NYSBA FALL/WINTER 2018 | VOL. 29 | NO. 3

Entertainment, Arts and Sports Law Journal

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

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Greetings from Lawyersville, by Barry Skidelsky, EASL Chair

Greetings from Lawyersville (yes, that's a real place in New York State), and welcome to this special edition of the *EASL Journal* celebrating the 30th anniversary of the 1988 founding of the New York State Bar Association's Entertainment, Arts and Sports Law Section.

1988-2018

It has truly been an honor and a privilege for me to serve as the 17th EASL Chair in 2018, and I look forward to continuing in that role through 2019. Although it may sound like a cliché, I really do stand on the shoulders of EASL's 16 former chairs—many of whom are still actively involved, and to whom we all owe much gratitude and thanks.

EASL Section Chairs

01.	1988-1990	Marc Jacobson (Founding Chair)
02.	1990-1991	Eric Roper
03.	1991-1992	Howard Siegel
04.	1992-1994	Philip Cowan
05.	1994-1996	John Kettle III
06.	1996-1998	Samuel Pinkus
07.	1998-2000	Timothy DeBaets
08.	2000-2002	Judith Bresler
09.	2002-2004	Jeffrey Rosenthal
10.	2004-2006	Elissa D. Hecker
11.	2006-2008	Alan Barson
12.	2008-2010	Kenneth Swezey
13.	2012-2012	Judith Prowda
14.	2012-2014	Rosemarie Tully
15.	2014-2016	Stephen Rodner
16.	2016-2018	Diane Krausz
17.	2018-2020	Barry Skidelsky (Current Chair)

A special shout out goes to one such former chair, Elissa D. Hecker, who among the many hats she wears is that as editor of the *EASL Journal* and Blog. For this special 30th anniversary issue of the *Journal*, Elissa has compiled an outstanding collection of articles that look back over the last three decades, cover today's hot topics, and look ahead to what the reasonably foreseeable future holds in store for the various areas in which EASL members practice.

Another shout-out goes to our new Section liaison at NYSBA, Kristina Maldonado, who joined our merry band in August 2018. She too stands on the shoulders of former Section liaisons, who also deserve their own shout-outs: the relatively short tenured Sydney Joy (who, after only four months as EASL's liaison, resigned to become Facilities Manager at the Cornell Cooperative), and Beth Gould (who, after serving as EASL's liaison from December 2011 through April 2018, resigned to become Director of Membership at the Girl Scouts).

Sydney and Beth are missed, but Kristina hit the ground running inter alia helping to organize EASL's 2018 Fall Meeting, which took place on October 18 at the NYC offices of Arent Fox. Co-sponsored with NYSBA's Food, Drug & Cosmetic Law Section (Brian Malkin, Chair), that program consisted of two very interesting CLE panels and a superbly catered networking reception.

The Fall Meeting's first panel focused on the intersection of sports and drugs (e.g., doping, steroids and supplements), while the second panel addressed the legal fallout of the "Me Too" movement in the entertainment law realm and beyond (e.g., inclusion riders, morals clauses, sexual harassment, and an overview of several new New York State laws affecting employers of every size effective October 2018).

Below are three photos taken at EASL's Fall Meeting. The first photo is a wide shot showing not only some of the program attendees, but also (in the foreground) the EASL 30th anniversary mug given out as a gift—which, while supplies last, will continue to be given to members at our next few events. The other two photos are of the two Fall Meeting panels, with further details and more available at nysba.org/EASL.

Brian Malkin, Adolpho Birch, Cameron Myler, Jay Manfre, and Rick Collins

Eriq Gardner, Jennifer O'Sullivan, Kalpana Kotagal, Ben Brafman, Kristin Klein Wheaton, and Greg Chiarello

By the time this issue of the *EASL Journal* is published, EASL will have already held its annual Music Business and Law Conference at New York Law School on November 16, and, plans will have been firmed up for EASL's 2019 Annual Meeting, to be held at the New York Hilton on January 15, 2019 (please note the earlier-than-usual date).

2019 Annual Meeting plans include CLE panels on underlying rights and adaptations in multiple media, as well as a panel on ethics for EASL practitioners, and another post-program joint networking reception with NYSBA's Intellectual Property Law Section (Robin Silberman, Chair)—which we first did at last year's Annual Meeting.

EASL remains eager to cross-pollinate not only with other NYSBA Sections, but also with other bar associations, law schools, law firms and additional organizations—all in order to create and add value for our EASL family and friends. If you have any CLE program ideas or other suggestions on how we might collaborate to help advance our mutual professional and personal interests, please feel free to contact me directly. I mean it! Call me!

Let's lift each other up! Whether you might like to be a speaker, write an article for our *Journal* or Blog, get involved with one of our many committees or pro bono clinics, there are many opportunities for you that are just a phone call or email away. Importantly, while we appreciate your being an EASL member, we much prefer your active engagement and collaboration to help make 2019 a better year for all of us—young and old alike.

Which brings me to one final note, a sad one, to mention the passing of a long-time EASL collaborator Alan Hartnick. A member of EASL's Executive Committee for several years, Alan had a distinguished career as a copyright lawyer (including service as President of the Copyright Society of the USA), and he loved teaching new generations of lawyers. He passed away on August 18, 2018 (at the age of 88), while listening to classical music with a pile of books by his side.

With that, I wish you and yours good health and happiness in the coming year; and, I look forward to hearing from you or seeing you soon.

You can reach me at bskidelsky@mindspring.com or 212-832-4800.

Best,
Barry Skidelsky

Editor's Note and Publications Committee

As Marc Jacobson, Founding Father of the EASL Section said on our 25th anniversary, "EASL has become an institution. I look forward to #30, 40 and beyond!"

Welcome to 30.

I became Editor of the *EASL Journal* in 2000, when Judith Bresler was Chair, and cannot believe how time has passed so quickly. It was an honor and pleasure to serve as Section Chair from 2004-2006, and to watch EASL and its Executive Committee grow in population and programming.

Since I started with EASL, the *Journal* has been published three times a year (with the exception of one or two special issues). EASL has published three books, *Entertainment Litigation*, *Counseling Content Providers in the Digital Age*, and *In the Arena*. We also have EASL Blog that is available to all.

This particular issue of the *Journal* contains articles from many of our committees, as well as Former Chairs of the Section, and letters of commendation. The *Journal* is a publication of quality thanks to contributions from so many of you.

Please keep them coming!

Thanks as always to our wonderful folks at the "mother ship" in Albany, past and present: Beth Gould, Lyn Curtis, Wendy Harbour, Sydney Joy, Kristina Maldonado, Simone Smith, and Dan McMahon. They are integral components to EASL's meetings, programming, and publications. Thank you as well to Barry, EASL's Chair, and the dedicated Executive Committee, which members make our numerous programs and offerings possible.

As always, I look forward to hearing from you, our fabulous EASL members. Happy Anniversary to us all!

Elissa D. Hecker
Chair, Publications Committee

Elissa D. Hecker 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 also a Past Chair of the EASL Section, Co-Chair and creator of EASL's Pro Bono Committee, Editor of the EASL Blog, Editor of *Entertainment Litigation, Counseling Content Providers in the Digital Age*, and *In the Arena*, Chair of the Board of Directors for Dance/NYC, a member and former Trustee of the Copyright Society of the U.S.A (CSUSA), and Associate Editor and member of the Board of Editors for the *Journal* of the CSUSA. Elissa is a repeat Super Lawyer, Top 25 Westchester Lawyers, Trademark Lawyer of the Year, NY—2018 IP Excellence Award, and recipient of the CSUSA's inaugural Excellent Service Award. She can be reached at (914) 478-0457, via email at eheckeresq@eheckeresq.com or through her website at www.eheckeresq.com.

The next *EASL Journal* deadline is Friday, January 4, 2019.

Find details on programs, meetings and much more on our Website at www.nysba.org/EASL

State of New York
Executive Chamber
Albany 12224

Andrew M. Cuomo
Governor

August 2018

Dear Friends:

It is a pleasure to send greetings and congratulations to the Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association (NYSBA), as you celebrate your 30th anniversary.

The time-honored role of our legal community has been to protect and preserve peoples' rights, and the various sections of the NYSBA exemplify this tradition upheld by attorneys working in specific areas of the law.. As a global center of arts and entertainment, and home to major sporting events, the venues in which they take place, a number of powerhouse teams, and many renowned athletes, New York State recognizes the vast scope of expertise required to address these diverse interests. Members of the Entertainment, Arts and Sports Law Section demonstrate a depth of knowledge in representing a broad constituency and focusing on matters related to media, entertainment, telecommunications, and technology.

The EASL Section is recognized for its efforts to further the professional growth and education of attorneys familiar with the legal complexities of an ever-growing business. I applaud your work to advance the interests of your members who serve a population of entertainers, artists, and sports figures known worldwide, and for maintaining the highest standards of responsible jurisprudence.

Congratulations on marking this milestone and best wishes for a wonderful celebration.

Sincerely,

ANDREW M. CUOMO

We Work For the People
Performance • Integrity • Pride

KIRSTEN E. GILLIBRAND
NEW YORK

UNITED STATES SENATOR

December 19, 2012

Dear Friends,

It is a privilege to welcome all of you attending the 25th Anniversary of the New York State Bar Association's Entertainment, Arts and Sports Law Section.

As you know so well, lawyers and judges are essential to providing the equal justice that guarantees Americans the rights of life, liberty and the pursuit of happiness. Your efforts have strengthened that principle of equality for all Americans. It is my hope that your efforts serve as an example of the positive contributions an individual can make to his or her profession, community and country. Your determination continues to enhance our civil justice system and further the ideal of equal justice for all Americans.

Please accept my best wishes for a wonderful evening and many years of continued success.

Sincerely,

Kirsten E. Gillibrand

Kirsten E. Gillibrand
United States Senator

Pro Bono Update

By Elissa D. Hecker, Carol Steinberg and Irina Tarsis
Pro Bono Steering Committee

New York State requires both practitioners and law students to provide pro bono services. Since 2002, the EASL Pro Bono Committee has helped its members do so by providing easily accessible opportunities to "do good."

History

In 2002, Elissa D. Hecker and Elizabeth K. Wolfe created the Pro Bono Steering Committee. Since then, our mission has been to make pro bono resources available to all EASL members, and to be a leader in pro bono efforts for the NYSBA. Over the years we have had excellent Co-Chairs of our Steering Committee, including **Elissa D. Hecker**, **Kathy Kim, Philippa (Pippa) Loengard, Monica Pa, Christine Pepe, Carol Steinberg, Irina Tarsis, and Elizabeth.**

In 2003, EASL was instrumental in lobbying for the expanded definition of "pro bono" to include legal work provided to individual artists as well as arts-related and educational organizations. That definition was successfully expanded. There is now a greater need than ever for legal help within the arts communities, and the goal of the Pro Bono Steering Committee is to have every EASL member be able to offer pro bono services to those who are in need.

Clinics and Legal Assistance

Over the past decade, EASL has run Pro Bono Legal Clinics with Volunteer Lawyers for the Arts (VLA), the Directors Guild, Actor's Equity, New York Foundation for the Arts (NYFA), and Dance/NYC. Clients assisted during Clinics covering issues including:

- 501(c)(3), LLC/Corp structure issues, choices of entities for incorporation and not-for-profit
- Agreements in general, including collaboration and ownership, and independent contractor language
- Licensing
- General contract questions
- Development of websites, use of social media
- Fair Use
- General entertainment
- Intellectual Property (copyright and trademarks)
- Immigration
- Sexual Harassment

Our pro bono efforts were recognized by Volunteer Lawyers for the Arts, when the EASL Section received the VLA Arts Law Clinics Pro Bono Service Award. EASL also encouraged the IP Section to create its own Pro Bono Committee, and together we provide pro bono opportunities for our members during every Clinic.

Recognizing that the lack of malpractice insurance coverage was a barrier to attorneys becoming involved with pro bono, the EASL Section acquired malpractice coverage for its Clinic volunteers, and for years, the IP Section has partnered with us under the yearly policy. Malpractice coverage has since been provided for those who needed it during each Clinic. Participation increased dramatically when EASL and IP Section members learned that malpractice insurance was available.

The Pro Bono Steering Committee also tries to assist those struggling artists whose issues are not resolvable in a Clinic by matching them with experienced attorneys who may be willing to accept their issues either pro bono or for a reduced fee. This includes both transactional and litigation matters.

Speakers' Bureau and Collaboration with EASL's Fine Arts Committee

Over the years, many artist organizations and art schools informally asked EASL members to be speakers and provide programs on various legal issues. We realized that there was a great need to provide legal education and that artist/entertainer groups were hungry for an understanding of basic legal issues that govern their creative works. Recognizing that the expertise among EASL attorneys was vast and varied, and that there were many attorneys who generously spoke on a pro bono basis, we established a Speakers' Bureau. This outreach to New York-based arts and entertainment communities let them know that we could provide speakers on legal issues within EASL's purview, and to schedule and accommodate their requests.

The Speakers Bureau participants present programs to educate artists and entertainers on various issues of relevance to their communities. Many experienced EASL members have volunteered their time and expertise to speak to groups throughout the State. In fact, the response to requests to speak has been so overwhelming, that often there are more volunteers than needed. Speaking opportunities reach across the spectrum of EASL issues, and we are always interested in reaching new groups and involving new attorney volunteers.

In addition, the Pro Bono Steering Committee collaborates with EASL's Fine Arts Committee to present interesting speakers at Brown Bag lunches. There is no charge, so it enables members to meet esteemed lawyers in the EASL field and to network with each other.

Below are some of the programs that have been held recently. Pro Bono Steering and Fine Arts Committees Co-Chair Carol Steinberg coordinated some of the programs and assisted other EASL members in planning and coordinating others:

- Adrienne Fields, Director of Legal Services at the Artists' Rights Society (ARS), spoke about the scope of her job. She described the fascinating history of ARS, gave a brief description of her background and role at ARS, gave a slide presentation depicting how works of art are used/licensed, and discussed hot topics in art licensing.

- EASL member Amanda Jacobson, an attorney at the City's Department of Cultural Affairs (DCLA), put together a program in which the DCLA's General Counsel and attorneys described in-depth the types of issues they address.

- EASL members Lena Saltos and Elizabeth Urstadt put together a program called "Inside Auction Houses." They enlisted counsel at top positions in the major auction houses, including Christie's, Bonhams, Phillips, and Sotheby's and partners from major law firms that represent the auction houses and clients that deal with them. Instead of individual presentations, Lena and Elizabeth crafted questions for the panelists to address. The program was so successful that they repeated it at EASL's Fall Meeting.

- Nisa Ojalvo, Jill Elliman, and Lena Saltos put together a fascinating panel on "Design Issues." Betsy Pierce talked about representing Alexander McQueen and Kate Spade and was quite fascinating with anecdotes and personal reminiscence of the noted and sadly deceased iconic designers. Nisa moderated the panel and also asked pointed questions of the panelists.

Ideas for Brown Bag Lunch Programs and/or interest in helping to plan them should be sent to Carol at elizabethcjs@gmail.com.

Working with NYFA

The Pro Bono Steering Committee has produced myriad programs for artists of all disciplines throughout New York City to educate them about their legal rights. Early on, we made a connection with NYFA, when Elissa Hecker read that New York City's Economic Development Corporation had awarded NYFA a grant for Professional Development for Artists. Elissa suggested that the Pro Bono Steering Committee pursue a connection, and Carol reached out to NYFA's then-Director of Education, Peter Cobb, an attorney, arts educator, and jazz musician, and a beautiful working relationship was forged. NYFA began to regularly call on EASL to provide lawyers to speak at their professional development events and contribute to its written materials, including its resource book *The Profitable Artist*. In addition, the Pro Bono Steering Committee and NYFA collaborated to put together some fascinating programs.

Carol Steinberg took the lead on creating these programs. She found that EASL's Executive Committee was filled with bright and eager attorneys who willingly volunteered their time and expertise, and even traveled to remote sections of the boroughs to share their expertise and wisdom.

One of the earliest programs was a day-long program on Legal Issues for Dancers and Dance Companies at New York University. We had an array of fascinating speakers, including the General Counsel for the Alvin Ailey company and the Director of the Martha Graham School, to cover issues such as Intellectual Property for dancers, how and why to form business entities, contracts and negotiations, and the infamous lawsuit involving the rights in Graham's work. The program was a great success and much appreciated by the audience.

The core of NYFA's professional education work consisted of a series of Boot Camps for Artists, which focused on "How to Become a Successful Artist Entrepreneur." Part of every workshop was a lecture on Intellectual Property, contracts, and the formation of business entities. EASL provided esteemed lawyers to speak on these topics. We are still providing speakers for these programs, including a recent one, which was held for immigrant artists.

NYFA has a working relationship with the Chinese Arts Delegation, made up of the top arts professionals in China, who are actually part of the government. NYFA hosts the delegation when it visits the U.S. each year. EASL put together a day of panels (made up of top lawyers in the EASL fields) for the delegation on one of its first visits. One of the featured speakers was the General Counsel of Lincoln Center, as well as a then-partner from Pryor Cashman who had an active practice with China. During subsequent visits to the U.S. hosted by NYFA for the Chinese Arts Delegation, EASL created additional panels of selected EASL topics for the arts delegation. Further, two of the top members of the delegation had a meeting at the Chinese Embassy with the General Counsel of MOMA and the General Counsel of Lincoln Center, with Carol and Peter. The delegates were most impressed by their U.S. hosts.

NYFA also created a very innovative Arts Business Incubator (ABI) program. Similar to the incubators at business and engineering schools, which nurture upcoming entrepreneurs, NYFA determined that arts companies also needed nurturing and mentoring; NYFA put together a program and EASL provided the legal basics. For each ABI group, EASL provided panels of speakers on legal issues, from Intellectual Property to contracts. The panels were held over a two-day period and once again were greatly appreciated by the participants. Once again, EASL members willingly and enthusiastically volunteered to speak on these panels.

EASL also organized panels on "Legal Issues for Artists," held at various arts organizations throughout the boroughs. One was held at a Bushwick Arts Center and another in conjunction with No Longer's Empty's exhibit at the Bronx County Courthouse. There is a skill involved in making legal issues accessible to artists. Lawyers, as we know, speak our own language, not one that is easily understood by the general public, and certainly not by most artists. As an example, during one of the presentations in Bushwick, an artist audience member interrupted a speaker to ask what the word "infringement" means. Even though this word slipped by, the speakers at these programs made great efforts to present the complex topics in ways that were understood by the artist audience members.

One of the most popular panels was "Estates Issues for Artists." This was held at NYFA with standing room only. Top estates lawyers explained the basics and answered questions from the attendees. Another such program is being planned, as there is a great demand for information on the subject.

Thank you!

Together with our partnering organizations, the EASL Section's members help countless New York artists and entertainers to do what it is that they do best—create. Thank you so much for doing your best to help those who cannot afford to pay for counsel.

The Pro Bono Steering Committee's active programming is not only a creative endeavor on the part of the producers, but also for all the speakers and participants. We welcome the participation of all EASL members and invite you to contact the Co-Chairs with your suggestions and interests about topics, speaking, and creating programming.

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Clinics

Elissa D. Hecker coordinates legal clinics with various organizations.

- eheckeresq@eheckeresq.com

Speakers Bureau

Carol Steinberg coordinates Speakers Bureau programs and events.

- elizabethcjs@gmail.com or www.carolsteinbergesq.com

Litigations

Irina Tarsis coordinates pro bono litigations.

- tarsis@gmail.com

We look forward to working with all of you, and to making pro bono resources available to every EASL member.

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

Requirements

- **Eligibility**: Open to all full-time and part-time J.D. candidates who are EASL Section members. A law student wishing to submit an article to be considered for publication in the EASL Journal must first obtain a commitment from a practicing attorney (admitted five years or more, and preferably an EASL member) familiar with the topic to sponsor, supervise, or co-author the article. The role of sponsor, supervisor, or co-author shall be determined between the law student and practicing attorney, and must be acknowledged in the author's notes for the article. In the event the law student is unable to obtain such a commitment, he or she may reach out to Elissa D. Hecker, who will consider circulating the opportunity to the members of the EASL Executive Committee.
- **Form**: Include complete contact information, name, mailing address, law school, 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, January 4, 2019.**
- **Submissions**: Articles must be submitted via a Word email attachment to eheckeresq@eheckeresq.com.

Topics

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

Judging

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

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

Phil Cowan Memorial/BMI Scholarship Writing Competition

Law students, take note of this publishing and scholarship opportunity: The Entertainment, Arts and Sports Law Section of the New York State Bar Association (EASL), in partnership with BMI, the world's largest music performing rights organization, has established the Phil Cowan Memorial/BMI Scholarship! Created in memory of Cowan, an esteemed entertainment lawyer and a former Chair of EASL, the Phil Cowan Memorial/BMI Scholarship fund offers *up to two awards of $2,000 each on an annual basis* in Phil Cowan's memory to a law student who is committed to a practice concentrating in one or more areas of entertainment, art or sports law.

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

The Competition

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

The paper should be twelve to fifteen pages in length (including *Bluebook* form footnotes), double-spaced and submitted in Microsoft Word format. PAPERS LONGER THAN 15 PAGES TOTAL WILL NOT BE CONSIDERED. The cover page (*not* part of the page count) should contain the title of the paper, the student's name, school, class year, telephone number and email address. The first page of the actual paper should contain only the title at the top, immediately followed by the body of text. The name of the author or any other identifying information must not appear anywhere other than on the cover page. All papers should be submitted to designated faculty members of each respective law school. Each designated faculty member shall forward all submissions to his/her Scholarship Committee Liaison. The Liaison, in turn, shall forward all papers received by him/her to the three (3) Committee Co-Chairs for distribution. The Committee will read the papers submitted and will select the Scholarship recipient(s).

Eligibility

The Competition is open to all students—*both J.D. candidates and L.L.M. candidates*—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.

Free Membership to EASL

All students submitting a paper for consideration, who are NYSBA members, will immediately and automatically be offered a free membership in EASL (with all the benefits of an EASL member) for a one-year period, commencing January 1st of the year following submission of the paper.

Yearly Deadlines

December 12th: Law School Faculty liaison submits all papers she/he receives to the EASL/BMI Scholarship Committee.

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

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

Submission

All papers should be submitted via email to Kristina Maldonado at kmaldonado@nysba.org no later than December 12th.

Prerogatives of EASL/BMI's Scholarship Committee

The Scholarship Committee is composed of the current Chair of EASL and, on a rotating basis, former EASL Chairs who are still active in the Section, 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 website*. BMI reserves the right to post each winning paper on the BMI website, 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. *In addition, papers previously submitted and published in law journals or other school publications are also eligible for submission to The Scholarship Committee*. The Scholarship Committee reserves the right to submit all papers it receives to the *EASL Journal* for publication and 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.

About BMI

BMI is an American performing rights organization that represents approximately 700,000 songwriters, composers, and music publishers in all genres of music. The non-profit making company, founded in 1940 collects license fees on behalf of those American creators it represents, as well as thousands of creators from around the world who chose BMI for representation in the United States. The license fees BMI collects for the "public performances" of its repertoire of approximately 10.5 million compositions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the New York State Bar Association/EASL

The New York State Bar Association is the official statewide organization of lawyers in New York and the largest voluntary state bar association in the nation. Founded in 1876, NYSBA programs and activities have continuously served the public and improved the justice system for more than 140 years.

The more than 1,500 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including headline stories, matters debated in Congress, and issues ruled upon by the courts today. The EASL Section provides substantive case law, forums for discussion, debate and information-sharing, pro bono opportunities, and access to unique resources including its popular publication, the *EASL Journal*.

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.*

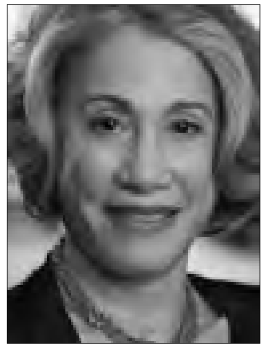
Further explanation of this portion of the rule is provided in the regulations and guidelines that pertain to the rule. At section 3.c.9 of those regulations and guidelines, one finds the specific criteria and procedure for earning credits for writing. In brief, they are as follows:

- 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.

Brave New Art World: Unsilencing the Authenticators

By Judith Bresler (EASL Section Chair, 2000-2002)



Judith Bresler

The art market is peculiarly vulnerable. While art can fetch stratospheric prices, its value is dependent on its authenticity—and authenticity of works can be notoriously difficult to determine. Authenticity, which is tied to the artistic authorship of an artwork as well as to its uniqueness and condition, is a major driver in art transactions. When a party spends a sum of six, seven, eight, or even nine figures on a work of art—for example, Jean-Michel Basquiat's painting, *Untitled*, which sold at Sotheby's, New York in May of 2017 for $110.5 million—the buyer wants confirmation that he or she is buying a genuine work, whether the object in question is being acquired from a private individual, a gallery or an auction house. Whatever the source of the sale, a buyer is unlikely to have any interest in the artwork if there is no reliable opinion regarding the work's authenticity. Similarly, when a work is lent to a museum, the museum requires assurance that what it will be exhibiting is, in terms of authorship, what it is described to be. When a collector donates a work of art to a museum, the donor, in order to be able to take an appropriate tax deduction for the charitable donation, must obtain a qualified appraisal from a qualified appraiser, which is predicated on a reliable authenticity opinion to justify the amount of the deduction. Estates that include works of art are also required to obtain authenticity determinations to affix a dollar value to each work.

"Scientific techniques used to analyze art include radio carbon dating, thermoluminescent analysis, x-ray technologies, and high-resolution digital photography."

Authenticity opinions encompass more than uncovering fakes and forgeries. Often, disputes over authenticity arise because a legitimate work of art (that is, an artwork not created with the intent to deceive) has been misattributed to a particular artist. For example, the question of whether a painting was authored by Sir Joshua Reynolds, the distinguished 18th century English portrait painter, or by Tilly Kettle, a lesser contemporary of Reynolds, was the subject of the 1980s lawsuit, *Travis v. Sotheby Parke Bernet*.[1]

Artworks are generally authenticated by three separate modes of analysis sometimes used in combination—documentation, stylistic inquiry, and scientific verification—but each of these methods has its drawbacks. Documentation of the history of ownership and public exhibition of a work of art is sometimes unavailable, inasmuch as documentation itself is, on occasion, either forged or missing entirely. Stylistic inquiry is inherently subjective: an expert examines the work and, on the basis of his or her knowledge, experience and intuition, determines its authenticity. The results of stylistic inquiry may vary from expert to expert. For example, in November 2016, a set of 65 newly revealed van Gogh drawings, verified as authentic and collated by two renown van Gogh scholars, was published internationally in *Vincent van Gogh: The Lost Arles Sketchbook.* However, in what has been termed by a number of van Gogh experts an "unprecedented" faceoff among scholars, the van Gogh Museum—which has the sole power to officially authenticate works attributed to van Gogh, and which has repeatedly dismissed the sketches as "imitations"—released, on the same day publication of the book was announced, a detailed statement disputing the drawings' attribution (based on both stylistic analysis and ownership history).[2] To further complicate matters, any given expert may change his or her opinion on stylistic determinations over time. Scientific verification can assist in authentication, but even this has limitations. Scientific techniques used to analyze art include radio carbon dating, thermoluminescent analysis, x-ray technologies, and high-resolution digital photography. All of these processes are objective, and the accuracy of the results can be tested by other scientists. However, scientific verification, which can be effective in detecting the age of art objects, is often more useful in uncovering a fake, rather than in positively confirming authorship. In one much-publicized example, Sotheby's New York which, in 2011, brokered a private sale to an art collector for about $10.8 million of *Portrait of a Man,* considered by leading scholars to be an undiscovered masterwork by Frans Hals, declared the painting a "modern forgery" in October 2016, rescinded the sale, and reimbursed the buyer.[3] The Sotheby's opinion was based on an in-depth scientific analysis of the "Hals" that determined it contained traces of 20th century materials, and therefore could not have been painted in the 17th century. Yet, even with all the limitations of the various authentication techniques, authenticators have a crucial role in the art market, and it is essential that authenticators are able to do their work with scholarly integrity and in good faith without the threat of being sued.

The Problem

In the art market, authentication plays a vital role. Authenticators, however, must practice their profession at their own risk—a risk compounded by the imperfections of the authentication process—including incurring potential legal liability for their authenticity opinions. Over the course of rendering opinions in good faith, they have been sued by buyers, owners, and sellers about the authenticity, attribution, or authorship of artworks on a variety of legal theories, to wit: negligence, negligent misrepresentation, fraud, product disparagement, and defamation, as well as on antitrust grounds.[4] Although usually the law, whether state or federal, is on the side of art experts, and they have generally prevailed in the courts, the costs of vindication have been too great: thousands of hours and dollars spent on legal defense rather than on the practice of their profession has increasingly forced experts to withdraw from offering their opinions. The result of this silence has been detrimental to the art market, causing fakes and forgeries of a valuable commodity to flood the marketplace.

"In operation for six years (1990-1996), a period during which it evaluated hundreds of hitherto unknown works and certified only a few for entry into the catalogue raisonné, the authentication board dissolved after the Pollock catalogue raisonné was completed."

Examples of lawsuits that have been brought against individual art experts—and ultimately dismissed—include *Kirby v. Wildenstein* and *Ravenna v. Christie's*. In *Kirby,* an owner of a painting by the artist Jean Béraud sued Daniel Wildenstein on a theory of product disparagement after the owner's painting, evaluated by Wildenstein, failed to sell at auction at Christie's in New York.[5] In dismissing the suit, a New York federal district court held, among other points, that the owner of the artwork failed to demonstrate a requisite causal connection between Wildenstein's statements and any losses sustained by the owner. In *Ravenna,* a painting by Ludovico Carracci, a master of the Italian Baroque, was misattributed, on the basis of a photograph of the artwork, as being from the studio of a minor Italian artist and was consequently sold as such by the owner in a private sale.[6] When the painting, now owned by the buyer, was soon after offered for sale by Christie's New York as an authentic Carracci, the original owner sued James Bruce-Gardyne, the Old Master specialist at Christie's who had originally misidentified the painting. Bruce-Gardyne (along with Christie's) was sued on a theory of negligent misrepresentation. The New York State Supreme Court, affirmed by the Appellate Court, dismissed the case because a successful lawsuit in negligent misrepresentation requires a special relationship of trust and confidence between the parties—and Bruce-Gardyne's opinion was, in this instance, merely free advice based on a walk-in inquiry.

The temporal and financial hazards of authenticating art apply not only to the individual art expert, but to artists' foundations and authentication boards as well. If an artist has a resale market, the artist or his or her estate often creates a foundation to preserve the artist's legacy. That foundation will often publish a catalogue raisonné—a definitive text of the artist's work, which is a primary reference for the art market. Inclusion of a work in a catalogue raisonné—particularly one affiliated with the artist's foundation—generally constitutes an imprimatur of the work's authenticity. If a work is excluded from such a catalogue raisonné, it may well be unsalable. If a work purportedly by an artist is *not* included in the artist's catalogue raisonné, an interested party may seek validation of the work's authenticity through an artist's authentication board, which is frequently created by the artist's foundation. An authentication board generally includes people with scholarly knowledge of the artist's work, people with direct experience working with the artist, relatives of the artist, and/or people who are officers of the artist's foundation. Unlike the process of preparing a catalogue raisonné, an authentication board only reviews artwork submitted to it and its process of evaluation is, of necessity, generally secretive, since transparency can enable art forgers to readily ascertain "hallmarks" of a work authored by the artist and incorporate them into fakes.

Perhaps predictably, artists' foundations and authentication boards have been sued on conspiracy theories in the course of rendering opinions about a work's authenticity, attribution or authorship. The enormous impact on the marketplace of such expert opinions, coupled with the often intertwined relationships between an artist's foundation and the artist's authentication board can provide fertile ground for accusations by the owner of a work. When the authenticity of a work is denied, the owner might claim that the artist's foundation and authentication board have colluded to exclude certain authentic pieces from the accepted canon of that artist's work, and thereby from the market, in an attempt to increase the value of that artist's work owned by the foundation and sold, generally, at auction.

One such artist foundation, the Pollock-Krasner Foundation (PK Foundation), established an authentication board to examine and make authenticity determinations on works of art purportedly by the artist Jackson Pollock. In operation for six years (1990-1996), a period during which it evaluated hundreds of hitherto unknown works and certified only a few for entry into the catalogue raisonné, the authentication board dissolved after the Pollock catalogue raisonné was completed. Prior to its dissolution, the PK Foundation was sued in *Kramer v. Pollock-Krasner Foundation* for, among other claims, antitrust violations pursuant to § 1 of the Sherman Antitrust Act, which prohibits conspiracies in restraint of trade, and § 2 of the Sherman Act, which prohibits monopolization. In that case, one David Kramer, an art dealer, bought a painting privately for $15,000 that, he alleged, could be worth $10 million if it were authenticated as a Jackson Pollock and sold at auction.[7] Both Sotheby's and Christie's told Kramer that they would auction the painting if it were authenticated by the Pollock-Krasner Authentication Board. After a careful review, the Board refused to authenticate the painting and Kramer brought suit. The New York federal district court dismissed all of Kramer's allegations for failure to state a cause of action. In doing so, the court, referring to the Sherman Act, noted that Kramer had reasonable alternatives, other than at Sotheby's or Christie's, to selling his painting (privately, for example, or through another auction house), and therefore no market restraint existed. Moreover, the court found that the complaint presented no coherent theory of participation by Sotheby's or Christie's in the alleged conspiracy, and that each house had an independent interest in not selling forgeries. The PK Foundation, subsequent to dissolution of its authentication board, has continued to receive legal challenges based on its authenticity determinations.

More recently, in 2012, the Andy Warhol Foundation for the Visual Arts dissolved the Andy Warhol Art Authentication Board as announced in October 2011[8] following a series of controversial authenticity decisions, including the double denial of validation of a Warhol self-portrait prepared by a silk-screen factory that may or may not have been created at Warhol's direction. This decision by the Warhol authentication board resulted in a lengthy lawsuit, *Simon-Whelan v. The Andy Warhol Foundation for the Visual Arts* commenced in 2007,[9] and involved an array of claims, including antitrust claims, lodged against the Foundation by the owner of the purported Warhol. The legal defense for this case alone cost the Warhol Foundation more than $6 million (legal costs that it was unable to recover from the plaintiff, despite the fact that the plaintiff eventually abandoned his claim against it).

> *"The authentication board rejected the authenticity of the work and stamped 'DENIED' on the back of the work."*

The artwork that was the subject of this lawsuit was a silkscreened Warhol self-portrait that was one of an edition of 10 prepared by a silkscreen factory. There is a dispute over whether the series was created at Warhol's direction. This artwork was first sold in 1987 at a Christie's auction. Prior to the auction, Christie's sought and received authentication of the silkscreen from the Warhol Estate. A trustee of the Warhol Foundation, Vincent Fremont, confirmed the authenticity by stamping the work with Warhol's signature. One year later, a dealer interested in buying the silkscreen sought and received additional confirmation of the work's authenticity: Fred Hughes, executor of Warhol's Estate and Chairman of the Warhol Foundation, inscribed on the edge of the painting, "I certify that this is an original painting by Andy Warhol completed by him in 1964." The work changed hands again when Joe Simon-Whelan purchased it in 1989 for $195,000. In 2001 Simon-Whelan decided to sell it. He submitted the work to the Andy Warhol Art Authentication Board for authentication and for inclusion in the Warhol catalogue raisonné. The authentication board rejected the authenticity of the work and stamped "DENIED" on the back of the work. Simon-Whelan subsequently amassed evidence for the authentication of the work and once again submitted the silkscreen to the board for approval. The board, however, denied the work's authenticity and once again stamped "DENIED" on the back of the silkscreen.

Simon-Whelan then sued the Warhol Foundation, the Warhol Authentication Board, and the successor Executor of the Warhol Estate in a New York federal district court for failing to authenticate his silkscreen, alleging, among other claims, that they had violated §§ 1 and 2 of the Sherman Antitrust Act. More specifically, he alleged that the defendants had unlawfully conspired to refuse authentication of his and other works of art so that those rejected works would be eliminated from the marketplace, and thus to intentionally inflate the value of the Warhol works owned by the Warhol Foundation and the other defendants. He asserted that the authentication board was dominated and controlled by the Warhol Foundation, which the board used as a tool to remove competing Warhols from the market in an attempt at "monopolization."

Although the defendants moved to dismiss the complaint for failure to state a claim, the court denied the motion and permitted Simon-Whelan's antitrust claims to proceed. What was the court's line of reasoning? First, it found that the complaint's antitrust claims under the Sherman Antitrust Act were sufficiently plausible in that the plaintiff had adequately alleged facts pointing to anticompetitive conduct with a specific objective to monopolize and a probability of achieving such monopoly power. Next, the court noted that the complaint had alleged that the anticompetitive activities took place within both a relevant product market and a relevant geographic market. Third, it found that the plaintiff had successfully alleged antitrust injury: that is, he was prevented from competing as a seller in the lucrative market for Warhols because the authentication board had twice stamped "DENIED" on his artwork, which helped further the alleged antitrust conspiracy. Finally, the court found that Simon-Whelan's antitrust claims were timely because he had alleged sufficient facts to invoke the "continuing conspiracy exception" to the four-year statute of limitations for antitrust claims based on the board's second denial of authenticity. Consequently, after having evaluated approximately 6,000 pieces over a 15-year period, during which time the Warhol Foundation and board found itself mired in a number of other authentication controversies,[10] the Warhol Foundation determined that, in the current legal climate, it should dissolve its authentication board and concentrate its resources on grant-making and other charitable activities.

"Therefore, while liability coverage for the art authenticator may be advisable (it can work well in conjunction with proposed legislation to be discussed below), it is unable to function as a stand-alone substitution for such legislation."

When authenticators are silenced, the results can be problematic. In 2011, the Knoedler Gallery, a distinguished art gallery in Manhattan that had been in business for 165 years, closed its doors. The gallery and its director, Ann Freedman, were subsequently sued in 10 cases[11] by collectors who had bought fakes through the gallery, including works purportedly by the artists Jackson Pollock, Clyfford Still, Willem de Kooning and Mark Rothko. The Knoedler Gallery had acquired the modernist "masterpieces" from a little-known art dealer on Long Island, New York, named Glafira Rosales, who apparently sold some 63 works to Knoedler and one other art dealer between 1994 and 2009. The works were all new to the market, and it is alleged that Rosales was not forthcoming about the ownership history of the cache of works. A few art experts who authenticated some of the works were paid undisclosed consulting fees by Knoedler.[12] Other scholars privately identified a few of the works as being fakes—but were instructed by attorneys to remain silent to avoid being sued by Knoedler.[13] After many of the works had been sold, the FBI commenced an investigation based on the opinions of several experts who, when the works that were the subjects of lawsuits had been submitted for a determination of authenticity after they were sold, either questioned their authorship or denounced the works as fake. It is likely that the purchasers of such works from Knoedler would have agreed to indemnify such experts for any claims or causes of action asserted against them for their rendering of the authenticity opinions. Rosales, the art dealer on Long Island who had sold the paintings to the Knoedler Gallery, allegedly was paid $33.2 million for the fakes, and the galleries allegedly sold them into the stream of commerce for $80.7 million.[14] She was arrested in May 2013, and later that year pled guilty to tax evasion and money laundering. She confessed that the paintings were created by Pei-Shen Qian, a Chinese immigrant artist living in Queens, New York. Qian was indicted but fled to China and is currently believed to be in Shanghai.[15] In September 2017, Ann Freedman settled the last of the lawsuits against her arising out of the forgery scandal, although two lawsuits against the Knoedler Gallery were ongoing.[16]

What About Insurance?

In today's litigious environment, the trend of many art foundations has been to entirely dissolve their authentication boards (some examples include the Pollock-Krasner Foundation, the Andy Warhol Foundation for the Visual Arts, the Roy Lichtenstein Foundation, the Estate of Jean-Michel Basquiat, and the Keith Haring Foundation) in the face of the risks of cost and time posed by litigation.[17] What possible solutions are there to this dilemma? Carrying liability insurance is one possible solution, but on its own it does not guarantee protection. For example, in the *Simon-Whelan* lawsuit, the Warhol Foundation's insurer, the Philadelphia Indemnity Insurance Company (PIIC), initially denied coverage but ultimately agreed to pay the full limit of $2 million of defense fees under its Errors and Omissions policy—but nothing under its Directors and Officers policy. This gave rise to further litigation by the Foundation against PIIC[18] to recover the remaining balance of its defense costs—$4.6 million plus interest. The lawsuit ultimately resulted in a settlement whereby six years after the Warhol Foundation was sued by Simon-Whelan, PIIC reportedly paid to it the "lion's share" of the remaining cost.[19]

In addition to not guaranteeing protection, liability insurance can be particularly burdensome to an individual authenticator. An insurance provider can require the art professional to establish and maintain a loss-prevention program to help minimize the chance of a professional-liability claim being brought against the expert in the first place. Among elements of such a loss-prevention program would be the following: using engagement letters, contracts, and other means to precisely identify the scope of services to be performed; keeping written documentation of all activity, including telephone calls, billing calculations, and the like; participating in peer reviews, when feasible; and avoiding giving specific warranties and similar performance guarantees.[20]

Adherence to all of these elements can be burdensome to authenticators—particularly those with modest incomes, such as scholars, who practice their profession solo. Moreover, alleged noncompliance with even one of the above elements might cause an insurance carrier to "justify" withholding compensation payments from an authenticator who is sued. Therefore, while liability coverage for the art authenticator may be advisable (it can work well in conjunction with proposed legislation to be discussed below), it is unable to function as a stand-alone substitution for such legislation.

Proposed Solution—the New York Legislation

To uphold and enhance the integrity of art market transactions, it is essential to foster an environment that allows art experts to render opinions about the authorship of artworks and "visual art multiples."[21] The New York City Bar (City Bar), through its Art Law Committee of which this writer is a member, has proposed that an effective way to encourage art experts to practice their profession is through legislation designed to accord greater protection to art experts who render good faith authenticity opinions on works of art, including multiples. Yet, at the same time and in keeping with public policy, the City Bar recommends that the courts should be accessible to all parties so as not to deter meritorious lawsuits brought against such authenticators under New York state law.

Accordingly, the City Bar—with the support of EASL and an array of art market constituents, among them museums of both regional and international stature, multiple trade associations involving art dealers, appraisers, and the International Foundation of Art Research—approved legislation drafted by its Art Law Committee, which had been a bill pending in the New York State Legislature in its 2017 session under sponsorship in both the New York State Assembly and the New York State Senate (the Bill).

"It would be fitting that New York, the art capital of the United States and a leading center of the worldwide art market, be a pioneer in creating incentives for art experts to render authenticity opinions without fear, thereby enhancing the integrity of art transactions conducted in New York State and perhaps serving as a model for other states to enact similar legislation."

Elements of the Bill

The Bill addressed important deficiencies in the provisions of the New York Arts and Cultural Affairs Law (NYACAL), the state statute that governs art transactions in New York State. The key deficiency of the statute is the absence of protections under the law for the valuable work of authenticators who render independent, good-faith opinions about the authenticity, attribution, and authorship of works of artwork.

Who Is an Authenticator?

The Bill added a broad definition of "authenticator" to Article 11 (the Definitions Article) of NYACAL to protect a wide range of experts. An "authenticator" includes authors of catalogues raisonnés or other scholarly texts as well as other persons or entities recognized in the visual-arts community as having expertise regarding the artist, work of fine art, or visual art multiple with respect to which the authenticator renders an opinion as to authenticity, attribution or authorship. "Authenticator" also includes persons or entities recognized in the visual-arts or scientific communities who have expertise in uncovering facts (such as forensic scientists) that serve as a direct basis for an authenticity or authorship opinion about a work of art. The definition of "authenticator" expressly excludes any person or entity with a financial interest in the work being evaluated, other than to be compensated for the rendering of the opinion.

Requirement of the Claimant

The Bill added a section to the law that would have helped to prevent frivolous or meritless lawsuits. Section 15.12 to Article 15 of NYACAL would have required a claimant, in any civil action brought against an authenticator for the expert's opinion or information concerning a work of art, to specify in the complaint facts sufficient to support each element of each claim. This requirement would effectively expose a frivolous or meritless lawsuit, such as the earlier-noted *Ravenna v. Christie's*—the case in which the New York state courts dismissed a complaint alleging "negligent misrepresentation" in the misattribution by Christie's and its expert of a Ludovico Carracci on the grounds that the plaintiff was unable to set forth any special relationship of trust and confidence requisite to sustain an action under that theory of liability.[22]

Cost/Fee-Shifting in Favor of the Art Expert

Finally, the Bill amended Subdivision 4 of § 15.15 to create Subdivisions 4(a), (b) and (c). Subdivision 4(a) referred to the already existing discretion of the court to award court costs and fees to a prevailing purchaser of visual art multiples. Subdivision 4(b) permitted this same discretion to the court with respect to a prevailing authenticator in an action arising from an authenticator's authenticity opinion about a work, subject to the proviso that such costs and fees may only be awarded if the court finds good and just cause for the award, as specified in a written finding. Subdivision 4(c) merely made it clear that the already existing discretion of the court to award court costs and fees to an art merchant does not extend to actions brought against an art authenticator with respect to the authenticator's opinion or information regarding a visual art multiple or work of fine art.

The Bill's Unhappy Journey

The Bill was introduced into the state legislature in three consecutive sessions. Each time, it passed the New York State Senate by a vote of 61 to 1, and remained stalled in committee in the Assembly. Given the complexion of the state legislature, the Bill was not introduced in 2018.

Conclusion

While, as noted, the Bill has the support of an array of art market constituents, the passage of this legislation would be unique in the United States. It would be fitting that New York, the art capital of the United States and a leading center of the worldwide art market, be a pioneer in creating incentives for art experts to render authenticity opinions without fear, thereby enhancing the integrity of art transactions conducted in New York State and perhaps serving as a model for other states to enact similar legislation. Unfortunately, despite the myriad of abuses taking place in the art market, the enactment of legislation of this nature is not, at this time, a priority in Albany.

