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CELEBRITY CRYPTOCOLLECTIBLE CONCEPT DENIED TRADE SECRET PROTECTION

The U.S. District Court for the Southern District of California denied a preliminary injunction to a company claiming a trade secret in enabling athlete and entertainers to “commoditize themselves, fund their projects, and create a new type of asset … by launching a regulated [blockchain] token.” *Founder Starcoin Inc. v. Launch Labs*, 18-CV-972 (S.D. Calif. 2018).

Plaintiff Founder Starcoin had approached Launch Labs after the latter debuted the virtual game *CryptoKitties* featuring celebrity likenesses, but in May 2018 sued Launch Labs for trade secret misappropriation under the federal Defend Trade Secrets Act, 18 U.S.C. §1836. The complaint alleged Founder Starcoin gave the defendant “valuable, confidential, trade secret information … concerning licensing digital collectibles based on athletes, entertainers and celebrities that [Launch Labs] did not have, and was not then developing.”

Launch Labs promoted its game as “the world’s first officially licensed sports crypotcollectible.” However, District Judge Janis L. Sammartino observed: “Plaintiff’s purported trade secret lacks sufficient particularity that might allow Defendant to ascertain the boundaries of the trade secret.”

Judge Sammartino added: “Marrying the concept of celebrity licensing with blockchain technology appears, on its face, to be unremarkable, obvious, and general knowledge. Nearly every industry attempts to gain celebrity endorsements for products. While the Court does not discount that there could be a trade secret embedded in this general idea, the Court finds that Plaintiff has not carried its burden to explain how its trade secret is unique to the blockchain industry.

NO ACTUAL MALICE TO SUPPORT DEFAMATION CLAIM OVER COMPOSITE CHARACTER IN FILM

The U.S. District Court for the Eastern District of New York granted summary judgment for production and distribution defendants in a public-figure libel suit brought over the movie *The Wolf of Wall Street*. *Greene v. Paramount Pictures Corp.*, 14-CV-1044 (E.D.N.Y. 2018).

The 2013 film release, starring Leonard DiCaprio and directed by Martin Scorsese, was based on a memoir by the co-founder of the discredited securities firm Stratton Oakmont. Plaintiff Andrew Greene, a key character in the book, alleged he was defamed in the movie by being "Nicky Koskoff," who the defendants argue was instead was a composite character of several Stratton Oakmont employees.

Eschewing "automatic actual malice" in an "of and concerning" defamation dispute, District Judge Joanna Seybert concluded: "Defendants did not act with knowledge or reckless disregard for whether Koskoff was 'of and concerning' Plaintiff, and thus, that they did not act with actual malice." According to the district judge, this included because the movie's closing-credits disclaimer stated that "certain characters, characterizations, incidents, locations and dialogue were fictionalized or invented for purposes of dramatization" and "the undisputed facts that the Koskoff Character is a composite of three people and has a different name, nickname, employment history, personal history, and criminal history than Plaintiff."

FIDUCIARY BREACH CLAIM CAN REMAIN IN LAWSUIT AGAINST AMC NETWORKS OVER *FEAR OF WALKING DEAD* TV SERIES

The U.S. District Court for the Northern District of California found a claim for breach of fiduciary duty can continue against AMC in a lawsuit that also alleges the *Fear the Walking Dead* TV show infringes on the copyright of comic book creator Melvin Smith. *Smith v. AMC Networks Inc.*, 18-CV-03803 (N.D.Calif. 2019).

Smith claims the zombie-themed TV series on AMC Networks infringed on the copyright for his comic book *Dead Ahead*, about "zombies on the high seas." Smith's agent David Alpert had become co-executive producer of the TV series. First, allowing Smith's copyright infringement claim to move forward, District Judge Lucy H. Koh noted: "Given that Defendants' motions [to dismiss] are 12(b)(6) motions, there is no full record to review or any expert testimony upon which the Court may rely."

District Judge Koh then denied AMC's request for her to take judicial notice of "generic elements of action-adventure, thriller, and horror films and television series, including those involving invasions or outbreaks of some sort and those that take place at sea." The district judge stated: "AMC Defendants reference more than a dozen books, films, Wikipedia articles, and websites, none of which are mentioned in [Smith's complaint]." She added: "In essence, what AMC Defendants ask is that the Court take judicial notice of the aforementioned concepts based purely on AMC Defendants' representation that the underlying works, of which the Court is not asked to take judicial notice, show that the above concepts are generic. … [T]he Court finds that whether the above concepts are generic is subject to reasonable dispute …"

Finally, Smith also alleged Alpert "violated and continues to violate his fiduciary duty [as Smith's agent] by engaging in a pattern and practice of self-dealing." In permitting this fiduciary breach claim to also proceed against the AMC defendants, Judge Kohl explained: "Plaintiff also alleges that AMC Defendants employee Dave Erickson 'worked closely and in concert with David Alpert and [series co-executive producer] Robert Kirkman in the developing, scripting, casting and production of FEAR THE WALKING DEAD …" Moreover, 'as showrunner and a credited co-creator, Dave Erickson served as the primary creative contributor acting on behalf of the AMC Entities, in their collaboration in and funding of the development, scripting, casting, and production of FEAR THE WALKING DEAD.'"

