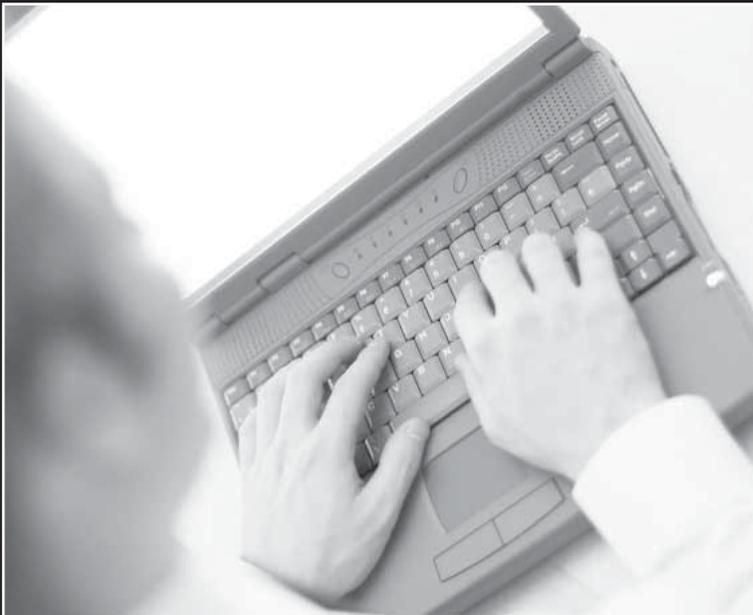
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