Endnotes

1. *Travis v. Sotheby Parke Bernet, Inc.*, Index No. 4290/79, Slip Op. (N.Y. Sup. Ct. Nov. 11, 1982).
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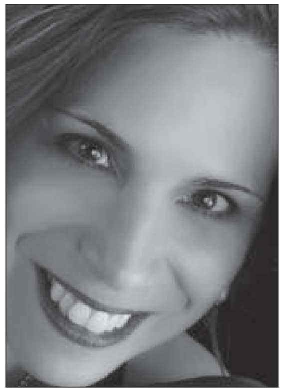
4. *See generally* Ralph Lerner and Judith Bresler, Art Law: The Guide for Collectors, Investors, Dealers and Artists, 4th ed. (New York: Practicing law Institute, 2012). I:491-562.
5. *Kirby v. Wildenstein*, 784 F. Supp. 1112 (S.D.N.Y. 1992), *available at* http://law.justia.com/cases/federal/district-courts/FSupp/784/1112/1907567/ (accessed April 11, 2017).
6. *Ravenna v. Christie's, Inc.*, Index No. 121367-00 (N.Y. Sup. Ct., N.Y. County, Mar. 22, 2001), *aff'd*, 289 A.D.2d 15 (1st Dep't 2001).
7. *Kramer v. Pollock-Krasner Found.*, 890 F. Supp. 250 (S.D.N.Y. 1995), *available at* http://law.justia.com/cases/federal/district-courts/FSupp/890/250/1410901/.
8. Andy Warhol Art Authentication Board, Inc., *Authentication Procedure: Statement from the Board of Directors*, *available at* www.warholfoundation.org/legacy/authentication_procedure.html.
9. *Simon-Whelan v. Andy Warhol Foundation for the Visual Arts, Inc.*, No. 07 Civ. 6423 (LTS) (S.D.N.Y. 2007); 2007 US Dist. Ct. Motions LEXIS 76423; 2007 US Dist. Ct. Motions LEXIS 88832, at *8 (Nov. 30, 2007), *available at* http://dockets.justia.com/docket/new-york/nysdce/1:2007cv06423/310072.
10. One such notable controversy was six wooden Brillo boxes in the Andy Warhol collection at Moderna Museet, a Swedish museum in Stockholm, which were determined to be fakes, having been made in 1990, three years after Warhol had died. In a letter to the Warhol Authentication Board, the museum director, Lars Nittve, noted that the boxes had not been authorized by Warhol and "should be removed from the official list of Andy Warhol Brillo Boxes." The New York Times (Nov. 17, 2007), *available at* www.nytimes.com/2007/11/17/arts/design/17arts-SWEDISHWARHO_BRF.html. Apparently, a former director of the Swedish museum had Swedish carpenters build 105 copies of the box for a 1990 exhibition in Russia. Purportedly, that former museum director, who died in 2006, sold a number of the copies with certificates falsely indicating that the boxes were made for a 1968 Warhol exhibition in Stockholm. *Id.*
11. Laura Gilbert and Bill Glass, *Ann Freedman, former Knoedler director, settles final lawsuit*, The Art Newspaper (Sept. 11, 2017).
12. Patricia Cohen, *Selling a Fake Painting Takes More Than a Good Artist*, The New York Times, (May 2, 2014), *available at* https://www.nytimes.com/2014/05/03/arts/design/selling-a-fake-painting-takes-more-than-a-good-artist.html.
13. *Id.*
14. For some informative reading relating to the Knoedler forgeries, see Michael Shnayerson, *A Question of Provenance*, Vanity Fair, (April 23, 2012), *available at* www.vanityfair.com/unchanged/2012/05/knoedler-gallery-forgery-scandal-investigation; Dayla Alberge, *A Sense of Betrayal and Suspicion Grips the Art World*, Financial Times, (Mar. 27, 2014), *available at* www.ft.content/1662d400-ae60-11e3-aaa6-00144feab7de; Julia Halperin, *Everything You Ever Wanted to Know About the Knoedler Forgery Debacle but Were Afraid to Ask*, Blouin Artinfo, (Dec. 6, 2011), *available at* www.blouinartinfo.com/news/story/753301/everything-you-ever-wanted-to-know-about-the-knoedler-forgery.
15. *Supra*, note 11.
16. *Id.*
17. *Collectors, Artists, and Lawyers: Fear of Litigation Is Hobbling the Art Market*, The Economist (Nov. 24, 2012), *available at* http://www.economist.com/news/business/21567074-fear-litigation-hobbling-art-market-collectors-artists-and-lawyers.
18. *Andy Warhol Foundation for Visual Arts, Inc. v. Philadelphia Indem. Ins. Co.*, 2012 NY Slip Op. 5228(U), *available at* http://law.justia.com/cases/new-york/other-courts/2012-ny-slip-op-52228-u.html (accessed April 11, 2017).
19. Mary Elizabeth Williams, "Update: Warhol Foundation Wins $6.6 Million Insurance Payment after Six Years," *Center for Art Law*, (June 20, 2013), *available at* https://itsartlaw.com/2013/06/30/update-warhol-foundation-wins-6-6-million-insurance-payment-after-six-years/.
20. Michael Fahlund. *Professional Liability Insurance for Art Authenticators*. CAA News Today (March 8, 2012), *available at* www.collegeart.org/news/2012/03/08/professional-liability-insurance-for-art-authenticators/.
21. Visual art multiples, defined in § 11.01(20) of the New York Arts and Cultural Affairs Law, include most prints, photographs, negatives, sculpture, and similar art objects produced in more than one copy and that are the subject of a transaction in New York State.
22. The particularity requirement set forth in the proposed § 15.12 to the New York Arts and Cultural Affairs Law parallels similar requirements in Rule 3016 of New York's Civil Practice Law and Rules, and in Rule 9(b) of the Federal Rules of Civil Procedure.

Judith Bresler, a former Chair of EASL, is co-author of the treatise, *ART LAW: The Guide for Collectors, Investors, Dealers and Artists*, now in its 4th Edition, Counsel to Withers Bergman LLP, and an Adjunct Professor at New York Law School, Judith lectures and publishes extensively on all aspects of the art market.

EASL at 30—Where to Begin?

By Elissa D. Hecker (EASL Section Chair, 2004-2006), Jeffrey A. Rosenthal (EASL Section Chair, 2002-2004), and Katie Van Bramer

By substantially changing our everyday world, technology has disrupted traditional contracting and created new demands of the legal field, from drafting performance contracts between athletes and sports teams, to negotiating purchase agreements between buyers and sellers of rare art. Lawyers are migrating from traditional methods of drafting and assessing risk, and instead favoring innovative methods that account for a rapidly changing digital environment. Technological innovation demands that instead of anticipating events that may or may not happen, lawyers must draft with flexibility to capture inevitable, yet unpredictable, developments.



Elissa D. Hecker

Jeffrey A. Rosenthal

Katie Van Bramer

This article looks back at the impact of some of the technological innovations of the past 30 years, since the founding of EASL, and how they have impacted the practice of law in the entertainment, arts, and sports law fields. While there are dozens of such examples, and each can be explored in lengthy law review articles, this article offers an overview of several, including new methods for testing the authenticity of visual art, the ever-evolving impact of the Digital Millennium Copyright Act of 1998 (DMCA), the creation of livestreaming technology and the consequent ability of average spectators to create and distribute live broadcasts, the development of blockchain contracts, and the tension between the evolution of new means of athletes' doping and tools for its discovery.

Technology and Art

Technology has been developed—and is being improved every day—to test the authenticity of visual artworks. Previously, experts conducted stylistic evaluations to rule on authenticity, while currently, scientists use equipment, such as electron scanning microscopes and gas chromatography with mass spectroscopy, to chemically analyze materials.[1] The questions of what happens if a piece of art is discovered to be inauthentic after sale and who bears the risk arise with greater frequency.[2] The question of authenticity has always been a looming one in art sales, and a statement from an expert is no longer sufficient. Scientific analyses can create direct conflicts with expert rulings, which can result in serious legal and financial consequences.[3] Advanced authenticity technology for visual works has changed the way that lawyers draft sale and purchase agreements for such art.[4]

For example, the mutual mistake of fact doctrine has been refined in the visual arts context. When there is a mutual mistake of fact at the time of the deal and that mistake is substantial and fundamental to the deal, for instance a question of authenticity, *and* assumption of risk has not been assigned to a contracting party, the contract can be rescinded following a complaint by one party of a newly discovered fact.[5] Conversely, parties can contractually assign risk (contractual warranty) and prevent the defense of mutual mistake of fact. If there is no contractual warranty, sellers can assert a conscious ignorance defense to prevent contract rescission.[6] The conscious ignorance defense rests not on whether there was mutual limited knowledge, but rather, whether the party requesting rescission had both the means and the opportunity to supplement his or her or its knowledge and learn the fact before sale.[7]

This defense was tested in *Jerome M. Eisenberg, Inc. v. Hall*. There the majority found that because Eisenberg, a qualified appraiser and expert in Roman, Egyptian, and Near Eastern Art, purchased inauthentic art from an expert art seller after Eisenberg had purchased art from the same seller that was also later determined to be inauthentic, a trial court could find that Eisenberg was negligent in not conducting more tests to determine authenticity. The court determined that he was therefore not entitled to contract rescission. However, the dissent quoted *Feigen*, another New York case dealing with an art transaction, asserting that "there is no authority for the proposition … that in a contract between an expert and non-expert, rescission based on mutual mistake is unavailable to the expert."[8] The judge in *Feigen* denied the seller's argument that the buyer had a duty to authenticate the claimed Matisse because the buyer had more expertise.[9] The *Eisenberg* dissent also cited *Upton Gallery, Inc. v. Doninger,* arguing that there, the court rejected the conscious ignorance defense because both parties entered into the sale agreement on the assumption that the painting was an authentic Bernard Buffet, and the seller should not be entitled to a windfall because the value of the painting was much lower than the contract price.[10]

Technology and the DMCA

The DMCA is the U.S. codification of the 1996 World Intellectual Property Organization Copyright Treaty (Treaty) of 1996.[11] The original purpose of the Treaty was to regulate copyright in the era of fast-paced digital technology progress.[12] However, the DMCA has proven to be extremely controversial, as some question the resulting illegality of reverse engineering software and the anti-circumvention rule, the latter of which prohibits users from breaking "access controls" of copyrighted works.[13] Access controls are often presented as "digital rights management" (DRM). The most well-known example of an access control of a copyrighted work is the DRM on DVDs that prevents companies from making DVD players that play unauthorized DVDs made overseas. Though this example is practically harmless and arguably helps the entertainment industry enforce copyrights, it opens for discussion the issue of how much control a purchaser should have over a good. When a consumer purchases a DVD, should that consumer be allowed to use it in any way? DRMs present a wide range of challenges in other contexts as well. For example, the anti-circumvention provision technically prohibits mechanics from reverse engineering or manipulating the software in cars to diagnose and fix problems. This can create a manufacturer's monopoly on car parts and auto repairs.[14] Further, security experts who oppose the anti-circumvention provision argue that it also prevents reverse engineering or manipulation of software to fix bugs that allow hackers, for example, to remotely take control of a car and crash it, to interfere with live-saving medical devices, or to stalk a family by listening in on its private conversations through devices, such as the Amazon Echo.[15] Opponents of the DMCA argue that it too harshly restricts rights of use of copyrighted material and therefore stalls progress and possibly creates holes in security.[16] The DMCA has been challenged in the U.S. District Court for the District of Columbia in *Green v. U.S. Dep't Justice*.[17] This DMCA debate and ensuing legislation asks us to balance the protection and enforcement of copyrights against the freedom to experiment with and possibly improve upon technology.

> *"Netflix and similar technologies disrupted traditional studio licensing, and when combined with the technology that makes Netflix possible, changed entertainment contract law."*

Technology and Entertainment

Livestreaming technology has also upended existing copyright law. To protect copyrights and to earn as much return on investments as possible, livestreaming services, such as Netflix, restrict access to movies and television shows, depending on the country in which the viewer is located.[18] Demand varies by country, so studios charge more to such streaming services to provide popular shows and movies in certain locations. Netflix may negotiate content deals in one country but not in another, because of price variations. As travelers have access to only those titles that are available in the country in which they are viewing, Netflix blocks certain titles when viewers travel. To avoid this, users have been connecting to virtual private networks (VPN) that mask a device's internet protocol address, and make it appear as if a user is in a country in which a particular title is available. Though this is prohibited by Netflix's terms of service, consumers were doing it so frequently that studios demanded Netflix pay larger content fees. In response, Netflix blocked some VPNs.[19]

Netflix and similar technologies disrupted traditional studio licensing, and when combined with the technology that makes Netflix possible, changed entertainment contract law. Previously, content could only be shown in particular theaters or on particular networks; now, Netflix and similar platforms enable viewing anywhere. While Netflix's attempt to ban VPNs is understandable, the development of technology that provides new ways to access restricted content is constant.[20] Content agreements, therefore, need to adapt to meet this ever-changing market.[21] For example, in 2014, the Supreme Court heard *American Broadcasting Cos. v. Aereo, Inc*. Aereo was a start-up company that marketed and sold a subscription-based streaming service for local television channels to online subscribers.[22] Aereo used micro-antennae to record content from over-the-air broadcast signals. The company did not pay any broadcast television networks for the recordings. ABC, NBC, CBS, and FOX sought a preliminary injunction to prevent the company from launching its service. The Supreme Court found that Aereo infringed on copyrights by distributing over-the-air broadcast content without paying licensing fees.[23] Notably, the Court limited its decision to retransmission of broadcast television, choosing not to extend it to cloud-based technology.

Another area in which streaming technology has had a significant disruptive impact is sports broadcasting. In 2011, for example, the National Football League (NFL) agreed to grant its television rights to ESPN through the 2021 season.[24] As that agreement was just the first of many with traditional cable companies set to expire, the NFL has been and will continue to negotiate with nontraditional providers, such as Verizon, to allow for livestreaming. It is rumored that Verizon and the NFL struck a $2.5 billion per year deal for livestreaming of NFL in-market games, highlights, and commentary, streamable to almost any device.[25] Other sports leagues will likely do the same as their television agreements expire. Major League Baseball (MLB) deals end after the 2020 season and National Basketball Association (NBA) contracts expire after the 2024 season. Analysts believe that despite declining reported ratings for televised sports, the price of media rights will continue to climb, as livestreaming providers join the negotiating table with sports leagues and television networks.[26]

Streaming technology has led to various legal proceedings as well. Following *American Needle v. NFL*,[27] in which the Court found that NFL teams are distinct economic actors with separate economic interests that are capable of conspiring, sports leagues were sued for various antitrust violations. MLB recently settled a class action by agreeing to lower the cost of the league-wide package, provide local team live broadcasts online, provide viewers with the option of following one team online through the season without buying the entire package, and allow viewers to access a visiting team's broadcast online.[28]

> *"The agreed-upon fee is also sometimes programmed into the blockchain to be automatically distributed upon completion of the contract terms."*

The antitrust suit was filed against the MLB, Comcast, and DirecTV in 2012, by a class of MLB viewers who alleged that the MLB teams were a cartel that agreed to eliminate competition in the distribution of baseball games over the internet and television.[29] The suit survived summary judgement in 2014, when U.S. District Judge Shira Scheindlin held that baseball's antitrust exemption did not apply to television broadcasting rights, because such rights are not central to the business of baseball.[30] The National Hockey League (NHL) and NFL faced similar antitrust class action suits. The NHL settled by offering an option for viewers to purchase a package with their teams' out-of-market games.[31] The lawsuit against the NFL was dismissed by a California federal court because the court found, among other things, that output was not restricted, there was no harm to competition, and there were procompetitive effects resulting from DirecTV's renegotiation with the NFL every few years.[32] The court found the NFL broadcast arrangements different from the MLB and NHL arrangements, because unlike the MLB and NHL, the NFL owns the rights to every game broadcast.[33] Further, in 2017, Dish Network sued Univision asserting that the latter undercut the value of a licensing deal when it streamed soccer games on Facebook.[34] The case is currently in the Southern District of New York, although many documents have been sealed.

The precursor to these modern streaming lawsuits is the 1938 case of *Pittsburgh Athletic Co. v. KQV Broadcasting Co.* from the Western District of Pennsylvania.[35] There, Pittsburgh Athletic Company (owner of the Pittsburgh Pirates) argued that radio station KQV was interfering with Pittsburgh's property rights in the home field games, which it had exclusively assigned to General Mills and the Socony-Vacuum Oil Company, by paying observers stationed at points outside, but within field view, of Forbes Field to broadcast identical news about the games. The court granted a preliminary injunction, finding that both the plaintiffs and defendants were using baseball news as material for profit, and KQV's actions constituted unfair competition.

Streaming services not only present new contracting challenges, disrupting common expectations concerning pricing and exclusivity, but also create policing and enforcement challenges to sports leagues and cable companies, as multiple streaming platforms vie for the right to stream and customers have the ability to livestream events to and from almost any device.[36] Personal streaming platforms such as Facebook Live, Meerkat, and Periscope also create policing and enforcement challenges, as fans can personally livestream to social media any event they are attending or anything they are watching on television.[37] Though such streaming is usually against press credential and ticket-back policy, sports leagues need to balance between providing the best possible fan experience and protecting broadcasting rights, particularly as they struggle to find ways to engage younger fans.[38]

Are Blockchain and Smart Contracts Replacing Lawyers?

In addition to contracting with the teams for whom they play, athletes frequently contract with companies and venues. When entering into endorsement agreements, however, athletes do not have a players' union to represent them. Instead, they must either hire lawyers or agents or represent themselves. As a result, athletes, as well as artists and entertainers, are being introduced to the use of smart contracts through blockchain.[39] As explained by proponents, the purpose of blockchain is to give contracting power to artists or athletes.[40] Blockchain is an independent "decentralized system that exists between all permitted parties."[41] Essentially, each side, without counsel, agrees to contract terms. The contract is converted to computer code, stored, and replicated on the blockchain system. The agreed-upon fee is also sometimes programmed into the blockchain to be automatically distributed upon completion of the contract terms. It is supervised by a network of computers, so in theory there is no need to pay intermediary fees for attorneys or supervisors of the contract. The parties can code virtually any triggering event, and once the blockchain recognizes that event, the contract is self-executing. One example would be a mall paying a performer to do an appearance once a month for a year.[42] The triggering event is coded as one mall appearance per month for the calendar year, and as soon as the blockchain is entered, the smart contract software code will continuously sweep the internet for evidence that the terms have been met. Evidence can include photos uploaded by the performer to his or her social media page, news reports, or hashtags on Twitter.

Once the obligation has been fulfilled, the blockchain automatically releases the agreed-upon fee.

Proponents argue that this is the contract system of the future, as it is faster, cheaper, more secure, and offers greater transparency than do traditional contracts.[43] They also argue that smart contracts can be used across the legal spectrum, including with financial derivatives, performance obligations, appearances, insurance premiums, property agreements, credit enforcement, financial services, and crowdfunding agreements. Smart contracts represent a total overhaul of the traditional contracting system. Instead of using players' associations or labels for representation, athletes and artists are advocating for "peer-to-peer" contracting.

"Technology continues to disrupt traditional legal practices. Instead of reactive lawyering, however, we should aim to create proactive systems of contracting and risk assignment."

Although this topic is ripe for discussion, entertainment, arts, and sports negotiations often present complex legal arrangements with financial stakes that usually warrant the engagement of experienced counsel. Though smart contracts may be appropriate in certain circumstances, in most entertainment, arts, and sport contexts, traditional contracting methods are well worth the investment.[44]

Technology and Doping

Technology has greatly impacted both how performance enhancing drugs are made, and also how they are policed. Though believed to date back to well before the 19th century, doping in modern sports, or the use of performance enhancing drugs, became familiar to the public in 1896, with the first reported doping-related death following the Bordeaux-Paris bicycle race.[45]

Today, doping is perceived as widespread.[46] Advancements in science and technology have evolved in sports doping, from the use of amphetamines, to anabolic steroids, and blood doping. Blood doping involves increasing hemoglobin on the red blood cells to obtain a higher level of oxygen in the blood. This is believed to enhance performance.[47] Originally, athletes would have red blood cells removed, then replaced, to increase hemoglobin (blood transfusions), but since the International Olympic Committee (IOC) banned that technique in the 1970s, athletes have been using other methods (such as taking Erythropoietin (EPO)) for the same result. Although the IOC responded by regulating against such methods, medical and technological advancements continue to present new challenges to regulation. Scholars, doctors, athletes, and others argue over whether doping should be legislated, or whether athletes should be free to use whatever means they choose to compete at the top levels of their sports.[48]

Further complicating the matter is state-sponsored doping,[49] as well as state and private regulations sanctioning doping. For example, following the scandal at the 1998 Tour de France bicycle race, France became the first country to enact anti-doping legislation. Many countries and independent agencies then developed their own policies. This, however, led to disparate results. In recognition of the lack of uniformity in regulation, the IOC convened a World Conference on Doping in Sport, which took place in Lausanne, Switzerland during February 1999. This resulted in the establishment of the World Anti-Doping Agency (WADA), the "international independent agency composed and funded equally by the sport movement and governments of the world."[50] WADA is comprised of 38 IOC representatives. They created the Anti-Doping Code (the Code). While governments cannot be bound by the Code, states are ratifying it individually by adopting the UNESCO International Convention Against Doping in Sport, the first global international treaty against doping in sport.[51]

Though medical and technological advancements have led to new ways to administer such performance enhancing drugs, those advancements have also led to new anti-doping testing. WADA first enacted a cap for EPO levels, for example, banning athletes from competing if their volume percentages of red blood cells was above the cap.[52] Doctors now additionally test for blood transfusions or EPOs using urine analysis and "blood passports," which are long-term records of the characteristics of an athlete's blood that can reveal short-term manipulation.[53] These methods, of course, are not 100% accurate and sometimes produce false positives. However, new methods to test for doping are being created every day. Technological advancement has also led to methods of retesting old blood samples to ensure clean performances. As tests develop more sensitive screening and longer detection windows, agencies like the United States Anti-Doping Agency can take advantage of WADA's provision in the Code that allows blood and urine samples to be kept and retested for up to 10 years. This, some argue, deters athletes from doping because even if they can get away with it today, there is no guarantee that the samples will not be retested in the future and test positive for performance-enhancing drugs with consequent penalties or reputational harm in the future.[54]

Conclusion

Technology continues to disrupt traditional legal practices. Instead of reactive lawyering, however, we should aim to create proactive systems of contracting and risk assignment. Technology allows for innovation and creativity in engineering and business, and it seems appropriate that moving into the future, the legal profession uses that same innovation and creativity to adapt contractual practices to the needs of our ever-changing society.

Endnotes

1. Andrea Ouyang, *The Science of Art: How Scientists Unmask Fakes and Forgeries*, Yale Scientific (May 21, 2016, 1:22 AM), *available at* http://www.yalescientific.org/2016/05/the-science-of-art-how-scientists-unmask-fakes-and-forgeries/.
2. It is also important to note that while authorities claim that it is actually impossible to prove authenticity, technology can support a claim of authenticity or help disprove it. When doing an authenticity check, scientists look at, among other things, the materials that were available at the time when the painting was said to have been created, the materials that the painter is known to have used, brushstrokes, subject matter, and "an object's provenance—the paper trail of photographs, transaction receipts, exhibition records, or other documentation that strengthens the legitimacy of an artwork." *Id.*
3. This has created the basis for lawsuits against experts who provide negative opinions that make artwork unmarketable or opinions that are later disproven or called into doubt because of technology. The art world values the work of these experts, known as authenticators, because their word provides assurance to collectors, and thus promotes the sale and purchase of art. In 2012, Knoedler & Co., a once prominent New York art gallery, was accused of selling a fake Rothko painting and was subsequently sued for $25 million. The gallery closed suddenly in 2011 amid a series of allegations of fraud. For more about expert opinions and the authenticity of art, see Judith Wallace, *Art Law on Expert Opinion and Authenticity,* Artnet News (Nov. 1, 2012), *available at* https://news.artnet.com/market/the-liability-of-art-experts-27666; Lena Saltos, *Proposed Amendments to Protect New York Art Authenticators Pending While Lawsuits Regarding Authentication Disputes Persist,* HHR Art Law, Hughes Hubbart & Reed, (Dec. 22, 2016), *available at* https://www.hugheshubbard.com/news/proposed-amendments-to-protect-new-york-art-authenticators-pending-while-lawsuits-regarding-authentication-disputes-persist; M.H. Miller, *The Big Fake: Behind the Scenes of Knoedler Gallery's Downfall,* ArtNews (April 25, 2016, 9:30 AM), *available at* http://www.artnews.com/2016/04/25/the-big-fake-behind-the-scenes-of-knoedler-gallerys-downfall/; Ouyang, *supra* note 1; Patricia Cohen, *A Gallery That Helped Create the American Art World Closes Shop After 165 Years,* The New York Times (Nov. 30, 2011), at A32, *available at* https://www.nytimes.com/2011/12/01/arts/design/knoedler-art-gallery-in-nyc-closes-after-165-years.html. In 2016, the New York Senate passed and delivered Bill S1229A to the New York Assembly. The stated purpose of the Bill was to "enhance protections under the law for individuals who are employed as art authenticators in the visual arts community." N.Y.S. ASSEMB. 238, Memorandum in Support of A1018, Reg. Sess. (N.Y. 2016).
4. § 4:24. Article 2—Express warranty—Authentication—Scientific Testing—UCC § 2-313.
5. *ACA Galleries, Inc. v Kinney,* 928 F. Supp. 2d 699 (S.D.N.Y. 2013).
6. *P.K. Dev., Inc. v. Elvem Dev. Corp*., 226 A.D.2d 200 (1st Dept. 1996); Richard L. Feigen & Co. v. Weil, 1992 NY Misc LEXIS 711, *12 (Sup. Ct., N.Y. County 1992, Moskowitz, J.), *affd,* 191 A.D.2d 278 (1st Dept 1993).
7. There is, however, an implied warranty when an art merchant sells to a non-merchant.
8. *Eisenberg v. Hall*, 147 A.D.3d 602, 606 (1st Dept. 2017) (Andrias, J., dissenting) (citing *Richard L. Feigen & Co. v. Weil*, 1992 NY Misc LEXIS 711, *13 [Sup. Ct., N.Y. County 1992, Moskowitz, J.], *affd,* 191 A.D.2d 278 [1st Dept. 1993], *lv denied,* 82 NY2d 652 [1993]).
9. *Id.* at 15.
10. *Id.*; *see also* Vivek M. Nittala, *First Appellate Division Declines to Extend Mutual Mistake Doctrine to Commercial Art Transaction*, New York Commercial & Corporate Litigation Blog (April 3, 2017), *available at* https://nycommlit.wordpress.com/2017/04/03/first-appellate-division-declines-to-extend-mutual-mistake-doctrine-to-commercial-art-transaction/.
11. Derek J. Schaffner, *The Digital Millennium Copyright Act: Overextension of Copyright Protection and the Unintended Chilling Effects on Fair Use, Free Speech, and Innovation*, 14 Cornell J. L. & Public Policy 145, 146-47 (2004).
12. Digital Millennium Copyright Act (DMCA), *available at* https://whatis.techtarget.com/definition/Digital-Millennium-Copyright-Act-DMCA.
13. Cory Doctorow, *America's Broken Digital Copyright Law Is About to Be Challenged in Court,* The Guardian (Jul. 21, 2016, 9:49 PM), *available at* https://www.theguardian.com/technology/2016/jul/21/digital-millennium-copyright-act-eff-supreme-court.
14. *Id.*
15. *Id.* A court in Arkansas has recently wrestled with allowing a transcript from an Amazon Echo recording, albeit a recording that was knowingly taken, as evidence in a criminal proceeding. James Bates was accused of murder in Arkansas. After the prosecution sought the recordings from Bates' Amazon Echo that night, he agreed to voluntarily give such recordings. The case was later dismissed. Elliott C. McLaughlin, *Suspect Asks Amazon to Hand Over Echo Recordings in Murder Case,* CNN (April 26, 2017, 2:52 PM), *available at* https://www.cnn.com/2017/03/07/tech/amazon-echo-alexa-bentonville-arkansas-murder-case/index.html.
16. *See* Doctorow *supra* note 13.
17. *Green v. U.S. Dep't of Justice*, No. 16-cv-01492-EGS (D.D.C. 2016). The case was stayed by Judge Emmet G. Sullivan on September 21, 2017 pending resolution of the pending motions, Motion to Take Judicial Notice and Motion to Dismiss.
18. *See* Why Netflix Content Is Different in Other Countries (NFLX, DIS), Investopedia.com, *available at* https://www.investopedia.com/articles/investing/050515/why-netflix-content-different-other-countries.asp.
19. *See* David Goldman, *Netflix Restricts Streaming,* CNN Tech (Jan. 5, 2015, 10:40 AM), *available at* http://money.cnn.com/2015/01/05/technology/netflix-vpn/.
20. Some companies are actually making money by charging for VPNs that are designed to bypass the Netflix VPN block and allow for streaming from various Netflix catalogues. *See How to Watch American Netflix Abroad with a VPN in 2018*, Securethoughts.com, *available at* https://securethoughts.com/how-to-watch-netflix-outside-the-usa/. Many argue that technology and the law are playing a "cat and mouse game," in which technology develops to avoid legal consequences, laws or rules change to respond to that technology, and then the technology further develops to evade the new laws or rules.
21. Recently, Netflix has been using a new approach to acquiring content: Netflix partners with a traditional television studio in the early stages of content production and contracts for the first global distribution outside the United States and Canada. Nellie Andreeva, *Netflix VP of Content Bela Bajaria Introduces New Co-Licensing Model to Forge Deeper Studio Ties—Deadline Disruptors,* Deadline Hollywood (May 12, 2018), *available at* https://deadline.com/2017/12/naldistributionnbcgoodgirlsstartrekdiscovery1202217186/.
22. 573 U.S. ___ (2014).
23. *Id.*
24. Richard Sandomir, *ESPN Extends Deal with N.F.L. for $15 Billion*, The New York Times (Sept. 8, 2011), at B11, *available at* https://www.nytimes.com/2011/09/09/sports/football/espn-extends-deal-with-nfl-for-15-billion.html.
25. *See* John Breech, *NFL, Verizon Agree to Monstrous New Deal That Should Make Mobile Streaming Easier* (Dec. 11, 2017), *available at* https://www.cbssports.com/nfl/news/nfl-verizon-agree-to-monstrous-new-deal-that-should-make-mobile-streaming-easier/.
26. For example: "Since the [Premier] [L]eague's inception in 1992, pay-TV broadcasters have bid up prices dramatically, with Sky Plc and BT Group agreeing to lay out a combined £1.7 billion ($2.2 billion) a year at the last auction, in 2015, up from £1.1 billion in 2012." *See* Brad Adgate, *The Sports Bubble Is Not Bursting,* Forbes,

(Jan. 16, 2018, 9:34 AM), *available at* https://www.forbes.com/sites/bradadgate/2018/01/16/the-sports-bubble-is-not-bursting/#766faa2f3bba; Joe Mayes, *The Exploding Cost of Streaming Live Sports*, Bloomberg Businessweek (Nov. 1, 2017, 1:00 AM), *available at* https://www.bloomberg.com/news/articles/2017-11-01/the-exploding-cost-of-streaming-live-sports, "Twitter paid $10 million to livestream 10 Thursday night NFL games in 2016 on a nonexclusive basis. Amazon elbowed Twitter out of the way this year, offering $50 million."

27. 560 U.S. 183 (2010).

28. Larry Neumeister, *As Trial Was to Start, Settlement Reached in MLB TV Dispute*, Associated Press (Jan. 19, 2016), *available at* https://apnews.com/3d58da5f969a41108ac4d7a384ddbd6e/trialwasstartsettlementreachedmlbtvdispute. In addition, the government in the AT&T and Time Warner merger litigation argued that if the merger happened, AT&T could raise bundle prices and engage in blackouts, thus harming consumers. However, the district court rejected this argument and allowed the merger to proceed. U.S. v. AT&T, No. 17–2511 RJL, 2018 WL 2930849 (D.D.C. 2018).

29. *Garber v. Office of the Com'r of Baseball*, 120 F. Supp. 3d 334, (S.D.N.Y. 2014); *see also* Eriq Gardner, *Meet the Baseball Fans Suing to Change the Business of Televising Games*, The Hollywood Reporter (May 10, 2012, 4:56 PM), *available at* https://www.hollywoodreporter.com/thr-esq/major-league-baseball-lawsuit-comcast-directv-323064.

30. *Id.*

31. Eriq Gardner, *NHL Agrees to Pricing Changes to Settle Antitrust Lawsuit Over TX Packages*, The Hollywood Reporter, (June 12, 2015, 10:03 AM), *available at* https://www.hollywoodreporter.com/thr-esq/nhl-agrees-pricing-changes-settle-802116.

32. *In re Nat'l Football Leagues Sunday Ticket Antitrust Litig*., No. ML1502668BROJEMX, 2017 WL 3084276 (C.D. Cal. June 30, 2017); *see also* Ashley Cullins, *NFL, DirecTV Defeat "Sunday Ticket" Lawsuit*, The Hollywood Reporter (June 30, 2017, 3:10 PM), *available at* https://www.hollywoodreporter.com/thr-esq/nfl-directv-defeat-sunday-ticket-lawsuit-1018317.

33. *Id.*

34. *Dish Network L.L.C. v. Univision Local Media, Inc. et al*, 1:17CV05148 (July 7, 2017); *see also* Eriq Gardner, *Dish Claims Univision Breached Contract by Streaming Soccer Matches on Facebook*, The Hollywood Reporter (July 28, 2017, 9:56 AM), *available at* https://www.hollywoodreporter.com/thr-esq/dish-claims-univision-breached-contract-by-streaming-soccer-matches-facebook-1025006.

35. *Pittsburgh Athletic Co. v. KQV Broadcasting Co.*, 24 F. Supp. 490 (W.D. Pa. 1938).

36. Amazon streams Thursday night football. *See With Amazon Streaming Football, Will Other Techs Go Long for Sports Rights?*, Investors.com, *available at* https://www.investors.com/news/technology/amazon-streaming-football-giant-tech-companies-sports-rights/.

37. *See* Kerry O'Shea, *Live Streaming Video: Is it Legal?*, Huffington Post (Aug. 30, 2017, 11:36 AM), *available at* https://www.huffingtonpost.com/entry/live-streaming-video-is-it-legal_us_59a6d4e9e4b08299d89d0b3e.

38. *See* Taylor Soper, *Periscope, Meerkat, and Sports: Can Fans, Media Live Stream from the Game?*, GeekWire (April 2, 2015, 8:50 AM), *available at* https://www.geekwire.com/2015/periscope-meerkat-and-sports-can-fans-media-live-stream-from-the-game/.

39. Smart contracts are also known as blockchain contracts, self-executing contracts, or digital contracts.

40. *See* Jon Southurst, *Ex-Rugby Star: Smart Contracts Could Prevent Legal Disputes in Sport*, Coindesk (Jan. 22, 2015, 12:27 PM), *available at* https://www.coindesk.com/ex-rugby-star-smart-contracts-prevent-legal-disputes-sport/.

41. *Smart Contracts: The Blockchain Technology That Will Replace Lawyers*, blockgeeks.com, *available at* https://blockgeeks.com/guides/smart-contracts/.

42. Blockchain and other technology are increasingly used in the art context as well, as is detailed in Deloitte's Art & Finance Report: "In recent years, we have observed growing interest in a number of service areas that are going to be important to the future growth of the art and finance market. These technology products and services include art collection management systems that use technology in authentication and attribution, and recently blockchain technology to track and trace works of art, including technologies that embed bio-engineered DNA elements within the surface of art objects." Deloitte Art & Finance Report (2016) page 124, *available at* https://www2.deloitte.com/content/dam/Deloitte/at/Documents/finance/art-and-finance-report2016.pdf.

43. Blockgeeks.com *supra* note 41.

44. *See* Blockgeeks.com *supra* note 41; Don & Alex Tapscott, *Blockchain Could Help Artists Profit More from Their Creative Works*, Harvard Business Review (March 22, 2017), *available at* https://hbr.org/2017/03/blockchain-could-help-artists-profit-more-from-their-creative-works; Southurst *supra*, note 40.

45. There is evidence that Greek athletes in the Third Century BC were using performance enhancing drugs. Thomas Douglas, *Enhancement in Sport, and Enhancement Outside Sport*, Stud Ethics Law Technol. 2007 Dec; 1(1).

46. Doping in sports dates back to the 1800s. "To give an idea of the extent of doping, a member of the 1968 United States track and field team estimated that one third of the team had used steroids at a pre-Games training camp. and by the 1988 Seoul Games, a team coach thought that 40% of the US womens track and field competitors had used steroids." *Id.* (citing Todd T., *Anabolic steroids: the Gremlins of Sport 14*, J Sport Hist. 1, 87-107 [1987] and Dublin CL. Commission of Inquiry into the Use of Drugs and Other Banned Practices Intended to Increase Athletic Performance. Canadian Government; Ottawa: 1990).

47. https://www.livescience.com/32388-what-is-blood-doping.html.

48. *What is Blood Doping?*, livescience.com, *available at* https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2742076/.

49. Examples of states accused of sponsoring doping in recent years include the German Democratic Republic in the 1980s and Russia in connection with the 2014 Winter Olympics.

50. WADA—Who We Are, *available at* https://www.wada-ama.org/en/who-we-are.

51. WADA—The Code, *available at* https://www.wada-ama.org/en/what-we-do/the-code.

52. Improved Blood Doping Detection Protects Sport and Athletes, *The University of Sydney*, *available at* http://sydney.edu.au/news/84.html?newsstoryid=9811.

53. The use of blood passports also raises questions about player privacy.

54. *See* Sergey Yurlov, The Legality of Retesting Procedure Applied by World Anti-Doping Agency—a Legal Review of Certain Awards Rendered by Court of Arbitration for Sport, 30 Ent. Arts & Sports L. J. 2 (2018); *see also* Kuuranne T. & Saugy M., *Retesting the Anti-Doping Samples: Best Tool for Deterrence?*, 64 Swiss Sports & Exercise Medicine 3 (2016).

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Global Alternative to Resolving Art Disputes

By Judith B. Prowda (EASL Section Chair, 2010-2012)

Judith B. Prowda

In an oft-cited 1903 Supreme Court decision, which upheld copyright in a color poster drawing of circus performers, Justice Oliver Wendell Holmes, Jr. wrote: "It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious of limits."[1] Nevertheless, courts decide all manner of art disputes—copyright, authenticity, title, contracts, even the very nature of art—often acknowledging, as Justice Holmes did so eloquently over a century ago, their limitations. Courts hearing an authenticity dispute, for example, are aided by expert testimony adduced by both sides, and must ultimately determine, based on a preponderance of the evidence (more likely than not) standard, whether an artwork is real or fake. The judge or jury deciding the facts may have little or no expertise in art, the language of connoisseurship, the validity of a provenance report, or comprehend underlying scientific evidence supporting or discrediting the authenticity of the work.

It is not surprising, then, that the art market may disregard a court's ruling. The art market is not required to accept it as truth and is not bound by it. The art market bases its belief on the validity of a work on the opinion of a recognized expert on that artist's oeuvre, whether it be the artist's foundation, family member, dealer, scholar or moral rights holder. Several courts have observed that litigation may not always fit with the objectives of an art dispute. Courts may base their determination on factors such as connoisseurship, provenance, and forensic inquiry, but in the end, the art market is the final arbiter as to whether a work is "right" (salable) or not.

Battle of the Experts

For example, in *Greenberg Gallery v. Bauman*,[2] a group of art dealers bought a work they believed to be *Rio Nero*, a 1959 mobile by the renowned artist Alexander Calder. After failing to make it hang properly, the buyer dealers sought to rescind the sale. When the seller refused, they sued under theories of fraud, breach of express warranty, and material mistake of fact. At trial, connoisseurship evidence was introduced by both sides. Klaus Perls, Calder's exclusive American dealer for 20 years and a recognized Calder expert, testified in a deposition that a Calder "forgery . . . is usually quite apparently a forgery because it does not fit in the feel of a real Calder."[3] Perls's methodology was to compare the mobile to an archival photograph he had taken of the original mobile before it left his gallery in 1962. Despite Perls's premier credentials as an expert on Calder, the court was critical of his cursory examination of the mobile and inattention to the "AC" signature.[4]

The seller's expert, Linda Silverman, refused to examine the archival photograph because she found it unreliable. Clearly, the court was impressed by her meticulous hour and a half long examination of every blade and joint of the work, as well as the "AC" signature. Moreover, the seller could establish flawless provenance for the piece, favoring a finding of authenticity. Thus, the court concluded that despite the great weight accorded to Perls and his superior credentials as an acknowledged expert on Calder, "the mobile is [more likely than not] not a forgery, but the original *Rio Nero* which has been misassembled and abused to the point that, on cursory examination, it does not exactly resemble the original photo and has lost its delicate balance required for proper hanging."[5]

This case is a prime example of the art market rejecting a court-authenticated work and assessing it as having no market value. The seller kept the purchase price of $500,000. The work, however, is excluded from the catalogue raisonné and reportedly remains in storage, unsaleable as a work by Calder.[6] Unsurprisingly, the work has negligible market value because the art market trusts the opinion of Perls, not the court.[7]

In another authenticity case, coincidentally involving Calder, a New York State appellate court in *Thome v. Alexander & Louisa Calder Foundation*[8] was called upon to determine in a declaratory judgment action the authenticity of two theatrical stage sets that were purported to be works by Alexander Calder. The court observed that "because of the procedures and processes by which our civil litigation is decided, courts are not equipped to deliver a meaningful declaration of authenticity. For such a pronouncement to have any validity in the marketplace or artworld, it would have to be supported by the level of justification sufficient to support a pronouncement by a recognized expert with credentials in the relevant specialty. ... [I]n our legal system, courts have neither the education to appropriately weigh the experts' opinions nor the authority to independently gather all available appropriate information."[9] In ruling that the plaintiff was not entitled to a declaration of authenticity, the court pointed out that a declaration of authenticity would not resolve the plaintiff's situation, "because his inability to sell the sets is a function of the marketplace."[10] Moreover, the court ruled that the Foundation, a private entity, could not be compelled to include a particular work in its catalogue raisonné based solely on the court's independent finding that the work is authentic.[11] The creation of a catalogue raisonné is a private scholarly endeavor, "and neither its issuance nor its contents are controlled by any governmental regulatory agency. . . . Whether the art world accepts a catalogue raisonné as a definitive listing of an artist's work is a function of the marketplace, rather than of any legal directive or requirement."[12]

In France, there have been a number of high profile authenticity lawsuits in the past two decades in which an aggrieved owner has challenged an expert (author of a catalogue raisonné, artist's foundation, or connoisseur deemed by the art market as the "leading expert" on a given artist). The main aim of these cases is to challenge the expert's denial of the work's authenticity. Experts have defended themselves, not always successfully, by invoking their freedom of expression or by claiming that their rejection of a work in a catalogue raisonné was not an opinion on authenticity. French courts, relying on court-appointed experts, have overruled opinions by leading art experts, sometimes ordering the inclusion of a work in a catalogue raisonné and finding the leading expert liable for negligence and monetary damages.[13]

In 2014, the Cour de Cassation (French Supreme Court) took a 180-degree turn from past cases[14] in a landmark decision involving the authenticity of a work attributed to French Cubist painter Jean Metzinger, titled *La Maison Blanche*.[15] In that case, the owner of the work, Laurent Alexandre, found a buyer willing to purchase it for €60,000 on the condition that Bozena Nikiel, author of Metzinger's catalogue raisonné and holder of the artist's droit moral, authenticate the work and include it in her forthcoming catalogue raisonné. When Nikiel refused, claiming the work to be "painted in the style of" Metzinger, Alexandre requested an opinion by a court-appointed expert, who found the work authentic.[16] Nikiel continued to reject the work, and offered no evidence to support this opinion, whereupon Alexandre sued on the grounds that Nikiel was abusing her status as droit moral holder.

The Tribunal de Grande Instance of Paris (the lower court) ordered Nikiel, who disputed the work's authenticity, to include the work in her catalogue raisonné, and to pay Alexandre €10,000 in damages for "the loss of the chance to sell the painting." On appeal, the French high court affirmed the lower court, finding that Nikiel's refusal to authenticate the work and include it in the catalogue raisonné was a chargeable offense in view of the opinion of the court-appointed expert. The appellate court ordered Nikiel to pay Alexandre an additional €30,000 in damages or, in the alternative, authenticate the work and include it in the Metzinger catalogue raisonné within one month of the decision. Adamant in her position, Nikiel appealed the decision to the French Supreme Court, contesting the credentials of the court-appointed expert and insisting that her research should have led him to consider the authenticity of the work as "doubtful."

In a sharp departure from past cases, the French Supreme Court overturned the Court of Appeals decision on the grounds that Nikiel's refusal to authenticate the painting was the result of her "intimate conviction" of the droit moral of the artist concerning the authorship of the work. By finding Nikiel liable in damages because of her opinion, the Court of Appeals had breached her right to freedom of expression under Article 10 of the European Convention of Human Rights. Moreover, by ordering Nikiel to include the painting in her catalogue raisonné against her conviction to the contrary, the Court of Appeals had violated her right to express her beliefs under Article 9 of the European Convention of Human Rights.[17] As for the final determination of the work's authenticity, at the end of the day, it is a matter for the art market to decide.

As illustrated in the cases above, decisions made by traditional courts—authenticity cases, for example—are not always accepted in the art market. Traditional courts, which are not trained in art matters, may rule that a specific work is authentic. However, if the art market believes an expert who testifies otherwise, then doubt about the work may linger long after the ink has dried.

Enter the Court of Arbitration for Art

To respond to a growing perception of a need for a specialized forum dedicated to resolving art disputes, a new tribunal was created.[18] This court was founded by a working group, spearheaded and organized by William Charron, partner at Pryor Cashman, and Advisory Board member of The Hague-based nonprofit Authentication in Art (AiA),[19] which holds an interdisciplinary conference on art authentication every two years. Following the AiA 2016 Congress, Charron set out to create a mediation and arbitration tribunal exclusively dedicated to resolving art disputes, which became known as the Court of Arbitration for Art (CAfA). The specialized court would be administered jointly by the AiA and the Netherlands Arbitration Institute (NAI),[20] also based in The Hague. The original working group included New York-based art lawyers Luke Nikas, partner at Quinn Emanuel Urquhart & Sullivan, LLP; Megan Noh, partner at Cahill Cossu Noh & Robinson LLP, and myself. Over the next 18 months, the four of us met regularly to conceptualize the court, report back to each other on our interviews with art market participants, such as provenance researchers, art historians, and forensic scientists, and critically, to develop a set of rules[21] that would provide market legitimacy and decisional accuracy. A literature review of alternate dispute resolution (ADR) principles generally and other specialized tribunals specifically was conducted.

To provide a balanced international perspective to the working group, the original group was joined by Nicola Wallace, Barrister and Mediator, 4 Paper Buildings, London and Friederike Gräfin von Brühl, M.A., K&L Gates LLP, Berlin.

Here are a few highlights:

- While CAfA is seated in The Hague, proceedings may be conducted around the globe, addressing a wide spectrum of art disputes, including authenticity, contract, chain of title, copyright, and more. CAfA decisions will be legally binding under the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and other international conventions.

- CAfA mediators and arbitrators, who are seasoned art lawyers with extensive art market and ADR experience, are selected by a committee consisting of academics and former judges who have gained particular experience in art law.[22] The idea is that the market is more likely to accept decisions made by practitioners who are better equipped to understand and properly weigh the evidence than a traditional court.

- Disputes valued at €1.5 million and above will be heard by a panel of three arbitrators. Below that value, a single arbitrator will be appointed. The parties select the arbitrator(s) from the pool described above. Each party selects an arbitrator from the pool described above, and then those two arbitrators select a third.

- In cases involving authenticity, CAfA will appoint its own forensic and provenance experts from an internationally recognized pool rather than hear competing experts. The concept here is to reassure the market as much as possible that authenticity decisions are based on objective expert analysis, rather than having to weigh testimony favoring each side. Court-assigned experts will be responsible to the court to ensure neutrality.[23] Costs and fees will be evenly divided by the parties.