As a result, the district court concluded: "AMC Defendants' argument that there are no allegations that AMC defendants provided 'substantial assistance or encouragement' to Alpert is unavailing."

NO JOINT COPYRIGHT CREATED FROM DAMON DASH'S FILM CO-DIRECTING STINT

The U.S. District Court for the Southern District of New York issued a preliminary injunction preventing actor/music producer Damon Dash from promoting the film *Dear Frank*, which Dash claimed he co-directed for a time under a verbal agreement and thus became co-author of the movie copyright. *Webber v. Dash*, 19 Civ. 610 (S.D.N.Y. 2019).

Director Josh Webber and producer Muddy Water Pictures filed a complaint that included for a declaration that Muddy Waters solely owns the film copyright. Chief District Judge Colleen McMahon observed: "[O]n this record, Muddy's contributions to the Film far outweighed Dash's. Muddy financed the Film in its entirety, entered into work-for-hire agreements with all cast and crew (including the Film's screenwriter), and entered into all other third-party contracts that were necessary to the Film's creation."

Chief Judge McMahon added: "Muddy — having released Dash as a director of the Film over 'creative differences' — clearly exercised final decision-making authority and creative control over the Film."

But there was more from the court: "Most compelling on the issue of mutual intent [to be co-authors], however, is Dash's text message exchange with Webber, in which he concedes that he is holding up distribution of the Film because he now realizes its potential value." The chief judge warned Dash: "The Court cannot and will not transform that bargaining chip into a copyright interest."

COPYRIGHT INFRINGEMENT SUIT OVER JUSTIN TIMBERLAKE SONG IS FOUND TIMELY

The rights holder in the 1969 song "A New Day Is Here At Last" by the late Perry Kibble filed a copyright infringement suit in the U.S. District Court for the Southern District of New York over a sample in the 2006 release "Damn Girl" by Justin Timberlake that featured lawsuit co-defendant will i. am. *PK Music Performance Inc. v. Timberlake*, 16-CV-1215 (S.D.N.Y. 2018). The defendants filed a motion to dismiss, arguing the case wasn't timely filed.

Denying the motion, District Judge Vernon S. Broderick noted in part as to the accrual of the plaintiff's claim: "Defendants' argument that the popularity and success of [Timberlake's *Futuresex/Lovesounds*] Album, DVD, Tour, and HBO Special gave rise to constructive or inquiry notice of Plaintiff's claims is unpersuasive. Nothing in the record before me suggests that [the single] *Damn Girl* was ever played on the radio, and even if it was, that Plaintiff had the opportunity to hear it. The only way Plaintiff would have heard *Damn Girl* would have been by buying the Album or DVD (or obtaining/hearing the song in some other way), owning an HBO subscription (or watching HBO or the performance of the song on HBO in some other way), or attending a concert on the Tour. Defendants have supplied no case law that suggests that a diligent plaintiff is one who obtains all popular or successful albums or concert DVDs at any given time and scours each song and the liner notes to discover potential infringements."

THREE-YEAR STATUTE OF LIMITATIONS ARGUMENT DOESN'T BAR CLAIMS TO COPYRIGHT RENEWAL TERMS

The U.S. Court of Appeals for the Second Circuit ruled that plaintiffs weren't time-barred from claiming copyright renewal terms in a song and sound recording for which the defendants had claimed copyright ownership in the 1970s. *Wilson v. Dynatone Publishing Co.*, 892 F.3d 112 (2d Cir. 2018).

Former members of the music group Sly, Slick & Wicked alleged they owned the renewal-term copyrights, under 17 U.S.C. §304(a), in the early 1970s song and sound recording "Sho' Nuff" for which the defendants issued sampling licenses for 2013 recordings by music artists Justin Timberlake and J. Cole. The U.S. District Court for the Southern District of New York found the plaintiffs' 2016 lawsuit was barred by the three-year statute of limitations of §507(b) of the Copyright Act.

But the Second Circuit explained: "Here, the copyright notice on the 1973 record label and Defendants' 1974 copyright registration [of the song] occurred during the original term. … [T]hose acts, while they may have repudiated Plaintiffs' claim to the initial terms, did not repudiate Plaintiffs' ownership of the [automatically vesting] renewal terms."