- Additionally, a "technical process advisor" (a role analogous to a "special master" in U.S. discovery procedures) will be appointed in certain cases, with the parties' consent, to oversee the discovery process and discuss it with the experts (together with the parties) where additional scientific testing is necessary.

- Arbitral proceedings will be conducted in private, as with traditional ADR. At the conclusion of a case, the arbitrator(s) will publish a written opinion explaining how he or she or they reached a decision. The names of the parties will be kept confidential, but the artwork will be identified, to ensure market understanding and acceptance of the final determination.

Ultimately, the primary objective of the working group was twofold: to create a tribunal that could provide both market legitimacy and decisional accuracy. Everything we analyzed reflected back to the questions of whether this was something the market would likely accept and whether it best positions the tribunal to reach the correct results.

Background on EASL's ADR Committee

Since this article is intended to be a retrospective piece, not only about the law, but also the EASL Section in celebration of EASL's 30th Anniversary, I offer a few observations in that spirit.

Over the years, I have perceived a steady recognition in the legal community in the value of considering the resolution of entertainment disputes by means of mediation, arbitration, and processes other than litigation. The art world has been slower to embrace ADR, that is, until recently.

When EASL's ADR Committee was created in 2005, its mission (based on my own notes at the time) was primarily to educate EASL members in arbitration and mediation through CLE and non-CLE programs and to mentor those desiring training "to address what we perceive is a growing need for mediation and arbitration services for disputes in the arts, entertainment and intellectual property areas of law." The Committee's mission was formalized in 2012:

> The EASL ADR Committee encourages EASL members to consider the resolution of disputes by means of mediation, arbitration and processes other than litigation. Since the Committee's formation in 2005, we have offered a wide range of CLE programs, including lectures, mock mediations and arbitrations and other interactive methods of instruction taught by some of the most distinguished practitioners in the field of Dispute Resolution. Our events are geared for participants of all levels of experience and provide our members with an important set of skills for the practice of entertainment, arts and sports law.

In 2009, I was asked to do an informal survey for the City Bar Art Law Committee and inquired at several museums and auction houses, as well as private practitioners, on their adoption of ADR. While the research was an anecdotal, and not a scientific, survey, it quickly revealed that there was not much use of ADR in art-related matters, with the exception of major auction houses, which had departments dedicated to facilitating a dialogue between a consignor and claimant to settle a title dispute. Museums tended to negotiate settlements without the assistance of third parties. For example, in 2006, the Metropolitan Museum of Art (Met) and Italian government reached an agreement resulting in the Met's return of the Euphronios krater and other objects in its collection to Italy in exchange for long-term loans of other antiquities of "equivalent beauty and importance."[24] Overall, other kinds of disputes involving museums and auction houses tended to be litigated in court, although there were exceptions.

Addressing the topic of the under-utilization of mediation in the art world at the Appraisers Association's Art Law Day in 2010,[25] I found the audience receptive and open-minded, even enthusiastic. I was optimistic. Had the tides turned? In my own ADR practice, I was called upon more and more frequently to serve as an arbitrator or mediator in disputes involving galleries, dealers, artists, buyers, and sellers, who turned to ADR for their advantages of privacy, cost-effectiveness, and flexibility. I began to teach principles of mediation and arbitration to my Master's of Art Business students at Sotheby's Institute of Art, impressing upon them that litigation is not the only method of resolving a conflict. Mock negotiations and mediations in class led to creative settlements that a court would never have the power to reach. A new generation of art professionals was willing to consider alternatives to litigation.

With the creation of CAfA, there is truly an alternative to resolving art disputes. Now that, and EASL's 30th Anniversary, are worth celebrating!

Endnotes

1. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 250 (1903).
2. *Greenberg Gallery v. Bauman*, 817 F. Supp. 167 (D.C. 1993), *aff'd without opinion*, 36 F.3d 127, D.C. Cir. 1994 U.S. App. LEXIS 27175 (1994).
3. *Id.* at 170.
4. *Id.* at 174. The court stated in a footnote, "Plaintiffs' failure to attack, through Perls or some other expert, the validity of the 'AC' signature is as important to a trier of fact as would be the prosecution's failure to offer fingerprint evidence about an article handled by a party or to explain by testimony its omission."
5. *Id.* at 175.
6. Ronald D. Spencer, Authentication in Court: Factors Considered and Standards Proposed, in The Expert versus the Object, Ronald D. Spencer, ed. (Oxford Univ. Press. 2004), at 197-98.
7. *See Thome v. Alexander & Louisa Calder Foundation*, 70 A.D.3d 88, 102-03 (1st Dept. 2009).
8. *Thome v. Alexander & Louisa Calder Foundation*, 70 A.D.3d 88 (1st Dept. 2009).
9. *Id.* at 101.
10. *Id.* at 103. On June 29, 2010, the New York Court of Appeals rejected the plaintiff's leave to appeal the decision.
11. *Id.* at 97.
12. *Id.* at 97-98.
13. For examples of authenticity cases in France, see Michael Petrides, *Expert Opinion: A U-Turn by the French Supreme Court*, Art@Law Blog, (Nov. 6, 2014), *available at* https://www.artatlaw.com/archives/archives-2014-jan-dec/expert-opinion-u-turn-french-supreme-court.
14. *Id.*
15. Laurent Alexandre/Bozena Nikiel, Cour de cassation, civile, Civ. 1, (Jan. 22, 2014), No. 12-35.264; *see also* Michael Petrides, Expert Opinion: A U-Turn by the French Supreme Court, Art@Law Blog, (Nov. 6, 2014), *available at* https://www.artatlaw.com/archives/archives-2014-jan-dec/expert-opinion-u-turn-french-supreme-court.
16. The Expert Report prepared by court-appointed expert, Roberto Perazzone, is available at http://www.expertise-ottavi.com/actus_pdf/18.pdf.
17. Laurent Alexandre/Bozena Nikiel, Cour de cassation, civile, Civ. 1, (Jan. 22, 2014), No. 12-35.264; *see* Constantine Canon reports https://www.artatlaw.com/archives/archives-2014-jan-dec/expert-opinion-u-turn-french-supreme-court.
18. The Court of Arbitration for Art (CAfA) was officially launched by the Netherlands Arbitration Institute (NAI) in conjunction with The Hague-based Authentication in Art (AiA) at the AiA Congress on June 7, 2018.
19. Authentication in Art (AiA) comprises a group of prominent art world professionals who joined together to create a forum that can catalyze and promote best practices in art authentication. AiA provides leadership, shapes dialogue and develops sound practice guidelines with the global art community, including collectors, art historians, art market professionals, financial institutions, legal advisors, trust and estate practitioners, and other industry stakeholders. http://authenticationinart.org/about-us/.
20. https://www.nai-nl.org/en/.
21. The CAfA Arbitration Rules (which consist of the NAI Arbitration Rules + the AiA/NAI Adjunct Arbitration Rules) will be published on the NAI and AiA websites when they are finalized.
22. Criteria for admission to the arbitrator and mediator pools can be found at https://www.nai-nl.org/. An application form for arbitrators can be requested at https://www.nai-nl.org/en/form/cafa_arbitrator/ and for mediators at https://www.nai-nl.org/en/form/cafa_mediator/.
23. This is similar to the French legal system where declarations of authenticity are reportedly made by courts, who hear not only experts on both sides, but also the testimony of their own neutral experts who possess the necessary expertise. *See Thome v. Alexander & Louisa Calder Foundation*, 70 A.D.3d 88, 101 (1st Dept. 2009) (citing Van Kirk Reeves, *Establishing Authenticity in French Law*, in The Expert versus the Object, Ronald D. Spencer, ed. [Oxford Univ. Press. 2004]).
24. Randy Kennedy, Hugh Eakin, and Elisabetta Povoledo, *The Met, Ending 30-Year Stance, Is Set to Yield Prized Vase to Italy*, The New York Times, (Feb. 3, 2006), *available at* http://query.nytimes.com/gst/fullpage.html?res=9C0DE2DE163EF930A35751C0A9609C8B63&&scp=4&sq=euphronios%20krater&st=cse.
25. Appraisers Association of America's Art Law Day, November 12, 2010, Panel entitled, "If Mediation's So Great, Why Isn't It Used More?," moderated by Professor Elayne Greenberg. *See* https://www.appraisersassociation.org/index.cfm?fuseaction=page.viewPage&pageID=604&nodeID=1; *see also* Judith B. Prowda, *The Art of Resolving Art Disputes: A Case for Mediation*, in All About Appraising: The Definitive Appraisal Handbook (Appraisers Association of America, 2d Ed. 2013), *available at* http://www.appraisersassociation.org/index.cfm?fuseaction=Store.viewProduct&product_ID=957&prod_cat_ID=0.

Judith B. Prowda is Past Chair of EASL (2010-2012). She is Co-Chair of EASL's Committee on Fine Arts and Co-Founder and Co-Chair of EASL's ADR Committee. Judith is Faculty at Sotheby's Institute of Art where she teaches graduate courses in art law and advises thesis students in the Master's of Art Business Department. She is Co-Founder and Principal at Stropheus Art Law. Author of *Visual Arts and the Law: A Handbook for Professionals* (Lund Humphries 2013), has published and lectured extensively on art law and the market and alternative dispute resolution. Judith gratefully acknowledges her fellow Court of Arbitration for Art working group members William Charron, Luke Nikas, Megan Noh, Nicola Wallace, and Friederike Gräfin von Brühl, and her colleagues at Authentication in Art and Netherlands Arbitration Institute for their unwavering dedication to this project. A special thanks to William Charron for his vision in imagining an art tribunal and leadership in making it a reality.

Remarks from Diane Krausz

(Immediate Past EASL Chair, 2016-2018)

Diane Krausz

When Elissa Hecker asked all former EASL Chairs to write a piece for the 30th anniversary issue, so many ideas occurred to me. Many of them involved looking back on my three plus decades of practice as an attorney in the entertainment field, giving wise and thoughtful insight from my personal experiences as a practitioner, woman business owner, and long-term veteran. There are many stories to be told, some extremely hilarious; others bittersweet, some not so sweet, and still others too painful to retell. What I realized, however, is that my experiences, particularly with my colleagues in EASL, and other attorneys I met through other events sponsored by the NYSBA and other organized "lawyer" events, were some of the most positive and productive for me. Being part of EASL provides some essential materials for anyone who seeks a source of continued and consistent support and growth in the area of the entertainment legal profession. Membership and attendance at events can often provide encounters with really interesting people in similar or dissimilar situations. There is also access to current and ever-changing legal decisions, laws, and social trends that influence existing laws. Some of us, myself included, really enjoy the social aspects of meeting with other professionals at different stages of their careers or with different experiences and knowledge, and also assisting in planning these events. In addition, personally, any type of public (e.g., THIS) writing is a particular challenge, and I have found it easier through repetition and with the kindness of more talented wordsmiths who generously lend their editing prowess when requested. Part of being involved in a profession is also finding ways to be part of a community of professionals, and what can be gained from interaction with the inevitable scope of this group's individual achievements and knowledge. In addition, much of this group is comprised of kind, funny, articulate people who are fun both at work and play. Whether someone is a member of a small or a large firm, it is always worthwhile to attend a few meetings where there is a possibility that there will be someone who, although with the same training, may have something to share or offer that will add to your own life stories because of so many differences in background, life experiences, and age. At this point, I particularly like meeting younger lawyers entering the profession, and hearing about their experiences and career paths.

For me personally, my enthusiasm for creating "cross-border" seminars between practice groups eventually led to a membership on the newly formed NYSBA Cannabis Law Committee, where new friendships are in formation and my learning continues.

You Say Diversity, I Say Inclusion: How Did the Whole Thing Start?

By Cheryl L. Davis

Cheryl L. Davis

EASL's Diversity Committee is still relatively young in terms of EASL's lifespan, having been started in 2011—back when we used phrases like "diverse new lawyers" and before the days of "Inclusion Riders." Times and terminology have certainly changed, but the need remains the same.

Over the course of that first year, we:

- Hosted joint CLE programs with the Entertainment and Sports Law Committee of the Metropolitan Black Bar Association (MBBA), "From Pitch to Pilot," and the Black Entertainment and Sports Lawyers Association (BESLA), "From Prospect to Pro—A Legal Primer on Recruitment of Professional Athletes including Foreign Players";
- worked with the Producers Guild of America—East, Veterans Initiative by providing them with speakers for a joint event; and
- received a NYSBA Section Diversity Challenge Team Award in 2012.

Over the past seven years, we have continued to host joint events with other bar associations with an eye toward not only diversifying EASL's membership, but to introducing potential new speakers to our members; as we know, diversity in presenters is also a desirable goal. One of the objectives of the Diversity Committee is creating environments so that attorneys and law students from diverse backgrounds feel welcome as panelists, EASL event attendees and members, and ultimately, as members of our shared industry. In furtherance of that goal, we have regularly had student liaisons, and are very proud to have helped these students achieve some of their career goals in the entertainment industry.

Other programming highlights include: "Rights, Camera, Action! Obtaining Underlying Rights for Film and Television," with the co-sponsorship of MBBA and the support of Cardozo's Black Law Students Association and South Asian Law Student Association, and "Luminaries Lighting the Path for Creative Professionals—the MGMT Edition." The latter was an interactive networking experience (again jointly presented with MBBA), where a panel of seasoned music executives and artist managers shared their professional experiences representing A-list musicians and entertainers in the business. The venue was SRO, and the informal setting at Black Wax Creative Space was very popular with attendees. This was the first of our "unCLEs"—so named because the goal is for audience members to share and learn from others' experiences, rather than get CLE credit.

Lest you think the Diversity Committee does not take on contemporary legal issues, in response to the Blurred Lines decision, on March 23, 2016, we presented "Protecting Your Share, Respecting What's Fair Sampling and Co-Authorship in Pop, Urban and Dance Music—Relevant Legal Precedent and Practical Legal Tips," followed by "Is This the Real Life? Virtual and Augmented Reality," which was co-sponsored by MBBA, the Asian American Bar Association of New York, and the Cardozo Entertainment Law Society. The Diversity Committee also presented a CLE panel about "Low Budget Agreements & Diversity Initiatives," in which counsel from the Writers Guild of America, SAG/AFTRA, the DGA, and an experienced producer in the low-budget film world discussed the types of contracts the unions have for lower budget projects, as well as each union's effort to diversify its respective organization.

We look forward to working with other bar associations and student groups in the future, with a goal of making our industry ever more inclusive in the legal offices as well as in front of the cameras, on the stage, and the playing field. We maintain our working relationships with other similar bar groups, and cross-market and attend each other's' functions. We also have regular in-person meetings in which we work on our programming, use the opportunity to learn more about each other's practices and ambitions, and do our own networking. We are open to new Committee members who want to share and work with us.

A Historical Retrospective on New York's Right of Privacy Law: 115 Years of New York Court of Appeals Jurisprudence

By Edward H. Rosenthal and Barry Werbin

Edward H. Rosenthal

Barry Werbin

> If there be … no law now to cover the savage and horrible practices, practices incompatible with the claims of the community in which they are allowed to be committed with impunity to be called a civilized community, then the decent people will say that it is high time that there were such a law.[1]

Thus opined the *New York Times* on August 23, 1902, commenting on the "savage and horrible practice"—then permitted by the New York Court of Appeals—of allowing Franklin Mills Company to get away with photographing and distributing lithographic prints of little Abigail Roberson as part of an ad campaign for Franklin Mills Flour, which described her as the "Flour of the Family."[2] Abigail's mother was quite upset and sued on behalf of her minor daughter for damages and injunctive relief.

Characterizing the claim as of a type that had never crossed the desk of the Court but akin to seeking redress for violation of some privacy right without any libel element, the Court of Appeals concluded, in a close 4-3 decision, that New York's common law did not recognize any such cause of action, despite allegations that the daughter had been "greatly humiliated by the scoffs and jeers of persons who have recognized her face and picture on this advertisement and her good name has been attacked, causing her great distress and suffering both in body and mind; that she was made sick and suffered a severe nervous shock, was confined to her bed and compelled to employ a physician…."[3]

The *New York Times* editorial did not ring hollow and, faced with an outcry, the New York State legislature took prompt action by enacting a statute in 1903 that became the Civil Rights Law, codifying a right of privacy in two short sections.[4] Succinct and limited in scope, § 50 of the Law, a criminal provision that has gone unchanged since 1903, provides:

> A person, firm or corporation that uses for advertising purposes, or for the purposes of trade, the name, portrait or picture of any living person without having first obtained the written consent of such person, or if a minor of his or her parent or guardian, is guilty of a misdemeanor.

Section 51, which was amended and expanded after 1903, provides a private right of action to "[a]ny person whose name, portrait, picture or voice is used within this state for advertising purposes or for the purposes of trade without … written consent."[5] Remedies are provided for damages and injunctive relief (as they were in 1903). Exemplary damages may be sought only if a violation is willful and would otherwise be unlawful under § 50.[6]

The right in question, often called a "Right of Publicity," is generally recognized as one form of protection for the right of privacy—the right to be left alone—described in a 1890 law review article by Samuel Warren and future Supreme Court Justice Louis Brandeis.[7] The article and its progeny identified four types of privacy protections, including the right to be free of intrusion into one's private life, free from the public revelation of embarrassing private facts, protection from false light depictions, and protection from the misappropriation of a person's name or likeness for commercial purposes. It is this fourth prong that is at the heart of the issue under discussion. The New York Court of Appeals has repeatedly stressed that, in New York, the sole remedy for a breach of privacy lies in the statute. [8] In other words, there is no protection in New York for the other types of privacy rights, such as publication of embarrassing private facts or false light portrayals that are protected in many other jurisdictions.

New York's statute does not grant any post-mortem enforcement rights, although use of a person's identifiable persona attributes for commercial purposes even after death may constitute trademark infringement in appropriate cases. Over the decades, important First Amendment principles and restrictions have been read into the statute and applied by New York state and federal courts to news reporting, matters of public interest, art, music, film, theatre, parody, media, and evolving technology and online usages.

As will be shown in the case summaries below, the New York Court of Appeals has recognized statutory protection for commercial misappropriation of living person's names and likenesses for more than 100 years. Yet it took 50 years for the first instance of the "right of publicity" nomenclature to be applied to the right of privacy under the Civil Rights Law, and it came with a 1953 Second Circuit decision involving chewing gum and baseball cards.[9] The plaintiff made gum and contracted with a ballplayer for the exclusive use of his photo in connection with its sales of the gum. Topps Chewing Gum (Topps) induced the ballplayer to permit it to also use his photo, despite the exclusivity held by the plaintiff. Topps argued that the signed agreement was a mere release of liability because the ballplayer had no property interest in his photo outside of his statutory right of privacy, "i. e., a personal and non-assignable right not to have his feelings hurt by such a publication."[10] The Court refused to so limit the statute, noting that "in addition to and independent of that [statutory] right of privacy . . . a man has a right in the publicity value of his photograph, i. e., the right to grant the exclusive privilege of publishing his picture . . . . Whether it be labelled a 'property' right is immaterial; for here, as often elsewhere, the tag 'property' simply symbolizes the fact that courts enforce a claim which has pecuniary worth."

The Court observed:

> This right might be called a "right of publicity." For it is common knowledge that many prominent persons (especially actors and ball-players), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, buses, trains and subways. This right of publicity would usually yield them no money unless it could be made the subject of an exclusive grant which barred any other advertiser from using their pictures.

We think the New York decisions recognize such a right.[11]

Having lasted largely unchanged for over a century and despite yielding a robust body of decisional precedent, a push for a major overhaul by myriad interest groups in the 21st century was probably inevitable. In 2017, the State legislature attempted in a rush to push through a bill (Assembly Bill A08155) that would have radically rewritten and substantially expanded the statute to create a dedicated right of publicity. Among its key provisions were the addition of a 40-year post mortem enforcement right, enhanced protection for a person's characteristics (including identifiable mannerisms and gestures), conditional protection against digital replicas ("a computer-generated or electronic reproduction of a living or deceased individual's likeness or voice that realistically depicts the likeness or voice of the individual"), and standing to sue by anyone whose "identity" was used in New York regardless of actual domicile.

After voluminous and sometimes heated submissions by numerous stakeholders, the 2017 bill died. However, in 2018, a revised version of the bill was introduced in both the Assembly and Senate with little or no actual legislative debate (Assembly Bill 8155-B, Senate Bill 5857-B). These bills also would have re-crafted the established statutory privacy right into a freely transferable property right. They also died, but the momentum increased to get something on the books, and 2019 will likely see another attempt at passage of some form of legislation.

While a detailed review of these bills is beyond the scope of this article, the authors want to leave the reader to ponder whether such a radical overhaul of New York's statute is necessary, or whether our courts have done an adequate job in protecting the personal privacy and attendant publicity rights that are covered by the statute. In this article, we are limiting ourselves to the cases decided by our highest court—the Court of Appeals—over the past 110 years. There are, of course, many significant cases decided by lower courts in New York State as well as by the federal courts in our jurisdiction.

For ease of presentation, we have divided the cases into several broad categories, while recognizing that many would fall into more than one group. We also do not intend to be comprehensive, and many of these cases could, in and of themselves, be the subject of lengthy articles. Finally, we take no position in this article, but hope that the following retrospective will both inform and, at times, entertain and perhaps shed some light on the question of whether a major revision of the New York statute is needed.

Which Uses Fall Within Statutory Coverage?

While the "name, portrait, picture or voice" statutory formulation would seem to be fairly straightforward, the Court of Appeals has wrestled with questions as to whether a particular use falls within the language of § 51 (as have courts in other jurisdictions).

In *Cohen v. Herbal Concepts, Inc.*,[12] mother and daughter plaintiffs claimed that a photograph taken of them from behind and used in an advertisement for a cellulite elimination product infringed their right of publicity. The defendants argued that the identity of the plaintiffs could not be determined from the photos, but the Court of Appeals upheld the plaintiffs' claim, holding that it was a question of fact as to whether the individuals were recognizable. It noted, among other things, that there were certain other identifying characteristics in the photographs and that the husband/father submitted an affidavit stating that he recognized the plaintiffs. The case demonstrates that the "name, portrait or picture" formulation under the statute will not be limited to clearly recognizable faces. Moreover, as protection for one's own right to be left alone and free from commercial exploitation, simply recognizing yourself or a loved one may be sufficient to state a claim.

In two recent cases decided on the same day this year, the Court of Appeals upheld the dismissal of claims relating to the uses of avatars in the video game "Grand Theft Auto V." In *Lohan v. Take-Two Interactive Software, Inc.*,[13] actress Lindsay Lohan claimed that an avatar of a blond woman, in one case wearing a denim skirt and large sunglasses and in another wearing a red bikini while displaying a peace sign, evoked her "images, portrait and persona." The Court of Appeals ruled that while an avatar could constitute a "portrait" within the meaning of § 51, the images in question were not recognizable as Lohan, instead being "indistinct, satirical representations of the style, look and persona of a modern, beach-going young woman." The Court did not reach the question of whether the use of an avatar in a video game constituted a use in advertising or trade under the meaning of the statute. In *Gravano v. Take-Two Interactive Software, Inc.*,[14] the Court of Appeals reached the same conclusion in a case brought by Karen Gravano, the daughter of alleged mobster Sammy "The Bull" Gravano, who alleged that an avatar in the same video game used her picture or portrait.

In *Allen v. Gordon*,[15] the Court of Appeals affirmed the lower court dismissal of a claim brought by a psychiatrist named Dr. Eugene Allen that the character "Dr. Allen" in the book *I'm Dancing as Fast as I Can*, which was about the defendant's experiences with drugs, infringed his right of publicity. The Court noted that there was no physical description of Allen in the book, that his office location was different, and that the plaintiff had never treated the defendant author.

Is the Use "Reasonably Related" to a First Amendment Protected Use?

Many of the leading cases before the New York Court of Appeals have involved uses of names or photographs of persons in traditionally protected media, such as newspapers and magazines, but where the plaintiff has claimed that he or she had nothing to do with the specific content of the news story or article. In *Arrington v. New York Times Co.*,[16] plaintiff Clarence W. Arrington objected to the use of his photograph in the *New York Times* magazine section illustrating an article entitled "The Black Middle Class: Making It." Arrington contended that he had not given permission to use his image, and that the article in question expressed ideas and views with which he did not agree. The Court of Appeals affirmed the dismissal of his claims against the *New York Times*, holding that a picture illustrating an article on a matter of public interest is entitled to the protections for free speech and free press under both the federal and New York state constitutions, unless "it has no real relationship to the article, or unless the article is an advertisement in disguise."[17]

Significantly, the Court did not dismiss the claims against the photographer who took the photo at issue or the agency that sold it to the *New York Times*. Later, § 51 was amended to provide that there can be no right of publicity claim against a photographer or other entity based upon the sale of a particular image for use permitted under the statute.

The *Arrington* Court also referenced its earlier decision in *Murray v. New York Mag. Co.*,[18] where the Court rejected a claim under § 51 respecting use of a photograph of a non-Irish plaintiff watching the St. Patrick's Day parade in so-called Irish garb that appeared on the cover of *New York Magazine*. The photo was held to have properly illustrated an article about contemporary attitudes of Irish-Americans in New York City and the St. Patrick's Day festivities.

The Court of Appeals addressed this issue again in *Stephano v. News Group Publications, Inc.*[19] In that case, the use of the plaintiff's photograph in a *New York Magazine* feature called "Best Bets," which contained information about new and unusual products and services available in the New York City metropolitan area, was held to be a use in a publication concerning events or matters of public interest and was not, as the plaintiff contended, an advertisement of products in disguise.[20] The Court noted that the defendants had submitted evidence that the article was published without consideration for advertising concerns and had not received any payment for including the particular item. The fact that the publication chose to include this photograph to increase circulation and profits did not render it an advertisement in disguise.

In the factually amusing case *Finger v. Omni Publications International, Ltd.*,[21] the husband and wife plaintiffs complained about the use of a photograph of themselves and their six children to illustrate a magazine article describing caffeine-aided fertilization. The photograph was captioned "Want a big family? Maybe your sperm needs a cup of Java in the morning. Tests reveal that caffeine-spritzed sperm swim faster, which may increase the chances for *in vitro* fertilization." The article did not mention the names of the plaintiffs or their children, nor did it suggest that the children were produced as a result of caffeine use or *in vitro fertilization.* The Court, citing *Arrington* and *Stephano*, had little trouble concluding that there was a real relationship between the use of the photograph and the article in question and rejected the plaintiffs' claims.

These principles were reiterated in the factually difficult case *Messenger v. Gruner + Jahr Print. & Publ.*[22] In brief, the defendant used a stock photo of the plaintiff in an article in *YM Magazine* about a supposedly 14-year-old girl who claimed to have become drunk at a party and had sex with three different young men. The plaintiff was not involved in any way in the incidents described in the article. Once again, the Court, citing *Arrington, Finger, Murray* and other cases, held that there was a real relationship between the photograph and the article it illustrated and was not an advertisement in disguise. The case went on to discuss a line of cases, which will be covered in more depth below, that suggested a cause of action under § 51 might lie if the use was used in a substantially factionalized way. The Court held that unlike cases that involved fictionalized descriptions of the life of the plaintiff, the article in *YM Magazine* was used to illustrate a newsworthy article.

There are, however, Court of Appeals cases that came out the other way. In *Flores v. Mosler Safe Co.*,[23] the defendant was in the business of manufacturing and selling safes and vaults. It created what the Court described as a "circular" that included reprints of the news article, including photos, captions, and news accounts, describing a building burning and which included several mentions of the plaintiff's name. Advertising copy was "appended" to the news accounts and photographs encouraging readers to protect their valuables by using one of the defendant's products. The Court of Appeals rejected the defendant's contention that the use of the plaintiff's name was incidental or unrelated to the advertising copy, and held that the plaintiff stated a cause of action under § 51. In so holding, the Court distinguished its decision in *Gautier v. Pro-Football, Inc*,[24] which had rejected a claim by a well-known animal trainer arising from the television broadcasting of the plaintiff's animal training act, performed before a professional baseball game. The *Gautier* Court ruled that this was not a commercial use actionable under the statute, even though the broadcast was supported by advertising, and held that the public had a legitimate interest in viewing this special and public event.[25]

There are a couple of other Court of Appeals cases worth a mention. In *Rand v. Hearst Corp*,[26] the Court of Appeals held that the use of the name of plaintiff Ayn Rand on the cover of a book by author Eugene Vale did not violate § 51. The book cover included a short excerpt from a review of the book that mentioned Rand's name ("Ayn Rand enjoys the same kind of mystique as Vale . . . "). The Court affirmed the lower court decision holding that this was not a use for advertising or trade purposes under the Civil Rights Law.[27] It is interesting to contrast the *Rand* decision with the decision in *Beverley v. Choices Women's Medical Center, Inc.*,[28] holding that the use of the plaintiff physician's name, photo, and title in a calendar designed to promote a Queens medical facility was an advertising use subject to protection under § 51.

In *Shaw v. Time-Life Records*,[29] the recording artist and bandleader Artie Shaw complained that the defendants' creation, and use of his name to advertise new records that used his arrangements, violated his rights under §§ 50 and 51 of the New York Civil Rights Law. The Court of Appeals noted that Shaw did not own any copyright interest in the arrangements or new recordings and held that a specific exception set forth in § 51 (as amended), permitting the use of the "name, portrait, picture or voice" of an artist in connection with the sale of artistic productions, applied in this case (even though Shaw did not actually perform on the albums).

Does the Use in an Otherwise Protected Medium Violate the Statute if It Is Pervaded With Actual Falsity?

For this topic, we have to go all the way back to 1911, when the Court of Appeals decided *Binns v. Vitagraph Co. of America*.[30] A defendant creator and distributor of motion pictures made a movie about the 1909 collision of two ships at sea. The plaintiff's name and picture were used in the film. The Court of Appeals upheld the plaintiff's claims, noting that "in the case before us, the series of pictures were not true pictures of a current event, but mainly the product of the imagination, based, however, largely upon such information relating to an actual occurrence as could readily be obtained." In other words, the motion picture did not use actual footage of the event depicted, but recreated it in its studios and assigned actors and actresses to play the roles of the actual participants. Undoubtedly, the Court's analysis, and in all likelihood its holding, would be different today in a time where our view of movie making and the protection accorded to entertainment vehicles has changed.[31]

Spahn v. Julian Messner, Inc.[32] involved a supposed biography of Hall of Fame pitcher Warren Spahn. The Court found that the book was filled with invented dialog, imaginary incidents, and attributed thoughts and feelings. The author had never interviewed Spahn, any member of Spahn's family or even anyone who knew Spahn. The Court of Appeals held that in order to be actionable, an otherwise protected work must be "infected with material and substantial falsification . . . and published with knowledge of such falsification or with a reckless disregard for the truth.[33]

Spahn and Binns both were discussed in the *Messenger* case, described above. The Court of Appeals distinguished the situation there, where a photograph of the plaintiff was used to illustrate and was reasonably related to a newsworthy article, from the *Spahn* and *Binns* cases, which involved attempts to trade on the persona of an individual "so infected with fiction, dramatization or embellishment that it cannot be said to fulfill the purpose of the newsworthiness exception."[34]

The "pervaded with fiction" concept may still have some real resonance, especially in a world of docudramas and fictionalized biographies. In California, an intermediate appellate court recently reversed a lower court decision and dismissed a claim by Olivia De Havilland that portions of the docudrama "Feud," which depicted the rivalry between Joan Crawford and Bette Davis, were fictionalized.[35] In New York, much attention has been given to the Third Department's decision in *Porco v. Lifetime Entertainment Services, LLC.*,[36] which ruled at the pleading stage that a convicted murderer stated a claim against the producer of the film "Romeo Killer: The Christopher Porco Story" on the ground that there was substantial fictionalization in the program and the alleged facts made it "reasonable to infer that the producer indicated that the film was considered to be a fictitious program."[37]

We expect that many of these issues will be the subject of more litigation, especially in light of changes in technology, as well as the public and judicial understanding of what is or is not newsworthy. We also expect continued attempts to modify New York's statutory protections, mostly designed to provide increased protection for individuals and creators (such as songwriters), and ongoing opposition from news and media organizations on First Amendment and other grounds. We wish EASL another 30 years of leadership in the fields of entertainment, arts, and sports law, and in its ongoing role in shaping debate on cutting edge issues significant to its constituents and to the public.

Endnotes

1. https://www.nytimes.com/1902/08/23/archives/the-right-of-privacy.html.
2. *Roberson v. Rochester Folding Box Co.*, 171 N.Y. 538, 542 (1902).
3. *Id*. at 542-43.
4. N.Y. Laws Ch. 132, §§ 1-2 (1903), which subsequently became N.Y. Civ. Rights Law §§ 50, 51. The original 1903 Session law can be viewed at https://babel.hathitrust.org/cgi/pt?id=nyp.33433090742549;view=1up;seq=320.
5. Voice was not added until 1995. L. 1995, c. 674, § 1, eff. Nov. 1, 1995.
6. The statute was held to be a constitutional exercise of power in *Rhodes v. Sperry & Hutchinson Company*, 193 N.Y. 223, 226 (1908).
7. Warren and Brandeis, *The Right to Privacy,* 4 Harv. L. Rev. 193 (1890).
8. *See, e.g.*, Gautier v. Pro-Football, Inc., 304 N.Y. 354 (1952); *Flores v. Mosler Safe Co.*, 7 N.Y.2d 276 (1959).
9. *Haelan Labs. v. Topps Chewing Gum*, 202 F.2d 866 (2d Cir. 1953).
10. *Haelan Labs*, 202 F.2d at 868.
11. *Id*.
12. 63 N.Y.2d 379 (1984).
13. 31 N.Y.3d 111 (2018).
14. 31 N.Y.3d 988 (2018).
15. 56 N.Y.2d 780 (1982).
16. 55 N.Y.2d 433 (1982), *cert. denied*, 459 U.S. 1146 (1983).
17. 55 N.Y.2d at 440 (quoting *Murray v. New York Mag. Co.*, 27 N.Y.2d 406, 409 [1971]).
18. *Murray*, 27 N.Y.2d at 406.
19. 64 N.Y.2d 174 (1984).
20. *See also Freihofer v. Hearst Corp*., 65 N.Y.2d 135 (1985) (publication by a newspaper of an article detailing court files from a matrimonial action are newsworthy irrespective of any motive by defendant to increase circulation).
21. 77 N.Y.2d 138 (1990).
22. 94 N.Y.2d 436 (2000).
23. 7 N.Y.2d 276 (1959).
24. 304 N.Y. 354 (1952).
25. Somewhat remarkably, the Court of Appeals did not cite or even refer to the United States Supreme Court's decision in *Zacchini v. Scripps-Howard Broadcasting Company*, 433 U.S. 562 (1977), which held that the broadcast of the plaintiff's entire circus act of being shot from a cannon misappropriated his right of publicity under the First and Fourth Amendments.
26. 26 N.Y.2d 806 (1970).
27. In *Estate of Hemingway v. Random House, Inc.*, 23 N.Y.2d 341 (1968), the Court of Appeals held that circulation of galley proofs of an upcoming book by its publisher was not a use for "advertising purposes" under the Civil Rights Law.
28. 78 N.Y.2d 745 (1991).
29. 38 N.Y.2d 201 (1975).
30. 210 N.Y. 51 (1913).
31. As a modern example, the 11th Circuit held (based on the answer to a certified question from the Florida Supreme Court), that claims by families of the captain and a crew member of the doomed ship the *Andrea Gail*, featured in the film "The Perfect Storm," and other fisherman depicted in the film, had no claims for misappropriation and common law false light invasion of privacy, even though the film was a fictionalized account "based on" a true story, as the use was not for "purposes of trade or for any commercial or advertising purpose" under Florida law. *Tyne v. Time Warner Entertainment Co.*, 425 F.3d 1363 (11th Cir. 2005).
32. 21 N.Y. 2d 124 (1967).
33. *Id*. at 127.
34. *Messenger*, 94 N.Y.2d at 446. Note the dissent by Judge Bellacosa that includes a detailed analysis of the prior cases, questioning whether the fictionalization exception still is applicable, and concluding that it is not possible to reconcile the decision in *Messenger* with *Spahn*.
35. *De Havilland v. FX Networks, LLC*, 21 Cal. App. 5th 845 (Ct. App. 2d. 2018).
36. 147 A.D.3d 1253 (3d Dep't 2017).
37. *Id*. at 1255.

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Finding "Hollywood": Using State Film Incentive Programs to Select the Right Location for a Production

By Ethan Y. Bordman

Ethan Y. Bordman

Who knew that states like Georgia, Louisiana, New Mexico, and North Carolina, or countries such as Canada, bear any resemblance to Hollywood? These locations, despite being geographically distant from California, are known in the film industry as the "Hollywood of the South,"[1] "Southwest,"[2] "East,"[3] and "North,"[4] respectively. State film and economic development offices have become competitive in their quest to attract productions and the economies they produce. As a result, there are several important considerations for productions in determining which location, and corresponding film incentive program, to utilize.

Runaway Productions

When choosing a location for a shoot, producers consider factors such as the setting for the screenplay, availability of the crew, access to sound stages, and costs of travel and lodging. However, their first priority is to reduce the cost of production. According to Vans Stevenson, Senior Vice President of State Government Affairs for the Motion Picture Association of America: "Incentives are the number one item that film finance and production companies look at when they are trying to decide where to locate a production."[5] Stevenson also pointed out that labor costs and location are important, although he noted that most places can be made to look like someplace else.[6] One example is "*Battle: Los Angeles.*" This film, about an alien invasion of Los Angeles, was not filmed in that city or even in the state of California; nearly all of it was filmed in Shreveport and Baton Rouge, Louisiana.[7]

The incentives in the United States have changed since Louisiana became the first state to create a program in 1992.[8] The creation and growth of incentives are a response to "runaway productions," those that leave the United States to be produced in other countries. A 2005 report by the Center for Entertainment Industry Data and Research attributed this trend to factors including financial incentives and exchange rates.[9] The Canadian Production Services Tax Credit, enacted in 1998, offered a rebate of 11% on qualified Canadian labor; individual provinces offered additional rebates on labor that ranged from 11% to 47%, along with other incentives.[10] This credit, coupled with a favorable exchange rate (in June 1998, $1.00 U.S. was worth $1.47 Canadian)[11] and the ability of Canadian cities, such as Toronto, to convincingly represent U.S. cities like New York, made Canada a popular draw for films and television.

In 2009, 44 states—in addition to Puerto Rico and Washington D.C.—offered some form of incentive for film and television production.[12] As of January 2018, that number decreased to 31 states, plus Washington D.C., Puerto Rico, and the U.S. Virgin Islands.[13] Moreover, many states have changed the requirements for qualified expenses as well as per-project and annual program caps since their inception. In the fiscal year 2018, Colorado, Maryland, and Texas reduced their annual appropriation, while Oklahoma reduced its annual cap from $5 million to $4 million.[14] However, in June 2018, North Carolina increased the per-project cap to $12 million for television series and $7 million for feature films and made-for-television movies.[15] Other changes to the incentives include changing the format of the credit. In 2015, North Carolina moved from a tax credit to a grant program.[16]

Tax Incentives—Credits, Rebates, and Refunds

Production incentives in different states vary on certain points. These include the type of incentive offered, qualifying expenditures, and whether a financial cap is allocated to the incentive. The typical forms of incentives are tax credits, tax rebates, and refundable tax credits. A state can issue a tax credit to refund a portion of the tax incurred by a production in the state. A tax rebate pays cash, in the form of a check, to a production for certain expenditures made in the state. A refundable tax credit is paid by the state to the production for the balance in excess of taxes owed. The credits are based on qualified expenses, which vary from state to state.

Many states allow tax credits to be "tradable" or "transferrable," meaning that they can be traded for cash, like stock options. For example: a film production spends

$1 million in a state that offers a 30% tax credit. After all the receipts and financials have been processed by a certified public accountant, proving the money was spent in the state and is a qualified expenditure, the production company files a request with the state for a tax credit certificate. Once approved, the state gives the production a tax credit certificate for $300,000 (30% of $1 million). This credit can then be used to lower the taxes accumulated on the production—or the credit can be sold. If it is sold, the dollar value—for example, 90 cents on the dollar—is negotiated with a buyer. This allows the buyer, which could be any business located in the state, to buy a $300,000 tax credit for $270,000 and use it toward taxes owed to the state's government. The production company then has $270,000 in cash to use at its discretion.

> *"From an economic development perspective, the policy question to ask regarding a program's effectiveness is: '[D]o the residents of the state get a good return for their investment?',* not *'[D]oes the investment pay for itself in terms of additional state tax collections?'"*

The types of expenditures included in the incentive vary from state to state. "Qualified expenses" generally covers pre-production, production, and post-production expenditures, such as facilities, props, travel, wardrobe, and set construction. "Qualified labor" includes those individuals whose salaries are covered by the incentive, but many states place a cap on an individual's salary. "Qualified production" usually includes feature films, episodic television series, television pilots, television movies, and miniseries. Most incentives exclude documentaries, news programs, interview or talk shows, instructional videos, sports events, daytime soap operas, reality programs, commercials, and music videos.

Cities, too, may offer additional enticements in the forms of tax credits, city services, and marketing credits. New York City's Office of Film, Theatre and Broadcasting's "Made in New York®" Marketing Credit Program offers media packages where at least 75% of the project is produced in New York City.[17] The credit, which varies based on the below-the-line budget of the film, allows promotion and advertising of the film through public transportation—at bus stops, on subway cards, and in 30-second commercials on taxicab video monitors.[18] The New York Police Department (NYPD) offers the services of the NYPD Movie/TV Unit, which assists productions in dealing with any filmed scenes that may impact public safety.[19] New York's Empire State Film Production Tax Credit Program has allocated $420 million per year with a fully refundable credit of 30%.[20] This incentive, along with New York City's program, has made the city a draw for productions. In 2014, for the first time ever, more television drama pilots, 24, were filmed in New York City than in Los Angeles, 19.[21] The number of hour-long broadcast drama pilots filmed in New York City continued to rise, from 38 in 2017 to 43 in 2018.[22] In the 2015-2016 season, a record-breaking 52 episodic television series were filmed in New York.[23] That record was broken again during the 2016-2017 season with 56 episodic television series.[24]

Evaluating the Effectiveness of Entertainment Incentives

To reduce production costs, the first factor to consider is which state's incentive could have the greatest cost-lowering impact. It may not be necessary for a production to do an in-depth quantitative background check on the state's incentive, but understanding how the incentive works—beyond the monetary savings—can be helpful in choosing the right state. The very existence of the incentive program is key; as the incentive is a bill enacted by the legislature, the state can modify or eliminate the program at any time. The availability of state funds is another factor of which to be aware. No production wants to start filming and find that, by the time of completion, the state has spent all of the program's funds for the term or the year. Lastly, it is often useful to research and read reports that evaluate the effectiveness of the state's program.

Ernst & Young's *Evaluating the effectiveness of state film tax credit programs*[25] guide was written to assist in evaluating the effectiveness of state entertainment credit programs. The report states, "[t]he key objective of film credits is to provide state residents with increased employment and higher incomes in the film and related industries and from statewide multiplier activity associated with production in these industries."[26] The report explains that "[t]he multiplier activity accounts for jobs and incomes earned from in-state suppliers to the industry and from the spending and respending of the additional earnings of employees throughout the state economy."[27] This multiplier primarily benefits the private sector accounting for jobs and suppliers to the production, such as sound stage construction, catering, and transportation.[28] From an economic development perspective, the policy question to ask regarding a program's effectiveness is: "[D]o the residents of the state get a good return for their investment?", *not* "[D]oes the investment pay for itself in terms of additional state tax collections?"[29] This is because film credit programs can be effective in regard to economic development, though the public sector is not a net beneficiary.[30] The report noted that many studies evaluating incentives simply ask: "[D]oes the credit pay for itself?," which also may not be the appropriate question to determine its effectiveness.[31] This is because the state (public) return-on-investment (ROI) calculates the state's economic benefits and net credit costs.[32] These evaluations "do not explicitly evaluate the film credit's effectiveness in generating more jobs and income than alternative economic development programs."[33]

The short-term goal of the incentives is to attract specific productions.[34] The long-term goals are in developing an in-state production industry, expanding in-state employment and skill sets of in-state residents to have knowledge to work industry jobs, and expanding in-state suppliers.[35] The success of the state's incentives "may depend on the historical development of the industry, the state's location and topological characteristics, the presence of related industries in the state and the overall regulatory and business tax structure in the state."[36]

The evaluation of the effectiveness of a state's incentives varies due to several factors. As previously stated, each state's program is different. Among the variations are the type of incentive the state offers, the percentage of "qualified expenses" the production receives, the metric of evaluating the program and the definition of what production expenses "qualify" for the credit. For example, Oklahoma's incentive currently offers a 35-37% cash rebate with no per-project cap (though the program has an annual $4 million cap) and a minimum budget of $50,000.[37] That can be compared to Maryland's program, which offers a 25-27% refundable income tax credit with $10 million per project cap and a minimum spend of $250,000.[38]

"Since 2010, 16 film and television studios have announced plans to locate or expand facilities in the state."

The Ernst & Young report also clarified that the author of each state's effectiveness study "must make several choices in estimating the economic impacts of film production activity."[39] One choice is the economic model that is used.[40] The two most common state economic models, the Minnesota IMPLAN Group (IMPLAN) and the Regional Economic Models, Inc. (REMI), have several differences.[41] "The major difference between the two models is that the REMI model incorporates dynamic economic responses to changes in key economic and policy variables, such as price levels, business tax rates and investment."[42] This model is more useful "when evaluating fundamental changes in an economy or broad policy changes, such as tax reform."[43] In addition, "[w]hen the economic change is small relative to the overall size of the economy and the change can be well defined in terms of changes in commodity demand and labor compensation, the IMPLAN model has richer industry detail that permits more accurate impact estimates."[44] Another choice that evaluations help make is whether to adjust the model's structure to use detailed information from incentive credit applications about specific productions or use "default" data that looks at industry averages.[45] The report highlighted that "[e]conomic models used should be adjusted to reflect the detailed economics of the actual productions receiving the credits, whenever it is possible."[46] It also emphasized that "[t]he most common way to incorporate production-specific data is to adjust the economic model to reflect actual industry wages, spending and employment or model these components separately."[47]

Each State Is Unique

The Georgia Entertainment Industry Investment Act has seen tremendous success since it was passed. In fiscal year 2017, according to the Georgia Department of Economic Development, film and television productions spent $2.65 billion in the state.[48] When commercial and music video productions are included, this grows to $2.7 billion spent, having an economic impact of $9.5 billion on the state.[49] This was responsible for 92,000 direct and indirect jobs in 2017,[50] an increase from fiscal year 2016, when 245 film and television productions were shot, spending $2.02 billion, and generating an economic impact of $7.2 billion.[51] The increase is significant when looking to 2011, when industry as a whole spent $689.3 million in the state, with $671.6 million spent on television and filmmaking, generating an economic impact of $2.4 billion.[52] Looking back to 2007, Georgia had 48 productions with $93.1 million spent, generating an economic impact of $241.5 million.[53] As a result of the incentive, Georgia is now third in the nation, behind California and New York, in film and television industry productions.[54]

As with any industry, things take time. Georgia's resemblance to several different states and cities, as well as its climate, helped to support year-round shooting.[55] This made the state a hotspot in the 1970s and 1980s for film productions, including "*Deliverance*," "*Smokey and the Bandit*," and "*Driving Miss Daisy*," and television productions like "*The Dukes of Hazzard*" and "*In the Heat of the Night*."[56] In 1973, then-Governor Jimmy Carter created the state's film commission to ensure that Georgia would continue to attract productions.[57] In the 1990s, changes occurred, as productions were "running away" due to, as stated previously, Canada's aggressive incentives and favorable exchange rates.[58] The "wake-up call"[59] came in 2004 when Georgia lost on the filming of "*Ray*," the story of Georgia native Ray Charles.[60] The film instead chose Louisiana due to the passing of the state's incentive.[61] In 2005, Georgia took action by passing an incentive program, first based on a tiered system, revising it in 2008, and revising it again in 2012.[62]

Georgia's Film, Television and Digital Entertainment Tax Credit offers a 20% tax credit for companies that spend $500,000 or more on production and post-production.[63] An additional 10% credit is granted if the finished product includes a promotional state logo.[64] The credit is just one part of the success. Since 2010, 16 film and television studios have announced plans to locate or expand facilities in the state.[65] Moreover, the creation of the Georgia Film Academy helps train residents to meet the skilled demands of productions.[66] The state has been the location for films such as *The Hunger Games* and *The Blind Side* and television shows such as *The Walking Dead*, *Stranger Things*, *24: Legacy,* and *MacGyver.*[67] Georgia's program also helped to attract hometown productions, such as the television drama *Atlanta* and reality-based shows, such as *The Real Housewives of Atlanta* and *Love & Hip Hop Atlanta*.[68]

Making It Work in the State

Several factors have contributed to the long-term success of Georgia's program, including the state's solid infrastructure.[69] Even before Georgia's incentive program began, the state was considered both savvy and experienced in working with productions and their facilities. Moreover, when studios like Tyler Perry's opened in Atlanta in the mid-2000s, it became a hub for all of Perry's film and television productions.[70]

> *"The Motion Picture Association of America stated that North Carolina's new program could lose as many as 4,000 jobs in addition to the overall economic boost brought by a production."*

While the incentive is a bill passed by the state's legislature, the success of the program, and the infrastructure, starts with support from the state's governor.[71] Georgia's Governor Nathan Deal, who took office in January 2011, continued to support its existing incentive.[72] In contrast, incentives in North Carolina and Michigan were successful until newly elected governors withdrew support.

From 2008 to 2011, Michigan had one of the most lucrative film incentives in the country—a credit of up to 42%.[73] When the bill was signed in April 2008, then-Governor Jennifer Granholm stated, "[w]e're going to grow this industry and in the process grow our economy and create jobs."[74] The year before the incentive became effective, $2 million was spent on productions in the state.[75] The year the incentive passed, spending grew to $125 million, then more than $223 million in the following year.[76] Clint Eastwood, who in 2008 directed and starred in *Gran Torino*—which takes place and was filmed in the state—proclaimed that Michigan "will be the new film capital of the world."[77] *Time Magazine* named Michigan "the Hollywood of the Midwest."[78] However, when the current Governor Rick Snyder took office in January 2011, he soon announced that Michigan's Film and Digital Media Production Assistance Program would incur significant cuts.[79] In the most drastic reduction, the previously no-cap incentive would now be subject to a cap of $25 million.[80] In February 2011, Ernst and Young issued a report showing the economic effect of Michigan's film credit in 2009 and 2010, prior to the cuts.[81] In each of these years, $209.3 million with $73 million in credit costs and $322.6 million with $117.2 million in credits costs, respectively, was spent on total production expenditures in Michigan.[82] As a result of this spending, each dollar of net film tax credit cost generated $5.89 in economic output in 2009 and generated $5.94 in 2010.[83] In assessing the effectiveness of the Michigan credit, Ernst & Young used the IMPLAN model.[84] Though the incentive cap was increased in 2013 to $50 million,[85] Snyder signed legislation on July 10, 2015 that eliminated the house bill. He opined that the state's talent and scenery would continue to draw industry people despite the lack of a program.[86]

North Carolina's incentive took effect in 2005 under the signature of then-Governor Mike Easley, who stated, "this legislation is critical to strengthening the movie and television production business in North Carolina."[87] The next governor, Beverly Perdue, supported the incentive,[88] signing the bill to increase the incentive to 25% in 2009.[89] However, after Pat McCrory become governor in 2013, despite touting the economic impact the film industry had on the state, he supported ending the tax credit.[90] As had Michigan's Governor Snyder, McCrory stated that the state's beauty and creative workforce made it "an ideal place to produce quality projects efficiently."[91] Supporters of North Carolina's program felt that the governor and state officials took the film industry for granted, assuming that productions in the state would continue after the expiration of tax credits.[92] In August 2014, it was announced that the state, which took in $61 million in incentives in 2013, would be replacing the incentive with a $10 million grant program starting January 1, 2015.[93] The cap per production would be $5 million, a quarter of what the state paid to productions, such as 2012's *Iron Man 3*, which employed 2,377 people and generated $81 million for the state on a $20 million credit.[94] The Motion Picture Association of America stated that North Carolina's new program could lose as many as 4,000 jobs in addition to the overall economic boost brought by a production.[95] According to the North Carolina General Assembly, the reduction in the incentive was intended to create an even economic playing field for all businesses and industries in the state.[96] As a result, film production dropped from $377 million in 2012 to $140 million in 2016.[97] The decline for productions continued in 2017, as film and television spending in North Carolina was $49.3 million, though it did create more than 5,300 job opportunities, including 1,000 crew and talent positions.[98]

While campaigning and upon taking office in 2017, Governor Roy Cooper was a supporter of the state's film incentive.[99] In October 2017, Cooper signed a bill that removed the July 2020 sunset, or program expiration date, of the incentive.[100] The bill also increased funding to $31 million for the 2018 fiscal year, to recur each year.[101] In June 2018, North Carolina increased the per-project cap to $12 million for television series and $7 million for feature films and made-for-television movies.[102]

Unfortunately, it will take time to undo what has been done, and there is industry-wide concern about the unsteadiness of incentive programs when states make cuts to funding or change programs. During Oscar week earlier this year, the North Carolina film office aimed to remind the industry of the updates to its incentive by running three consecutive pages of ads in an industry publication, reading "25% rebate, $31 million annually, renowned crews," "And still you haven't called," and "How come Hollywood?"[103]

Incentives Continue to Help Productions

The movie *The Last Shot*[104] takes a humorous look at the movie industry and, in part, state film incentives. In the film, Alec Baldwin plays an FBI agent who poses as a movie producer to take down the mob. Baldwin's character believes organized crime is demanding bribes from local movie crews in exchange for allowing productions to use non-union trucks and drivers. He enlists Matthew Broderick, a hopeful screenwriter who believes the production is real, to make the movie *Arizona.* Baldwin's character informs Broderick's that the film will be shot in Rhode Island, where the mob resides, because he made a "very sweet deal with the state's film commission" who will "roll out the red carpet."[105] This statement implies that a very advantageous proposal was made by the state regarding both financial incentives and cooperation from the municipality for shooting locations. In a humorous scene that shows patches of snow on the ground, Baldwin tries to convince Broderick that Rhode Island can be made to look like Arizona. The movie is loosely based on an FBI sting called Dramex, short for Drama Expose, where FBI agent Garland Schweickhardt went undercover as a movie producer, circulating phony scripts and entertaining clients on his yacht while looking for criminal wrongdoing in the film industry.[106] In the end, two former union officials and three alleged mobsters were accused of accepting $65,000 from Schweickhardt to let the production, filming in New England, use non-union labor without objection from the local union.[107]

The entertainment incentives are a driving force in determining where a film is produced. Moreover, scripts and storylines may be adapted to the location of the state with the most advantageous incentive for the production. The most significant factor that determines where a production will film is the financial program offered. Although saving money is a high priority for a production, other factors should be considered—primarily, the current state of the incentive and stability of the program. Further, researching evaluation reports conducted by the state helps to show how the incentives are being managed. This, along with the support of the state's current governor and legislature, should be investigated. Moreover, examining the current financial status of the program—money left in the program and its sunset dates—is vital in order to avoid exhaustion of funds while filming is underway.

Knowing what you know now, to which state will your production go to find Hollywood?

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Is a Personal Manager the Artist's Fiduciary?

By Judah S. Shapiro

In almost every litigation involving an artist and a former personal manager, there is invariably a claim for breach of fiduciary duty. A split can be a messy divorce between former pals—the artist and his or her personal manager, who has been a day-to-day confidante, career advisor, fixer, co-party-er and sometimes the artist's lawyer. Whether the artist is unsatisfied with lack of career progress, wants to move on to a new handler (Broadway Danny Rose style), or suspects self dealing, the manager's course of conduct and business dealing comes under significant scrutiny.

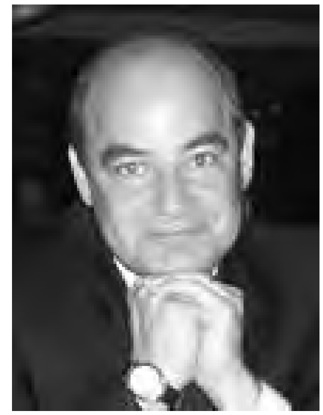
Though a common type of litigation, there are not many reported cases that directly address whether a personal manager has a fiduciary duty to his or her artist/client. After much research and hours of serious thought and analysis, I have come to agree with my initial opinion reached jointly with my esteemed colleague Marc Jacobson, who pithily stated: "It depends."[1]

Perhaps the strongest case in New York supporting a fiduciary duty is *Gershonoff v. Panov*.[2] In *Gershonoff*, prominent ballet dancers who defected from the Soviet Union entered into a contract with Maxim Gershonoff as an "impresario manager." Valery and Galina Panov were described by the court as being "hot properties" and "untaught babes in a world where freedom exists." The court described circumstances indicating that the Panovs were wholly dependent upon their Russian speaking "impresario manager."[3]

The appellate court specifically held that Gershonoff had a fiduciary duty and stated that his conduct was "entirely incompatible with the duty owed by manager Gershonoff to his principals." However, the court then cited only two very old cases (one from the 19th century) addressing agency generally.[4]

While the court's decision could (and probably should) be read to mean that the relationship of a talent/personal manager is a fiduciary one, it may be a function of the extreme "double dealing" of the manager and total dependence of the artists, in this particular case.[5]

The First Department also touched upon the fiduciary issue in *Vogotta v. DCA Productions Plus, Inc.*,[6] where a rock band brought an action against its former personal manager after the ex-manager allegedly caused a cancellation of the band's concert appearance. The court held that there was no reason to impose a fiduciary duty on a discharged agent. However, by referring to the personal manager as an agent, there seems to be an implication that the manager was an agent with a fiduciary duty while engaged by the band.[7]



Judah S. Shapiro

Tyson v. Cayton[8] is also a mixed bag. The case pertains to a series of boxer-manager contracts involving the former heavyweight champion Mike Tyson. The court seemed to hold that the defendant boxing manager was by definition a fiduciary and there were questions of fact whether the defendant manager violated his fiduciary duties in connection with their fourth and fifth management contracts. However, the court also found that there were questions of fact whether the defendant was a fiduciary when the parties signed their first personal management contract. In a virtual 15 rounder, I would give it a split decision 9-6 in favor of managers generally being fiduciaries.

Another federal court case seems to cut the other way. In a suit brought by Jim Croce's widow against former managers, publishers, and lawyer, the court found that the lawyer was liable for breach of fiduciary because he did not advise Croce to obtain independent counsel. However, the non-lawyer managers were not found to have fiduciary duties.[9]

Despite the court specifically acknowledging that the contracts were hard bargains favoring defendants and that Croce had little bargaining power, Judge Sweet, noting the risks in the music business, found them not to be unconscionable and found that no fiduciary duty was owed to Croce. This is a good illustration of where such an imbalance is passable for a breach of contract claim, but not consistent with fiduciary duties.

Additionally, somewhere in the long and winding road of George Harrison's "My Sweet Lord"/ "He's So Fine" travails, the Second Circuit found that George's ex business manager breached fiduciary duties but refused to apply a strict standard of scrutiny to the artist-personal manager relationship for fear that it would "not suit the realities of the business world."[10] In other jurisdictions, a personal manager was assumed to be a fiduciary.[11] However, it is less definitive in New York.

- In *Malmsteen v. Berdon LLP*,[12] the court held that where a personal manager and business manager were accused of embezzlement, it was a question of fact for the jury to determine whether the respective manager took on a fiduciary duty to monitor a musician's income.
- In *Thomas v. 563 Entertainment*,[13] the court ruled on a motion to dismiss various claims brought by a musician against his personal manager. The court, interestingly, denied a motion to dismiss a constructive trust claim based upon alleged fiduciary duties created by a pleaded joint venture. However, it contemporaneously dismissed a similar claim, stating that no fiduciary duty was alleged, in connection with a Personal Management Contract. This seems very odd (and probably incorrect) and certainly argues against a finding that managers are fiduciaries per se.[14]

One would think on a motion to dismiss that the artist would be given leave to replead, especially since the court seemed to be aware of the alleged nature of the artist-manager relationship. The court stated the core essentials of personal management duties as: "specifically Massenburg was to assist Thomas with major business and creative decisions and to oversee and take steps to promote and advance Thomas' career as a recording artist and live performer, including, coordinating concert tours and booking Thomas for live performances."[15]

"Moreover, the burden of proof in establishing an agency relationship generally falls upon the party asserting such relationship."

Judge Kern's description of a personal manager's job function is essentially accurate. While phrased in various ways, "guidance, counsel, and advice," is the key language most often associated with the personal manager's primary job functions. "The personal manager is expected to advise an artist in all facets of the artist's career and primarily advise, counsel, direct, and coordinate the development of the artist's career. The manager advises in both business and personal matters, frequently lending money to young artists, and serves as spokesperson for his or her artists."[16]

The personal manager's deep involvement in advising and acting for the artist by aiding his or her day-to-day business and personal decisions would seem to in and of itself evidence the indicia of a fiduciary relationship. An artist's lawyer could make the good argument for establishing such a duty.

What's the counter argument / protective action for manager's counsel? It would be to set it up in the language of the personal management contracts. A contract could read something like:

> You [manager] will use your best efforts to counsel and advise me in all matters pertaining to my professional career, engagements and business interests, the exploitation of my name and talents, the choice of booking agent's services, the negotiation of contracts for my services and generally in all matters relating to my interest and welfare. You are not required to secure offers of employment for me.[17]

Specifically defining the extent of the relationship to "best efforts" significantly (not wholly) militates against the establishment a fiduciary relationship, especially if the artist is represented by competent independent counsel. Yet, on the other hand, "best efforts," though raising the bar from a pure arm's length contractual "good faith" standard, can also be viewed as a limiting provision.

In New York, where parties have entered into a contract, courts look to that agreement "to discover . . . the nexus of [the parties'] relationship and the particular contractual expression establishing the parties' interdependency."[18] "If the parties do not create their own relationship of higher trust, courts should not ordinarily transport them to the higher realm of relationship and fashion the stricter duty for them."[19] Further, when parties deal at arm's length in a commercial transaction, no relation of confidence or trust sufficient to find the existence of a fiduciary relationship will arise absent extraordinary circumstances.[20] Moreover, the burden of proof in establishing an agency relationship generally falls upon the party asserting such relationship.[21]

Although this is a good counter-argument, while the limiting provision is relevant it is not dispositive. In addition to the contract language, the course of conduct of the parties may define the scope of the manager's responsibilities (fiduciary or otherwise) and how dependent the artists became upon the manager's guidance and activities. "It is fundamental that fiduciary liability is not dependent solely upon an agreement or contractual relation between the fiduciary and the beneficiary but results from the relation."[22]

The courts have also opined that the parties' course of performance of a contract necessarily is manifested after execution of the contract, but their performance is highly probative of their states of mind at the time the contract was signed."[23] Additionally, generally a finding of a fiduciary duty is a "mixed question of law and fact."[24] Such a relationship, necessarily fact-specific, is grounded in a higher level of trust than normally present in the marketplace between those involved in arm's length business transactions.[25] Why does this all matter?

Imposing a fiduciary can have a significant impact on a litigation as well the daily business practices of a personal manager. A fiduciary relationship or agency generally raises the level of communication expected by the principal who is entitled to all material information the fiduciary receives.[26] What constitutes "material" is rife with problems and questions of fact.

> *"If a manger acts as a fiduciary with the artist's imprimatur, this militates in favor of a broader role, and bookings being properly characterized as incidental."*

A fiduciary duty can supply the "special relationship" element of a negligent misrepresentation claim.[27] When one considers that an omission of a material fact can be a constituent, an element of negligence, this opens a whole set of headaches for a manager entrusted with daily responsibilities and who handles thousands of communications. The manager is then subject to potential liability for non-willful acts or lack of due diligence.

A personal manager frequently, if not typically, is not exclusive to a particular artist. A fiduciary has a heightened duty to act in the beneficiary's behalf and avoid conflicts of interests—in the framework of Justice Cardozo's famous "punctilio of honor"[28] standard resulting in greater exposure to any hint of self-dealing. For example, a client can sue a manager, alleging that the manager spent too much time promoting another client in a similar genre.

For the litigator, all of this makes motion practice (such as summary judgment) and discovery a wide-open consequential battlefield rife with questions of fact. Moreover, a breach of fiduciary duty can make it easier for the artist to claim and prove damages.[29] The increased exposure to damages beyond mere breach of contract obviously impacts motion practice, final judgment and of course the 90% of cases that settle.

While a fiduciary finding greatly advantages the artist, theoretically there may be a countervailing modest consideration. There have been a number of cases where a personal manager has been denied fees because of an artist's claim that the manager acted as an unlicensed booking agent, which is highly regulated by statute in California and New York.[30] It is a common affirmative defense. In sum, a personal manager should be okay if his or her bookings are limited and "incidental" to other job duties. If a manger acts as a fiduciary with the artist's imprimatur, this militates in favor of a broader role, and bookings being properly characterized as incidental. This would be particularly so in California, which seems more pro-artist in those matters compared to New York, which does not allow for a private right of action.[31] Given the broad involvement of a personal manager in an artist's career, it is likely that he or she would properly be found to be a fiduciary, but not necessarily and not without factual inquiry.

The New York Court of Appeals has held that "[a] fiduciary relation exists when confidence is reposed on one side and there is resulting superiority and influence on the other."[32] Accordingly, a proper inquiry would be: (1) to what extent the artist reposed trust in the manger and (2) the degree of superiority and influence the manager yields.

A new, inexperienced artist probably would be able to prove a fiduciary relationship with his or her manager, whereas a more established musician, such as Sir Paul McCartney, who possesses bargaining power and an army of informed professionals, such as the lawyers reading this article, would likely need a little luck.

Endnotes

1. As this is EASL's 30th anniversary, it is an appropriate time to thank and give a "shout out" to Marc Jacobson, the founding Chairman of the Section.
2. 77 A.D.2d 511, 430 N.Y.S.2d 299 (1st Dept. 1980), appeal dismissed, 51 N.Y.2d 875, 433 N.Y.S.2d. 1020
3. *Id.* at 513.
4. *See Lamdin v. Broadway Surface Advertising Corp.*, 272 N.Y. 133, 138-39; *Murray v. Beard*, 102 N.Y. 505, 508-9 (1886).
5. Among other things, the manager acted as self-dealing "impresario," producing shows where he made many rubles while failing to disclose other better offers. Gershonoff did this while simultaneously collecting management fees from the artists.
6. 293 A.D.2d 265, 741 N.Y.S.2d 20 (1st Dept. 2002).
7. [7] *Id.* at 267. The decisions of the Appellate Division, First Department hold particular import since New York County is a Mecca for the music industry. Citation—*In re Francis A. Sinatra "New York, New York"* ('If I can make it there, I'll make it anywhere . . .").
8. 784 F. Supp. 69 (S.D.N.Y. 1992).
9. *Croce v. Kurnit*, 565 F. Supp. 884, 893 (S.D.N.Y. 1982).
10. *See ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, F. Supp. 988, 995 (2d Cir. 1983). Although not an illuminating "here comes the sun" revelation, perhaps it is something.
11. *Porter*, 498 B.R.609 (E.D. La 2013) Louisiana court reviewing a case with Massachusetts law thus really impacting Rockin in Boston and down in New Orleans. Also watch out Nashville Katz and other music professions in Tennessee. *See Int'l House of Talent v. Alabama*, 712 S.W.2d 78 (S. Ct. Tennessee, Nashville).
12. 595 F. Supp. 2d 299 (S.D.N.Y. 2012).
13. Lexis Index No. 652898/14 (N.Y. Supreme Court 2015). Note, *Thomas* is relatively recent and lacks any substantial citations to cases defining the manager fiduciary duty, evidencing that it still an open issue.
14. *Id.* at 7. It should also be noted that a breach of fiduciary duty cause of action must be pleaded with particularity. *Parekh v. Cain*, 96 A.D.3d 81 (2d Dept. 2012); CPLR 3016(b). Perhaps this implicitly influenced the court's decision.
15. *Id.* p. 7.

16. *Marathon Entertainment, Inc. v. Blasi*, 42 Cal. 4th 974 (2008), citing/quoting *Park v. Deftones*, 71 Cal. App. 4th 1465, 1469-70, 84 Cal. Rptr. 2d 616; see also Siegel on Entertainment Law for a good readable description of a personal manager's duties and responsibilities; this section is authored by Mr. Siegel himself. *See* Siegel Section 10, Personal Managers.

17. *See* sample Exclusive Personal Management Contract, Siegel, Section 10, Appendix A.

18. *Northeast Gen. Corp v. Wellington Adv.*, 82 N.Y.S.2d 158, 160 (1993).

19. *EBC I, Inc. v. Goldman Sachs*, 5 N.Y.3d 11, 20-21 (2005); *Northeast Gen. Corp, supra*, note 18, at 162.

20. *Velron Holding, B.V. v. Morgan Stanley*, 117 F. Supp. 3d 404 (S.D.N.Y. 2015); *Northern Shipping Funds I, LLC v. Icon Capital Corp.*, 921 F. Supp. 2d 94 (S.D.N.Y. 2013).

21. *Nippon Yusen Kaisha v. FIL Lines USA, Inc.*, 977 F. Supp. 2d 343, 350 (S.D.N.Y. 2013).

22. *EBC I, Inc. v. Goldman Sachs*, 5 N.Y.3d 11, 20-21 (2005) (quoting Restatement [Second] of Torts § 874, Comment b).

23. Restatement (Second) of Contracts § 202 comment. *Gulf Ins. Co. v. Transatlantic Reinsurance*, 886 N.Y.S.2d 133 (1st Dept. 2009).

24. *Commercial Union Ins. Co. v. Alitalia Airlines, S.p.A.*, 347 F.3d 448, 462 (2d Cir. 2003); *Artists Rights Enforcement Corp. v. Estate of King*, 224 F. Supp. 3d 231 (2016).

25. *Eurycleia Partners, LP v. Seward & Enzo Kissel*, LLP, 12 N.Y.3d 553, 561 (2009).

26. *Marine Midland Bank v. John E. Russo Produce Co.*, 50 N.Y.2d 31 (1980).

27. *J.A.O. Acquisition Corp. v. Stavitsky*, 8 N.Y.3d 144 (2007); *Korea First Bank of N.Y. v. Noah Enterprises Ltd.*, 787 N.Y.S.2d 2, 12 A.D.3d 321 (1st Dept. 2004), *leave to appeal denied*, 797 N.Y.S.2d 816, 4 N.Y.3d 710 (2004).

28. *Manhard v. Salmon*, 249 N.Y. 458 (1928).

29. *105 East Second Street Associates v. Bobrow*, 175 A.D.2d 746, 747, 573 N.Y.S.2d 503 (1st Dept. 1991); *Brigham v. McCabe*, 27 A.D.2d 100, 105 (3d Dept. 1966).

30. N.Y. General Business Law § 190 (GBL); Cal. Labor Code § 1700.44(b). A significant portion of Sigel's Personal Managers section addresses this fluid unlicensing issue. Moreover, it is hard not to notice that the standard personal management agreement has an agency disclaimer in BIG BOLD LETTERS. *See* Appendix A.

31. *Marathon Entertainment, Inc. v. Blasi*, 42 Cal. 4th 974 (2008); Rhodes v. Herz, 84 A.D.3d 1 (1st Dept. 2011).

32. *AG Capital Funding Partners, L.P. v. State St. Bank & Trust Co.*, 11 N.Y.3d 146, 158 (2008); Roni LLC v. Arfa, 938 N.Y.S.2d 746 (2011).

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Have You Been Framed? The Future of Embedding Copyrighted Content on the Internet

By Andrew H. Seiden and Christopher J. Norton

Andrew H. Seiden

The practice of "framing" content online, by which one website's content is shown within a frame of another website, is one of the cornerstones of the modern internet's functionality. Beginning in the 1990s, the practice led content owners to bring lawsuits against web services that would frame their copyrighted content, beginning in the text era and evolving with the growth of the internet itself to include photographs, videos, and other types of copyrightable multimedia online.[1] As framing has matured over time into a more seamless experience wherein the entirety of the third party content may appear on-screen within a borderless frame (and, later, fully embedded within the website using the third party content), the complaints of copyright owners have been held at bay by case law, placing the onus for infringement on the website hosting the copyrighted content, rather than on the website framing it.[2]

The *Goldman* Case

Understandably, then, the February 2018 decision in *Goldman v. Breitbart News Network LLC*[3] (Goldman) in the U.S. District Court for the Southern District of New York, in which the court held that "embedding" on one's own website copyrighted content hosted on another website can be copyright infringement, has aroused great apprehension in the digital media community. U.S. District Judge Katherine B. Forrest opened her opinion by writing: "When the Copyright Act was amended in 1976, the words 'tweet,' 'viral,' and 'embed' invoked thoughts of a bird, a disease, and a reporter. . . . In answering questions with previously uncontemplated technologies, however, the Court must not be distracted by new terms or new forms of content, but turn instead to familiar guiding principles of copyright."[4] The ruling has called into question the widespread practice of embedding digital media on the internet, which is used on nearly every website that participates in public dialogue.

The U.S. Court of Appeals for the Second Circuit in July 2018 declined to hear an interlocutory appeal of the district court's summary judgment ruling, and sent the case back down for further proceedings. If ultimately affirmed as precedential case law, *Goldman* has the potential to destabilize the information sharing ecosystem to a degree that would shake the internet to its core, undermining one of the key practices of modern online information exchange and dialogue. However, the case also presents a fresh opportunity to reconsider the reach of copyright's public display right with respect to online content in light of rapidly evolving technological, legal, and policy considerations.

In the case at hand, plaintiff Justin Goldman originally uploaded a photograph of New England Patriots quarterback Tom Brady and others in East Hampton, New York to his personal Snapchat Story.[5] The photo quickly went viral, and several Twitter users reposted the photo in tweets that the defendants—a range of news websites including Breitbart, Time, the *Boston Globe*, and Yahoo—embedded on their own sites to display Goldman's photo, using Twitter's publicly available embed code.[6] Importantly, the full size photo was visible without the news websites users' having to click on a hyperlink, or a thumbnail, in order to view the photo.[7] Goldman then sued the news websites for copyright infringement, alleging that they violated the exclusive public display right inherent in his copyright in the photo. In February, Judge Forrest agreed with Goldman, finding that Goldman's public display right was infringed, and issued summary judgment on that issue.[8] The key factor was whether images shown on one website (here, the defendants' news websites) but stored on another website's server (here, Twitter) implicated the public display right.[9] It is interesting to note that Twitter, the hosting website, did not itself have permission from Goldman to store the photograph: the Twitter users who uploaded Goldman's Snapchat photo to Twitter's service did so without authorization.

Embedding Content—Historical Perspective

The practice of embedding content from third-party online service providers, especially platforms delivering user-generated content, such as Twitter and YouTube, has become a keystone practice of the modern digital media landscape. These platforms provide the ability to embed as a fundamental feature of their services, allowing for sharing and reposting of content that, as in *Goldman*, can proliferate virally with no further action on the part of the platforms or the users who uploaded the content. This practice has flourished in large part due to a perception of legality based upon the 2007 decision of the U.S. Court of Appeals for the Ninth Circuit in *Perfect 10, Inc. v. Amazon.com, Inc.*,[10] which established the so-called "server test" for online copyright infringement. In *Perfect 10*, the plaintiff copyright owner sued Google and other tech companies, alleging that their search engines' display of the plaintiff's photos in image search results constituted direct infringement of the plaintiff's public display and distribution rights.[11] The search engines provided thumbnail versions stored on the search engine operators' servers of the plaintiff's copyrighted images, and also allowed for display of the full size images via the process of "in-line linking" and "framing," which are precursors to the practice of embedding.[12] In-line linking is the process by which a webpage directs a user's browser to incorporate content from different computers into a single window.[13] Framing refers to the process by which information from one computer appears to frame and annotate the in-line linked content from another computer.[14]

"There are crucial distinctions between the type of in-line linking and framing that the search engines in Perfect 10 *carried out via their HTML code versus the embedding of full size images that has become common practice via Twitter and other platforms."*

The Ninth Circuit held in *Perfect 10* that a search engine did not display a copy of full-size infringing images for purposes of the Copyright Act when the search engine framed in-line linked images that appeared on a user's computer screen, even though the search engine operator's separate communication of its stored thumbnail images directly infringed the public display right.[15] It found that providing HTML instructions to retrieve an image from elsewhere was not equivalent to showing a copy of that image.[16] The court found that the search engine's code contained HTML instructions communicating where to find the full-size images, but the search engine operator did not itself distribute copies of the infringing photographs.[17] The court wrote: "Google may facilitate the user's access to infringing images. However, such assistance raises only contributory liability issues . . . and does not constitute direct infringement of the copyright owner's display rights."[18] Perfect 10 argued that Google displayed a copy of the full-size images by framing the full size images, which gave the impression that Google was showing the image within a single Google webpage, but the court responded: "While in-line linking and framing may cause some computer users to believe they are viewing a single Google webpage, the Copyright Act, unlike the Trademark Act, does not protect a copyright holder against acts that cause consumer confusion."[19]

Goldman Holding and Rationale

There are crucial distinctions between the type of in-line linking and framing that the search engines in *Perfect 10* carried out via their HTML code versus the embedding of full-size images that has become common practice via Twitter and other platforms. Judge Forrest delved into these distinctions in *Goldman* and found the server test was neither applicable to the embedding-related facts at hand nor "adequately grounded in the text of the Copyright Act."[20]

Judge Forrest found "no indication" in the text or legislative history of the Copyright Act that possessing a copy of an infringing image is a prerequisite to displaying it.[21] The Ninth Circuit's *Perfect 10* analysis hinged on whether the defendant search engine operators "copied" the image to be displayed and stored the copies on their own servers.[22] However, Judge Forrest stated that in framing the analysis this way, the Ninth Circuit erroneously collapsed the display right in § 106(5) of the Copyright Act into the reproduction right in § 106(1).[23] Judge Forrest further wrote: "*Perfect 10* was heavily informed by two factors—the fact that the defendant operated a search engine, and the fact that the user made an active choice to click on an image before it was displayed—that suggest that such a broad reading is neither appropriate nor desirable." In contrast to the in-line linking and framing of the search engines in *Perfect 10*, the *Goldman* news website defendants presented Goldman's full-size photo seamlessly woven into the total overall appearance of their own websites. Judge Forrest wrote of this distinction:

> In *Perfect 10*, Google's search engine provided a service whereby the user navigated from webpage to webpage, with Google's assistance. This is manifestly not the same as opening up a favorite blog or website to find a full color image awaiting the user, whether he or she asked for it, looked for it, clicked on it, or not. Both the nature of Google Search Engine, as compared to the defendant websites, and the volitional act taken by users of the services, provide a sharp contrast to the facts at hand.[24]

The distinctions Judge Forrest drew between *Perfect 10's* server test and the facts of *Goldman* came under fire from technology advocacy organizations such as the Electronic Frontier Foundation (EEF) and Public Knowledge, which together submitted an amicus brief in the district court in support of the defendants and the application of the server test in the case.[25] Following Judge Forrest's decision, the EFF issued a statement warning that "[i]f adopted by other courts, this legally and technically misguided decision would threaten millions of ordinary Internet users with infringement liability."[26] The EFF claimed Judge Forrest's logic in *Goldman* extended to all in-line linking, not just embedding.[27] An outpouring of anxiety in the digital media world followed, with news websites and blogs sounding alarms of the consequences the public (but especially those websites themselves) would face as a result of the *Goldman* decision.[28] Other legal commentators, however, found little reason to panic in the face of *Goldman*, given the potential defenses to infringement liability that have not yet played out, which could involve a license defense, the safe harbors of the Digital Millennium Copyright Act (DMCA), and/or fair use.[29] The *Goldman* litigation will next proceed in a separate second phase to deal with remaining issues, including such potential defenses.[30]

> *"Accordingly, the broader grant of rights in public content included in the Snapchat terms of service are not likely to provide much help to the news website defendants in claiming a license to use the photo."*

Potential Defense: Terms of Service Implied License

The potential defenses the news websites could raise include the possibility of a license to use the photo based on Twitter and/or Snapchat's terms of service. Both services provide that users retain ownership in the content they post online via the services, subject to a grant of certain license rights to the services. Regarding the rights that Snapchat users grant to the service in content they upload and make publicly available via the service, Snapchat's terms of service provide:

> [Y]ou . . . grant us a perpetual license to create derivative works from, promote, exhibit, broadcast, syndicate, sublicense, publicly perform, and publicly display Public Content in any form and in any and all media or distribution methods (now known or later developed).[31]

For content posted privately, however, the terms of service include only a more limited license (also applicable to public content) which provides:

> [Y]ou grant Snap Inc. and our affiliates a worldwide, royalty-free, sublicensable, and transferable license to host, store, use, display, reproduce, modify, adapt, edit, publish, and distribute that content. This license is for the limited purpose of operating, developing, providing, promoting, and improving the Services and researching and developing new ones.[32]

While these terms provide the *right* to Snapchat itself to sublicense content, they include no explicit *grant* of any sublicense to other third parties like the defendant news websites, and the terms applicable to privately posted content include a more limited sublicensing right that would not permit sublicenses to news websites for their public use of the content. In January 2018 plaintiff Goldman submitted to the court an endorsed letter, stating:

> When I posted my Tom Brady photo to Snapchat, I did so through Snapchat's "My Story" option. It was and is my understanding that "My Story" postings can only be seen by the specific people I have authorized in advance to see those postings. I can't say now how many people were authorized by me to see my "My Story" postings at that time, but I can say that that number does not exceed 90, and could well have been fewer. I had no intention of making the Photo available to anyone else beyond those authorized to see my "My Story" postings and I do not believe I did so. When I posted the Photo to Snapchat, I had a choice to post it either to "My Story," which is limited to those I authorize to see it, or to "Our Story," which would be accessible to the public at large, without restriction. *I deliberately chose the "My Story" option, because I did not want the general public to have access to it. If I did, I would have posted it to a different platform, such as Twitter, or Facebook or Instagram, where it could have been seen without restriction.* I did not want that and did not do that. And I did not authorize any of the people who did have access to my "My Story" posting to share it elsewhere.[33]

Accordingly, the broader grant of rights in public content included in the Snapchat terms of service are not likely to provide much help to the news website defendants in claiming a license to use the photo.

Meanwhile, Twitter's terms of service contain a grant of rights provision comparable to Snapchat's, but with a key difference:

> By submitting, posting or displaying Content on or through the Services, you grant us a worldwide, non-exclusive,

royalty-free license (with the right to sublicense) to use, copy, reproduce, process, adapt, modify, publish, transmit, display and distribute such Content in any and all media or distribution methods (now known or later developed). This license authorizes us to make your Content available to the rest of the world *and to let others do the same*.[34]

Here, the defendants could attempt to rely on the Twitter terms of service to claim that they had a reasonable expectation of having license to embed the tweet, perhaps as third-party beneficiaries of the terms as an agreement between Twitter and the users that tweeted Goldman's photo.

However, in 2013 another judge in the Southern District of New York closely examined the applicability of the same license grant in Twitter's contemporaneous terms of service to photographer Daniel Morel's copyright infringement claims against Agence France Presse (AFP) and Getty Images for downloading Morel's photos of the then-recent earthquake in Haiti from Twitter and reselling the photos to others.[35] In that case (*Morel*), the court granted summary judgment to the photographer on the license defense in January 2013, saying that the terms of service did not grant a license for the defendants' infringing conduct.[36] Later that year, a jury awarded Morel $1.2 million against the defendants in the case.[37]

The alleged infringing conduct in the *Morel* case was more egregious than in the *Goldman* case, given that the Morel defendants were actually taking Morel's photos off Twitter and licensing them out to others as though they owned the rights, not merely redisplaying the full images via Twitter itself. Additionally, Morel posted those photos to Twitter himself through an app called TwitPic, in contrast to the Goldman embedded tweet photos, which were posted by other Twitter users without Goldman's authorization. Nonetheless, the *Morel* court's analysis of the Twitter terms of service as applied to the photos in suit is instructive in considering potential defenses for the Goldman defendants' conduct.

In *Morel*, defendant AFP argued that by posting his photos on Twitter, Morel subjected those photos to the Twitter terms of service, and those terms of service provided AFP with a license to use the photos.[38] The Twitter terms of service at that time contained a provision for rights in uploaded content, similar to the currently-in-effect terms of service referenced above, which stated in part: "This license is you authorizing us to make your Tweets available to the rest of the world and to let others do the same. But what's yours is yours & you own your content."[39] Specifically, AFP claimed to be a third-party beneficiary of the terms of service agreement between Morel and Twitter.[40] U.S. District Judge Alison J. Nathan disagreed, writing: "[T]his is the fatal flaw in AFP's argument: it fails to recognize that even if some re-uses of content posted on Twitter may be permissible, this does not necessarily require a general license to use this content as AFP has."[41] Judge Nathan explained:

> [T]he plain language of the Twitter TOS does not support finding a license covering AFP's conduct, even as a third-party beneficiary. As Judge Pauley already explained, the Twitter TOS spell out expressly the entities to whom a license is granted, namely Twitter and its partners—and AFP does not contend that it is one of Twitter's "partners." Construing the Twitter TOS to provide an unrestrained, third-party license to remove content from Twitter and commercially license that content would be a gross expansion of the terms of the Twitter TOS.[42]

Similarly, the Twitter terms of service that will apply to the *Goldman* case will not likely support a license defense on the defendant news websites' part. Although the *Goldman* defendants were not explicitly removing and reselling the photo Goldman took, as the *Morel* defendants were, the *Goldman* defendants were similarly disassociating the photo from its original context on Twitter and using it for commercial gain in a manner that would normally require a license from the photographer. Additionally, Morel himself intentionally posted his photos on Twitter. Conversely, Goldman uploaded his photo to Snapchat, thinking it was visible only privately, and never agreed to the unauthorized Twitter users' public upload of the photo.

Potential Defense: DMCA § 512 Safe Harbors

The *Goldman* defendants will also likely assert a defense based on the § 512 safe harbors of the DMCA.[43] The safe harbor of § 512(c), which applies to user-generated content uploaded to online service providers, is the defense that Twitter would rely on in the event Goldman had sued it. This safe harbor establishes a notice-and-takedown procedure to initially resolve claims of copyright infringement without litigation, via platforms' removal of user-uploaded content at the request of a copyright holder.[44] The *Goldman* defendants, however, are not user-generated platforms like Twitter or other social media services: they are traditional purveyors of news and journalism. Accordingly, it is unlikely that these websites will be able to rely on the § 512(c) safe harbor.

Instead, the defendants may potentially assert that § 512(d) of the DMCA—which applies to "information location tools" like search engines—protects their conduct via the external linking aspect of the embedding process.[45] This safe harbor provides: "A service provider shall not be liable . . . for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link," subject to certain restrictions.[46] The service provider must not have actual knowledge that the material or activity is infringing; in the absence of such actual knowledge, must not be aware of facts or circumstances from which infringing activity is apparent; or, upon obtaining such knowledge or awareness, must act expeditiously to remove or disable access to the material.[47] The service provider must not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.[48] Finally, upon notification of claimed infringement the service provider must expeditiously remove or disable access to the allegedly infringing material.[49]

> *"In the 2017 case* Barcroft Media, Ltd. v. Coed Media Grp., LLC, *the plaintiffs were purveyors of entertainment journalism who owned copyrights in celebrity and human interest photographs, while the defendant ran celebrity gossip and entertainment websites and displayed 12 of the plaintiffs' images on its sites without any licenses."*

The *Goldman* defendants' DMCA defense would be likely to turn on the second requirement noted above in § 512(d)(2): the news websites likely derived a financial benefit from the infringing activity via increases in viewer traffic to their sites and, presumably, the sale of advertising displayed on the pages including Goldman's photo. Since the websites certainly had the choice of what images to display in their articles, they would also have had the right and ability to control the infringing activity. Thus, this factor would likely defeat a § 512(d) DMCA defense. Of course, if Goldman had sent Twitter the requisite DMCA § 512(c) notification of infringement, and if the notice-and-takedown process had proceeded as usual, Twitter would have removed Goldman's photo from its infringing users' Tweets, which process would have also automatically removed the photo as it appeared when embedded into the defendants' websites.

Potential Defense: Fair Use

Finally, the *Goldman* defendants are likely to argue that their use of the photo for news reporting purposes qualifies as fair use, thereby insulating them from infringement liability.[50] The Copyright Act enumerates certain uses of copyrighted content, including news reporting, that may qualify as fair use, and lays out a four-factor test for courts to determine whether an infringing use is fair.[51] The four factors include: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.[52] In this case, the photo clearly had great news value in the sports media world, as evidenced by the defendants' publication of the photo in their news articles, but newsworthiness alone is insufficient to support a finding of fair use.

While the fair use analysis is a case-by-case analysis heavily dependent on the facts of each matter, two recent fair use court decisions in the Southern District of New York illustrate how the test plays out in similar fact patterns involving news websites' unauthorized publication of celebrity photographs.[53] These decisions, which could serve as potential persuasive authority for plaintiff Goldman's position, suggest that fair use will not be available as a defense here. In the 2017 case *Barcroft Media, Ltd. v. Coed Media Grp., LLC*, the plaintiffs were purveyors of entertainment journalism who owned copyrights in celebrity and human interest photographs, while the defendant ran celebrity gossip and entertainment websites and displayed 12 of the plaintiffs' images on its sites without any licenses.[54] The court found that the defendants' use of the celebrity photos was not fair use.[55] The first factor—the purpose and character of the infringing work—weighed strongly against the defendant because the defendant displayed the photos in the same manner and for the same purpose as they were originally intended to be used.[56] The court held that the use was not transformative criticism or commentary because the defendants' articles did not comment on, criticize, or report news about the images themselves. Instead, the court found the defendant made commercial use of the photos as illustrative aids because the photos depicted the subjects described in its articles.[57] The court noted that celebrity photos "are fleetingly relevant and have limited staying power (and therefore market power) beyond a short window in which they offer timely news and gossip about their subjects."[58] The second factor—the nature of the copyrighted work—weighed slightly in the defendant's favor because the photographs were essentially factual in nature.[59] The third factor—the amount and substantiality of the portion used—weighed against the defendant because the defendant displayed all or most of each original photo on its website.[60] The final factor— the effect of the use upon the potential market for the original—weighed against the defendant because the defendant displayed the photos for the very purpose for which they were originally intended, and thus the use "usurped the function of the original works in the market."[61]The court noted that if the defendant's practice of using celebrity and human interest photographs without licensing "were to become widespread, it is intuitive that the market for such images would diminish correspondingly."[62]

Meanwhile, in the 2016 case *BWP Media USA, Inc. v. Gossip Cop Media, Inc.*, the plaintiff owned copyrights in photographs of celebrities that it licensed to print and online publications, while the defendant ran a for-profit website that presented celebrity gossip news and evaluated the truthfulness of gossip stories published by third parties.[63] The court ruled that the defendant's unauthorized, commercial use of the photos did not constitute fair use because the photographs were specifically taken to be used by celebrity news outlets and the defendant used the photographs for the precise reasons they were created.[64] While the second statutory factor, the nature of the work, weighed slightly in the defendant's favor because the photographs were taken to document their subjects rather than as creative art pieces, the court found that the remaining three factors to weigh against fair use.[65] The court found that the defendant added no new meaning or expression to the images, but simply used the photos to illustrate its stories in the same manner as websites that paid to display the photos.[66]

"Twitter encourages its users to tweet, retweet, and embed content with gusto, and indeed the platform is built entirely on the value of such sharing. The network effects generated by proliferation of shared content online serve many legitimate public interests, as the EFF and others have reiterated."

Taken together, these two celebrity photo fair use cases provide an unwelcome outlook for the *Goldman* defendant news websites' fair use argument. It is unlikely that the news websites will be able to rely on their news reporting activities to defend their uses of Goldman's photo, because as with many celebrity photos, the photo itself was the news: the appearance of Tom Brady in a particular location was essentially the entirety of the news value of the photograph. The websites will likely argue that their reporting and commentary in relation to the photograph, which was focused on Brady's alleged efforts to recruit the National Basketball Association star Kevin Durant to play for the Boston Celtics, added value and context to the image alone, transforming it into something more than simply a reproduction of the original. Additionally, they will likely argue the original image here was not subject to a commercial market for licensing, since Goldman is not a professional photographer or paparazzi seeking to license his image to media outlets, but rather a private citizen who was claiming that his private photo was unlawfully used.

However, these arguments are likely to prove unavailing, like those of the defendants in the recent celebrity photo precedent cases, when the four fair use factors are applied to the facts of *Goldman*. Regarding the nature and purpose of the new use, like the *Barcroft* and *BWP* defendants, the *Goldman* news website defendants were using the photo for the same purpose for which it was originally created: the revelation of heretofore unknown celebrity news. Thus, it is unlikely that the embedding of the photo will be considered transformative in relation to the first factor of the test. The photo was documentary rather than artistic, so the second factor may weigh slightly in favor of the defendants, given the factual nature of their news reporting efforts. However, the entire photograph was displayed on the defendants' websites, so the third factor will weigh against the defendants. The fourth factor will likely weigh against the defendants as well, because they opted to embed the photo, rather than to pay for a license to use it as news websites would customarily do, thereby diminishing any potential economic market for Goldman's original photo.[67]

Conclusion

In conclusion, it is worth considering that *Goldman* presents more than a potentially chaotic nightmare for the future of copyright infringement liability in online communication. This case may instead be a prime opportunity for all stakeholders in the digital media industries, which rely so heavily on copyright, to consider how broadly we wish the scope of copyright to reach in our modern information ecosystem, and how strict limitations must remain on the rights thereby granted to creators. Twitter encourages its users to tweet, retweet, and embed content with gusto, and indeed the platform is built entirely on the value of such sharing. The network effects generated by proliferation of shared content online serve many legitimate public interests, as the EFF and others have reiterated. However, those network effects invariably benefit platforms more than individual content creators or consumers. Recalibrating the reach of copyright's public display right online as *Goldman* has done may be an overdue balancing act necessary to restore a measure of control and compensation to the creators generating the value inherent in any copyrighted content, compared to those who may wish to disseminate said content and thus capitalize on that inherent value.