The appeals court went on to note: "Defendants rely on Defendant UMG [Recordings] 2001 registration of a renewal term copyright *in the sound recording*, and the sampling of the Sho' Nuff recording without paying royalties, which began on or about January 15, 2013. Neither fact supports a finding that this action is time-barred. At least in these circumstances, UMG's registration of the renewal term with the Copyright Office did not amount to a repudiation of the Plaintiffs' claim triggering their obligation to bring suit. If mere registration of a copyright without more sufficed to trigger the accrual of an ownership claim, then rightful owners would be forced to maintain constant vigil over new registrations. Such a requirement would be vastly more burdensome than the obligations that 'a reasonably diligent plaintiff' would undertake."

The Second Circuit did acknowledge, however, that UMG might win "based on the proposition that UMG's predecessor, by listing itself as copyright owner on the record label, put 'a reasonably diligent plaintiff' on notice to check the Copyright Office registration, … which would have revealed that UMG's predecessor had listed itself as 'Employer for Hire.'"

EVERLY BROTHERS FAMILY FEUD OVER OWNERSHIP OF "CATHY'S CLOWN" SONG COPYRIGHT

The U.S. District Court for the Middle District of Tennessee, Nashville Division, decided that the family of the late Phil Everly was time-barred by the three-year statute of limitations of §507(b) of the Copyright Act from claiming a copyright co-ownership interest in the Everly Brothers' 1960 hit song "Cathy's Clown." *Everly v. Everly*, 352 F.Supp.3d 834 (M.D.Tenn. 2018).

Acuff-Rose, the Everlys' music publisher, registered the song copyright in the Copyright Office in 1960 with Phil and Don as co-authors. In 1980, following what a friend of Phil's described as a "very violent verbally" phone conversation between the brothers, Phil signed a "Release and Assignment" that Don claimed gave Don sole authorship of "Cathy's Clown." Acuff-Rose's 1988 registration of the copyright renewal term cites Don as sole author. In 2011, Don sent a copyright termination notice to recapture the song copyright from Acuff-Rose. Phil died in 2014. In 2016, Phil's family sent a termination notice to Don, who sued for a declaratory ruling that he is sole author of "Cathy's Clown."

District Judge Aleta A. Trauger observed: "This case is in an unusual procedural posture, and neither party has pointed to any precedent that is directly on point." District Judge Trauger found: "[B]ased on the totality of the evidence … Don Everly plainly and expressly repudiated Phil Everly's claim to joint authorship of the Subject Composition[] no later than 2011, when Don filed his Notice of Termination." The court added: "The 2011 Don Everly Notice of Termination filed in the Copyright Office was a public record."

TV HOST'S COURSE OF CONDUCT DURING HIS LIFE BARS ESTATE FROM GETTING IP AND PUBLICITY RIGHTS

The U.S. District Court for the Eastern District of Virginia decided that neither the trust nor the estate of Bob Ross, who hosted the PBS TV series *The Joy of Painting*, owns rights to "Bob Ross" intellectual property and right of publicity, based in part on Ross's course of conduct during his life. *RSR Art LLC v. Bob Ross Inc. (BRI)*, 1:17-cv-1077.

Ross, who lived in Florida, formed BRI with his wife and two friends. Prior to his death in 1995, BRI registered several "Bob Ross" trademarks. Also during his lifetime, BRI entered into licensing agreements for Ross products. In 1994, a BRI agreement was drafted to provide the company had the "sole and exclusive" rights to Ross's intellectual property and right of publicity, though he never signed the document. Around the same time, Ross created the Bob Ross Trust and in writing assigned these rights to himself. In 1997, the trust, Ross's estate and BRI entered into a written settlement agreement confirming BRI owned Ross trademarks and art works.

But RSR Art, whose founders include Ross's son Robert Stephen Ross, later filed suit challenging BRI's rights. Granting summary judgment for BRI, however, District Judge Liam O'Grady noted: "The record demonstrates that Bob Ross gave BRI the right to his intellectual property and right of publicity during his lifetime. While there is no formal written agreement assigning those rights to BRI, there is ample evidence in the record supporting that the unsigned written agreement would have merely formalized Bob Ross's oral grant of the exclusive rights to his intellectual property and right of publicity to BRI." District Judge Grady explained that Ross had "acted as though and consented to documents stating that BRI held exclusive rights to his name, image and likeness." (Florida's right-of-publicity statute recognizes verbal transfers of the right of publicity by a living individual. *See* Fla. Stat. §540.08(1).)

The district judge thus decided that Ross didn't have the rights to transfer via his trust or following his death. In any case, the court ruled, the 1997 settlement agreement ended any claim to the IP and publicity rights by any party other than BRI.

OUT-OF-STATE LAW FIRM
LET OUT OF PRINCE RECORDINGS
MINNESOTA LITIGATION

The U.S. District Court for the District of Minnesota decided it lacked personal jurisdiction over an out-of-state law firm named as a defendant in a lawsuit by Prince's estate over alleged unauthorized distribution of some of the late artist's previously unreleased recordings. *Paisley Park Enterprises Inc. v. Boxill*, 17-cv-1212 (D.Minn. 2019).