Endnotes

1. *See, e.g.*, Frank C. Gomez, *Washington Post v. Total News, Inc.*, 13 Berkeley Tech. L.J. 21 (1998) (analyzing in depth an action, which later settled, in which the *Washington Post* sued an online news service that was framing the text of copyrighted *Post* articles without permission on its own website).
2. *See, e.g.*, *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) (establishing the so-called "server test" for online copyright infringement). *See infra* at n.10.
3. 302 F. Supp. 3d 585 (S.D.N.Y. 2018).
4. *Id.* at 585-86.
5. *Id.* at 586-87.
6. *Id.*

7. *Id.*

8. *Id.*

9. *Id.* The public display right established in the Copyright Act gives a copyright owner the exclusive right "in the case of . . . pictorial, graphic, or sculptural works . . . to display the copyrighted work publicly." 17 U.S.C. § 106(5). To "display" a pictorial work like a photograph means to "show a copy of it, either directly or by means of a film, slide, television image, or any other device or process." 17 U.S.C. § 101. To display a work "publicly" means "(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times." 17 U.S.C. § 101.

10. 508 F.3d 1146 (9th Cir. 2007).

11. *Id.* at 1154.

12. *Id.* at 1155-56.

13. *Id.* at 1156.

14. *Id.*

15. *Id.* at 1159-61.

16. *Id.*

17. *Id.*

18. *Id.*

19. *Id.*

20. *Goldman*, 302 F. Supp. 3d at 596.

21. *Id.* at 595.

22. *Id.*

23. *Id.*

24. *Id.* at 596.

25. The amicus brief is available at https://www.eff.org/document/goldman-v-breitbart-eff-amicus-brief.

26. Daniel Nazer, *Federal Judge Says Embedding a Tweet Can Be Copyright Infringement*, Electronic Frontier Foundation (Feb. 15, 2018), *available at* https://www.eff.org/deeplinks/2018/02/federal-judge-says-embedding-tweet-can-be-copyright-infringement.

27. *Id.*

28. *See, e.g.,* Charles Duan, *Embed With the Devil*, Slate.com, (Feb. 21, 2018), *available at* https://slate.com/technology/2018/02/a-court-rules-that-embedding-tweets-with-images-can-violate-copyright.html; Cory Doctorow, *New York Federal judge rules that embedding tweets can violate copyright law*, BoingBoing.net, (Feb. 16, 2018), *available at* https://boingboing.net/2018/02/16/return-of-remierdes.html.

29. *See, e.g.,* Tom Kulick, *Rethinking Linking: 3 Reasons Not To Panic About Embedded Links . . .Yet*, Abovethelaw.com (Feb. 26, 2018), *available at* https://abovethelaw.com/2018/02/rethinking-linking-3-reasons-not-to-panic-about-embedded-links-yet/; Marcus Chatteron, *What's Next For Embedded Tweet Copyright Case*, Law360.com (April 11, 2018), *available at* https://www.law360.com/articles/1031994.

30. *Goldman*, 302 F. Supp. 3d at 586-87.

31. Snap Inc. Terms of Service, *available at* https://www.snap.com/en-US/terms/.

32. *Id.*

33. Endorsed letter filed in U.S. District Court for the Southern District of New York on January 17, 2018 (case no. 1:17cv3144, docket no. 164) (emphasis added).

34. Twitter Terms of Service, *available at* https://twitter.com/en/tos (emphasis added).

35. *Agence Fr. Presse v. Morel*, 934 F. Supp. 2d 547 (S.D.N.Y. 2013).

36. *Id.* at 561-64.

37. *See* PBS News Hour, *Photographer awarded $1.2 million from media companies that lifted images off Twitter* (Nov. 25, 2013), *available at* https://www.pbs.org/newshour/nation/in-landmark-copyright-case-photographer-awarded-12-million-from-media-companies-that-lifted-images-o.

38. *Morel*, 934 F. Supp. 2d at 559.

39. *Id.* at 560.

40. *Id.* at 560-61.

41. *Id.* at 562.

42. *Id.*

43. 17 U.S.C. § 512.

44. *See* 17 U.S.C. § 512(c).

45. *See* 17 U.S.C. § 512(d).

46. *Id.*

47. 17 U.S.C. § 512(d)(1).

48. 17 U.S.C. § 512(d)(2).

49. 17 U.S.C. § 512(d)(3).

50. *See* 17 U.S.C. § 107.

51. The U.S. Supreme Court has held that this test "is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis. . . . Nor may the four statutory factors be treated in isolation, one from another. All are to be explored, and the results weighed together, in light of the purposes of copyright." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) at 577-78.

52. 17 U.S.C. § 107.

53. *See Barcroft Media, Ltd. v. Coed Media Grp.*, LLC, 297 F. Supp. 3d 339 (S.D.N.Y. 2017); *see also BWP Media USA, Inc. v. Gossip Cop Media, Inc.*, 196 F. Supp. 3d 395 (S.D.N.Y. 2016).

54. *Barcroft*, 297 F. Supp. 3d at 346-47.

55. *Id.* at 355.

56. *Id.* at 351-53.

57. *Id.*

58. *Id.* at 352.

59. *Id.* at 353-54.

60. *Id.* at 354.

61. *Id.* at 355.

62. *Id.*

63. *BWP*, 196 F. Supp. 3d at 398.

64. *Id.* at 404-08.

65. *Id.*

66. *Id.*

67. It is worth reiterating that, instead of seeking to license the photo commercially like the celebrity photo copyright owners in the recent precedent cases, Goldman explicitly stated in his above-cited January 2018 endorsed letter to the court that he had wished for the photo to remain private.

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Concert Venue and Promoter Liability for Violent Acts and Injuries at Concerts

By Brian D. Caplan

Contrary to what one might expect, there is a paucity of case law in jurisdictions around the United States related to venue and promoter liability for acts of violence that occur at concerts. However, with the horrific acts of terror at concerts in Las Vegas, Paris, and Manchester, venue and promoter liability issues have received greater attention than ever before. A recent Florida state court decision in the case of *The Estate of Christina Grimmie, et al. v. AEG Live et al.*, denying motions to dismiss a complaint brought by the Estate of Christina Grimmie against the concert venue and promoter of a concert in Orlando, Florida where Grimmie, a 22-year-old singer and performer, was tragically killed by an armed assailant, provides useful illustration and guidance on the relevant inquiries at issue.

Brian D. Caplan

"The fact that a party in control of certain premises undertook certain precautionary measures may be evidence that an owner defendant had actual or constructive knowledge of a dangerous condition."

All questions of negligence begin with the question of whether a duty is owed from one party to another. However, venue liability and promoter liability require distinct analyses.

Venue Liability

As the owner of real property, the owner of a concert venue generally has a common law duty to keep the property safe with respect to invitees on his or her or its venue. Accordingly, the owner of a premises with the right to control access has a duty to exercise due care to maintain the premises in a reasonably safe condition commensurate with the activities conducted thereon, to use every reasonable effort to maintain order among the patrons, employees, or those who come upon the premises, and to protect others from injury.[1] This duty is not, however, absolute, and is subject to a test of reasonable foreseeability.[2] Each case is fact specific.[3]

For example, in *Greenville Mem'l Auditorium v. Martin*,[4] the South Carolina Supreme court upheld a jury determination that injuries sustained by a rock concert patron struck by a glass bottle were foreseeable. The venue and its employees were found negligent in adequately securing and maintaining the concert venue where the rock group Loverboy was in concert, 14 security guards were provided to control a crowd of 6,000 persons, and patrons were openly drinking out of liquor bottles and smoking marijuana.[5] Where violent acts are totally unforeseeable, however, courts have been reluctant to find liability on behalf of venue owners.[6]

Accordingly, the owner of a 40-table diner would arguably not be responsible for a violent criminal act taking place on its premises by a stranger when it had no reasonable expectation that such conduct would likely occur. The foreseeability of a particular criminal act is to be determined in light of all the circumstances rather than by a rigid application of a mechanical "prior similar" rule. If a property owner takes affirmative steps to safeguard against weapons entering its establishment, such as through the use of metal detectors or body pat downs, it then undertakes a duty to protect and safeguard its patrons against violent acts (such as using banned weapons) on the premises. Once the duty is undertaken it cannot be carried out in a negligent manner without potential liability attaching to such conduct. The fact that a party in control of certain premises undertook certain precautionary measures may be evidence that an owner-defendant had actual or constructive knowledge of a dangerous condition.[7] Concert venues that have a history of violent acts taking place at their premises are put on notice of the risk of such future acts taking place and therefore must undertake reasonable and adequate precautions to ensure the safety of its patrons.[8]

In *Grimmie*, the plaintiffs alleged that the Orlando Philharmonic Orchestra, as the owner of The Plaza Live

Theater, owed a duty to Christina Grimmie to use reasonable care and was obligated to keep the premises reasonably safe for her, the other performers, and the attendees at her concert. The plaintiffs further alleged that the Orlando Philharmonic Orchestra had the right and authority to manage and control the event and assumed a duty to protect Christina when its employees or agents performed bag checks of the attendees. Plaintiffs also noted that:

1. There was a "No Guns" sign in plain view where patrons entered the venue;
2. the venue conducted a superficial bag check for patrons attending the concert without using metal detectors, wands or body pat downs; and
3. Grimmie's assailant was permitted to enter the venue with two hand guns and a hunting knife prior to the fatal attack.

In finding that the plaintiffs adequately alleged a factual basis for a finding of liability against the venue, the court noted:

> While a property owner is not required to protect an invitee from every conceivable risk, the property owner does owe a duty to protect against risks which are reasonably foreseeable. However, the question of foreseeability is for the trier of fact. *Hall v. Billy Jack's Inc.*, 458 So. 2d 760 (Fla. 1984); *see also Paterson v. Deeb*, 472 So. 2d @ 1218 (Where reasonable persons might differ, the ultimate determination of foreseeability and legal cause are questions for the jury.) Furthermore, "whether the specific injury was genuinely foreseeable or merely an improbable freak—then the resolution of the issue must be left to the fact-finder." *McCain v. Florida Power Corp.,* 593 So. 2d 500-03 (Fla. 1992). Lastly, where a party specifically undertakes to provide security, liability for breach of duty can be established without any evidence of prior offenses at that location. *Burns Intern. Sec. Services Inc. of Florida v. Philadelphia Indem. Ins. Co.,* 899 So. 2d 361, 364-65 (Fla. 4th DCA 2005). Because there remain unresolved issues of fact, Count Vi [the wrongful death claim] survives the motion to dismiss.

Promoter Liability

The liability of concert promoters for acts of violence that occur at their concerts is analyzed under a different framework. Powerful concert promoters have contracts with many concert venues that give them the ability, if they so choose, to determine what security measures are undertaken by the owners of the venues. With such contracts in place, a strong argument can be made that a promoter legally stands in the same shoes as the venue owner for liability purposes, as the promoter has joint control over access to and security at a venue, giving rise to a duty to use reasonable care to protect concert attendees and performing artists from foreseeable harm. Promoters also often contractually agree directly with touring performers to provide and be responsible for the artists' security. In such situations, where an injury occurs at a venue, an artist would also have a direct breach of contract action against the promoter.

As a rule, performing artists have contractual privity with concert promoters and no such privity with the owners of concert venues. Accordingly, it would be reasonable for such artists, who perform in various venues and states while touring, to the benefit of concert promoters' bottom line, to look to their promoters for purposes of providing a safe workplace.

In *Grimmie*, the court found that the plaintiffs had adequately pled a special relationship between an artist and a promoter, AEG Live, imposing a duty upon the promoter to exercise reasonable care to protect the artist from foreseeable risks of harm. The *Grimmie* complaint alleged:

> 52. As part of Defendant AEG Live's business, AEG Live identifies venues for the artists with whom it contracts, prices the event or tour, and arranges for financing and advertising for the event or tour.
>
> 53. As part of Defendant AEG Live's business, AEG Live enters into contracts with venues and is responsible for assuring that the facilities are adequate for the health and safety of the artists, their equipment, and other personnel involved in the event or tour.
>
> 54. As part of Defendant AEG Live's business, AEG Live is responsible for managing and controlling all tour events, including for assuring the safety of artists and other persons attending concerts.
>
> 55. In connection with the Spring/Summer 2016 Tour, neither Grimmie nor any other of the artists had contractual privity with the venues. Rather, Grimmie and the other artists relied on Defendant AEG Live to enter into appropriate contracts with the venues and to make all arrangements necessary for the concerts, including security arrangements.
>
> * * *
>
> 57. It is standard practice that, when a promoter engages with an artist, the promoter specifically undertakes to be responsible for the security of the tour's performers during the tour. ***
>
> * * *

61. As a paid performer contracted by AEG Live to perform on the Spring/Summer 2016 Tour, Grimmie had a reasonable basis to believe that AEG Live would undertake to be responsible for her security at the venues where she performed.

* * *

99. *** By virtue of its role in staging the concert, inviting Grimmie to participate in the concert being promoted by AEG Live, and inviting the public to attend for a price, AEG Live was under an obligation to keep the premises in a reasonably safe condition for her, the other artists participating in the concert, and the attendees of the concert.

The court in its decision cited several of these factors in rejecting AEG Live's motion to dismiss.

It is not surprising that courts in other jurisdictions have recognized that event promoters, such as AEG Live, can be held liable for injuries resulting from their failure to exercise reasonable care in the manner in which an event is conducted and the manner in which security is arranged.[9]

Conclusion

Due to the unfortunate uptick of violence at music concerts and entertainment events, and the resulting casualties to concertgoers and performers alike, the issues of venue and promoter liability will likely become the focus of increased judicial scrutiny. As violent acts are perpetrated, it will become more difficult for venues and promoters to disclaim liability by maintaining that such senseless acts of violence are not foreseeable. In a climate where a 22-year-old performer is gunned down after a show and hundreds are held under siege at a music festival, the reality is that concert safety is more precarious than ever. Venues and promoters must adequately protect their performers and attendees with proper safety measures or risk facing significant liability under negligence and breach of contract theories.

Endnotes

1. *Stevens v. Jefferson*, 436 So.2d 33, 34 (Fla. 1983); *Mahesweri v. City of New York*, 2 N.Y.3d 288, 294, 778 N.Y.S.2d 442, 445 (2004); *Iacono v. MSG Holdings, L.P.*, 801 N.Y.S.2d 778 (Sup. Ct. N.Y. 2005).
2. *Stevens*, at 34.
3. *Id.*
4. *Greenville Mem'l Auditorium v. Martin*, 301 S.C. 242, 391 S.E.2d 546 (Sup. Ct. S.C. 1990).
5. *See also Rotz v. City of New York*, 143 A.D.2d 301 (1st Dept. 1988) (summary judgment denied to the City of New York in its capacity as the owner and operator of Central Park in connection with a free Diana Ross concert where injured attendees claimed that a stampede could have been averted with reasonable crowd control methods).
6. *See Reid v. Augusta-Richmond Cty. Coliseum Auth.*, 203 Ga. App. 235, 416 S.E.2d 776 (Ga. Ct. App. 1992) (stadium owner not liable for shooting in parking lot); *West v. SMG*, 318 S.W.3d 430 (Tex. App. 2010) (concert venue not liable for injuries caused to concert attendee by bottle thrown into audience by band member); *Djurkovic v. Three Goodfellows, Inc.*, 767 N.Y.S.2d 108 (1st Dept. 2003) (absent evidence of prior criminal activity at that club or expert testimony in the field of security as to any deficiencies in security provided by defendant, the club had no liability for an assault upon a club patron with a box cutter); *Villa v. Paradise Theater Prods., Inc.*, 85 A.D.3d 402 (1st Dept. 2011) (concert venue had no liability for unprovoked assault during rap concert where adequate security measures were taken, *i.e.*, provision of security guards, metal detectors, handheld metal-detecting wands, police presence, and mandatory coat check).
7. *Lipkin v. Norwegian Cruise Line Ltd.*, 93 F. Supp. 3d 1311, 1323 (S.D. Fla. 2015).
8. *See Jacqueline S. v. City of New York*, 81 N.Y.2d 288 (N.Y. 1993) (In the context of an action alleging this defendant landlord's breach of the common law duty to provide adequate security, the question of whether knowledge of criminal activities occurring within a unified public housing complex can be sufficient to make injury to a person in one of the buildings foreseeable depends upon the context of prior criminal conduct at the premises).
9. *See, e.g., Gray v. Derderian*, 389 F. Supp. 2d 308, 313-16 (D.R.I. 2005); *Massey v. Jim Crockett Promotions, Inc.*, 184 W. Va. 441, 446-47, 400 S.E.2d 876, 881-82 (W.Va. 1990); *Pierce v. Murnick*, 265 N.C. 707, 709, 145 S.E.2d 11, 12 (N.C. 1965); *Jones v. Live Nation Entm't., Inc.*, 63 N.E.3d 959, 970-73 (Ill. App. 2016); *Bowes v. Cincinnati Riverfront Coliseum*, 12 Ohio App. 3d 12, 21-22, 465 N.E.2d 904, 914-15 (Ohio Ct. App. 1983); *McLaughlin v. Home Indem. Ins. Co.*, 361 So.2d 1227 (La. Ct. App. 1978), writ denied *sub nom*, 363 So.2d 922 (La. 1978); *Lawson v. Clawson*, 177 Md. 333, 340-341 (Md. 1939).

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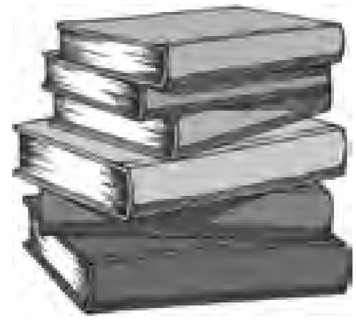
Brian is frequently called upon to speak at seminars conducted in the United States and abroad and at select universities with respect to intellectual property matters and the dynamics of the entertainment industry. His clients include the Estate of George Gershwin, Cirque Du Soleil, the Lumineers, the Allman Brothers Band and Victor Willis, the original lead singer of the Village People. Brian represented Mr. Willis in a precedent-setting copyright termination case involving the composition "YMCA" and 22 other songs in which Mr. Willis terminated various copyright grants from the late 1970s.

Literary Rights Committee
Co-Chairs: Judith B. Bass and Joan S. Faier

30 Developments in Publishing in 30 Years: A Review of New Business Models, Trends and Court Cases from 1988 to 2018



By Judith B. Bass, Joan S. Faier, and Erica Ruff

Judith B. Bass

Joan S. Faier

Erica Ruff

Probably the most significant development in launching a revolution in publishing over the last 30 years actually occurred in 1989. In that year, the World Wide Web was invented by Sir Tim Berners-Lee, along with a plan to make it accessible to the general population. All of the changes that have occurred in the publishing industry since then can be traced back to that invention, including e-books, self-publishing, and the rise of the digital publishing phenomenon.

In this article, we will look at some of the changes in the book publishing industry that have impacted authors and publishers and the relationships between them over the last 30 years. We will first highlight a few key developments in the 1990s after the internet came into being and describe some of the changes that happened in those years. We will then look at each of the next two decades and profile some new business models that arose and various trends that emerged in the publishing industry during that period and going forward. We will also review a selection of significant court cases decided in the last 30 years that have impacted the publishing industry.

I. 1988-1998

1. Rise of the Big Bookstores

In the early 1990s, the big news was the opening of very large bookstores known as "superstores."[1] In 1992, Barnes & Noble opened a series of such superstores stocked with 100,000 books each, with plans for up to 250 additional stores by the end of the following year. Kmart acquired Borders Inc., the owner of 19 superstores. Kmart, at the time, already owned Waldenbooks and planned to open an additional 60 superstores by the end of 1993. These superstores held as much as 10 times more inventory than mall bookstores. At the time, independent bookstores still accounted for 60% of the number of retail outlets for books in the United States. By 1994, chain bookstores were outselling independent bookstores, signaling fears that the smaller booksellers would be pushed out by the superstores.[2]

2. Debut of Electronic Publishing

In the mid-1990s, several newspapers launched their first online versions for the internet.[3] In addition, in 1998, the first dedicated electronic reading devices were introduced, including the Rocket e-book and Softbook. These e-readers did not catch on, however; at the time, e-book selection was very limited—since various formats had to be produced, there was no continuity for reading over different devices, and the personal computer was not suitable for reading books. This period is considered a "false start" for digital publishing.[4]

3. Expansion of the Grant of Rights

With the introduction of electronic publishing, publishers began to expand the language in their contracts that previously provided for print rights or mechanical reproduction rights. These expanded rights were often broken down into "display rights" and "multimedia rights."[5] Display rights allowed for the reproduction, transmission and display of the verbatim contents of a book in digital media and electronic devices. Multimedia rights referred to the right to include third-party content, such as music, photographs, and video, as well as interactivity.[6]

4. Introduction of Print-on-Demand Technology

By the late 1990s, the introduction of print-on-demand (POD) technology allowed books to be printed one at a time.[7] POD is credited as leading to the later explosion in self-publishing through websites such as Lulu, CreateSpace and iUniverse.[8] The POD publishers offered authors low-cost self-publishing options without the need to pay for print runs, inventory, and warehousing.[9]

5. The Beginning of Amazon

Amazon was founded on July 5, 1994. Its website started as an online bookstore. By 1997, when the company went public, the *New Yorker* reported that Amazon's book inventory "could have filled six football fields."[10] In 1999, it first tried to enter the publishing business by buying a defunct imprint but was unsuccessful.[11] It was not until a decade later that Amazon tried again.

Cases

1. *Simon & Schuster v. Members of the New York State Crime Victims' Board*[12]

In 1977, New York enacted the "Son of Sam" law to prevent criminals from profiting from their crimes by selling their stories or writing a book about their crimes. Any proceeds in violation of the "Son of Sam" law had to be surrendered to the New York State Crime Victims Board (the Board) and could later be claimed by victims of the criminal through civil suits. Ten years later, the Board ordered convicted mobster Henry Hill to turn over payments from *Wiseguy,* the book about him by Nicholas Pileggi, that was about to be published by Simon & Schuster. Simon & Schuster brought suit against the Board, arguing that the "Son of Sam" law violated the free speech clause of the First Amendment. The suit concluded in 1991 with an 8-0 ruling by the United States Supreme Court holding that the law was unconstitutional. New York subsequently adopted a new "Son of Sam" law in 2001 that applied to income of over $10,000 received by anyone convicted of a crime from virtually any source and allowed victims of the crime to sue the perpetrator to obtain compensation from those proceeds.

2. *Dr. Seuss v. Penguin Books*[13]

Penguin Books and Dove Audio wanted to publish a book entitled *The Cat NOT in the Hat! A Parody by Dr. Juice*. The book was a rhyming summary of the murder trial of O. J. Simpson using an illustration and style similar to those used in Dr. Seuss's books. Dr. Seuss Enterprises sued to stop the publication. The Ninth Circuit Court of Appeals found that Penguin Books could not rely on a fair use defense because, quoting the Supreme Court in *Acuff-Rose,*[14] the work was not a parody and the defendants made "no effort to create a transformative work with new expression, meaning, or message."[15]

II. 1999-2008

1. Consolidation in the Book Publishing Industry Accelerates

In the beginning of 2001, a *Publishers Weekly* article noted that after years of mergers and acquisitions among book publishers, each sector of the industry (trade, educational, and professional) was comprised of a few very big companies, a number of medium publishers, and many smaller ones. For example, at that time, Random House, which had been purchased by Bertelsmann in 1998, was the biggest trade book publisher in the U.S., and the Penguin Group, which was owned by Pearson and had just bought Dorling Kindersley in 2000, became the second largest trade publisher in the U.S., both with sales of over $1 billion.[16]

The trend towards consolidation has more recently culminated in the merger of Random House and the Penguin Group in July 2013, creating Penguin Random House. According to an article in *Publishers Weekly* appearing just after the five-year anniversary of the merger, Penguin Random House is the largest trade publisher in the world, with 2017 revenues of $3.4 billion, 275 book imprints, and sales of 700 million books annually.[17] The Big Six traditional trade book publishers, as they were previously known, became the Big Five after this merger.[18]

2. E-book Only Publishers Arrive

As e-books become reader-friendly, e-book-only publishing companies were launched, focusing first on "backlist" books previously published in print formats but not available in digital formats. One of the first of these, Rosetta Books, started its e-book business in 2001 with a list of 100 preeminent digital titles. Open Road Integrated Media (Open Road) commenced business in 2009.

3. The Kindle and Kindle Direct Publishing Are Launched

In 2007, Amazon introduced its Kindle electronic reader as well as its Kindle Direct Publishing (KDP) free platform, offering authors the ability to publish e-books of their own.[19] Before the Kindle was launched, less than 1% of books sold were e-books. Within five years, they reached 20% of the trade book market.[20]

4. Consumer Book Review Sites Begin

In 2007, Otis Chandler and his wife, Elizabeth Khuri Chandler, founded Goodreads, an online social media site for learning about books, with the basic idea of creating a vehicle for friends to share their ideas about good books to read.[21] The site includes many features in addition to the book reviews written by fellow readers. Amazon purchased Goodreads in 2013.[22] As of 2017, the tenth anniversary of Goodreads, it had more than 65 million members, according to an article in *Publishers Weekly.* In that same article, founder Otis Chandler stated that

Goodreads helps authors and publishers with readers' abilities to discover books and also with word-of-mouth book suggestions, two important factors in book selling.[23] At the same time that Goodreads appeared on the scene, professional review sections in newspapers, written by book critics, were experiencing cutbacks.[24]

Cases

1. *Tasini v. New York Times*[25]

The *New York Times* and other print publishers licensed rights to copy and sell articles to LEXIS/NEXIS without first consulting the authors of those articles who were engaged as independent contractors under contracts with the publishers. The freelance journalists sued on the basis that they had not granted the publishers the rights to place the articles in electronic databases. The publishers responded that they were authorized by § 201(c) of the Copyright Act to re-publish articles that had appeared in their magazines or journals as part of that collective work or any revision of that collective work. The Supreme Court held that placement in the electronic databases was not a revision of the collective work and that the reproduction was not privileged by § 201(c). In her decision writing for the majority, Justice Ruth Bader Ginsburg said that "the parties (authors and publishers) may enter into an agreement allowing continued electronic reproduction of the authors' works; they, and if necessary the courts and Congress, may draw on numerous models for distributing copyrighted works and remunerating authors for their distribution."[26]

2. *Suntrust Bank v. Houghton Mifflin Co.*[27]

A 2001 novel entitled *The Wind Done Gone*, published by Houghton Mifflin, critiqued Margaret Mitchell's famous novel *Gone With the Wind* and its depiction of slavery and the South during the Civil War era. As the trustee holding the copyrights to the latter, SunTrust Bank sued Houghton Mifflin, alleging that the new novel was an infringement by virtue of its verbatim copying of certain dialogue and descriptions, summarizing of various scenes, and copying of core characters, traits and relationships. The Eleventh Circuit Court of Appeals held in favor of Houghton Mifflin, reasoning that the creation and publication of a carefully written parody novel was transformative and its borrowing from *Gone With the Wind* constituted fair use.

3. *Random House v. Rosetta Books*[28]

In one of the first court cases to address e-book rights, Random House sought an injunction against Rosetta Books, an e-book publisher. Rosetta was selling in digital format eight specific works that Random House had the exclusive license to "print, publish and sell… in book form." The Second Circuit Court of Appeals in 2002 affirmed the district court's decision denying the injunction and holding that a book publishing contract granting to the publisher the right to publish an author's book in "book form" did not include a grant of the e-book rights, which are retained by the authors to license elsewhere.

4. *Gaiman v. McFarlane*[29]

Well-known author Neil Gaiman brought suit against Todd McFarlane, the creator of the comic book character Spawn, over the ownership of a series of Spawn-related characters Gaiman co-created with McFarlane in 1993 and Gaiman's entitlement to a division of proceeds from comic books in which the characters appeared. After a jury trial, the district court entered a judgment finding that Gaiman was a co-owner of the characters, ordered that he be so designated on any undistributed copies of the comic books, and that an accounting of profits be done. In 2004, the Seventh Circuit Court of Appeals affirmed.

5. *Warner Bros. Entertainment v. RDR Books*[30]

J.K. Rowling and Warner Bros. Entertainment, author and film rights owner and distributor of the Harry Potter books, respectively, sued RDR Books over its attempted re-publication of a free online guide to the Harry Potter fictional universe entitled *The Harry Potter Lexicon*. After a trial, the United States District Court for the Southern District of New York found that the *Lexicon* was not sufficiently transformative and held in favor of the plaintiffs, while recognizing that reference guides and companion books in general are not derivative works subject to the control of authors and should be encouraged, not stifled. RDR Books subsequently released a new edition of the Lexicon, dropping lengthy quotes from the books and adding commentary.

III. 2009-2018

1. Roles of Independent Book Stores and Book Chains Start to Change

Increasing competition from online book sellers, including Amazon, affected the health of the book store chains and independent book stores. For example, Borders went bankrupt in 2011[31] and Barnes & Noble closed an estimated 10% of its stores beginning in 2011.[32] In 2017, the fourth biggest book store chain, Book World, which began in 1976, went out of business, its owner citing a downturn in retail shopping.[33] Independent book store numbers also dropped dramatically to around 1,600 in 2008,[34] down from the mid-1980s number of 3,500 independent booksellers, recollected by one industry expert.[35] However, in a reversal of this trend, independent book store numbers are actually now climbing slowly back up. According to the American Booksellers Association, the independent book store category has grown over 30% since 2009 with more than 2,200 stores today.[36]

2. Self-Publishing Becomes Established

With the launch of a variety of publishing platforms such as Amazon's KDP in 2007, Barnes & Noble's Nook in 2010, and Kobo's Writing Life in 2012, authors over the last 10 years became able to publish and distribute e-books on their own. As a result of these developments, the self-publishing industry has flourished. According to a report issued by Bowker, from 2011 to 2016, the number of ISBNs issued for self-publishers jumped by 218% from 247,210 to 786,935.[37] These numbers do not even include e-books self-published through Amazon's KDP program, since those e-books use ASIN identifiers rather than ISBNs. Amazon's Create Space is the largest publisher of self-published print books and Smashwords is the largest on the e-book side.[38] Whereas initially self-published books had somewhat of a stigma attached to them since they were not published with the quality control of a traditional publisher, more recently they are receiving an increasingly popular reception, especially in genres such as romance, science fiction, fantasy, and mystery/suspense.[39] As to sales numbers, the reports vary, with some authors experiencing success and others selling fewer than 100 to 150 copies.[40] One example of a self-published work that has gone on to become a runaway best seller in the traditional sphere is E. L. James' *Fifty Shades of Grey,* starting out as fan fiction and later becoming a blockbuster for Penguin.[41]

3. Subscription E-book Services Begin

In the fall of 2013, three different subscription e-book services debuted—Oyster, Scribd, and Entitle. These services were modeled after Netflix for movies and Spotify for music.[42] Subscribers paid a modest monthly fee, such as $10 or less, and had access to an unlimited number of books. The subscription services licensed books from publishers to include in their services. At the onset, publishers only offered backlist books to these services, concerned that participation would otherwise hurt sales of individual books and uncertain as to how authors would be compensated. In July 2014, Amazon launched Kindle Unlimited (KU), its e-book subscription service. At launch, KU was comprised of works from Kindle Select (Amazon's self-publishing platform), Amazon's imprints, and independent trade publishers, but none from the big five publishers.[43] KU's online sign-up page currently states that it has over one million books available to read.[44]Authors are paid through a revenue-sharing model based on a monthly pool established by Amazon.[45] Of the three initial subscription services mentioned previously, only Scribd still exists, although others have entered the market, such as 24symbols and Playster, some of which include audiobooks, magazines, music, and games, along with books.

4. Hybrid Publishing Gains Ground

For authors who do not want to self-publish and for whom traditional publishing is not an option by choice or otherwise, a middle ground known as hybrid publishing has become popular.[46] The business model for hybrid publishing combines key elements of traditional publishing and self-publishing. For example, rather than the traditional publisher or the self-published author bearing the financial risk, as the case may be, in the hybrid model the parties share the risk. Accordingly, although the author generally pays an upfront fee to publish the work, the parties together recoup the costs of publication and other preapproved costs and expense, and then share the royalties received on a 50/50 basis.[47] Hybrid publishers also have a curatorial approach, choosing what they will publish and offering authors editing services.

Given the growing popularity of this model and the lack of protocols to distinguish true hybrid publishers from assisted service providers, the Independent Book Publishers Association (IBPA), an organization that represents independent publishers, including self-published authors and authors working with hybrid publishers, released a set of guidelines in February 2018 called the "IBPA Hybrid Publisher Criteria" that include nine characteristics that a "professional" hybrid publisher should possess.[48] Among the criteria are requirements that the hybrid publisher vet submissions; ensure editorial, design and production quality; pursue a range of publishing rights (e.g., both print and digital formats); provide distribution services (e.g., through online and traditional methods to wholesalers and bookstores as well); and pay authors a higher-than-standard royalty.[49]

5. Online Writing Communities Become Increasingly Popular

Online social writing communities developed as a result of the existence of the internet and the popularity of social media. Wattpad, one of the best known of these writing sites, launched in 2006, and celebrated its tenth anniversary in 2016, with successful growth and expansion plans for the future.[50] On that anniversary, Wattpad had over 45 million monthly visitors[51] and had grown to 65 million monthly visitors by early 2018.[52] Wattpad writers post their works to the site, largely on a serialization basis, and use the platform to receive reader input on their stories.[53] Although Wattpad does not publish books itself, it has become a source for book publishers and television and film producers seeking content for projects.[54] Other social media writing sites that started somewhat after Wattpad include Penguin's Book Country in 2011,[55] Figment in 2010 (later bought by Random House in 2013)[56] and, with a slightly different business model, Kindle Worlds in 2013, a platform that allows writers to write fan fiction using characters licensed from sources, such as comic book companies, according to agreed-upon rules.[57]

6. Audio Books Take on Market Share

Although recordings of books for various purposes, such as for use by the blind, have been around since the 1930s, they jumped into mainstream popularity in the mid-1980s, fueled first by the development of cassette technology and then compact discs.[58] They have become increasingly popular recently; numbers provided by the Audio Publishers Association in 2017 showed that more than 67 million people in the U.S. listened to at least one audiobook during the year. The audiobook market is now made up largely of digital downloads and streaming rather than physical audiobooks.[59] According to industry statistics published in *Forbes*, digital audiobook revenue was up 32.1% in the first quarter of 2018, with higher sales than mass market paperbacks and e-books.[60] Some authors are even planning to release their works as audiobooks instead of using print formats.[61]

7. Direct-to-Consumer Selling in the Book Business Begins

Book publishers experimented with direct-to-consumer selling during this time period. For example, in July 2014, HarperCollins kicked off a new website with the ability to permit direct-to-consumer selling of its print books, audiobooks in physical form, and e-books.[62] Although it had sold e-books from its own site previously, HarperCollins it had never sold print books this way before, eliminating the retail bookstore entirely. Links to a list of third party booksellers as well as to Amazon and Apple are included. Several months later, it also instituted a royalty incentive to authors who sold their works directly to consumers through the HarperCollins platform.[63] Another effort in this area was the creation of the Everywhere Store by Zola Books, which is a widget that can be placed on a bookstore, publisher or author's website, for example, enabling direct sales of books to consumers.[64]

While the traditional publishers' model of selling directly to consumers cuts out the retailers, Amazon is making efforts to eliminate the publisher as well. One commentator has noted that Amazon's KDP program "is an arrow to the heart of publishers because it cuts publishers out and gives the artist the lion's share of the income."[65] Moreover, it's "Amazon's model of the future of books."[66] As publishers' revenues decrease as a result of below-cost sales by Amazon, this commentator says that it "means 'goodbye publishers' as we know them and most bookshops too. This will leave e-book publishing disintermediated like apps for your iPhone. There will still be publishers but they will be small and the industry fragmented and barely recognizable."[67] Whether this prognostication is true remains to be seen.

Cases

1. *Salinger v. Colting*[68]

Fredrik Colting, a Swedish author using the pen name John David California, published a novel featuring an older version of the famous Holden Caulfield character of Salinger's *The Catcher in the Rye*. Salinger sued the author for infringing his copyright by using extensive similarities in characters, structure and scenes. The United States Court of Appeals for the Second Circuit affirmed the district court's finding that Colting was not likely to succeed in asserting a fair use defense because of his focus on the "purpose and character of the use," specifically the novel's minimally transformative purpose.

2. *Golan v. Holder*[69]

The Supreme Court held in 2012 that Congress had the authority to restore copyrights to thousands of foreign works that had fallen into the public domain in the United States that were still protected by copyright in their countries of origin. Congress had restored the copyrights pursuant to the Uruguay Round Agreements Act passed in 1994 (the Act), following the adoption of the Berne Convention by the United States. As a result, owners of the works that were previously in the public domain could now receive compensation for any uses going forward. Conductor Lawrence Golan and a group of artists who had previously performed, distributed, and otherwise used certain works while they were in the public domain challenged the constitutionality of the Act on the basis that it violated the copyright clause and the First Amendment. The Supreme Court affirmed the decision of the Tenth Circuit Court of Appeals in a ruling that was 6-2, holding that changing the term of copyright was not violative of the First or Fifth Amendments.

3. *Kirtsaeng v. John Wiley & Sons*[70]

The Supreme Court in 2013 held that the "first sale" doctrine, codified at 17 U.S.C. § 109 of the Copyright Act of 1976 as a limitation to the copyright owner's exclusive rights, applies to works lawfully purchased abroad so that a publisher in the United States could not stop the importation back into the United States of such copies. Thai citizen Supap Kirtsaeng, who was studying in the U.S., purchased English-language foreign edition versions of his textbooks from Thailand where they were cheaper, and then sold them to American students for a profit even though they were marked for sale exclusively abroad. John Wiley & Sons, an academic textbook publisher that frequently assigned rights to foreign subsidiaries to produce foreign editions, sued Kirtsaeng for copyright infringement; the Second Circuit Court of Appeals agreed that such copyrighted works could not be imported into the United States without the permission of the U.S. copyright owner. In 2013, the case went before the Supreme Court and it reversed, holding that because the textbooks in question were legally published in Thailand and Kirtsaeng lawfully purchased the textbooks, he did not require the copyright owner's permission to resell the books in the U.S. under the "first sale" doctrine since the doctrine had no geographic restrictions. The case was then remanded for further proceedings. The case immediately had an impact on publishers and others imposing territorial restrictions on sales that is still being felt.[71]

4. *HarperCollins Pub. v. Open Road*[72]

In 2014, the same New York district court that had decided the Rosetta Books case[73] found that language in the 1971 author-publisher contract enabled HarperCollins to have e-book publishing rights. The case was brought by the publisher of the children's novel *Julie of the Wolves* against Open Road over the latter's publication of an e-book version of the novel. The contract granted the publisher not only the "exclusive right to publish . . . in book form" but also provided for exclusive "subsidiary rights" and a grant of certain publication rights, including uses "in storage and retrieval and information systems and/or whether through computer, computer-stored, mechanical or other electronic means 'now known or hereafter invented . . . .'" In the district court decision, Judge Naomi Reice Buchwald held that the contractual language was "sufficiently broad to draw within its ambit e-book publication" and that e-books constituted a "permissible new use," even though when the 1971 contract was entered into "no commercial market for e-books existed."[74] Judge Buchwald expressly recognized that the holding "dependent as it is on antiquated language, may be of limited applicability beyond the confines of this contract and this case" because "contemporary publication contracts explicitly address e-book publication rights."[75]

5. *Authors Guild v. HathiTrust*[76]

Beginning in 2004, several research universities agreed to allow Google to electronically scan their book collections. Thirteen universities founded HathiTrust in 2008 to operate the HathiTrust Digital Library, which was planned as a repository for the digital copies resulting from Google's efforts. Authors and authors' associations, most notably the Authors Guild, brought suit against HathiTrust, arguing that the unauthorized digitization of the copyrighted works in the university collections violated the Copyright Act. A conglomeration of individuals with print disabilities, including the National Federation of the Blind, intervened in the suit. The United States District Court for the Southern District of New York granted summary judgment in favor of HathiTrust, the participating universities, and the intervenors. On appeal, the United States Second Circuit Court of Appeals affirmed, holding that HathiTrust's use of the copyrighted works was protected and did not constitute an infringement on the authors' rights.

6. *Authors Guild v. Google*[77]

The Google Library Project (the Project) was a vast project involving bi-lateral agreements between Google and a number of the world's major research libraries. The Project required scanning entire books, many of which were copyrighted, and making them available as searchable text for the general public as well as allowing the public to see displays of snippets of text. The Authors Guild, on behalf of authors of copyrighted works being copied and displayed by the Project, brought a copyright infringement action against Google. In 2013, the United States District Court for the Southern District of New York granted Google's motion for summary judgment on the basis of the fair use doctrine. Two years later, the United States Court of Appeals for the Second Circuit found that Google's highly transformative use and limited display of the text did not provide a significant market substitute for the original publications, and thus Google's Project was protected by fair use.

7. *U.S. v. Apple Inc*[78]

In anticipation of Apple's 2010 release of the iPad, Apple entered into negotiations with six major publishing companies in the U.S. regarding sales of e-books on the device. Five of the publishers agreed to sell e-books on the iPad pursuant to a so-called "agency" model, such that the publishers had the authority to control prices and Apple received a fee on books sold, rather than under the "wholesale" model, where the retailer controlled the ultimate price to consumers. This model was attractive to the publishers who were concerned about Amazon's sales of newly released books and *New York Times* bestsellers under the wholesale model at $9.99, approximately $2 to $5 below Amazon's cost per book. The publishers worried that these below-cost sales would bring down book prices, lessen authors' royalties, and hurt brick and mortar bookstores.[79] As a result, some publishers had started withholding their books from Amazon. After Apple entered into the agreements with the five publishers, Amazon sent a letter to the Federal Trade Commission complaining that certain publishers were demanding that it enter into agency model agreements as well. Amazon did in fact enter into agency agreements with four of the publishers, resulting in a price increase for new releases and *New York Times* bestsellers sold by Amazon. The United States Department of Justice, along with 33 states and territories, then brought suit against Apple alleging that Apple "orchestrated a conspiracy among the Publisher Defendants to raise the price of e-books—particularly new releases and *New York Times* bestsellers."[80] In 2013, United States District Court Judge Denise Cote found Apple to be in violation of the Sherman Anti-Trust Act[81] and state antitrust laws when it conspired with five major publishing companies (Hachette, HarperCollins, Macmillan, Penguin, and Simon & Schuster) to raise the price of e-books across the expanding e-book market, and ordered a trial to assess damages. The publishers each settled before trial, admitting no liability. In June 2014, Apple settled the case, agreeing to pay $450 million in damages. In 2015, the United States Court of Appeals for the Second Circuit concurred with Judge Cote. In March 2016, the United States Supreme Court declined to hear Apple's appeal.

Conclusion

There is no question that the arrival of digital multimedia in the 1990s was transformational for the book publishing industry. Before that, books were printed on paper and sold in brick and mortar bookstores. Today, one is able to instantly purchase print, electronic, and audiobook versions of the same book on one's computer and seamlessly switch from reading to listening and back again through the Kindle and Audible apps without losing one's place. Authors can be part of a wide-ranging social writing community and then self-publish books that are distributed online and through traditional channels of distribution. Readers can access an unlimited number of e-books through subscription services and share reviews of the books with others through social media sites. While reasonable people may disagree as to whether these developments are good or bad for book publishing in particular or society in general, it is indisputable that the last 30 years has been a time of innovation and change. In some instances, the introduction of these technologies and new ways of doing business has resulted in legal challenges and re-consideration of core legal concepts as described above. For lawyers working in publishing, it also means that we must keep up to date on developments in the industry and be mindful of new models and trends in order to properly advise our author and publisher clients.

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Honey Badger May Not Care, but You Should: A 1930s Film Star, a 30-Year-Old Legal Test, and Trademark in the Age of Digital Content

By Donna Frosco and L. Elizabeth Dale

The year 2018 marks EASL's 30th anniversary. One year after EASL's founding in 1989, the U.S. Court of Appeals for the Second Circuit decided the landmark trademark case *Rogers v. Grimaldi*.[1] What has come to be known as the "*Rogers* test" would, in the ensuing years, become the standard by which courts would analyze the permitted use of trademarks in expressive works of visual art.

Ginger Rogers, Federico Fellini, and U.S. Trademarks

Ginger Rogers and Fred Astaire were an iconic dance duo who starred in classic films in the 1930s and 1940s, including *Top Hat* (1935), *Carefree* (1938), and *Swing Time* (1939). Rogers was Hollywood royalty in her time—she even earned a spot at number 14 on the American Film Institute's list of female stars of classic American films.[2] In 1986, renowned director Federico Fellini created and directed a film entitled *Ginger and Fred*, which followed the exploits of fictional performers who imitated Rogers and Astaire and became known in Italy as "Ginger and Fred." After Fellini released the film, Rogers sued him, claiming that the title of the work violated § 43(a) of the Lanham Act,[3] by creating the false impression that the story was about her or that she "sponsored, endorsed, or was otherwise involved in the film" and that it violated her rights of publicity and privacy.[4]

In *Rogers*, the Second Circuit found that the Lanham Act "should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression."[5] The Court then gave us the *Rogers* test. The test has been cited to require the person using a trademark in an artistic work to show that the allegedly infringing use is part of a work that is protected by the First Amendment. If he or she does so, the burden shifts to the owner of the mark to demonstrate that there is a likelihood of confusion and that either the mark is not artistically relevant to the underlying work whatsoever or, if it does have some artistic relevance, it explicitly misleads consumers as to the source or content of the work.[6]

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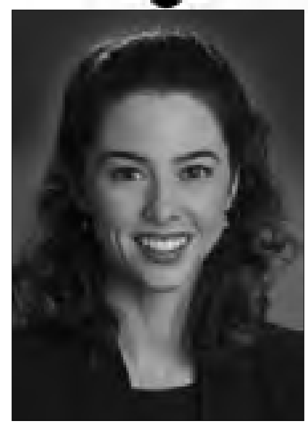

L. Elizabeth Dale

In tackling the threshold question of the *Rogers* test—i.e., whether the mark is protected by the First Amendment—the Second Circuit found that, because creators of artistic works can express themselves in the actual titles of creative works, the expressive elements of a title deserve more protection than those of a non-creative commercial product. Thus, the Court found that the title *Ginger and Fred* was entitled to protection under the First Amendment as an expressive work.

The Court held that the title, *Ginger and Fred*, did have artistic relevance because the names of the main characters in the film are nicknamed "Ginger" and "Fred," so Rogers' name was not arbitrarily chosen to exploit her fame.[7] Further, the Court noted that an affidavit from Fellini revealed that he chose the title as an ironic commentary to contrast the "glamourous and carefree" Hollywood lifestyle of the 1930s and 1940s to the harsh reality of Italy during that time.[8] Therefore, the Court found the title to be a vital part of Fellini's artistic expression.[9]

Having found artistic expression, the Court moved to the second inquiry of the *Rogers* test—determining whether the title explicitly misled consumers as to the source or content of the film. It held that the title did not clearly indicate that Rogers endorsed the film.[10] It found that it would not be clear to a viewer that the film was a true depiction of Rogers' life. Thus, the Court ruled that ultimately any risk that the title would mislead consumers was "outweighed by the danger that suppressing any artistically relevant though ambiguous title would unduly restrict expression."[11] Therefore, Rogers' claim against Fellini under the Lanham Act failed.

30 Years Later…

Fast forward 30 years to the fast-paced age of digital content and the people who capitalize on that digital content disseminated through social media. The 1989 *Rogers* test is being used as the standard by which to analyze new cases involving digital content and trademarks. Since the time of *Rogers*, the proliferation of the internet has given almost anyone with a computer and knowledge of social media the ability to create and rapidly share creative content. Elements of that content can quickly join the American lexicon. Yet, although media has changed beyond the wildest dreams of many in the 1980s, the applicable legal principles have not changed all that much.

In today's social media arena, at the click of a mouse, individuals have the freedom to develop, express, share, and even capitalize on creative works. From videos of cats playing the piano to charitable challenges, to bad lip readings or sports trick shots, social media abounds with a collection of creative content that is ripe for visual consumption.

Enter: The Honey Badger…"Ewww"

There are many lessons to be learned from the honey badger. The honey badger is a furry animal that dwells in the dry areas of Africa, Southwest Asia, and the Indian Subcontinent, and although it may sound sweet, it is far from it. With a reputation for being ferocious and fearless, it is known to hunt animals eight to 10 times its weight.[12] UrbanDictionary.com defines the honey badger as the "Chuck Norris of the Animal Kingdom."

The honey badger was injected into the psyche of the general populace in 2011 through the viral video titled "The Crazy Nastya** Honey Badger."[13] The video follows the honey badger as it goes about its day-to-day activities, scavenging for food, chasing jackals, and receiving a venomous cobra bite, passing out and regaining consciousness to eat the cobra. Yet, what earned this video the acclaim from HuffPost as being "The Best Nature Video of All Time,"[14] was not necessarily the actions of the tenacious creature itself, but the video creator's spin and voiceover.[15]

The video's success is due to the original content of Christopher Gordon, the comedian who added narration and colorful commentary to what may have been a less humorous video. Gordon's sassy voiceover made the video a viral classic, receiving over 80 million views on YouTube. Thanks to Gordon, it is no small wonder that we now know why the honey badger has been called the animal kingdom's most fearless animal by the Guinness Book of World's Records (according to Gordon).[16]

Honey Badger May "Take What It Wants" but That's Not a License to Infringe

Gordon's video earned him much fame in the digital world and, reportedly, copious money in the real world. Gordon was able to expand his digital dynasty into the business world and eventually registered before the United States Patent and Trademark Office the catchphrase "Honey Badger Don't Care"[17] in relation to multiple classes of goods. At the time of the lawsuit, Gordon had not filed an application for the crasser, "Honey Badger Don't Give a Sh**", but presently has an open application for registration.[18] Gordon used the phrases on his own "Honey Badger Don't Care" merchandise, which he sold on his website, randallshoneybadger.com, and in stores like Wal-Mart, Target, and Urban Outfitters.[19] The popularity of the phrases was undeniable—celebrities quoted them,[20] and they were the subject of pop culture news stories in reputable publications.[21] Understandably, along with Gordon's success came much attention from larger entities cognizant of the viral popularity of his work.

"Thanks for the Mouse. See Ya Later"???

The 2015 *Gordon v. Drape Creative* case stems from Gordon's claims that he marketed to the defendant greeting card companies the idea of cards featuring his "Honey Badger Don't Care" and "Honey Badger Don't Give a Sh**" phrases. Gordon maintains that he hired a licensing agent to manage his permitted use of the phrases, and Gordon entered into several licensing deals, including one deal for greeting cards.[22] However, prior to the greeting cards licensing deal, Gordon's agent had contacted American Greetings, the parent company of defendants Drape Creative, Inc. and Papyrus Recycled Greetings, Inc.[23] The court noted that Gordon's agent had email exchanges with an American Greetings employee in which the employee said the video was a "really fun and irreverent property" and that she would "love to see if there (would be) an opportunity on one of (their) distribution platforms…."[24] However, no license was ever granted to American Greetings or the defendants, and Gordon went forward with licenses to the other card companies.[25]

Despite the lack of a license, Gordon claimed, the defendants designed and produced seven greeting cards using his two honey badger phrases with slight variations.[26] These designs included an election-themed card, birthday-themed cards, and a Halloween-themed card—all of which revealed inside the card that the honey badger did not give a "sh**" about these events.[27]

The cards gave rise to Gordon's action against the companies alleging trademark infringement under the Lanham Act. The defendants denied infringement and claimed that the president of Drape Creative, who designed the cards, had never heard of Gordon's video. He claimed that "he could not recall what inspired the cards' designs."[28]

"Nothing Can Stop the Honey Badger When It's Hungry"—Gordon Appealed

The lower court granted the defendants' motion for summary judgement. Gordon appealed. On July 30, 2018, the U.S. Court of Appeals for the Ninth Circuit reversed the district court's decision and sent the case back down to the lower court for further proceedings. The Ninth Circuit acknowledged that the *Rogers* test should be used to "balance the competing interests at stake when a trademark owner claims that an expressive work infringes on its trademark rights."[29] However, the Court also noted that "the *Rogers* test is not an automatic safe harbor for any minimally expressive work that copies someone else's mark."[30]

The Court distinguished *Gordon* from all prior cases in which it had applied the *Rogers* test and found that infringement claims were blocked as a matter of law.[31] In *Gordon,* the Court found that a genuine issue of material fact existed as to whether the defendants' use of the phrases in the greeting cards was artistically relevant, or merely a pasting of Gordon's marks into cards to appropriate the goodwill associated with the marks.[32]

In applying the *Rogers* test, the Court first found that the greeting cards were considered expressive works protected under the First Amendment because they conveyed messages to consumers through their humorous words and images.[33] Having found that the defendants met that threshold showing, the Court then turned to Gordon's burden to demonstrate a triable issue of fact upon which a jury could find either that his marks did not add artistic relevance to the cards or that their use misled the viewer into believing that the cards were sponsored or endorsed by Gordon.

The Ninth Circuit provided guidance, finding that the question of whether the use of a mark is artistically relevant to an underlying expressive work not only asks "whether the mark is relevant to the rest of the work; it also asks whether the mark is relevant to the defendant's own *artistry*."[34] The Court explained that the crux of whether the mark adds to the defendant's artistry is whether the defendant used the mark for artistic reasons rather than to simply appropriate the trademark owner's goodwill.

The Ninth Circuit noted that in *Rogers* and in the cases in which it applied the *Rogers* test, the mark at issue was clearly relevant to the secondary user's work and it was used to add to the user's artistic expression.[35] In this case, the Court found that "[a] jury could find that defendants' cards are only intelligible to readers familiar with Gordon's video and deliberately trade on the goodwill associated with his brand."[36]

Why Should You Care About the Honey Badger?

The Ninth Circuit has deemed there to be real factual issues that have yet to be determined, but the *Honey Badger* case teaches us that the *Rogers* test is still as important as ever. Other circuits are also ruling that creative digital content deserves trademark protection in the real world. In May 2018, the Fifth Circuit in *Viacom Int'l v. IJR Capital Investments* held that a restaurant with the same name as a fictional restaurant in Nickelodeon's "SpongeBob SquarePants" (owned by Viacom) would infringe on Viacom's trademark rights.[37]

We arguably are experiencing a new technological revolution where access to copious amounts of information and the creative works of others are literally at our fingertips. Not everything is Fellini-esqe—but it need not be to have real financial value.

The ability to produce, publish, and disseminate content to hundreds of thousands or millions of viewers is a few clicks away. With technology advancing at such a rapid pace, trademark owners should be aware of the value of their intellectual property and the steps that are available to protect it. Conversely, avid consumers of digital social media should be aware that simply because something is online or has gone viral does not necessarily mean it is up for grabs, especially for commercial gain.

Endnotes

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3. *Rogers* was decided before the Trademark Law Revision Act of 1988. At that time, Section 43(a) of the Lanham Act imposed civil liability on "[a]ny person who shall . . . use in connection with any goods or services . . . a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent same, and shall cause such goods to enter into commerce . . . ."15 U.S.C. § 1125(a) (1982).
4. *Rogers*, 875 F.2d at 997.
5. *Id*. at 999.
6. *Id*.; *Gordon v. Drape Creative, Inc.*, 897 F.3d 1184, 1190 (9th Cir. 2018).
7. *Rogers*, 875 F.2d at 1001.
8. *Id*.
9. *Id*.
10. *Id*.
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14. https://www.huffingtonpost.com/2011/03/04/honey-badger-dont-care_n_831278.html.
15. *Gordon*, 897 F.3d at 1187.
16. https://youtu.be/4r7wHMg5Yjg at 00:21.
17. Registered for Christmas tree ornaments and decorations; talking dolls and plush toys (Reg. No. 4419081); mugs (Reg. No. 4281472); audio books in the field of comedy, parody and satire; computer application software for mobile phones, portable media players, handheld computers, namely, software for playing games (Reg. No. 4419079); clothing, namely, t-shirts, tank tops, one piece garment for infants and toddlers; Long-sleeve shirts, caps (Reg. No. 4505781); and Bumper Stickers; decals (Reg. No. 5059721).

18. Applied for clothing, namely, t-shirts (Serial No. 87280166).

19. *Gordon*, 897 F.3d at 1187.

20. *Id*. at 1188 (citing use by Taylor Swift and Anderson Cooper).

21. *Id*. (noting coverage of the video in Forbes, The Wall Street Journal, and The Huffington Post).

22. *Id*. at 1188.

23. *Id*.

24. *Id*.

25. *Id*.

26. *Id*. at 1186.

27. *Id*. at 1188-89.

28. *Id*. at 1189.

29. *Id*. at 1186-87.

30. *Id*. at 1187.

31. *Id*. at 1191.

32. *Id*. at 1194.

33. *Id*.

34. *Id*. at 1189 (emphasis in original).

35. *Id*.

36. *Id*. at 1196.

37. Viacom Int'l v. IJR Capital Investments, L.L.C., 891 F.3d 178, 183 (5th Cir. 2018).

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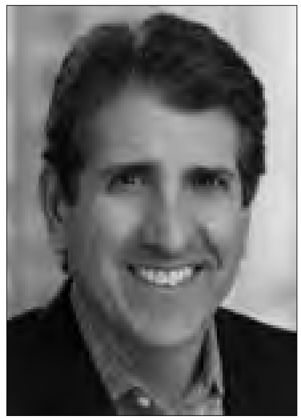
What Is ‘TV’ Anymore? The Business Must Incorporate Lessons of Its Rich History to Build Its Future

By Howard Homonoff



Howard Homonoff

Over more than a decade, the television business has grappled with a tidal wave of challenges, from changing consumer choices to emerging digital giants. For all of those with a stake in that business, it is become almost a parlor game to address the existential question: What does the future of television look like?

The easiest part to answer is the terminology. Despite lingering references to “premium video,” “premium content,” and “digital video,” and to paraphrase famed politico James Carville, “It’s TV, stupid!” Michael Wolff, before he dove into the waters of the Trump White House, wrote a book several years ago entitled *Television Is the New Television*, and it is apparent that both the consumer and business sides of the television equation seem to well understand what that term means for what they are watching, buying, and selling.

If we still call it “TV,” that only starts, rather than ends, the analysis. It is easy, but it would be wrong, to follow the approach of sports analysts who look at today’s standings as the guide for who will win the championship in the end. Clearly, the business of the future will not be the same as the one we have known and continue to enjoy today. Still, the rich tapestry of television’s past does provide a solid framework for any speculation on what it might look like.

The business began in earnest in the aftermath of World War II, and its lifespan fits into three distinct eras. First came the Broadcast Era, which began in roughly 1948, with the launch of The *Texaco Star Theatre*, starring Milton Berle. Next came the Multichannel Era, which began in earnest with the launches of ESPN, USA Network, and CNN in 1979-1980. Since 2007, we have been living in the Streaming Era, linked to Netflix’s expansion from DVD delivery to streaming video. While the first two eras encompassed roughly a generation each, the current one has seen massive changes in a far shorter window.

It is helpful to understand the progress of the different television eras through several lenses: What content predominated? What business model(s) supported it? How did television define its competition during the era? Within what kind of legal and regulatory structure did television operate?

The early part of the Broadcast Era is also sometimes referred to as the Golden Age of Television. Part of this can be explained by the hagiography bestowed upon the past (as in, “Make America Great Again”). However, this era actually defined what we understand television to be: 30-minute situation comedies (actually 22-24 minutes without commercials) represented by *I Love Lucy*; hour-long dramas; game shows (a prime-time staple until the quiz show scandals of the mid-1950s); early morning news and talk (the *Today* show launched in 1952); and even reality television with programs such as *Queen for a Day*. Amazingly enough, 70 years later, these remain the dominant content formats for broadcast television and also across cable and streaming platforms.

The Broadcast Era presented a simple business proposition: Consumers would pay nothing directly (“free TV”) with revenue supplied from advertisers who could buy time from a few gatekeepers. At the beginning, the only way for consumers to watch television was on one of initially two broadcast networks, NBC and CBS, which became three with ABC (Fox did not become a network until the 1980s). There was only one device on which to watch television, a set consisting of a large cathode ray tube encased in a big wooden box, which spread from some 6,000 in 1946 to 12 million in 1951. The job of a network sales executive, it was said only half-jokingly, consisted of answering the phone, taking orders, and playing golf. As the philosopher Mel Brooks once observed: “It’s good to be the King.”

As for regulation, broadcasters had to hew to the government dictate to operate “in the public interest,” including abiding by a fairness doctrine for covering news and restrictions on “indecent” programming (defined famously by the Supreme Court in the *FCC v. Pacifica Foundation*, also known as the “7 Dirty Words” case[1]). Yet with the laws of physics creating a natural barrier to entry for new broadcast competitors, the regulatory tradeoff did little to undermine the gravy train of broadcast television and its oligopoly networks.

The nascent cable television business spent several decades almost exclusively retransmitting the signals of broadcast stations, in large part to areas whose geography of valleys, mountains, and rural areas made reception of broadcast signals difficult or impossible. The dawn of the Multichannel Era, running between roughly 1980 and 2007, offered television consumers an explosion of choices and reset the map for who got to play in the business. HBO was the first network to be delivered via satellite in 1975, but the consumer and business landscape really began to take shape in 1979, with the launch of national networks focused on sports, news, and general entertainment, such as ESPN, CNN, and USA. From their inception, these and other cable networks enjoyed a dual revenue stream of advertising (just like broadcast television) and a share of the monthly subscriber fees that consumers paid to their cable operators. That dual revenue stream has attained the status of the Holy Grail for media players well into the digital age.

"By 2017, of the 100 most highly rated programs on television, 60 were live sports events (and 44 were related to the National Football League)."

For consumers, there was never any question but that "TV" now included cable. In fact, cable insiders joked that "cable marketing" was an oxymoron—just roll a truck down a street and watch people chase it. Cable delivery was followed by direct broadcast satellite from DIRECTV and Dish, and finally by the telecommunications giants AT&T and Verizon, all rapidly gaining new subscribers through the 1980s, 1990s, and even the early 2000s as multichannel video subscribers reached nearly 90% of the entire television household universe in the U.S.

Channel offerings grew exponentially throughout most of this period, and although Bruce Springsteen famously sang that there were "57 Channels (And Nothin' On)," cable brought consumers a plethora of original and library programming. Content still primarily meant what it meant in the Golden Age: sitcoms, dramas, news/talk, and sports (actually so many sports), but there was a greater selection available to suit more niche tastes. Guess what? People kept watching all of it!

The regulatory picture became a much more complicated in the Multichannel Era. The legal framework of broadcast television evolved from almost an entirely federal structure to one with some elements of local, state, and federal oversight. Cable, however, began as a disruptive and challenged upstart, battling demands of local officials seeking tribute in the form of franchise fees (a/k/a taxes) for the right to dig up city streets or string more wires on telephone poles.

The federal government came to cable's rescue with the 1984 Cable Act, overriding local authority power to dictate content carried on cable systems, putting caps on franchise fees, and streamlining the franchise renewal process. However, quite quickly this turned, due to rising pricing and often questionable service to consumers. By 1992, cable operators became saddled with a new overlay of federal oversight on their quality of service, rates, and programming relationships. Broadcasters (increasingly concerned with their lack of control in the market) obtained new retransmission consent rights, which forced cable to pay for the carriage of broadcaster signals, and satellite providers gained access to the most valuable cable programming. Through all of this, the viewer simply wanted more and more television, although at always elusive lower prices.

The World Wide Web became available as early as 1991 and its popularity was well established by the late 1990s, but limited broadband availability made video a still-limited part of the equation. Then, the Streaming Era kicked off with a flourish in 2007, with Netflix streaming video on demand, following Google's purchase of YouTube barely a year earlier. Television has never been the same.

Perhaps the most dramatic change in the Streaming Era landscape has been the proliferation and diversification of business participants. We have a flood of new content producers, beyond the traditional studios, in the industry; a host of new distribution platforms from YouTube to Netflix, Amazon, and Hulu; a growing number of independent outlets for over-the-top (OTT) services, including both subscription video-on-demand (SVOD) and advertising-supported video-on-demand (AVOD); and an intricate web of technology and data analytics companies bringing digital data precision to monitoring viewers and delivering video advertising. On top of that we can add a group of original equipment manufacturers (OEMs) of new devices for viewing content, such as phones and tablets from Apple and Samsung, and connected devices from Roku, Apple, Amazon, and Google.

Somewhat ironically, despite the massive disruption in business models, the format of television content may have changed the least. Hulu is now home of the Emmy winner for Best Dramatic Series, *The Handmaid's Tale*. Amazon Prime's *Transparent* is an Emmy and Golden Globe winner for Best Actor and Best Comedy Series. Netflix is the home of the best standup comedy, a genre that has been around since vaudeville. Sports and news remain staples of broadcast television, as well as every live subscription streaming platform. By 2017, of the 100 most highly rated programs on television, 60 were live sports events (and 44 were related to the National Football League). One of the "new kids" on the block in the OTT world, Fubo TV, has banked its model heavily on the investment in top tier sports programming.

Unlike the decades-long predictability of business models in the Broadcast and Multichannel Eras, the Streaming Era has brought almost constant experimentation. Relying upon advertising, media companies launched their own "dot coms," seeking to drive traffic and dollars to their own sites. Soon thereafter came multichannel content networks (MCNs), such as Maker Studios, Awesomeness TV, and Machinima, providing massive content niches on YouTube from producers outside traditional Hollywood. Broadcasters and cable networks have followed suit, launching services like TV Everywhere, which provides online and mobile access to enhance the value of existing multichannel subscriptions. Netflix, Amazon Prime, and Hulu have led the way with SVOD. Skinny subscription bundles of live programming have sprung up everywhere, from AT&T's DirecTV Now, to Dish's Sling, to Sony PlayStation Vue, to Xbox. Consumers are even watching thousands of hours of programming on a panoply of oddly named advertiser-supported platforms like Xumo, Tubi, and Pluto. This is hardly the Broadcast Era of a few powerful gatekeepers, and there is little predictability anywhere.

So . . . where are we going from here?

Seven decades of data tell us clearly that people still love television. Remarkably, even faced with an almost limitless choice of how to spend his or her media time, the average American still watches over four hours of live television per day. From a cultural perspective, programming continues its powerful hold, with many hundreds of new series launched across all platforms each year, the best of which have come to be known as "Peak TV." The business has maintained its cultural status and relevance to a greater degree than the motion picture industry, which apart from the comic book universe, has developed few, if any, breakthrough releases in recent years. Regardless, there is no slowdown in creative desire among writers, actors, and directors, or in the hunger for compelling content from the public and advertisers.

Alas, for those who longed for the days of media fiefdoms, the future does not look quite so rosy. Although I would not predict that the traditional television business will suffer as dramatically, or for as long, as the music business has in its transition to the digital world, we will never again approach an environment with a so few gatekeeper producers, distributors or advertisers. The public may love television, but it does not love the confusing choice about how to get it and for how much it will have to pay. With the availability of more tailored content choices and the interest and access to massive "on-demand" libraries, including free advertiser-on-demand, I expect retrenchment in the number of 24/7 cable networks, even among established companies controlling groups of networks, such as A&E, Discovery, Viacom, and Warner Media (formerly Time Warner). Given the enormous preponderance of live sports events among the most-watched programming, the broadcast networks are likely to weather the scramble for viewers. Yet there will never again be the kind of "one size fits all" that existed in television's early days.

Facebook, Apple, Amazon, Netflix and Google (collectively, FAANG) are already powerful video players, and Netflix is outspending all of them on content by literally billions of dollars per year. Even with that however, none of these players has yet demonstrated the ability to dominate the creative side of the business, and each of these digital giants has suffered some hiccups in creative enterprises. Especially if (or once) Netflix's growth trajectory slows, I suspect that the television futures of these giants will depend upon the extent of their ability to partner creatively in production, distribution, and monetization with media companies that today may be their "frenemies."

As for the always unpredictable legal framework, clues to its future lie within the recent opinion of U.S. District Judge Richard Leon in the AT&T-Time Warner merger case. Judge Leon noted the far-reaching disruption going on in the business, girding his finding approving the merger with the recognition of a very different digitally focused media world. With respect to the obvious indicia of how different this world has already become, he said: "It doesn't take a weatherman to know which way the wind blows." This view will likely work its way into the policymaking apparatus of the Federal Communications Commission, the Department of Justice, and Congress, with a warning to all players borrowed from today's financial prospectuses: "Past performance is no guarantee of future results."

Endnote

1. *F.C.C. v. Pacifica Foundation*, 438 U.S. 726 (1978).

Howard Homonoff is a Senior Vice President at MediaLink, a strategic advisory firm at the intersection of media, marketing, technology, and finance. He is a recognized expert at creating growth strategies for traditional and digital media companies and advising on strategic partnerships among media companies, brands, agencies, and tech firms. Howard is also a weekly contributor to Forbes.com on media and entertainment; Adjunct Professor of Media Economics at The New School's graduate program for media management; and Senior Fellow at Columbia Business School's Institute on Tele-Information (CITI). Prior to his work as a strategic advisor, Howard served as General Counsel for NBC Cable Networks and Vice President and General Manager of CNBC Strategic Ventures, where he was responsible for P&L management of NBCU's early stage business units, including streaming media, broadcast syndication, and interactive television and video, and helped launch CNBC World. He also served previously as Counsel to the U.S. House of Representatives Subcommittee on Telecommunications and Finance. Howard is a graduate of Cornell University and New York University School of Law.

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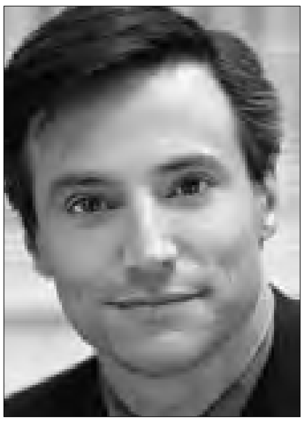
Theater and Performing Arts Committee
Co-Chairs: Jason Baruch, Kathy Kim, and Diane Krausz

30 Years Later—the Show Must Go On: Current Trends and Issues in the Theater Industry

By Jason Baruch, Kathy Kim, Adam J. Rosen, Eric Goldman, Alexandra Mary Clapps, Rebecca Frank Oeser, Jason Aylesworth, and David Friedlander



Jason Baruch

Kathy Kim

Five years ago, the *EASL Journal* published an article called "Exit Stage Left, Enter Stage Right: Theater Trends Over the Past 25 Years"[1] to celebrate EASL's 25th Anniversary. In that article, members of the Theatre and Performing Arts Committee (Committee) identified trends in the theater industry over the preceding quarter century, and tried to anticipate the state of play ("state of the play") in the quarter century to come. Among other things, we predicted that the then newly enacted Jumpstart Our Business Startups Act (JOBS Act) could finally liberalize fundraising techniques and democratize the process of bringing a show to market by giving producers new tools to reach a greater number of potential investors with fewer barriers to entry. We anticipated that producers would continue to struggle with ever-increasing costs, including labor costs, and would continue to mitigate risk by identifying beloved and familiar underlying properties to adapt for the stage. We also expected new technologies and techniques, like dynamic pricing, to throw open the theater doors to new and more diverse audiences.

Five years later, as EASL celebrates its 30th Anniversary, the Committee has revisited some of its predictions, while at the same time casting an eye toward new issues and trends that landed center stage recently. In this article, current members of the Committee will look back on the practical impact of the JOBS Act on the theater economy, now that we have had the benefit of years of implementation, and also evaluate how technology has—or has not—altered the way our business, often stubbornly resistant to change, has evolved, financially and artistically. The Committee also will look at sexual harassment in the theater industry, which by no means has escaped the "#MeToo" movement, as well as ongoing efforts to address diversity both on stage and off. Finally, the Committee will examine some of the changes to the law, both judicial and legislative, that could impact several facets of the theater industry, including court cases involving fair use and potential changes in the law relating to rights of publicity.

Theatrical Fundraising and the JOBS Act

By Adam J. Rosen

The JOBS Act[2] was signed into law in 2012, shortly before the Committee published its 25th Anniversary report, but the specific rules promulgated by the Securities and Exchange Commission (SEC) in response have been implemented more recently. The JOBS Act was intended to make equity fundraising easier for issuers of securities, especially for small companies, such as the production entities formed to finance and produce Broadway shows. Although the impact of the new rules on theatrical fundraising has been minimal thus far, it may still be too soon to say with certainty what the future will bring.

The vast majority of recent theatrical offerings have been completed under one of the "safe harbor" exemptions to requirements for securities offerings to be registered with state securities agencies and the SEC. These offerings are much less costly and less complicated for issuers than registered public offerings, but there have always been drawbacks, including rules against general solicitation of investors and limitations on sales to investors that do not have "accredited"[3] status. The new rules implemented pursuant to the JOBS Act were intended to facilitate fundraising by permitting advertising to the general public (including through internet-based crowdfunding) and provide more flexibility with respect to sales to non-accredited investors, while continuing to allow for a more streamlined and simplified process than a registered public offering.

In 2013, the SEC authorized the new Rule 506(c) of Regulation D under the Securities Act to address the JOBS Act's mandate to change Rule 506's ban on "general solicitation and advertising."[4] Most recent Broadway offerings have been completed pursuant to Rule 506's exemption to the public offering registration requirements. Under the commonly used Rule 506(b), issuers may raise an unlimited amount of money from an unlimited number of accredited investors, but only from a limited number of non-accredited investors (and if there are non-accredited investors in the offering, more substantial disclosures are required, so Broadway producers generally are advised against including any non-accredited investors). A 506(b) offering may solely be made to investors with whom the issuer has a pre-existing relationship, but the new Rule 506(c) allows a company to "broadly solicit and generally advertise an offering"[5] (and still be eligible for exemption from registration). One of the primary distinctions between these exemptions is that *all* investors in a Rule 506(c) offering must be accredited and, unlike 506(b), which allows an issuer to rely on a statement by the investor of its accredited status (without requiring further due diligence to confirm), a 506(c) issuer must take "reasonable steps"[6] to verify that every investor is accredited. This verification may be accomplished by reviewing tax returns, statement balances, credit reports, confirmations from a broker-dealer, investment adviser, attorney, and accountant, among others—each of these methods is far more intrusive than 506(b)'s self-certification, and theatrical producers may be reluctant to subject their investors to this sort of invasive scrutiny.[7]

"The theater industry has also seen apps enter the ticket-purchasing space. Broadway Box and TodayTix are new tools available to producers to fill empty seats."

Donation-based internet crowdfunding, e.g., use of platforms like Kickstarter, is a popular method of funding small performing arts projects, but the SEC's new rules for *equity* crowdfunding as required by the JOBS Act (Regulation Crowdfunding)[8] took effect more recently in 2016. The new rules permit issuers to raise up to $1 million per year from accredited *or non-accredited* investors through internet crowdfunding without registration. However, the issuer must use internet funding platforms maintained by an SEC-registered intermediary (either a broker-dealer or a registered funding portal). Issuers also are required to file extensive disclosures about their businesses and ongoing annual reports. These burdens and expenses may make equity crowdfunding less appealing than traditional fundraising options for many issuers. Further, for the Broadway producing community, the $1 million limit will be an insurmountable obstacle as a sole source of fundraising except with respect to certain small and discrete ventures.

Finally, the rules known as "Regulation A+" were adopted by the SEC in 2015. Regulation A+ permits an issuer to accept accredited or unaccredited investors and to seek them through general solicitation and advertising, but the offering remains exempt from registration with the SEC.[9] There are two "tiers" of Regulation A+ offerings, and many Broadway producers likely will elect "Tier 2," which permits issuers to raise up to $50 million in a one-year period and includes preemption of state registration and review requirements, which is a huge saver of time and money. However, these Regulation A+ offerings do require filing of a disclosure statement that must be reviewed by the SEC, and Tier 2 offerings require audited financial statements, ongoing reporting requirements and certain limitations on the investments of non-accredited investors. The process may be too complex and costly to gain popularity among Broadway producers.

Generally, these recent changes have been met with "a big yawn"[10] by the theatrical industry. Broadway is steeped in tradition, and the personal relationships between producers and investors have always been crucially important to fundraising. General solicitation may signify struggles to raise money and the expenses associated with the new structures under the JOBS Act may be too much to bear, as opposed to relying on the traditional Rule 506(b) offering, which has worked very well for established producers. That said, perhaps we will see more adventurous producers and/or some novice producers without ready access to an existing contact list of accredited investors taking advantage of these potentially exciting new options in years to come.

Is Technology Changing the Theater Industry?

By Eric Goldman

As any fan of Patti LuPone will tell you, technology and live theater remain odd bedfellows. On the surface, it would appear that technology is making inroads into how live theater is produced, marketed, and sold. Scratch the surface, though, and one may find an industry resistant to change and leery of the advantages technology has to offer.

The theater industry has also seen apps enter the ticket-purchasing space. Broadway Box and TodayTix are new tools available to producers to fill empty seats. The apps do help producers move inventory, but they are arguably training theatergoers to pay less than full price for tickets. In addition, there is little likelihood that apps are going to replace traditional ticket sellers—Telecharge and box offices.

The fact that three companies own and control the vast majority of Broadway theaters, and that all of those theater owners have exclusive agreements with Telecharge, has successfully kept the disruptive power of apps from greatly altering the theater landscape. While Uber and Lyft, as a comparison, are able to use dynamic pricing to immediately raise fees in times of high demand for car service, any request for a change in ticket prices requires an approval process. For example, Telecharge requires 72 hours to process a change in prices.

What has presented unique business and legal challenges for producers is the rise of sanctioned online marketplaces for theater tickets. StubHub allows ticket buyers to purchase tickets to popular shows, often at multiple times face value. Other resellers have shifted the capital out of the hands of theater producers and into their hands. The producers of *Hamilton* and *Springsteen on Broadway* have countered this trend by selling tickets at a value above the customary range of prices,[11] but that is not a strategy many producers choose (or are able to) to implement.

> *"The publication of the Weinstein story was followed by thousands of survivors taking to Twitter, Facebook, Medium, and other platforms to say 'me too.'"*

In addition, technology and apps have yet to result in any meaningful advance in theater industry market research. Although it is easier to collect data on ticket purchasers as a result of technology, the industry has still yet to fully embrace the power of the internet to track the habits of theatergoers and has failed to develop a means for sharing such data.

The onstage use of technology has had a more visible effect on the industry. The use of LED screens in productions, such as *Dear Evan Hansen* and *Anastasia,* is making it possible for designers to make new forms of artistic statements. However, technology arguably has not yet translated into substantial cost savings. Yes, LED screens can minimize the costs that would otherwise be allocated to the set budget. However, one may argue that these screens trigger other expenses, such as compensation to projection designer(s) and programmer(s), along with the potential cost of maintenance during the run of the production.

One may also argue that advances in lighting technology are causing new sets of problems in the industry.[12] The LED lighting industry, for example, has yet to be able to produce bulbs suitable for use in theater lighting that are consistent in color. One white LED bulb may be a completely different hue from another, even when purchased from the same manufacturer. In addition, because the market for theater lighting is relatively small, the cost for each theater-appropriate bulb currently is much higher than for traditional bulbs. Presumably this is one of the reasons that the decision in the UK to mandate the use of LED lights in all theaters caused such a furor.[13]

What does all of this mean for the legal practitioner? There may be coming battles between tech giants and theater owners regarding ticket pricing and purchasing. Theater owners and Telecharge may be holding the line now, but resisting the advance and incorporation of technology is not the answer—think Tower Records and Blockbuster.

With Audible (owned by Amazon) starting to produce theater Off-Broadway[14] and abroad to circumvent entrenched interests, such as Broadway theater owners, Telecharge and Equity, it is arguable that the tech industry has Broadway in its sights and that change will most likely follow. The tech industry has not embraced unions, has reduced the value of brick and mortar marketplaces, and has shifted the power of every entertainment industry other than live theater. It is entirely possible that there will be legal battles challenging the power of entrenched interests in the theater industry.

One other item worth mentioning is that legislative and judicial changes may continue to disrupt the theater market. By way of example, theater remains a unionized industry, but unions are under attack nationwide. In fact, the Supreme Court has recently handed down a significant anti-union decision in *Janus v. AFSCME*.[15] As the gig economy advances it may very well be that the power of theater unions will come under attack, with length-of-the-run agreements being deemed anticompetitive and full-time employment for cast, crew and orchestra replaced by part-time and freelance labor.

Harassment and the "Me Too" Movement in Theater

By Alexandra Mary Clapps

While sexual harassment in theater probably dates back as far as the art form itself, in the wake of Hollywood's self-reflection regarding the behavior of Harvey Weinstein and others, the theater industry has seen a shakeup in how it anticipates and reacts to sexual harassment.

What has been surprising about the aftermath of Weinstein's fall from grace in Hollywood is not the number of theater professionals who have been subjected to harassment, humiliation, assault, or retaliation while just trying to do their jobs—it is the sheer number who have come forward to speak publicly about these incidents. The publication of the Weinstein story was followed by thousands of survivors taking to Twitter, Facebook, Medium, and other platforms to say "me too." Stories were told of harassment and assault in professional theaters, during the audition or interview process, in college and university settings, and among collaborators during the development of new works. There has also been a rise of "secret" groups on Facebook and other platforms where people (usually women), sometimes in defiance of non-disclosure agreements, share specific stories about companies that are still operating where the culture of harassment has not yet been addressed.

Such theater luminaries as Kevin Spacey, Ben Vereen, and Dustin Hoffman have stopped shining quite so brightly as revelations have emerged.[16] After Anthony Rapp went public with his story of Spacey's sexual advances towards him in 1986 (when Rapp was still a minor), numerous employees at the Old Vic, where Spacey was Artistic Director, came forward with more recent accounts, and Spacey was forced out of this role at the theater.[17]

In some ways, theater was ahead of Hollywood in exposing bad behavior—*The Chicago Reader* published a story in 2016 exposing decades of abuse by artistic director Darrell W. Cox, who helmed the respected Profiles Theater.[18] The response to the report was swift and dramatic—within days, the company had shut down and Cox had left the industry. Cox's abuse was not limited to sexual harassment, but also included onstage physical assault. Reports of similar behavior emerged in 2017 about Jeremy Menekseoglu, Artistic Director of the Dream Theater Company, which had begun in Chicago and relocated to Atlanta. The company swiftly shut down as well. However, this was a change from the past, in which allegations of harassment or inappropriate sexual conduct would become public and any ramifications would be minor and quickly forgotten. After a season or two passed, previous victims may have even encountered their abusers in the rehearsal room once again. By way of example, allegations against playwright Israel Horovitz were made public as early as 1986, but it was not until 2018 that he was ousted from Gloucester Stage Company.

Other notable departures in the past year have included members of the leadership of the Dallas Theater Center, the Alley Theater, Long Wharf Theater, and the Guthrie Theater. The Guthrie notably undertook a formal investigation of harassment following the resignation of two carpenters citing the toxic culture, particularly for women.[19] Additionally, Justin Huff, former casting director with Telsey + Company, was dismissed, following allegations of inappropriate behavior.

> *"Just prior to the beginning of the 2018-19 season, there are 30 Broadway productions currently performing, many of which feature actors of color and two that feature trans actors in leading roles."*

Women in particular have been attempting for years to address harassment and abuse in local theaters that would not require an individual actor to risk personal retaliation.[20] The organization Not In Our House in Chicago, which grew out of a sexual harassment scandal in the improvisation community, Let Us Work in New York, as well as Intimacy Directors, which operates nationwide, have worked with companies to create policies to protect artists and prevent harassment. Theater Communications Group has a comprehensive list of Resources on Sexual Abuse and Misconduct in Theater available on its website. The Public Theater held a Town Hall following the Weinstein revelations to discuss sexual harassment in the New York City theater community. Actors' Equity has publicly stated to its membership that harassment can be reported to the business representatives, since Equity theaters have a duty under their agreements to provide a harassment-free workplace. The Broadway League created a Sexual Harassment task force. Actor Marin Ireland and attorney Norman Siegel spearheaded the Theatrical Community Sexual Harassment Education and Mediation Pilot Project, focusing on education and mediation, as part of Human Resources for the Arts. Many theaters nationwide have either revisited harassment policies or are implementing them for the first time. The theater community has committed to require these policies to be read at the first rehearsal and posted on callboards. More importantly, perhaps, it appears that this community feels empowered to actually enforce these policies, because despite the temporary negative publicity the exposure of such incidents might bring, the pursuit to make necessary changes seems to be exponentially more powerful. Likewise, perhaps the "cult of personality" (the Old Vic described an environment where there were no reports of misconduct by Kevin Spacey being brought to the management's attention), has been replaced with the expectation from the staff that companies will take reports of sexual harassment seriously, no matter who the allegations are against and without any fear that the report will cause any negative consequences to the one making such a report.

Keeping It Diverse

By Rebecca Frank Oeser

On EASL's 30th anniversary, diversity is a key topic in our conversation about the state of theater and theater law. Since our 25th anniversary article, *Hamilton's* financial success and unapologetic diversity demonstrated to the industry that it could profit from projects celebrating diversity and prompted a push for projects to be developed by a diverse group of artists and producers.

The blanket topic of diversity brings up more questions than answers: How do we unpack diversity in all its forms, let alone report on the current state of diversity in theater? Are we looking only at actors of color? What about press agents, stagehands, producers, and, of course, lawyers? Does the term embrace differently-abled actors and personnel? What about those who are trans and those who identify as non-binary gender?

Earlier this year, *The New York Times* reported on a study by the Asian American Performers Action Coalition (AAPAC),[21] which found that in the 2015-16 season, 35% of all roles were going to minority actors,[22] and that percentage had risen from previous years. In 2015, social media celebrated that *Waitress* had the first all-female creative team in Broadway's history[23] and conversely, in 2018, social media erupted in outrage that *Pretty Woman* had an all white male creative team (although its lead producer was a woman). Just prior to the beginning of the 2018-19 season, there are 30 Broadway productions currently performing, many of which feature actors of color and two that feature trans actors in leading roles. Notably, one of the productions currently playing and featuring two trans actors is *Straight White Men*, by Young Jean Lee—the first Asian American female writer on Broadway.

EASL's 25th Anniversary article prepared by the Committee predicted that, "[Producers] will also continue to mitigate risk by relying on pre-branded properties such as well-known films, music catalogues, and celebrity actors and producers." This has substantially proven true. Looking at *Theatrical Index* today, 26 of the 30 productions on Broadway are a revival of a theatrical work or are based on a popular movie title or a popular music catalogue. Mitigating financial risks and marketing challenges with pre-branded properties that overwhelmingly have white creative teams and "name" actors that are predominantly white perpetuates the deep-seated problem in Hollywood and more generally the entertainment industry as a whole—a lack of diversity behind and in front of the camera (or in front of and behind the footlights) and no avenues through which to develop more diverse projects.[24]

"Writers and designers in the theater industry have been cautious about utilizing pre-existing copyrighted materials in their new works, but a number of recent cases have reaffirmed the power of a fair use defense over an infringement claim from an underlying rights owner."

In July 2018, in Ben Brantley's review of the new Go-Go's musical, *Head Over Heels*,[25] he used offensive language to describe a trans character—played, it should be noted and celebrated, by a trans actor. The trans community took note of Brantley's language and expressed its outrage on social media. Brantley subsequently apologized, indicating that he had attempted to "reflect the light tone of the show"[26] in his review. Brantley and *The New York Times* acted swiftly and, seemingly, earnestly to correct the offensive language. Their acknowledgement of the offense and swift correction were a positive outcome.

In the recent review for *Smokey Joe's Café*, Laura Collins-Hughes made a point to mention Alysha Umphress' weight, calling her "a bigger girl" while ostensibly critiquing the costume designer.[27] Umphress called out the body-shaming and received industry-wide support.[28] These incidents highlight that language must be used thoughtfully and that we must own our missteps and move forward.

Conversations about diversity can be messy, difficult to navigate, and fear of a misstep can shut a person down, but the conversations themselves are vital and the only way to move forward. When a casting call for *Hamilton* stirred controversy by seeking "non-white" actors,[29] Actors' Equity Association (AEA) chastised the casting call along with an attorney who stirred the issue up by categorizing the casting call as discrimination. The *Hamilton* producers responded:

> The producers of *Hamilton* regret the confusion that's arisen from the recent posting of an open call casting notice for the show. It is essential to the storytelling of Hamilton that the principal roles—which were written for non-white characters (excepting King George)—be performed by non-white actors. This adheres to the accepted practice that certain characteristics in certain roles constitute a "bona fide occupational qualification" that is legal. This also follows in the tradition of many shows that call for race, ethnicity or age specific casting, whether it's *The Color Purple* or *Porgy & Bess* or *Matilda*. The casting will be amended to also include language we neglected to add, that is, we welcome people of all ethnicities to audition for *Hamilton*.

Both parties kept the issue mainly to one of semantics. Their dispute was about the difference between dictating the race of a character and that of the actor—the former being artistic expression and the latter being discrimination. The President of AEA wrote an impassioned opinion piece in *Variety* supporting color conscious casting and called for the industry to keep working toward better diversity.[30] Where then, does the responsibility lie? Casting directors should champion color conscious casting, take on projects that will add diversity, and add diversity to projects. Playwright Chuck Mee expresses how this may be accomplished:

> There is not a single role in any one of my plays that must be played by a physically intact white person. And directors should go very far out of their way to avoid creating the bizarre, artificial world of all intact white people, a world that no longer exists where I live, in casting my plays.[31]

The AAPAC study notes that in the 2010 Census, New York City demographics were 56% *not* Caucasian. Should we aim for the same in casting? Certainly, the more organizations and people in the spotlight that model the behavior of good listening and swift responsiveness, the more we can move forward in our conversations and our actions.

The Evolution of Fair Use

By Jason Aylesworth

Writers and designers in the theater industry have been cautious about utilizing pre-existing copyrighted materials in their new works, but a number of recent cases have reaffirmed the power of a fair use defense over an infringement claim from an underlying rights owner. Creatives (and their legal representatives) have relied on *Campbell v. Acuff-Rose Music, Inc.*[32] in determining how courts should apply the four factors under the fair use exception.[33] Even though no factor is given more weight over the others, most decisions are determined by the first one. *Campbell v. Acuff-Rose Music, Inc.* held that "the central purpose . . . is to see … whether the new work merely 'supersede[s] the objects' of the original creation … or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning or message; it asks, in other words, whether and to what extent the new work is "transformative."[34] The more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.[35]

> *"Based on this verdict, and so long as writers can transform the underlying works into a parody, there may be no limit in taking a character from any pre-existing copyrighted work and creating a future for them in a parodic universe."*

Live stage parodies of popular works have been popping up on the theater scene over the last few years, including *Hamilton*, *Game of Thrones* and *Friends*.[36] Some parodists reach a mutual understanding with owners of the original works,[37] while others are determined that their parodies are not infringements and consequently, do not seek such approval. Regardless of whether dramatists have a good faith argument that their works do not infringe on the underlying works, they are nevertheless vulnerable to threats of litigation. Playwrights David Adjmi and Matthew Lombardo both received "cease and desist" notices from exploiting their works, and ended up in court defending their parodies.[38]

For parodies, *Campbell* established that using the heart of the underlying work is essential so audiences can recognize what the writer is poking fun at, there was an allowance that was broader when examining the third factor of the fair use analysis.[39] While 2 Live Crew's use of Roy Orbison's song *Pretty Woman* was limited to a repeated bass riff and the words "pretty woman," Adjmi's play *3C* copied extensively from the television series, *Three's Company*, including but not limited to characters and plot points.[40] Moreover, Adjmi used "many minor elements, which had neither 'parodic purpose nor were necessary to evoke' (e.g., the three main characters of both works included a Chef-in-Training, a Minister's daughter and an employee in a flower shop)."[41] The New York district court acknowledged that "*3C's* copying of not only Three's Company's heart, but also its metaphorical appendages, considered on its own, weigh against a finding of fair use."[42] Nevertheless, the court reminded us that the Supreme Court in *Campbell* "set a floor, not a ceiling."[43] Consequently, due to the court's label of *3C* as a "highly transformative parody," plus the minimal effect on the market (or value of *Three's Company*), the third factor (which leaned favorably towards DLT Entertainment, the owner of the copyright in *Three's Company*) weighed less compared to the first and fourth factors in favor of Adjmi.[44]

The recent United States Court of Appeals, Second Circuit affirmation of its district court's ruling in *Lombardo* not only memorialized the notion that a parody will defeat an infringement claim, but that one of the derivative rights of a copyright owner may also be in jeopardy.[45] While the attorneys on behalf of Dr. Seuss Enterprises, L.P., argued that *Who's Holiday* takes one of its characters and proposes an epilogue on what transpired in her life (and to a certain degree, the Grinch's life), which would amount to a sequel, the New York Court of Appeals nevertheless held that Lombardo's use was in service of his parody.[46] Unlike *Salinger v. Colting*,[47] where this court held that a derivative work reimagining the iconic teenager Holden Caulfield from *A Catcher in the Rye* as a 70-year old was not fair use, Lombardo's colorful use of rhyming couplets in an expletive-filled play persuaded judges that his work was a parody of the story (and unique style) of Dr. Seuss.[48] Based on this verdict, and so long as writers can transform the underlying works into a parody, there may be no limit in taking a character from any pre-existing copyrighted work and creating a future for them in a parodic universe.