Co-defendant George Ian Boxill, a recording engineer who worked with Prince, allegedly signed a confidentiality agreement that stated the Prince recordings Boxill worked on "shall remain Paisley's sole and exclusive property, shall not be used by [Boxill] in any way whatsoever, and shall be returned to Paisley immediately upon request."

After Prince died in 2016, the Boston-based law firm Brown & Rosen (B & R), also named as a defendant in the litigation, provided an opinion letter to other defendants stating that the Prince recordings were Prince-Boxill joint works. Paisley Park claimed that, despite its confidentiality agreement with Boxill, the music release defendants used the opinion letter to obtain sales opportunities from third parties.

Granting B&R's motion to be dismissed from the case, District Judge Wilhelmina M. Wright noted: "Plaintiffs allege that (1) with knowledge that the nationwide distribution would include sales to Minnesota, B&R advised Boxill and [co-defendant Rogue Music Alliance] to distribute the Prince Recordings; (2) B&R engaged in license negotiations and discussed Boxill's authorship status with the Prince Estate on multiple occasions; and (3) B&R authored an opinion letter regarding a contract involving a Minnesota entity." However, District Judge Wright also noted: "Although Plaintiffs allege that B&R encouraged Defendants to distribute the Prince Recordings, Plaintiffs concede that B&R did not directly sell the music. Merely encouraging another party to place an item in the stream of commerce does not establish personal jurisdiction over B&R."

The district judge concluded: "An out-of-state law firm provided advice to out-of-state [defense] clients. The advice happened to concern a Minnesota entity and several sales happened to be to Minnesota residents. But to subject B&R to this Court's personal jurisdiction under these circumstances would discourage the dissemination of legal advice and expand the reach of personal jurisdiction well beyond its current limits."

LAWYERING ETHICS RULE IN PLAY IN LAWSUIT BY BUSINESS MANAGER AGAINST RAP ARIST

The U.S. District Court for the Western District of North Carolina dismissed a conversion counterclaim by rapper Chingy against his former business manager Leslie King, a lawyer, on the ground the artist hadn't established that a royalty purchase agreement he signed with the lawyer was void for allegedly violating the state's attorney ethics rule. *Viper Publishing Inc. v. Bailey*, 3:17-CV-00314 (W.D.N.C. 2018). However, the district court allowed the artist to pursue the ethics rule as an affirmative defense in the underlying lawsuit the attorney's music company has filed against Chingy.

King's Viper Publishing sued Chingy for allegedly breaching a contract under which Viper claims it obtained the right to Chingy's digital performance royalties from his sound recordings. Chingy argued he thought the purchase agreement included only one of his tracks.

Under the conflict-of-interest provision of Rule 1.8 of the North Carolina's Rules of Professional Conduct, when an attorney acquires "an ownership, possessory, security, or other pecuniary interest directly adverse to a client," the lawyer must in writing make full disclosure to the client and advise the client to seek independent counsel for the transaction, as well as obtain informed written consent from the client.

But District Judge Graham C. Mullen found: "The only allegation describing any type of *current* relationship between [Howard] Bailey [*i.e.*, Chingy] and King consists of the statement that King provided 'advice' and 'assistance' from 'time to time' to Bailey. Bailey does not describe the type of advice or assistance provided by King, nor does he even allege that the advice and assistance was legal in nature. … At the time the [music royalty] Purchase Agreement was negotiated and signed, Bailey alleges only that he asked King to help him secure financing [to record a single track], and that when those efforts were unsuccessful, King offered to finance the project. Neither of these actions would lead a person in Bailey's position to reasonably believe that he and King shared an attorney-client relationship."

On the other hand, District Judge Mullen noted, "Bailey does not need to plead an affirmative defense with the same level of specificity. Rather, in light of the allegations contained in the Complaint, it is clear that such a[n ethics] violation, if proven, would qualify as a valid defense to Viper's breach of contract claims."

The district court subsequently denied Viper/King's motion a preliminary injunction to order Chingy to deposit the royalties in dispute with the court clerk or into an escrow account. District Judge Mullen noted: "The Court acknowledges that the Purchase Agreement purports to convey 'any and all worldwide digital performance rights to any sound recording created by' Chingy along with the right to license and grant reproduction rights to [his] recordings. However, the Purchase Agreement also contains a liquidated damages clause that, should Viper prevail on all of his claims, would provide a basis for providing compensation that the parties previously agreed was a reasonable estimate of the cost of the alleged breach." The judge added: "Even if the liquidated damages provision is found to be unenforceable but Viper otherwise prevails, Viper's injury could easily be remedied by an accurate accounting of the money value of the royalties lost during the course of litigation."