Another noteworthy ruling was in *TCA Television Corp. v. McCollum*,[49] where the New York Court of Appeals disagreed with the lower court's fair use analysis of the use of the text from Abbott and Costello's "*Who's on First*" in the play *Hand to God*.[50] The major distinction between this case and the ones in *Adjmi* and *Lombardo* was whether the use of the copyrighted work was transformative. This Court ruled that the use was not parodic, as it did not critique or comment on the original work.[51] In addition, the written text was not modified except in its performance.[52] For these reasons (as well as the commercial nature of its use), the first fair use factor favored the copyright owner.[53] Examination of the other factors (e.g., how much of the underlying work was taken in comparison to the whole; interference with the licensing market), supported its conclusion that the copying of the text was not fair use.[54]

Besides authors, projection designers also face fair use issues when creating their works for live stage productions. Unlike parodists, projection designers generally are not commenting on or critiquing the authors of the underlying works they are using, but nevertheless are still transforming the underlying work into a new medium of expression. Typically either the projection designers or producers would license the copyrighted work, but a few decisions have opened up the door that such license may not be necessary. In *SOFA Entertainment, Inc. v. Dodger Productions, Inc.*,[55] the producers of *Jersey Boys* were victorious in their unauthorized use of a seven-second video clip from *The Ed Sullivan Show*, which was part of the projection design. All of the factors weighed toward the producers of *Jersey Boys* (including the second factor regarding the nature of the copyrighted work, which typically favors the original copyright owner, but did not here because it was a factual representation in history).[56] One statement within the fourth factor analysis is worth noting: The California court noted that the musical *Jersey Boys* was "not manufactured on DVDs," so presumably that would not interfere with the market since the clip was used only during a live performance.[57] Not only have a number of musicals since then been exploited on DVDs, but many have also been captured for screenings in movie theaters, as well as streaming platforms such as Broadway HD and Netflix. The verdict probably would not have shifted in favor of the owners of the *The Ed Sullivan Show* clips solely on this issue, but it is certainly one that courts may consider when assessing uses that can be reproduced and disseminated throughout the universe and on the internet.

"Famously (or infamously), New York State has no common law right of privacy and, only by statute, creates a right of action for the privacy tort of appropriation. Again, generally speaking, appropriation is the use of another person's name or likeness without consent for one's own use or benefit."

Another fair use case supporting projection designers who may add new imagery content to pre-existing materials in their designs is *Blanch v. Koons.*[58] Artist Jeff Koons created and exploited a collage painting incorporating a copyrighted photo by Andrea Blanch.[59] Besides determining that Koons' work was transformative, it also noted "his purposes in using Blanch's image are sharply different from Blanch's goals in creating it."[60] This point is truly helpful for projection designers, as it is hard to imagine that any photographer, painter or cinematographer envisioned having his or her works reimagined in a fixated moving collage supporting the narrative of a live stage presentation.

Even if writers and designers are determined that their creations would withstand threats of copyright infringement, many are not able to financially litigate these disputes. Moreover, producers and theater owners are often attached as parties of such claims, as they are presenting these works without authorization. Furthermore, even with a good faith belief that their use is protected under the fair use doctrine, the theater community still may seek informal consent from the underlying rights owners to maintain good relations, who may control other copyrighted properties that would require a license. For those artists who choose to create works that would survive a fair use test, but nevertheless get challenged by the underlying rights owners, organizations such as The Dramatists Legal Defense Fund have significantly contributed to protecting their First Amendment rights,[61] not to mention a number of attorneys who worked for those without the financial resources to front the exorbitant costs of litigation.[62]

Proposed Revision to NY State's Right of Privacy Statute

By David H. Friedlander

New York State's law on the right of publicity may undergo a major overhaul. On June 18, 2018, the New York State Assembly, by a margin of 131 to 9, passed Bill No. A08155B, which is entitled "An Act to Amend the Civil Rights Law, in Relation to the Right of Privacy and the Right of Publicity; And to Amend the Civil Practice Law and Rules, in Relation to the Timeliness of Commencement of an Action for Violation of the Right of Publicity."[63] The bill now goes to the New York State Senate (as Bill No. S5857B)[64] and, if passed, to the Governor to be signed (presumably) or vetoed.

A summary of some of the proposed revisions is below but, most notably, the new law will create a post-mortem right of publicity (which currently does not exist under New York Law) extending for 40 years following the death of the individual, make the right of publicity descendible and freely transferrable, establish a public registry of post-mortem rights to facilitate their exploitation, and create regulations regarding the use of digital avatars. Many of the changes will transform the statute to resemble the laws in California and, ideally, reduce some of the concerns surrounding which jurisdiction recognizes these rights.

New York's right of publicity statutes are found in §§ 50 and 51 of the New York Civil Rights Law (CRL). Though CRL § 50 is entitled "Right of Privacy," it is, in fact, a right of publicity—the right to use (or prevent others from using without consent) certain identifying attributes of a living person for advertising or trade purposes.

Though a full discussion of the differences and similarities of the rights of publicity and privacy is beyond the scope of this summary of current legislation, it is useful to put the statute (and its proposed revision) in context. In comparison, the right of privacy arises within the framework of torts, and is the right of a person to control the disclosure and spreading of information about themselves—often referred to as "the right to be let alone."[65] Most states recognize four different privacy right causes of action: (1) disclosure of private facts; (2) intrusion upon seclusion; (3) false light; and (4) appropriation.

> *"If there is no inter-vivos or testamentary document of transfer, and no survivors to take in intestacy, then the deceased individual's right of publicity would terminate."*

Famously (or infamously), New York State has no common law right of privacy and, only by statute, creates a right of action for the privacy tort of appropriation. Again, generally speaking, appropriation is the use of another person's name or likeness without consent for one's own use or benefit. It is easy to see how the right of privacy concept is embodied into CRL § 50 which states, in its entirety:

> § 50. Right of privacy. A person, firm or corporation that uses for advertising purposes, or for the purposes of trade, the name, portrait or picture of any living person without having first obtained the written consent of such person, or if a minor of his or her parent or guardian, is guilty of a misdemeanor.

Its companion, CRL § 51 creates a civil cause of action for a violation of § 50, and expands the list of protected attributes to include "voice":

> § 51. Action for injunction and for damages. Any person whose name, portrait, picture or voice is used within this state for advertising purposes or for the purposes of trade without the written consent first obtained as above provided may maintain an equitable action in the supreme court of this state […] and may also sue and recover damages for any injuries sustained by reason of such use…

There are some exceptions, including for those "practicing the profession of photography" exhibiting their work under certain circumstances, and, of perhaps greater relevance to members of the EASL Section, for those "using the name, portrait, picture or voice of any author, composer or artist in connection with his literary, musical or artistic productions…" where the use of those attributes was granted along with production rights.

With this limited right, let us now turn to what is being proposed:

The bedrock CRL § 50 would be deemed renumbered as § 50-f (the existing §§ 50-a through 50-e discuss privacy rights related to personnel records of various law enforcement officers, and victims of sex offenses or offenses involving the transmission of HIV) and § 50 will instead set forth critical definitions. First, the statute would define "Persona" and expand the protected attributes to include "…the name, portrait or picture, voice ***or signature*** of an individual" [proposed CRL § 50(8), emphasis added]. Next, the bill will finally create definitions and clear distinctions between the right of privacy and right of publicity:

> 9. "Right of privacy" means a personal right, which protects against the unauthorized use of a living individual's name, portrait or picture, voice, or signature for advertising purposes or purposes of trade without written consent, extinguished upon death.
>
> 10. "Right of publicity" means an independent property right, derived from and independent of the right of privacy, which protects the unauthorized use of a living or deceased individual's name, portrait or picture, voice, or signature for advertising purposes or purposes of trade without written consent.

As drafted, the "right of privacy" would be consistent with the concepts embodied in the current § 50, which applies only to a "living person" [see CRL § 50]—which it defines as a "personal right … extinguished upon death" [proposed CRL § 50(9)]. The radical change comes in the definition of "right of publicity," which would create "an independent property right" protecting an individual's Persona whether that individual is "living or deceased" [proposed CRL § 50(10)].

Not only is it a property right, but an individual's right of publicity would extend post-mortem and "continue to exist for forty years after his or her death" [proposed CRL § 50-g]. During and after the individual's life, the right of publicity would be "freely transferable and descendible, in whole or in part" by (a) contract; (b) license; (c) gift; (d) trust; (e) testamentary document (either as a specific bequest or as part of the residuary estate); or (f) intestate succession [proposed CRL § 50-h(1)].

If there is no inter-vivos or testamentary document of transfer, and no survivors to take in intestacy, then the deceased individual's right of publicity would terminate [proposed CRL § 50-h(3)]. If the right of publicity were to pass by intestate succession, the right may be "exercised and enforced by a person or persons who possess at least a fifty-one percent interest of the individual's right of publicity" subject to the controlling majority's obligation to "act at all times in good faith" and share the proceeds pro-rata with any other intestate successor(s)-in-interest [proposed CRL § 50-h(1)(f)].

The post-mortem right of publicity has a number of conditions in order to be exploited by a successor(s)-in-interest:

- The successor must register the claim to ownership of the right with the New York State Secretary of State, on a registry to be established, and upon payment of a fee of $100. Claimants would be required to provide (a) the name and date of death of the deceased individual, (b) the name and address of the claimant, (c) the basis of the claim, and (d) a sworn affidavit as to the rights claimed. [proposed CRL § 50-h(4)]. The registry of successors would be publicly accessible on the State's website [proposed CRL § 50-h(5)].
- Similar to copyright, registration of a claim by a successor-in-interest would be a prerequisite to bringing an action for enforcement [proposed CRL § 50-h(7)]. However, actions for violations prior to registration may be brought if the claim is registered within six months of the date of death of the individual [proposed CRL § 50-h(7)(a)].
- Anyone seeking a license of an individual's right of publicity can then rely on the records appearing on the State's website; and reliance on a registered licensor would be a defense to infringement [proposed CRL § 50-h(8)].
- The statute of limitations for an action under the proposed statute is one year from the earlier of the date of discovery, or from the date on which due diligence would have revealed the injury to the plaintiff [proposed revision to CPLR S215(3)]

The bill maintains many of the same exceptions where consent to use another's Persona is not required, such as news, public affairs or a sports broadcast. Of particular interest to EASL Section members, consent would not be required for the use of another's Persona in:

(i) a play, book, magazine, newspaper, musical composition, visual work, work of art, audiovisual work, radio or television program if it is fictional or nonfictional entertainment, or a dramatic, literary or musical work;

(ii) a work of political, public interest or newsworthy value including a comment, criticism, parody, satire or a transformative creation of a work of authorship [proposed CRL § 51(2)(b)].

Another new creation from the proposed bill is the recognition of rights in avatars based on an individual's Persona. The proposal would define "Digital replica" as: "an individual's likeness or voice that realistically depicts the likeness or voice of the individual being portrayed. A digital replica is included within an individual's portrait" [Proposed CRL § 50(2)]. The bill would prohibit the use of the digital replica of an individual without consent in a manner that intends to or creates the impression that the individual is performing an activity for which he or she is known (i) in the role of a fictional character in a scripted audiovisual, audio or live performance of a dramatic work; (ii) in a musical performance; or (iii) in an audiovisual work depicting the individual's engagement in athletic activity [proposed CRL § 51(3)]. Not surprisingly, this prohibition would also apply to the unauthorized use of an individual's digital replica "in an audiovisual pornographic work" that intends to or creates the impression that the individual is performing in such work.

There are, of course, exceptions to the consent requirement for digital replicas, but EASL members are encouraged to review the text of the proposed bill to gain a full understanding of the legislation to anticipate how the changes may affect his or her practice.

Conclusion

So far, the JOBS Act has received an underwhelming response from Broadway producers, although it still may have a meaningful impact on smaller capitalized projects, while changes in technology have introduced more sophisticated sales and marketing techniques without necessarily driving down ever-increasing production costs. As in other industries, the theater community has shown that it is not immune to the problems of harassment and lack of diversity, although we see tangible efforts on the part of members of the community to address both. Finally, changes in the law are potentially impacting theatrical content, and specifically what can—and cannot—be put on stage, and who has the right to decide.

We look forward to periodically checking in and updating interested readers on the state of the theater industry. The show, after all, must go on. We wish EASL a happy 30th birthday.

Endnotes

1. Originally published in Volume 29, Number 3 of the *Entertainment, Arts and Sports Law Journal* (Fall/Winter, 2018), a publication of the Entertainment, Arts and Sports Law Section of the New York State Bar Association.
2. Small Business Jobs Act of 2010, Pub. L. No. 111-240, 124 Stat. 2504.
3. As defined in Rule 501 of Regulation D, categories of "accredited" investor include, e.g., a person with a net worth that exceeds $1 million (excluding the individual's primary residence) and a person with income exceeding $200,000 in each of the two most recent years.
4. https://www.sec.gov/news/press/2013/2013-124-item1.htm.
5. https://www.sec.gov/smallbusiness/exemptofferings/rule506c.
6. https://www.sec.gov/info/smallbus/secg/general-solicitation-small-entity-compliance-guide.htm.

7. Nevertheless, producers Howard and Janet Kagan tested out the new freedom from general solicitation restrictions by using crowdfunding, in part, to capitalize the 2014 Broadway revival of *On the Town*. *See* https://variety.com/2014/legit/news/broadway-crowdfunding-investment-on-the-town-1201282160/.
8. https://www.sec.gov/smallbusiness/exemptofferings/regcrowdfunding.
9. https://www.sec.gov/smallbusiness/exemptofferings/rega.
10. https://broadway.news/2018/02/20/jobs-act-not-caught-broadway-producers/.
11. https://www.nytimes.com/2016/06/09/theater/hamilton-raises-ticket-prices-the-best-seats-will-now-cost-849.html.
12. https://www.theguardian.com/stage/2018/apr/29/eu-rule-could-leave-theatres-dark.
13. https://www.thestage.co.uk/news/2018/theatres-exempt-devastating-eu-lighting-rules/#_=_.
14. https://www.americantheatre.org/2018/08/20/audible-announces-new-audio-theatre-productions/; https://deadline.com/2018/08/patti-smith-amazon-audible-minetta-lane-aasif-mandvi-off-broadway-1202448440/.
15. https://www.supremecourt.gov/opinions/17pdf/16-1466_2b3j.pdf.
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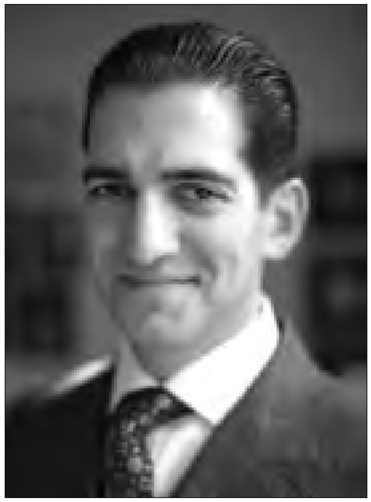
19. http://www.startribune.com/women-lift-the-curtain-on-harassment-at-minnesota-theaters/464255173/.
20. https://www.americantheatre.org/2018/02/09/times-up-for-theatre-too/.
21. *Ethnic Representation on New York City Stages, Special 10-Year Edition*. The Asian American Performers Action Coalition, *available at* http://www.aapacnyc.org/.
22. Chow, Andrew R., *Study Finds Increasing Diversity on Broadway*, The New York Times (Jan. 15, 2018), Page C3.
23. Cox, Gordon, *Waitress Musical Serves Up Broadway's First All-Female Creative Team,* Variety.com (Dec. 1, 2015).
24. *Inequality in 1,100 Popular Films: Examining Portrayals of Gender, Race/Ethnicity, LGBT & Disability from 2007 to 2017,* Dr. Stacy L. Smith, Marc Choueiti, Dr. Katherine Pieper, Ariana Case, & Angel Choi. Annenberg Foundation and USC Annenberg Inclusion Initiative, (July 2018).
25. Brantley, Ben, *Ye Olde Go-Go's Songs Hit the Renaissance in 'Head Over Heels',* The new York Times, (July 26, 2018), Page C1.
26. McHenry, Jackson *New York Times Critic Gets Dragged for Misgendering in Head Over Heels Review,* Vulture.com, (July 27, 2018).
27. Collins-Hughes, Laura. *Smokey Joe's Café is a Feast of Pop Nostalgia*, The New York Times, (July 23, 2018), Page C1.
28. Wong, Curtis M., *Broadway's Alysha Umphress Calls Out New York Times Critic For Body Shaming*, Huffington Post, (July 25, 2018).
29. Kornhaber, Spencer, *Hamilton: Casting After Colorblindness*, The Atlantic (March 31, 2016).
30. Shindle, Kate, *Hamilton Casting Controversy Spotlights the Importance of Diversity*, Variety (April 5, 2016).
31. Charles Mee, *A note on casting*, *available at* http://www.charlesmee.org/casting.shtml.
32. 510 U.S. 569.
33. Pursuant to 17 U.S.C § 107, the four fair use factors are (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.
34. Campbell, 510 U.S. at 579.
35. *Id*.
36. David Gordon, *Full House* to *Hamilton,* Theatrical Parodies Are All the Rage (2017).
37. *Id*.
38. David Adjmi's play, *3C* (using material from the television series, *Three's Company)* was litigated in *Adjmi v. DLT Entertainment*, 97 F. Supp. 3d 512, and Matthew Lombardo's play, *Who's Holiday* (using material from the children's book, *How the Grinch Stole Christmas*) was litigated in *Lombardo v. Dr. Seuss Enterprises, L.P.*, 729 Fed. Appx. 131.
39. *Campbell*, 510 U.S. at 588.
40. *Adjmi*, 97 F. Supp. 3d at 533.
41. *Id*.
42. *Id*. at 534.
43. *Id*.
44. *Id*.
45. *Lombardo*, 729 Fed. Appx. 131.
46. *Id*. at 133.
47. 607 F.3d 68.
48. *Lombardo*, 729 Fed. Appx. 131.
49. 839 F.3d 168.
50. Notwithstanding the court's determination that the use was not protected under the fair use test, the defendants still prevailed since the plaintiffs failed to plead a valid copyright interest. *Id.* at 172.
51. *TCA Television Corp.*, 839 F.3d at 182.
52. *Id*.
53. *Id*. at 183.
54. *Id*. at 187.
55. 709 F.3d 1273.
56. *Id*. at 1279 (noting that "while the entire episode of *The Ed Sullivan Show* or the individual performances [of the Four Seasons] may be near to the core of copyright, the clip conveys mainly factual information").
57. *Id*. at 1280.
58. 467 F.3d 244.
59. *Id*.
60. *Id*. at 252.
61. David Faux, Esq., Attorney for the Dramatists Legal Defense Fund, submitted Amicus Briefs in connection with *Adjmi v. DLT Entertainment, Ltd.* and *Lombardo v. Dr. Seuss Enterprises*.
62. The late Edward J. Davis, Esq. for David Adjmi, and Jordan K. Greenberger, Esq. for Matthew Lombardo.
63. http://assembly.state.ny.us/leg/?default_fld=&bn=A08155&term=2017&Summary=Y&Actions=Y&Text=Y&Committee%26nbspVotes=Y&Floor%26nbspVotes=Y.
64. https://www.nysenate.gov/legislation/bills/2017/s5857/amendment/b.
65. (Restatement (Second) of Torts § 652A (citing Samuel D. Warren & Louis D. Brandeis, The Right to Privacy, 4 Harv. L. Rev. 193, 195 [1890]).

Sports and Entertainment Immigration: What Did We Learn in 2018? (Spoiler Alert: Immigration Is Still Difficult)

By Michael Cataliotti

2018 was a very interesting year for immigration. While we had much bluster and bombast from the current administration in 2017, it was 2018 that served as the interesting time frame in which we saw many difficulties arise for individuals seeking to work in the U.S. and for their employers. These difficulties have expanded beyond the commonly derided H-1B classification and reached our O and P visas, and the EB-1 category. As such, the difficulties have expanded beyond tech—though still prevalent, present, and unpleasant—into the entertainment, arts, and sports fields.



Michael Cataliotti

Let us take a look at some of the things that we have learned over the last year, and because for our purposes this was and proves to be the most dramatic, let us begin with requests for evidence (RFEs).

RFEs

2018 ushered in the Age of the RFE, as the issuance of them became the norm. While there have been discussions at length and on numerous occasions in various immigration columns,[1] the policy and/or practices impacting them seems to be changing, so although receiving an RFE for nearly all petitions had been expected in 2018, that may not be the case any longer.

Since 2013, the standard practice has been that when reviewing a petition seeking an immigration benefit (e.g., an O or P visa), the reviewing officer at U.S. Citizenship and Immigration Services (USCIS) will either issue an RFE seeking further clarification or documentation about how the artist(s), entertainer(s), athlete(s), and/or others qualify for the visa he or she or they seek, or to approve the petition. This was under the June 3, 2013 Policy Memorandum titled, "Requests for Evidence and Notices of Intent to Deny," (NOID) issued by USCIS.

As of September 11, 2018, that policy changed, and a reviewing officer will no longer be obligated to issue an RFE before denying a petition. This is because all petitions received by USCIS on or after September 12, 2018 will be subject to the new July 13, 2018 Policy Memorandum, "Issuance of Certain RFEs and NOIDs; Revisions to *Adjudicator's Field Manual* (*AFM*)" Chapter 10.5(a), and 10.5(b)" (PM-602-0163), which we will refer to here as the "2018 Policy."[2] The 2018 Policy aims to provide reviewing officers more discretion by "restor[ing] to the adjudicator full discretion to deny applications, petitions, and requests without first issuing an RFE or a NOID, when appropriate."[3]

To many of us, this is frightening considering the array of nonsensical and confused—not just confusing, but confused—RFEs that we have received under the new administration and particularly within the last year. The concern is that by allowing a reviewing officer more discretion, USCIS is creating a situation where an array of individuals, with whom there is no direct line of communication, has the ability to improperly deny an applicant, petitioner or requestor the benefit he or she seeks.

However, the 2018 Policy indicates that "[t]his policy is intended to discourage frivolous or substantially incomplete filings used as 'placeholder' filings and encourage applicants, petitioners, and requestors to be diligent in collecting and submitting required evidence. It is not intended to penalize filers for innocent mistakes or misunderstandings of evidentiary requirements."[4] Altogether, there are many questions that arise from this language, such as:

- How is a "placeholder" filing defined?
- What constitutes a 'frivolous' filing?
- If a petition is denied without an RFE, will there be a detailed explanation of why?
- What is the impact this Policy has on submitting an O or P petition without a labor consultation opinion?
- How are "innocent mistakes or misunderstandings of evidentiary requirements" determined?
- Will there be a different standard applied if the petition is submitted with/by an attorney, as opposed to without?

A quick search of "USCIS new policy RFE NOID denials" in Google reveals links upon links to webpages discussing how this will have dire consequences for everyone involved and will result in mass denials. Unfortunately, we do not yet know what will happen and can only speculate based on the rash of, again, nonsensical and illogical RFEs that we have been seeing.

Nonetheless, on the CIS Ombudsman's September 6, 2018 monthly call, many of the questions above were addressed and answered by representatives of USCIS. The positives:

- A "placeholder" or "frivolous" filing could be considered to be a filing that includes the required form and one piece of supporting documentation;
- If a denial is issued without first issuing an RFE, that denial will still need to have an explanation or clarification of why the petition was denied;
- "Innocent" mistakes or "misunderstandings" of evidentiary criteria include a missing page of a passport scan or other immigration history, a missing piece of evidence, and may include one or a few. If one or a few pieces are missing, the reviewing officer is supposed to issue an RFE;
- Innocent mistakes are still innocent even if the petition is filed by or with an attorney of record—anyone "can leave a piece of paper in the copier" or it can fall under one's desk;
- The 2018 Policy does not change any rules, regulations or form instructions, which means that filing an O or P petition without a labor consultation opinion, provided such a request has been or will be made, and that request is documented with USCIS (as per page 27 of Form I-129);
- The legal standard of review for a petition to be approved or denied has not changed; and
- USCIS will be providing—or at the time of reading this, has provided—a checklist of "initial documentation" for each visa classification that the 2018 Policy affects. Unfortunately, the checklists are not definitive, so careful review and preparation of materials are still required.

The negatives:

- Potential for abuse of discretion by reviewing officers, of which there is a long history of encountering; and
- Lack of clearly defined oversight and review of reviewing officers' decisions.

While there are more positives than negatives, the potential ramifications of the negatives are dire and can be swiftly effected. For example, many of us have received a NOID, or Denial Notice, indicating that an RFE was issued by USCIS, but never responded to, yet no RFE was ever received by any of the parties involved with the petition.

Due to the hostility towards immigrants or those perceived as "others" since 2017, we must all stay alert with eyes wide open for what may come as a result of this new Policy. It should be noted, though, that we may have an answer to whether this 2018 Policy has had little, no or a major impact on petition processing by the time this article is published.

Buy American, Hire American, and Extreme Vetting Are Chaotic

When the Buy American, Hire American, and Extreme Vetting executive orders were enacted, we all knew that there were going to be significant and numerous issues forthcoming for employers and employees going through the immigration process. I wrote about it. We all read about it.

Most recently (again, as of this writing), an article published in *The New York Times* summed up the situation rather clearly:

> The Trump administration is using the country's vast and nearly opaque immigration bureaucracy to constrict the flow of foreign workers into the United States by throwing up new roadblocks to limit legal arrivals.[5]

This was explained at length in the last several *EASL Journal Sports and Entertainment Immigration* columns.

> **The government is denying more work visas, asking applicants to provide additional information and delaying approvals more frequently than just a year earlier**. Hospitals, hotels, technology companies and other businesses say they are now struggling to fill jobs with the foreign workers they need.
>
> With foreign hires missing, the employees who remain are being forced to pick up the slack. Seasonal industries like hotels and landscaping are having to turn down customers or provide fewer services.[6]

This is obviously not ideal by any metric, but what we have seen time and again in 2018.

With respect to the notion that there are more work visas being denied, based on information obtained through a FOIA request, I can confirm that the California Service Center had steadily increased its denials of O-1B petitions from FY2014 through FY2017, and that the Vermont Service Center had a higher number of denials in FY2017 than FY2015 and FY2014 (interestingly enough, there was a noticeable increase across several classifications at the Vermont Service Center in FY2016). What is also worth noting, though, is that both the California Service Center and Vermont Service Center increased the number of approvals issued from FY2014 through FY2017.

Curiously enough, and something that we have long believed, with respect to EB-1 petitions decided at the Nebraska Service Center, in FY2017 roughly 21% were denied, compared to the 16% at the Texas Service Center. While we do not yet have numbers for FY2018, it would not be a surprise to see that the denials in general have increased further.

"As for asking applicants to provide additional information," I believe we have covered this thoroughly above and in previous columns, though some examples of RFEs will not hurt: (i) "We do not believe that [one of 17 national physics laboratories] is distinguished. Please provide further evidence," when a copy of the organization's history and quantity of Nobel Laureates has been submitted; (ii) "You did not submit any evidence for this criterion," when dozens, if not hundreds, of pages are in the record; and (iii) When being asked to clarify the circulation or prestige of publications, one reviewing officer wrote:

> To qualify as major media, the publication should have significant national or international distribution. An (sic) beneficiary would not earn acclaim at the national level from a local publication. Some newspapers, such as the New York Times, nominally serve in a particular locality (sic) but would qualify as major media because of significant national distribution, unlike small local community papers and magazines, or limited foreign language print. And, USCIS is not persuaded that international accessibility via the internet by itself is a realistic indicator of whether a given publication is "major media," or whether this single article was placed on the internet. The petitioner must still provide verifiable evidence, such as a (sic) verifiable widespread distribution, readership, or overall interest in the publication in order to demonstrate that the publication (or internet website) is a professional or major trade publication or major media in order for us to credit these articles.

While we all should agree with and fully accept the reviewing officer's position, what is concerning and unfortunate is that copies of the articles were submitted with web analytics from an unbiased, third-party source that had been accepted by USCIS for several years without issue, each of which detailed the global ranking and circulation statistics of the digital publications.

More concerning though, were these lines from the same reviewing officer:

> It is also noted that the name at the top of page one of the email (sic) is Michael Cataliotti. If this is an email (sic) forwarded from you to Michael Cataliotti then it appears that the portion of the email (sic) identifying "To" and "From" and "Subject" has been deleted. If a portion of the email (sic) has been deleted then the document has been altered, and as such, is inadmissible.

As anyone who has ever received an email and then printed it, the account holder's name generally appears in the header of the first page. Then, a few lines below that, appears the metadata indicating the sender, recipient, timestamp, subject, and the like, all of which was not only included in the printout, but highlighted for easy recognition and identification. Though it is unclear why the reviewing officer made such a clear error, and reached such an inappropriate and incorrect conclusion, this is the type of nonsense that we have been seeing in 2018.

Regarding delaying approvals, we have seen a change in policy with respect to issuing work and travel authorizations (employment authorization documents and advanced parole documents, respectively). Historically, we could expect it/those document(s) to be issued within 90 days of USCIS receiving the application for each. However, several conversations with USCIS have revealed that the current practice will not be bound by the 90-day period, and so we are seeing those documents issued, in some instances, after five, six or nearly seven months. Nonetheless, we are also seeing significant time pass before a final determination (approval or denial) is issued for any petition, whether it be an H, O, P, EB-1 or otherwise.

Other Immigration Issues

Consulate Problems

In 2018, we learned that Border Patrol Officers and Consular Officers will now have significant latitude in searching an individual's phone, computer, e-mail accounts, social media pages, and the like. We are not hearing much about this at the time of writing. We know, however and unfortunately, that many individuals have been impacted by this practice as, for instance, Consular Officers delay issuance, or simply deny issuance, of a visa based on a USCIS-approved petition.

An Almost Entirely Separate Matter

Though we stay in our lane in immigration, it is important to note, if even briefly, that as distributed ledger technologies (e.g., blockchain) expand beyond finance into other industries and sectors, many of those entrepreneurs, programmers, developers, and implementers are non-U.S. citizens who may need visas at some point. While the tech industry is already being impacted significantly by the H-1B stigma and other negative press, it is plausible that many other areas will be as negatively affected without the possibility of alternative routes: The Immigrant Entrepreneur Rule has effectively been rescinded, H-1Bs are increasingly difficult to obtain, and most of those individuals will not meet the standard for an O-1A (which is higher than an O-1B). As we have seen, some RFEs construe narrowly what constitutes areas of "creativity"—which is the fundamental basis for O-1B classification—so the O-1B may not even be a viable option.

Conclusion

In 2018, we learned that there is not much likelihood that immigration will get easier any time soon. Whether it be the result of executive orders, executive tweets, issued policies or the silent but salient pushback by reviewing officers and their curious RFEs, until there is a shift in the posture towards immigration as a whole (or at least employment-based immigration), 2019 is going to be a very loud and busy year for us all.

Endnotes

1. Michael Cataliotti, NYSBA Entertainment, Arts and Sports Law Journal, *What We Know, What We Don't Know, and What We Think About the Future of Immigration Under Mr. Trump*, p. 12, Spring 2017, Vol. 28, No.1. *A Brief Overview of Immigration Policy and Activities Under the Trump Administration from January 20, 2017 to Present Day*, p. 23, Fall/Winter 2017, Vol. 28, No. 3, *Immigration by the Numbers and Some Recent Developments of Note*, p. 16, Spring 2018, Vol. 29, No. 1. *Oversight, Scrutiny, and Inconsistency, 'These Are a Few of My Favorite Things'*, p. 20, Summer 2018, Vol. 29, No. 2.
2. Revisions to *Adjudicator's Field Manual* Chapter 10.5(a), and 10.5(b)" (PM-602-0163).
3. *Id*.
4. *Id*.
5. Nelson Schwartz, *Companies Say Trump is Hurting Business by Limiting Legal Immigration*, The New York Times, (Sept. 2, 2018), *available at* https://www.nytimes.com/2018/09/02/business/trump-legal-immigration-h1b-visas.html (emphasis added).
6. *Id*.

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Resolution Alley
Providing for Neutrals with Industry, Legal, and Business Expertise

By Theodore K. Cheng

Resolution Alley is a column about the use of alternative dispute resolution in the entertainment, arts, sports, and other related industries.

Imagine that you are the Human Resources manager at a record label and you have just received a copy of a federal court complaint filed by a recently terminated employee who is now claiming that her firing was discriminatory. The court has also automatically referred the case to mediation. Although there are any number of potential mediators with expertise in the employment field, you wonder whether someone with knowledge of the music industry might better understand the context of the employment situation.

"A mediator who is an acknowledged expert in the subject matter of the dispute could also add a helpful, perhaps more evaluative, perspective for the parties, oftentimes offering a different kind of reality testing—not a reality testing of the legal contentions, but the practicalities of implementing certain proposals."

Or maybe you negotiate agreements for the purchase of artwork for your museum's own collection. Allegations have surfaced that your most recent acquisition from a private gallery may be a counterfeit. Your agreements with galleries always contain a standard, generic arbitration clause, but you now wonder whether having an arbitrator with knowledge, training, or expertise in art history might better understand both the background of the dispute, as well as appreciate the technical information that might be adduced at the evidentiary hearing.

Or perhaps your company licenses the logo of a professional basketball team and makes and sells various articles of clothing and other merchandising on which that logo appears. Recently, the team's in-house director of intellectual property and licensing contacted you and is upset about the quality of the apparel being made by your overseas manufacturer, which she contends is damaging the brand. She is threatening to terminate the licensing agreement, pointing to some arguable language in the agreement as a basis for doing so. You wonder whether you might suggest that the parties try mediating the dispute using someone with knowledge of sports merchandising and licensing in the apparel industry.

In each of the above scenarios, the characteristics of the person being selected as the arbitrator or mediator could make a difference in how (and sometimes whether) the dispute is resolved, how quickly a resolution is achieved, and how cost-effective the process will likely be. As alternative dispute resolution mechanisms like arbitration and mediation are voluntary and consensual in nature, they are processes detailed in dispute resolution clauses that are (outside of the mandatory, adhesion context) customizable by the parties, in that the parties have broad flexibility to design a dispute resolution mechanism that best fits the dispute in question. One of the aspects of this customization is the ability of the parties to select neutrals who are "experts" familiar with the subject matter of the dispute, the industry or background business norms in which the dispute arises, or the legal framework governing the dispute itself. Exercising this flexibility is something often overlooked by many parties.

Theodore K. Cheng

Arbitration is seen as having a number of significant advantages over litigation. One of these advantages is that the parties have the ability to choose their own decision maker. That decision maker can be someone who is an acknowledged expert in the subject matter of the dispute, such that an arbitration should (at least in theory) be conducted more quickly and efficiently than having it heard and decided by a randomly assigned and, most likely, generalist judge, who has no special expertise, knowledge or insight into the dispute, the relevant industry, or the business context.

A mediator who is an acknowledged expert in the industry or the business norms underlying the dispute could assist in helping the parties to furnish or uncover creative and innovative solutions. A mediator who is an acknowledged expert in the subject matter of the dispute could also add a helpful, perhaps more evaluative, perspective for the parties, oftentimes offering a different kind of reality testing—not a reality testing of the legal contentions, but the practicalities of implementing certain proposals.

Delineating the qualifications and/or credentials of the arbitrator or mediator can also lead to increased savings in both time and cost. The parties do not need to expend additional time and energy educating the neutral as much about the underlying industry, business norms, or legal framework applicable to the dispute, as so often is important in entertainment, arts, and sports disputes.

"Although the parties may disagree on the merits and preferred outcome of the dispute, it is conceivable that they will each recognize the benefits of agreeing, after the dispute has arisen, to select a neutral who has certain industry, business, or legal expertise."

The parties can begin thinking about this option when they first draft and enter into a dispute resolution provision. Here is an example of an arbitration clause that requires a certain level of subject matter experience:

> Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules before a single arbitrator. The arbitrator shall have at least 10 years of experience in intellectual property licensing matters. Judgment on any award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

Or, for employment matters in a particular industry, the clause might read something like this:

> If a dispute arises out of or relates to this employment contract, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration. The mediator shall be currently employed at either a record company or a music publisher, neither of which is affiliated with the parties to the contract. Any arbitration shall be administered by the American Arbitration Association under its Employment Arbitration Rules and Mediation Procedures before a single arbitrator, who shall also similarly be currently employed at either a record company or a music publisher, neither of which is affiliated with the parties to the contract. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

Depending upon the circumstances, some degree of expertise can matter. Why not provide for it upfront in the dispute resolution clause?

For the situation where a court has automatically referred or mandated the dispute to be resolved, in the first instance, through one or more alternative dispute resolution mechanisms, many courts maintain rosters of individuals with varying degrees of industry, business, and legal backgrounds. Parties can choose someone from those rosters with the appropriate background for that dispute. And if the practice is for the court to assign a neutral, the rules usually permit parties to opt out of that selection and choose a replacement—someone who would be a better fit.

One cautionary note is to exercise some restraint in drafting such specificity into the clause. Being too specific can inadvertently limit the pool of arbitrators or mediators from which the parties can make their selection. For example, a clause that mandates that "the mediator shall possess a Ph.D. degree in the field of experimental plasma physics and/or quantum particle acceleration" would obviously result in few available candidates because, even if the pool of such Ph.D. degree recipients is large, the likelihood that they also possess the requisite mediation skills (or can even conduct anything approaching a mediation process) is undoubtedly low. Thus, over-specifying the qualifications and/or credentials of the arbitrator or mediator may inadvertently lead to situations where very few suitable neutrals can be identified (or, in some cases, none), thereby thwarting the original intent of the parties in trying to design a more cost-effective and efficient process.

If the parties had not exercised this flexibility to insert the qualifications and/or credentials of the neutral into the dispute resolution clause before the dispute arises, all is not lost. Although the parties may disagree on the merits and preferred outcome of the dispute, it is conceivable that they will each recognize the benefits of agreeing, after the dispute has arisen, to select a neutral who has certain industry, business, or legal expertise. In matters administered by a provider such as the AAA, the CPR Institute, or Resolute Systems, the parties may be afforded an opportunity, after the case is filed, to articulate any preferences they may have for the neutral, particularly in situations where the dispute resolution clause is generic or silent as to the neutral's qualifications and/or credentials. Such an opportunity is another time when the flexibility and customization of alternative dispute resolution mechanisms can be leveraged to ensure that the neutral might have a better understanding of the industry, business norms, and/or legal framework in which the dispute has arisen and appreciate any technical information that might be adduced at the evidentiary hearing.

The ability to provide for, and ultimately select, the neutral with the right background and experience for the dispute in question is one of the hallmarks of a voluntary, consensual alternative dispute resolution process. It distinguishes arbitration and mediation, for example, from the traditional litigation model for resolving disputes and is well worth considering, not only at the moment when dispute resolution clauses are being drafted and entered into, but also when disputes actually arise.

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Concussion—Traumatic Brain Injury

By James A. Johnson

Concussions, which are traumatic brain injuries (TBIs), occur when the brain violently impacts the inside of the skull. Concussions can permanently damage a brain's function ability to think or work. These injuries lead to tort claims and product liability lawsuits against the National Football League (NFL), high schools, college teams, helmet manufacturers, and others involved in the game of football.

Football

Are you ready for some football? This is the rhetorical question every September and at the Super Bowl. Well, YES and NO. This controlled violence is still violence, engendering results like retired players who cannot get out of bed without help, migraine headaches, and quarterbacks and linemen who cannot raise their arms or tie their shoes. Football has caused suicides, namely Aaron Hernandez, Jovan Belcher, Junior Seau, O.J. Murdock, Kurt Crain, Mike Current, Dave Duerson, and Ray Easterling. There was an avalanche of litigation against the NFL, NFL Properties, Riddell Sports Group (Riddell) and others. Approximately 2,500 former players and surviving family members sued the NFL for allegedly distorting and hiding data about concussions. On April 15, 2013, a Denver, Colorado jury found Riddell Inc. liable for failing to warn about concussion dangers. The jury awarded $11.5 million to Rhett Ridolfi, a high school student, and found Riddell 27% at fault. Ridolfi, a former Colorado high school football player, suffered serious brain injuries and partial paralysis. The jury assessed $3.1 million in damages against Riddell.

In 2010, the NFL gave Boston University's Center for the Study of Traumatic Encephalopathy $1 million to study the brains of 60 deceased football players.[1] Although all the test results are not in, many showed signs of chronic traumatic encephalopathy (CTE). CTE is a neurodegenerative disease caused by repeated blows to the head. The symptoms of CTE are slurred speech, headaches, psychosis, and depression. On December 3, 2012, an additional study from Boston University detailed 33 causes of CTE in deceased ex-NFL players. The NFL, NFLPA, owners, coaches, general managers, and players should see this as a call to action.

National Center for Injury Prevention

According to the National Center for Injury Prevention, it is estimated that as many as 47% of all high school football players suffer a concussion each year. Football players who suffer multiple concussions are at risk of permanent brain damage. A few years ago, not one state required that high school and middle school athletes who suffered concussion symptoms receive medical clearance to return to play. According to USA Football, all 50 states now have some form of student–athlete concussion law in place.[2]

One of the purposes of this article is to inform coaches, players, parents, athletic directors, and general counsel about the seriousness of the risks of concussions to young people whose brains have not yet fully developed. Every concussion is a brain injury. The effect of this damage ranges from behavioral and emotional disorders to full body paralysis.

An excellent online resource for comprehensive facts and laws covering youth sports is The Policy Surveillance Portal, a LawAtlas project. It covers information specifying requirements of when an athlete may return to play and the distribution of some form of TBI/concussion sheet. For example, it states:

> Every year as many as 300,000 young people suffer concussions or traumatic brain injuries (TBIs), from playing Sports. These injuries can have serious-and long term effects, and all states have adopted laws aimed at reducing harm for youth sports TBIs occurring at scholastic activities. This map identifies and displays key features of such laws across all 50 states and the District of Columbia and over time, from 2009 to 2017.[3]

Litigation

The power and tension between intercollegiate athletics and universities has escalated. Football and basketball coaches who are successful often overshadow the institutions themselves. Money is power. These coaches are deities on their campuses and in their respective states. The revenue stream from sports often drives university decision-making and conflicts with the schools' underlying values. University administrators must strike a delicate balance and enforce educational values, while at the same time reward winning athletic programs. This balance requires a tightening of the reins on coaches and requiring in their contracts immediate reporting and action in handling allegations of wrongdoing and allegations of crimes. Cases in point are Penn State and Ohio State. However, there are likely other athletic programs with serious problems that have not yet surfaced. A reassessment is in order with new rules to keep coaches' input at a minimum in admission policies, discipline, and other areas that are purely university business. Athletic directors, university general counsel, and lawyers in general should find positive solutions and eliminate the need for this cascade of litigation involving educational institutions and athletic programs.

New York State

In 2011 New York passed the Concussion Management and Awareness Act (Ch. 496 of the Laws of 2011) (the Act) that became effective July 1, 2012 for all public and charter schools. The Act requires the Commissioner of Education, in conjunction with the Commissioner of Health, to promulgate rules and regulations related to students who sustained a concussion or mild traumatic brain injury. These guidelines apply to all public school students who have sustained a concussion, regardless of where the concussion occurred.[4]

The Act requires that school coaches, physical education teachers, nurses and certified athletic trainers complete a New York State Education Department approved course on concussions and concussion management every two years. It also requires that students who sustained, or are suspected to have sustained, a concussion during athletic activities are to be immediately removed from such activities. A student may not return to athletic activities until he or she is free of symptoms for a minimum of 24 hours and has been evaluated by and received written and signed authorization to return to activities from a licensed physician.

Show Me the Money

For years, there has been a groundswell of talk about whether college players should be paid or able to profit from their fame before they graduate. This is not optimal, because one cannot make the amateurism argument when players are being compensated. Moreover, paying players money raises questions of maintaining the academic integrity of institutions. The National Collegiate Athletic Association (NCAA) President, Mark Emmert, has increased the value of athletic scholarships to cover the full cost of attending college.

In fact, the five wealthiest college football conferences notified the NCAA in October 2014 of their proposals to provide more benefits to athletes under the new governance model. This allows the Big 10, ACC, Big 12, Pac-12 and SEC to pass legislation without the support of the other Division I leagues. These changes would increase benefits to student-athletes, including athletic scholarships that will fully cover tuition; guaranteeing multi-year scholarships, and allow former athletes to return to school at any time and provide long-term health care and insurance to former athletes.[5]

Authentication needs to be returned to sport and the integrity of competition should be preserved, which in turn will foster even greater competition and help to remove the asterisk in front of new records. It appears that NFL Commissioner Roger Goodell has been paying attention. Affirmative steps are being taken, in earnest, to address player safety, conduct, and rule changes.

U.S. District Judge Anita Brody in Philadelphia approved a $1 billion settlement for NFL players and family members that became effective on January 7, 2017. The revised settlement approved by Judge Brody covers more than 20,000 NFL retirees and is designed to last at least 65 years. It also provides up to $5 million to individual retirees who develop Lou Gehrig's disease and other profound problems.[6]

As an interesting aside, the U.S. Court of Appeals from the Seventh Circuit in Chicago held on June 26, 2018 that the NCAA transfer rules do not violate the Sherman Act. Student athletes who transfer to Division I schools are required to wait a full academic year before they can play on teams. The opinion upheld the year in residency rule of the NCAA based on the fact that college athletes are amateurs, and cited the 1984 U.S. Supreme Court opinion *NCAA v. Board of Regents of the Univ. of Oklahoma*[7] and the Seventh Circuit 2012 opinion in *Agnew v. NCAA*.[8]

Conclusion

The purpose of this article is not to deter participation in football, but rather to educate and inform attorneys, athletic directors, coaches, parents and players of the risks and symptoms of concussion. Participation in sports by young people can engender mental and physical toughness, discipline, sportsmanship and leadership qualities. These individual attributes collectively can also provide an advantage in the game of life.

In the final analysis, to inspire true sport and protect the rights of athletes, Grantland Rice, the dean of sports journalists said it best: "When the one great scorer comes to mark against your name, he will not write if you won or lost, but how you played the game."

Endnotes

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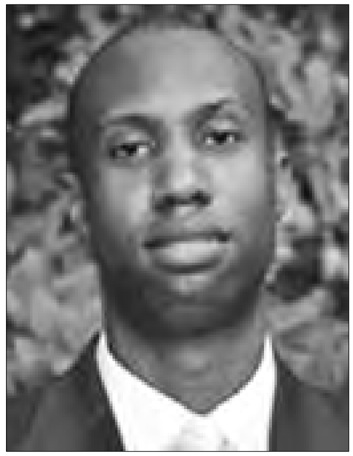
Blockchain Technology and the Music Modernization Act: A Match That Should Be Made

By Christopher J.P. Mitchell



Christopher J.P. Mitchell

Over the past two years, blockchain has been one of the most, if not *the* most, talked about emerging technology. Some debate that the technology will be the biggest breakthrough since the internet. That is all still to be determined. Simultaneous to the emergence of blockchain technology is the digitalization of the music industry. According to the IFPI Global Music Report 2018, in 2017, the music industry showed a 41.1% growth in music streaming compared to the previous year.[1] According to the same report, music streaming and digital downloading have combined for a 54% global share of music revenue, while only 30% of global recorded music revenues are generated from the consumption of music in the physical format.[2] Although 30% remains respectable, that is accounting for a 5.4% decline from the previous year, with projections that it will continue steadily further down.[3] The music industry must move quickly to adapt to this digital evolution, and blockchain technology has the potential to play a key role in helping it do just that.

What Is Blockchain?

To understand blockchain technology, one must first understand distributed ledger technology and cryptography.

Distributed Ledger Technology

A distributed ledger stores, replicates, and shares data in real time, across a synchronized network of nodes unlimited by their geographical locations. The three major components of a distributed ledger consist of the *database*, the *network* and the *decentralization*. The *database* refers to the ledger of data being stored and shared on the network. The *network* consists of the collection of an interconnected group of *nodes* (or individuals) with whom the database is being shared for viewing and transacting. It is essentially a peer-to-peer system in which the network consists of all people using the database. *Decentralization* simply means that there is no central database.

Cryptography

Cryptography is the process of using a mathematical algorithm to convert an input of data of any size into an output of a predetermined fixed length of characters representing that original input of data. This is known as hashing. The output characters will be a random alphanumeric string that is unique to only that original data input. This specific output uniquely identifying the data is known as a *hash value*. A key characteristic of cryptographic hashing is that it is computationally impossible to reverse engineer the hash value in order to discover the original input.[4]

Blockchain

A blockchain is a form of distributed ledger technology that uses cryptography to secure, record, and transfer blocks of time stamped and chronologically linked data across a shared network. A blockchain is comprised of a chain of fixed length and cryptographically secured *blocks* of data, each having its own unique identifier (hash value), and is validated by a consensus of the nodes operating within the network prior to being published to that network. When a new block is published to the network, it is added to the end of a pre-existing chain of blocks, each having their own unique hash values.[5] All updates to the blockchain are time stamped and published to the network in real time. Blockchains have four critical characteristics: They are immutable, transparent, trustless, and distributed.

Immutable

If something is immutable it is not changing or is unable to be changed.[6] A blockchain is tamper evident to the extent that any attempted change to publish a block cannot go undetected and will fail. If any data on an individual block is changed, the hash value of that block will also be changed. It is currently computationally impossible to change data on a block and reproduce the same hash value for that same block. Since each block references the hash value of the previous block, if the hash value of one block is changed, then the links between the blocks will no longer match. This effectively breaks and invalidates the chain. This is a significant security feature of a blockchain.

Transparent

Transparency is another key characteristic of a blockchain. As mentioned above, blockchains are time stamped and in chronological order. The entire transaction history of a blockchain can be viewed by the network. Select transactions or data sets cannot be arbitrarily omitted from the blocks. Since all transactions are visible, the blockchain is easily auditable.

Trustless

A trust-based system is created when there is a central authority or central intermediary that is needed to operate a specific infrastructure. Trust is needed in the security of such a database, in its ability to carry out the transactions, and in how the system's data is handled and protected. The consensus protocol and methodology of a blockchain removes the need for a third party intermediary for which one needs to place that trust. The platform runs autonomously once the protocol has been written and requires a consensus of the network participants to validate the transactions. The lack of an intermediary removes the need for trust of one central authority, and the consensus validation protocol removes the need for trust in the individual network participants.

Distributed

The distributed network is another feature that makes a blockchain highly secure. What makes data insecure is a hacker's ability to take down a central access point or vulnerability and gain access to an entire system of information and data. Insecurity can also result from a system failure, which leads to losing, damaging or compromising stored data.

The key to distributed ledger technology is that there is no central point of failure, no central point of access to the data, and there is no central data storage. On a distributed network, nodes interact from many geographical locations. If there is any single point of failure, the network continues to operate through the other points. System entry or vulnerability across the majority of the nodes would need to occur in order to effectively take down a blockchain and modify or remove data. As a result, devastation of a hack is significantly reduced.

Blockchain Technology and the Music Modernization Act

Music Modernization Act (MMA) was passed and signed into law on October 11, 2018. Legislators should now take a strong look at blockchain technology to complement its implementation. The MMA has been proposed to bring important regulatory aspects of the industry up to speed with the current digital landscape. The three primary objectives of the MMA are: to provide fair payments to songwriters for music streaming, create a more efficient process in the collection of music revenues, and establish a collective to oversee the distribution of mechanical royalties.[7]

The Board of the Mechanical License Collective (MLC) is now being created to oversee the distribution of mechanical royalties. The MLC will collect, distribute, and audit the royalties generated from these licenses, create and maintain a public database that identifies musical works with their owners along with ownership share information, make efforts to match copyright owners of musical works embodied in particular sound recordings, and hold unclaimed mechanical royalties for at least three years before distributing them on a market-share basis to music publishers.[8] It will be comprised of 10 music publishers, four songwriters, and three nonvoting advisers.

Focusing in on the goal of creating and maintaining a public database to identify musical works with their owners, an excerpt from the House Judiciary Committee's Congressional Report directly expresses the concerns driving this part of the proposal:

> However, there is no reliable, public database to link sound recordings with their underlying musical works. Unmatched works routinely occur as a result of different spellings of artist names and song titles. Even differing punctuation in the name of a work has been enough to create unmatched works...In an era in which Americans can buy millions of products via an app on their phone based upon the UPC code on the product, the failure of the music industry to develop and maintain a master database has led to significant litigation and underpaid royalties for decades…[9]

The proposed database would contain the following information:

> The database that is required by this legislation will contain information such as the title of a work, its copyright owner(s) and shares thereof, contact information for the copyright owner(s), International Standard Recordings Codes (ISRC) and International Standard Work Codes (ISWC), relevant information for the sound recordings a work is embodied in, and any other information that the Register of Copyrights may prescribe by regulation.[10]

Creating a master database of such music ownership information is an excellent start. A desire to create the most secure, transparent, and immutable database should be reason enough to use blockchain technology. However, limiting this master database to ownership information of musical works would be entirely too shortsighted. As previously discussed, the MMA has several additional objectives and blockchain technology (if utilized to its full capabilities) can be effective in accomplishing many of them. Specifically, blockchain technology can be used to accomplish the MMA's goals of resolving the inefficiencies of music licensing, acting as a mechanism for the collection of revenues and a platform for the distribution of royalties.

To most effectively address these issues using blockchain technology, the database should first be comprised of more than just ownership information and contact information of the musical works. The data placed on the blockchain should include information on chain of ownership, copyright registrations, authors, songwriters, publishers, contributors, performers, licensing rights and history, royalty splits, physical form sales, downloads data, streaming data, and any and all other available meta-data for each musical work. This would create the full transparency of musical works for which the industry is looking. It would also provide the comprehensive amount of data needed to transact on the platform while removing the third party intermediaries and their associated fees.

After all relevant information is placed on the blockchain database, it is primed to become a potential one-stop shop for music transactions. Why move back and forth through multiple platforms and third party intermediaries if the transactions can be facilitated through a single database? Blockchain is primarily associated with the cryptocurrency Bitcoin, but its value can be found within any transaction-based economy in which participants need to make secure peer-to-peer exchanges of data or assets. In this instance, the data and assets being exchanged are intellectual property rights.

Smart contracts, which are self-executing contracts drafted by computer code, can be deployed to automate the transactions, for the issuance of licenses, payment of licensing fees, royalty payments, ownership transfers, additional rights issuances, and other related peer-to-peer transfers, while recording every transaction on the platform in real time. The use of private keys will allow rights holders to still control specific content that was meant to be kept private or exclusive. The use of private keys can create a gatekeeping of access to any content placed on the platform. This can include artists sharing bonus content with fans, selling music directly to fans, and myriad other functions. This may be a feature embraced by independent artists who took 32.2% of total market share (based on revenues earned), which is an amount higher than any major label took in 2017.[11]

Conclusion

The music industry is evolving, blockchain technology is evolving, and their paths are crossing. There are already artists like Imogen Heap and many other independents using blockchain to sell music. Some artists have taken more control of their digital music distribution through ownership interests in streaming services like Tidal.[12] There are also several blockchain-based platforms in development and targeted towards the music industry,[13] including blockchain-based music platforms currently attempting to become the predominate global music registry platform. Even ASCAP and BMI threw their respective hats into the ring and launched a joint project to have a single database. As of this writing, no platform has asserted itself as the "master database," which can provide the comprehensive services discussed within this article. Even if one does, the MMA is calling for a database not owned by any other entity. The self-governing feature of the blockchain technology would satisfy that criteria as well.

With the passage of the MMA, migrating all rights information onto a single blockchain platform would just be the next step in this music industry and blockchain evolution. Here is an opportunity for the industry to be proactive rather than reactive. This course of action reduces costs, creates transparency, adds security, and brings clarity and uniformity to an industry that has been desperately calling for it.

Endnotes

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Brave New World: Contemplating the Partial Withdrawal of the Major Music Publishing Companies from ASCAP and BMI

By Matthew F. Abbott

For nearly 80 years, performing rights organizations (PROs) American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music Inc. (BMI) have licensed public performance rights to musical compositions on behalf of their member songwriters and publishers, subject to the restrictions of antitrust consent decrees. In recent years, the major music publishing companies have pushed hard to modify or nullify these consent decrees on the basis that they are no longer relevant to the current music marketplace. The Department of Justice's (DOJ) Antitrust Division has recently stated that it will assess whether the consent decrees are still relevant in a marketplace where digital technology has completely transformed the distribution of music. Modification of the consent decrees would likely cause immediate and seismic changes in the music market, particularly in the market for digital music, and could drastically alter the role that PROs play in administering public performance rights.

This article reviews the role of PROs and the consent decrees that govern their licensing practices. It then discusses the proposed modification of the consent decrees to allow "partial withdrawal" from the PROs by major publishing companies and subsequent litigation of this issue in *In re Petition for Pandora Media, Inc*. Finally, the article discusses the potential impact of a "partial withdrawal" on the music publishing industry, PRO licensees (e.g., digital music services), and the existing membership of the PROs.

1. ASCAP and BMI

Since the early 20th century, ASCAP and BMI have performed an essential role in the music market by licensing and administering the rights to publicly perform copyrighted musical compositions to a wide array of music users, including television networks, radio stations, live music venues, bars, restaurants and, most recently, digital music services.[1] Both PROs are comprised of songwriters and publishers who rely on these organizations to negotiate public performance licenses for their musical compositions, to monitor and enforce compliance with copyright law, and to distribute licensing revenues to the appropriate copyright owners. The PROs are governed by a series of internal rules and contracts. Relevant to this discussion is the ASCAP Compendium, a written document governing ASCAP's obligations to its copyright owners.

Most ASCAP and BMI licensees opt to take a blanket license, which grants the right to perform all works in ASCAP and/or BMI's repertory for a flat annual rate determined by the manner in which the music is performed and the size of the venue or potential audience. Blanket licenses reduce the insurmountable cost and effort of having to negotiate public performance licenses with each individual publisher of every musical composition a user may perform, and reduce liability for copyright infringement based on an errant performance of an unlicensed composition. For example, the owner of a nightclub, who would otherwise have to negotiate a license with each individual publisher of any song to be played in the venue, can simply execute blanket licenses with ASCAP and BMI and receive the right to perform any of the tens of millions of musical compositions in their repertories.

Matthew F. Abbott

2. The Antitrust Consent Decrees

ASCAP and BMI's blanket license is made possible by the consent decrees that have governed each organization's licensing practices since the 1940s. In the 1930s, as the only existing PRO, ASCAP had complete control over public performance rights. After demanding a substantial increase in license fees from radio stations, ASCAP withheld the rights to its works when the radio stations refused to agree. Thereafter, in 1941, the DOJ brought a lawsuit against ASCAP for violation of the Sherman Act, 15 U.S.C. § 1, based on ASCAP's monopoly on public performance licensing and anti-competitive licensing practices. The case was settled through a consent decree which has been modified over the years and remains in effect today. The most recent version of the ASCAP consent decree, issued in June 2001, is called AFJ2.[2] AFJ2 places a number of restrictions on ASCAP's licensing practices. For example, if ASCAP and an applicant cannot agree on a license fee after a period of time, the issue may be brought before the designated "rate court" in the Southern District of New York. Additionally, ASCAP must grant a license to perform all the musical compositions in its repertory to any applicant who requests such a license. It therefore cannot deny a blanket license for all its compositions to any entity requesting it. Furthermore, ASCAP cannot discriminate as to pricing or other terms between "similarly situated" licensees.

3. *In re Petition of Pandora Media, Inc.*: Music Publishers Seek a "Partial Withdrawal" Right From ASCAP

As digital distribution of recorded music has steadily increased over the past decade, the major music publishing companies have applied heavy pressure on ASCAP to change its rules to recognize "partial withdrawal" rights.

Such rights would allow members to selectively withdraw from ASCAP the right to license works to digital music services and allow them to negotiate directly with those services without the restrictions of the consent decree. The publishers' desire for "partial withdrawal" rights is based largely on the perceived unfairness of the large disparity between the amounts paid to record companies for public performance rights to sound recordings, and the far lower amounts paid to PROs for musical compositions.

In 1995, Congress passed the Digital Performance in Sound Recordings Act (DPSRA), which recognized a public performance copyright in sound recordings, but limited it solely to digital audio transmissions.[3] In particular, digital audio transmissions that were "non-interactive" (for example, through a service that broadcasts audio according to a set playlist, but does not allow the user to select a particular song, such as Pandora or Sirius XM), were subject to a compulsory license with a fee set by the Copyright Royalty Board (CRB), made up of three judges appointed by the Librarian of Congress. The CRB subsequently determined that the market for sound recording performance rights was different from the market for musical composition performance rights, and set compulsory license fees for sound recording rights many times higher than the prevailing rates for public performance licenses for musical compositions.[4] Consequently, for each performance of a song that is transmitted digitally, the owner of the sound recording copyright (i.e., the record company) is receiving a substantially higher public performance royalty than the copyright owner of the musical composition of that same song (i.e., the PRO and music publisher).

Although significant concerns were raised as to the effects of "partial withdrawal" by ASCAP's writers and independent publishers, ASCAP modified its Compendium in 2011 to allow "partial withdrawal,"[5] and within a year-and-half, four of ASCAP's largest publishers, including EMI, Sony ATV Music Publishing LLC (Sony) and Universal Music Publishing Group (UPMG), had withdrawn and began negotiating their own licenses with digital music services. Pandora Media Inc., a digital music broadcasting company for the service Pandora, had been in negotiations with ASCAP since late 2011, but these discussions had been fruitless in light of the major publishers' imminent withdrawal from ASCAP. In fact, Sony had threatened to sue ASCAP if it executed a license with Pandora prior to the effective date of Sony's withdrawal. Pandora then negotiated individually with both Sony and UPMG, but eventually filed a rate court petition when both companies insisted on substantial increases over the prevailing industry licensing rate. Pandora moved for summary judgment before the rate court seeking a determination that the publishers' withdrawals did not affect the scope of the ASCAP repertory available under license. The rate court granted Pandora's motion, effectively nullifying the withdrawals by holding that the consent decree "unambiguously requires ASCAP to provide Pandora with a license for all of the works in its repertory" and that ASCAP retains the rights to the works of withdrawing publishers even if it claims to lack the rights to license to digital music services.[6] Following a bench trial, the rate court ruled that a royalty consistent with ASCAP's existing arrangement with Pandora prior to the lawsuit was appropriate. ASCAP and the music publishers appealed both rulings, and the Second Circuit affirmed them.

4. DOJ Review of the ASCAP and BMI Consent Decrees

In 2014, the DOJ's Antitrust Division opened an investigation into ASCAP and BMI's consent decrees. The PROs had proposed three major modifications—(1) allowing publishers to partially withdraw works from the PROs for licensing to digital music services; (2) streamlining the fee dispute process through arbitration; and (3) allowing PROs to grant rights other than public performance, such as mechanical licensing of a reproduction of a musical composition in a sound recording. The DOJ solicited two rounds of public comments and, in August 2016, issued its conclusion that the consent decrees should not be modified.[7]

However, with the new administration, renewed interest has been shown in the ASCAP/BMI consent decrees. During a speech at Vanderbilt University Law School in March 2018, Assistant U.S. Attorney Makan Delrahim, who heads the DOJ's Antitrust Division, commented that music copyright law is "a mess" and stated that the Antitrust Division "needed to take a look and see if th[e] consent decrees are still relevant in the marketplace" based on the technological advances in music distribution. He indicated that the DOJ had commenced a review of all 1,300 operative antitrust consent decrees to determine whether they are still relevant or if they should be phased out. Subsequently, in a keynote address made at the National Music Publishers Association (NMPA) Annual Meeting in June 13, 2018, Delrahim reiterated his earlier remarks and indicated that the DOJ had not yet reached any conclusions regarding the ASCAP and BMI consent decrees but would do so consistent with its principles of protecting competitive markets. Although there had been speculation that the keynote speech at the NMPA signaled a big announcement, Delrahim gave no indication as to what the DOJ's conclusions would be, although he reassured the publishing industry that the DOJ had its interests in mind. To date, the DOJ has not issued any conclusions concerning the consent decrees.

5. Potential Consequences of Modifying the Consent Decrees to Allow a Partial Withdrawal Right

If the consent decrees are modified by the DOJ to allow partial withdrawal rights, the music publishing industry will be able to set its own rates for performances of music by digital music services, with the goal of moving those rates closer to the rates set by the CRB for digital transmissions of sound recordings. As digital music becomes increasingly popular (digital revenues accounted for 54% of the global recorded music market in 2017), this will generate increased revenue for those publishers who withdraw and the songwriters they represent, and may also help raise the benchmark ASCAP/BMI licensing rates for those publishers who do not withdraw. In the music publishing industry's view, this change will ensure a competitive market notwithstanding the technological changes in the distribution of music, and will ensure fairness by allowing music publishers to set digital public performance license rates commensurate with those received by the recording industry.

The opposing view is that the consent decrees remain relevant and should remain in force in an industry in which the licensing structure has not changed materially, and where ASCAP and BMI are still joint ventures between directly competing copyright owners and together control the public performance rights to nearly every song that is not in the public domain. The circumstances of the Pandora litigation have demonstrated potential consequences of modifying the consent decrees to allow a partial withdrawal. There, the rate court found that once Pandora opened negotiations with Sony and UPMG, who represent an estimated 30% and 17% of ASCAP's repertory, respectively, each "exercised [its] considerable market power to extract supra-competitive prices." Sony would only agree to an increase of 25% over the prevailing industry licensing rate, and UPMG would only agree to an increase of nearly 50%. The rate court rejected the argument that either of these rates reflected fair market value of an ASCAP license with Pandora. The rate court further found that ASCAP, Sony, and UPMG had "coordinated their activities with respect to Pandora," thus implicating "a core antitrust concern underlying [the consent decree]" and "cast[ing] doubt on the proposition that 'the market under examination reflects an adequate degree of competition to justify reliance on the agreements it has spawned.'"[8] This suggests that modification of the consent decrees may encourage anti-competitive behavior and may allow major publishers to exert their market dominance to push licensing rates well beyond what would be considered fair market value by the rate court. In turn, this may create significant financial obstacles for emerging digital music companies to get a foothold in the marketplace, and allow music publishers to wield considerable power over the evolution of the digital music market.

Additional concerns have been voiced by current members of ASCAP. Many songwriters not affiliated with a major publisher are dependent on ASCAP and there are concerns that partial withdrawals will weaken the PROs and place the burden on the remaining members to pay for ASCAP's other functions. Songwriters who are affiliated with major publishers worry that if their publishing companies take over the collection and distribution of revenue, they may not do so as reliably or as fairly as ASCAP has done, or that they may decide to retain advances against royalties or to alter the way that revenues are currently split by ASCAP in a manner unfavorable to the songwriters. Finally, many current members of ASCAP are concerned that a move toward partial withdrawal will eventually reduce the PROs to being administrative arms for the major publishers, such that independent songwriters and publishers who still depend on the PROs will lose any leverage and no longer be a major priority.

6. Conclusion

If the DOJ modifies the consent decrees to allow partial withdrawal, it will likely lead to significant changes in the digital music market and in the roles of ASCAP and BMI as the administrator of public performance licensing for all its members. Even if the DOJ concludes that no modification is necessary, this is not an issue that is likely to go away. Music publishers will continue to push for modification and incoming administrations will continue to review the DOJ consent decrees, particularly terms of the decrees that generate controversy. Current and prospective members of ASCAP, BMI, and/or other PROs, as well as digital music entrepreneurs and executives are recommended to assess the potential impact of partial withdrawal on their business, and to make their opinions heard in the event that the DOJ again solicits public comments.

Endnotes

1. The right of public performance of a musical composition is one of the exclusive rights afforded to copyright owners pursuant to the Copyright Act, 17 U.S.C. § 106(4).
2. BMI, which was formed in the 1940s as a result of ASCAP's anti-competitive activity, operates under its own, separate consent decree which is similar, but not identical, to ASCAP's. The other, smaller performing rights organizations in the U.S., the Society of European Stage Authors and Composers (SESAC) and Pro Rights Music LLC, are not subject to consent decrees.
3. *See* 17 U.S.C. §§ 106(6), 114. Each recorded song contains separate copyrights in the sound recording and the musical composition embodied in the recording. The musical composition consists of the music, including any lyrics, and the author is the lyricist and/or composer. The sound recording "results from the fixation of a series of musical, spoken or other sounds," and the author is the performer or record producer. U.S. Copyright Office, Circular 56A (Rev. 2012).
4. The DPSRA expressly provided that the ASCAP and BMI rate courts cannot take into account sound recording licenses set by the CRB when determining the fair market value of public performance licenses for musical compositions. 17 U.S.C. § 114(i).
5. *See* ASCAP Compendium Rule 1.12.1. ASCAP modified the Compendium to define "New Media Services" as "[A]ny standalone offering by a 'Music User' by which a New Media Transmission" of musical compositions is made available or accessible (i) exclusively by means of the Internet, a wireless mobile telecommunications network, and/or computer network and (ii) to the public, whether or not, in exchange for a subscription fee, other fee or charge." ASCAP provided that it would only have the right to license works to New Media Services if an existing license was in effect as of the date the member withdrew.
6. *In re Petition of Pandora Media, Inc.*, 2013 WL 5211927, at *1 (S.D.N.Y. Sept. 17, 2013).
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This article was both researched and written with the invaluable assistance of Esther K. Wellman, a legal intern at Powley & Gibson.

No Foul, but Plenty of Harm—Sorting Out the 2018 Belmont Stakes

By Bennett Liebman

The Background of the Controversy

Bennett Liebman

On the afternoon of June 9, 2018, the Belmont Stakes seemed like a dream come true for thoroughbred racing. The undefeated Justify went wire to wire to win the Belmont and to become the thirteenth horse and only the second undefeated horse to win the Triple Crown. Bob Baffert, the trainer of Justify, became the second person to train two Triple Crown winners. On the next day, however, some of the Triple Crown luster wore off, as the participants in the race began talking about possible collusion among the jockeys to assist Justify's run for the Triple Crown.

The main instigator of the collusion allegation was horse owner Mike Repole.[1] Repole was the owner of two horses running in the race. He owned Vino Rosso and co-owned Noble Indy with WinStar Farm, the 60% owner of Justify. Both Repole horses were trained by Todd Pletcher. Vino Rosso was the more highly regarded of the two, and went off at odds of 7-1. Noble Indy went off at odds of 23-1. The instructions to Javier Castellano, the jockey of Noble Indy, were to go to the lead. Noble Indy, however, did not go to the lead, and was fourth after the first quarter-mile of the one-and-a-half-mile race. Noble Indy finished tenth and last, and Vino Ross finished fourth, beaten by 12 lengths.

Repole also complained about the actions of Florent Geroux, the rider of Restoring Hope. Restoring Hope was the longest shot in the field at 37-1 and although he was trained by Bob Baffert,[2] he was not owned by the same people as was Justify. As Justify reached the lead soon after the start, Geroux moved his horse very wide entering the clubhouse turn into second place, outside of Justify. Geroux subsequently moved Restoring Hope to the inside soon after the turn, making sure that Bravazo, who had finished second to Justify in the Preakness, remained along the rail.

The Washington Post described the race as "Restoring Hope took a noticeably wide path that went rightward in front of Noble Indy before veering back to the left in a manner that appeared to push Bravazo to an inside position behind Justify."[3] Repole stated, "It definitely seemed to me he was more of an offensive lineman than a racehorse trying to win the Belmont … and Justify was a running back trying to run for a touchdown."[4] Restoring Hope finished eighth, beaten by 38¾ lengths. Even the owner of Restoring Hope, Gary West, added, "'I have no earthly idea what Florent was thinking or what his race strategy was …Had I known better, the first eighth of a mile I would have thought it was a quarter-horse race, not the mile-and-a-half Belmont. Maybe the horse was completely out of control and Florent had no choice. I will never know."[5]

Jockey John Velasquez on Vino Rosso said, ""Why would you send a horse that breaks bad and takes everybody out, then comes back in…That's his job, to protect the other horse and it worked for them. You have to give it to them."[6]

The issues raised include:

1. Was there collusion among the participants in the race to ease the path towards Justify's victory?
2. Were Noble Indy and Restoring Hope ridden on their merits to try to win the race?
3. Did Restoring Hope's rider intentionally make it harder for other horses to pressure Justify early?
4. If one finds that Restoring Hope was intentionally ridden to make things harder for Justify's competitors, should Justify be disqualified for the actions of Restoring Hope?
5. Even if Justify should not be disqualified, should disciplinary actions be taken against Florent Geroux and Bob Baffert for harming the chances of the other participants in the race due to the actions of Restoring Hope?

The stewards working at the New York Racing Association (NYRA), which operates Belmont Park, concluded that no disciplinary action needed to be taken. They initially said that nothing untoward had been brought to their attention.[7] After the fuss over the rides grew, they did interview jockey Geroux, but took no action.

The History of the Rules Governing the Belmont Issues

Much of the analysis of the Belmont collusion allegations involves the rather convoluted history of coupled entries in the United States, and in New York in particular. For the first three quarters of the 20th century, horses trained by the same individual and/or owned by the same individual(s) were coupled, running as one betting entry. Under the traditional scenario, Vino Rosso and Noble Indy would have been coupled, since they shared the same trainer and similar owners. A wager on Vino Rosso would include a wager on Noble Indy and vice versa. Justify and Restoring Hope also would have been coupled as a single entry, since they were both trained by Bob Baffert. Moreover, adding the WinStar Farm commonality of ownership between Noble Indy and Justify, all four horses—Justify, Restoring Hope, Vino Rosso, and Noble Indy—would have been coupled, and a wager on any one of these horses would have included a wager on all four horses

New York in the 1970s saw the racetracks faced by pressure from Off Track Betting (OTB). They began to see sharp declines in both live attendance and handle, and it was believed that there was a need to increase the number of betting entries in order to encourage more wagering.[8] Therefore, in 1976 the Racing and Wagering Board (now the Gaming Commission) in order to assist the tracks, allowed the decoupling of entries when the horses only had the same trainer. When there was commonality of ownership the horses remained coupled. The 1976 rule allowing decoupling proved extremely unpopular with bettors,[9] and the Racing and Wagering Board repealed the rule at the start of 1981. The rule remained the same until 2001. In that year, New York hosted the Breeders' Cup, and in order to insure full wagering fields, the Racing and Wagering Board allowed uncoupling of all entries—regardless of common ownership and/or a common trainer if the race had a purse of $1 million or more.[10]

In 2010, the Board went back to its 1976 rules and authorized decoupling when the only connection between horses was the common trainer.[11] This was followed in 2015 by allowing decoupling—even when there was common ownership of the horses—in any stakes race with a purse of $50,000 or higher.[12]

Thus, in the 2018 Belmont Stakes, all horses entered—regardless of their common ownership or trainer interest—would be uncoupled and run as separate betting interests, since it was a stakes race with a purse well in excess of $50,000. If all four horses had run in a non-stakes event, Justify, Vino Rosso and Noble Indy would have run as a coupled entry due to their commonality of ownership. Restoring Hope, without a common owner, would have run uncoupled.

However, when most of the coupling requirements are eliminated, how are fouls treated when committed by what would in earlier years have been part of the coupled entry? Is the innocent part of the uncoupled entry punished for the misdeeds of the guilty part of the entry?

Until the 1950s, at a time where all entries were coupled, the answer was simple. If one part of an entry committed a foul, the entire entry was disqualified. That changed in New York in 1957, and the stewards were given discretion as to whether to disqualify the innocent part of the entry.[13] In 1980, the rule was further amended to read that "the balance of the entry shall also be disqualified if in the judgment of the stewards such violation prevented any other horse or horses from finishing ahead of the other part of the entry."[14]

Uncoupled entries are treated in the same manner as if they were coupled entries and are subject to the same rules as the coupled entries.[15] Thus, in the Belmont, if Restoring Hope committed a foul, one could conceivably disqualify Justify if Restoring Hope's foul "prevented any other horse or horses" from finishing ahead of Justify. In the 60 years since the New York stewards were given discretion to determine whether a foul committed by one part of an entry should result in the disqualification of the other part of the entry, there have been no occasions where the innocent horse has been disqualified.[16]

What Rules Apply to the Belmont Stakes?

Besides the rule on potentially disqualifying the innocent parts of an entry with common interests, the main Gaming Commission rule is § 4035.4, which states: "All horses are expected to give their best efforts in races in which they run, and any instructions or advice to jockeys to ride or handle their mounts otherwise than for the purpose of winning are forbidden and will subject all persons giving or following such instructions or advice to disciplinary action by the stewards and the commission."[17] In short, riders owe the public their best efforts to ensure that their horses have a full opportunity to obtain their best placing, and trainers and owners must only give riders instructions that would be consistent with the intent to win the race. Thus, Bob Baffert cannot tell Florent Geroux to ride Restoring Hope to block horses that might threaten Justify. Similarly, Todd Pletcher and/or Mike Repole cannot tell Javier Castellano on Noble Indy to sacrifice his mount by placing pressure on Justify in order to set up Vino Rosso's late run.[18]

Collusion in the Past

There have been several instances in the past where disciplinary action was taken against riders and harness drivers who acted in a collusive manner. In New York thoroughbred racing, the most well-known incident involved controversial jockey Don Meade in October 1942. Meade, riding Secretariat's grand-dam, Imperatrice, shouted out to Herb Lindberg, the jockey of his stable mate, to take care of another horse moving on the outside to contend with Imperatrice. Lindberg promptly fouled the contending horse by taking his horse very wide to prevent the horse from catching Imperatrice.[19] Lindberg was suspended until the spring of 1943. This collusion garnered a "lifetime suspension" for Meade, which as a practical matter, kept him out of racing for 19 months until May 1944.[20] No action was taken against the trainer.

In harness racing in 1969 in a stakes race at Yonkers Raceway, driver Yves Filion took his horse off the rail—interfering with another horse—in order to let his brother Herve come along the rail on an entry mate to win the race. Yves' horse was disqualified for interference, and Herve's horse was similarly taken down due to the automatic disqualification rule that governed harness racing at the time. Yves received a 15-day suspension.[21]

In the celebrated case of the 2006 Hambletonian, trainer/driver Trond Smedshammer trained three horses in the race. He was driving his Here Comes Herbie on the lead entering the stretch at the Meadowlands. With Here

Comes Herbie tiring badly, Smedshammer moved his horse off the rail to the outside, clearing a path for Smedshammer's trainee, Blue Mac Lad. Blue Mac Lad reached the lead but was only able to finish third in the race.[22] Smedshammer eventually was suspended for 35 days and was forced to pay $18,000, which was the share of the race winnings he had earned from training Blue Mac Lad.[23]

In 2016 in the Sword Dancer Stakes at Saratoga, the stewards at NYRA did not take any action against Aaron Gryder. Gryder, riding the pacemaker Inordinate, moved off the rail in the stretch run, allowing his uncoupled stablemate Flintshire to come through along the rail to easily win the race. In the Sword Dancer Stakes, the stewards did not find that Gryder's action had interfered with any other horse.[24]

Viewing the Belmont Issues

1. Should Justify have been disqualified? Here, the answer should be a clear no. Besides the fact that no innocent part of an entry has ever been disqualified under New York's rules, the rule only authorizes a disqualification of the innocent part of the entry "if such violation prevented any other horse or horses from finishing ahead of the other part of the entry."[25] Here, there is no apparent foul by Restoring Hope. The horse did force Noble Indy two paths to the outside before the first quarter of the race, but Noble Indy was not forced to shorten stride. The rider on Noble Indy never had to take hold of his horse in response to Restoring Hope's actions. A foul is hard to find. In the absence of a foul by Restoring Hope, there is no way that one can disqualify Justify. Even if a foul is presupposed by Restoring Hope, there is obviously no way to find that Restoring Hope's violations prevented any horse from finishing in front of Justify. Restoring Hope's interactions were with Noble Indy and Bravazo. They respectively finished 54 and 8½ lengths behind Justify. There is no way that Justify can be taken down under the rules. No horse was prevented from finishing ahead of him.

2. What about Noble Indy? Owner Repole said that the instructions to Noble Indy's rider were to go to the lead. Noble Indy had won the Louisiana Derby in March, racing close to the lead. Instead, per the official charts, Noble Indy soon "took up position in midpack and went four wide around the clubhouse bend." The closest Noble Indy got was into fourth place before finishing last. The question for the stewards is: was there a plausible tactical reason for Javier Castellano's ride on Noble Indy? Utilizing this inquiry, the rider is given a considerable presumption that his or her tactics are reasonable. In this case, it would be very hard to find any misconduct by Castellano. The fact is, per the charts, Noble Indy moved "out with his initial step and brushed right side of the starting gate." In short, Noble Indy got off a step slowly. Castellano could have legitimately believed that it was imprudent to rush his horse into the lead after the start. While he moved into contention, just before the first quarter mile of the race, he was forced two paths further wide by Restoring Hope. Under these circumstances, jockey Castellano would have had decent reasons to try a different approach. Unless there exists extraordinary evidence—that is, available apart from the actual tape of the race—it is hard to discipline Castellano for his ride.

3. Florent Geroux's ride on Restoring Hope is more questionable. The horse broke slowly. Geroux rushed the horse into contention between horses. Restoring Hope, approaching the lead of Justify, then moved extremely wide into the first turn, forcing Noble Indy out two paths further to the outside. Before the backstretch, Restoring Hope moved inside, staying about a length-and-a-half behind Justify and just outside of Bravazo. He stayed in that position until the far turn where he gave way and finished eighth. There was considerable talk about Restoring Hope being rank, which means being difficult to constrain from rushing towards the lead. If the stewards or the investigatory authorities credit that explanation, it would be difficult to place any blame on Geroux.[26] Yet, if that was not the case, there would have been a significant issue of whether Restoring Hope was running interference for Justify during the first half of the race. Even assuming the strong presumption that a rider is entitled to determine the proper tactics of his or her mount, this issue needs a full review by the proper authorities.[27] People are wagering on Restoring Hope. A rider is not allowed to help another horse by sacrificing his or her own mount. How would Geroux's tactics on Restoring Hope be consistent with the goal of winning the race? Riders do not break slowly in long distance races, rush their horses through a pack of horses, and then swing their horses far wide into the first turn. That could be seen as a tactic to keep anyone from daring to challenge Justify for the lead, and not a tactic designed to improve Restoring Hope's opportunity to win the race.

4. In addition to the inquiry into Geroux, there is a need to investigate others in the race. In the United Kingdom under the rules of the British Horseracing Authority, a rider cannot make a maneuver in a race "in the interests of another horse in Common Ownership or under common control," whether or not the maneuver "causes interference or causes his horse to fail to achieve its best possible placing."[28] Thus a jockey can be punished if the jockey aids a stablemate, even if that jockey's horse does not cause interference. Additionally, in the UK, if the jockey is guilty of improperly assisting another horse, the trainer is also presumed guilty of the

same offense, unless the trainer can satisfy the stewards that the instructions to the rider were consistent with winning the race.[29] Thus, the investigation needs to focus on Bob Baffert as well as the ownership interests of Justify. What did they say and to whom did they say it? Any help afforded to Justify that was not consistent with Geroux's obligation to try to win the race ought to mete punishment. In reviewing the replay of the race, NBC commentator Randy Moss said of Restoring Hope's dash to the outside of Justify, "That's fine. That's perfectly legal." However, it is only fine if it did not compromise Restoring Hope's chances of winning the race. If the move was made to run interference for Justify, it was not legitimate. Fans bet on Restoring Hope. They deserve a run for their money and not a run for Justify's money.

This is not so hard. The public deserves a full explanation and investigation of the race. Someone in racing—the stewards, the Gaming Commission, NYRA, or a combination of these groups—needs to undertake that review. They need to make sure that all the participants in racing know what their responsibilities were under the rules of racing. The Triple Crown is racing's biggest showcase. This is not the time for the sport to put on its blinkers. There may not have been a foul in the 2018 Belmont, but there was considerable harm.

Endnotes

1. Mike Pedulla, *Belmont Controversy Erupts: Did Alliance Ensure a Justify Victory?* New York Post (June 10, 2018), *available at* https://nypost.com/2018/06/10/belmont-controversy-erupts-did-alliance-ensure-a-Justify-victory; *see also* Walker Childs, *Questions Raised About Belmont Race Strategy of Second Baffert-Trained Horse, Restoring Hope*, Baltimore Sun (June 11, 2018).
2. *Id.*
3. Des Bieler, *Did Justify Get Undue Help from Another Bob Baffert Horse in Winning at Belmont?*, Washington Post Blogs (June 11, 2018).
4. *Pedulla*, *supra* at note 1.
5. *Id.*
6. David Grening, *Horsemen Question Geroux's Ride on Restoring Hope*, Daily Racing Form (June 10, 2018), *available at* http://www.drf.com/news/horsemen-question-gerouxs-ride-restoring-hope.
7. *See* Ed McNamara, *No Inquiries into Florent Geroux's Controversial Belmont Ride*, Newsday (June 12, 2018); Greg Joyce, *Stewards Can't Justify Inquiry in Belmont Beef*, New York Post, (June 12, 2018).
8. It is a maxim of pari-mutuel racing that the more betting entries in a race, the larger the expected amount of wagering on the race. *See* Chris Wittstruck, *The Controversy over Coupled Entries*, HarnessLink (May 6, 2014), *available at* http://www.harnesslink.com/News/The-controversy-over-coupling-of-horses.
9. John Pricci, *Split Entry Woes*, Newsday, (March 30, 1980).
10. *Coupling in Big Races May End in New York*, The New York Times, (June 27, 2001).
11. 9 N.Y.C.R.R § 4025.10 Amds. filed June 29, 2010 eff. July 14, 2010.
12. 9 N.Y.C.R.R. § 4025.10(g). Amd. filed July 2, 2015 eff. July 22, 2015.
13. Annual Report of the New York State Racing Commission (1957) Pg. 21. Rule 300(e) "was modified by permitting the Stewards to exercise their discretion as to the disqualification." *See generally* Bennett Liebman, *Disqualifications and Coupled Entries*, Albany Law School, Government Law Center, *available at* http://www.albanylaw.edu/media/user/glc/disqualifications_and_coupled_entries.pdf.
14. 9 N.Y.C.R.R. § 4035.2(e). amended 4035.2(e) on 1/01/81.
15. *Id.*
16. *See* Bill Nack, *Partner's Foul Did Not Affect Key's Big Win*, Newsday, (Oct. 4, 1972). There may have been occasions in other jurisdictions when the innocent part of an entry was disqualified. *See* Bill Christine, *Inquiry Can Affect an Entire Entry*, Los Angeles Times, (July 16, 1987).
17. 9 N.Y.C.R.R. § 4035.4.
18. Critics could argue that Repole's insistence that Noble Indy had to go to the lead might be seen as meaning that Noble Indy was not supposed to run on his merits but was supposed to help Vino Rosso and harm the chances of Justify. "Of course, a skeptic could say Repole was planning to use Noble Indy as a 'rabbit' to tire Justify out and make him more vulnerable to a late charge from Vino Rosso. Perhaps his camp was simply outmaneuvered in the tactical battle." *Childs*, *supra* at note 1; *see also Restoring Hope's Role in the Belmont Stakes Highly Debatable*, Horse Racing Nation, (June 11, 2018), *available at* https://www.horseracingnation.com/news/Restoring_Hope's_role_in_the_Belmont_Stakes_highly_debatable_123#.
19. Caswell Adams, *Riders Set Down for Collusion at Jamaica Track*, New York Herald Tribune (Oct. 24, 1942).
20. Quinn Evans, *Meade Granted License to Ride by Jockey Club*, New York Herald Tribune (May 25, 1944).
21. Tony Sisti, *Brothers Filion Get Bad Review*, Newsday (June 10, 1969).
22. Ray Brienza, *Brennan Makes Quick Work of Opposition*, Newark Star Ledger (Aug. 29, 2006).
23. Ray Brienza, *Panaramic Art Keeps Winning at Meadowlands*, Newark Star Ledger (Dec. 11, 2006).
24. Robert Kieckhefer, *UPI Racing Roundup*, (Aug. 29, 2016); David Grening, *Flintshire Rides the Rail to Sword Dancer Repeat Victory*, Daily Racing Form (Aug. 27, 2016), *available at* http://www.drf.com/news/flintshire-rides-rail-sword-dancer-repeat-victory.
25. *See* note 2 *supra*.
26. Some commentators have found no reason to question Geroux's ride. Pete Monaco, *Collusion, Conspiracy and Deception at Belmont*, St. George Spectrum (June 19, 2018); John Cherwa, *Racing! A Look Back at Justify's Win*, Los Angeles Times, (June 11, 2018). Cherwa wrote, "From what I see, it's a case of 'move along, nothing to see here.'"
27. *See* Charles Hayward, *View from the Rail: Justify Wins the Triple Crown, but Racing Gets a Black Eye*, Thoroughbred Racing Commentary (June 20, 2018), *available at* https://www.thoroughbredracing.com/articles/view-rail-Justify-wins-triple-crown-racing-gets-black-eye/.
28. British Horseracing Authority, The Rules of Racing, B 57.1.1. Pure pacemaking is allowed in the United Kingdom under this rule. No other form of helping a stablemate is allowed.
29. British Horseracing Authority, The Rules of Racing, B 57.4.

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Krell's Korner is a column about the people, events, and deals that shape the entertainment, arts, and sports industries.

The Steinbrenner Era Begins

By David Krell

David Krell

Not since disc jockey Alan Freed transplanted to New York City in the mid-1950s and further popularized rock and roll did a Cleveland public figure make a highly significant splash in the Big Apple as George Steinbrenner did when he led a group to purchase the New York Yankees in 1973. "I won't be active in the day-to-day operations of the club at all," declared the shipping magnate. "I can't spread myself so thin. I've got enough headaches with my shipping company."[1]

"Steinbrenner's next signing was another former A's star—Reggie Jackson."

It did not quite work out that way.

The promise of a *laissez-faire* approach evaporated as Steinbrenner had Vesuvian expressions of delight and dismay regarding the team's fortunes and misfortunes. He became great copy for the New York City tabloids, often overshadowing the nuts-and-bolts reporting of games. A hallmark of the early Steinbrenner years is the hiring and firing of manager Billy Martin five times; Yankee Stadium, one of the most vaunted arenas in sports, garnered the nickname "The Bronx Zoo" for the volatility that surrounded the team.

Taking over his family's shipping business in 1967, Steinbrenner also had a sports portfolio that included the Cleveland Pipers, a basketball team in the National Industrial Basketball League and the American Basketball League.[2] When his group took over the Yankees, it had been nearly 10 years since there was an American League championship for the South Bronx; the team's last World Series appearance was in 1964, when it lost in seven games to the St. Louis Cardinals. CBS had owned it since that year; the Tiffany Network's aegis spanned from the Beatles' American début on *The Ed Sullivan Show* to President Nixon's Watergate scandal.

Rather than fight for the dying model of iron-fisted team ownership, Steinbrenner embraced the concept of free agency—players negotiating with teams rather than being tied to any particular squad. Jim "Catfish" Hunter, the Oakland A's ace, signed with the Yankees for a five-year deal worth a reported $3.25 million, beginning with the 1975 season.[3]

Steinbrenner's next signing was another former A's star—Reggie Jackson. After spending one season with the Baltimore Orioles, the slugger penned his name on a five-year contract. Steinbrenner had an ace-in-the-hole in addition to deep pockets—the allure of New York City. *Daily News* columnist Dick Young, noted for an acidic style of reporting, compared Steinbrenner to the owners of the San Diego Padres and the Montreal Expos in the bidding for Jackson's services, backed by three World Series rings with the A's: "Ray Kroc, the McDonald's man, offered a million more than Steinbrenner did. Charles Bronfman, the Seagram's man, offered two million more, but if there's one place on the North American continent that has worse weather than New York, it's Montreal."[4]

The signings indicated a brash open-the-checkbook approach that defined Steinbrenner. While critics balked, the Yankees blasted through the American League. In 1975, Hunter led the major leagues in his first season in pinstripes, compiling a 23-14 record. The Yankees went to the World Series the following year, losing four straight to the Cincinnati Reds. With Jackson on board, the Yankees won the World Series in 1977 and 1978, both times against the Los Angeles Dodgers. Jackson earned the nickname "Mr. October" for his performance, which included three home runs in one game in the 1977 World Series. The Yankees returned to the World Series in the strike-shortened season of 1981, but lost to the Dodgers.

Free agency was a radical concept when Curt Flood of the St. Louis Cardinals challenged the *status quo* in the 1960s, which allowed Major League Baseball (MLB) teams to rely on the reserve clause in player contracts. This clause gave the teams power to keep or trade players. Flood's pursuit reached the United States Supreme Court in *Flood vs. Kuhn*.[5] The Justices voted 5-3 for the MLB. Flood's dare came after a trade to the Philadelphia Phillies with other members of the Cardinals squad. Though Flood lost in the judiciary, he caught the attention of other players who felt that teams and MLB treated them like chattel.

In a 1975 arbitration decision involving pitchers Andy Messersmith of the Dodgers and Dave McNally of the Montreal Expos, arbitrator Peter Seitz solidified the concept, ruling that teams had limited power under the standard “automatic renewal clause,” thereby giving players the opportunity to test the waters with other teams. During its infancy in the mid-1970s, outfielder Larry Hisle commanded a $3.1 million contract over six years with the Milwaukee Brewers. *Sports Illustrated* labeled it “the richest contract in the 1977 [free agent] draft.”[6]

Free agency was not a magic elixir, though. Though Steinbrenner continued his pursuits, the Yankees did not return to the World Series for 15 years after the loss to the Dodgers in ’81. Steinbrenner was not the cause of free agency, but he can be considered its most outspoken advocate in its early years as he let his wallet do the talking. Though Yankee icons in previous eras were handsomely paid, it’s wondrous to imagine what kind of salaries Joe DiMaggio and Mickey Mantle—who both spent their entire careers in pinstripes—would have commanded in free agency.

Endnotes

1. Murray Chass, *New Owner Held Yanks in Awe as Boy*, The New York Times, at 46. Eventually, Steinbrenner became the sole owner of the Yankees.
2. *Id.*
3. https://baseballhall.org/discover/inside-pitch/hunter-declared-free-agent.
4. Dick Young, *Reggie’s Job: Help Sell N.Y. on Yankee Stadium*, (“Young Ideas” column), New York Daily News (Nov. 30, 1976): 58.
5. 407 U.S. 258 (1972).
6. Ray Kennedy and Nancy Williamson, *Money: The Monster Threatening Sports*, Sports Illustrated, (July 17, 1978), at 29. The article was the first in a three-part series about the impact of money in sports. Topics included player contracts, deals with local governments on stadium financing, and ticket pricing.

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

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ISSN 1090-8730 (print) ISSN 1933-8546 (online)

Entertainment, Arts and Sports Law Journal

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