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Entertainment, Arts and Sports Law Journal

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

Remarks From the Chair/Editor's Note

Elissa D. Hecker

The EASL Section's Annual Meeting was a resounding success. I want to thank everyone who helped to organize, coordinate and put together the programs, and for the moderators and speakers who generously gave their time for interesting, entertaining and often controversial panels. For the first time in the history of the Section, we partnered with the NYSBA's MCLE Department and as a result, the Annual Meeting programs were recorded and will be made available for purchase. For more information, please refer to the nysba.org website. Of course, we are also continuing the tradition of publishing the transcript of the programs for EASL Section members, which appears in this issue of the *Journal*.

In addition, the EASL Section has created a standing committee devoted to Alternative Dispute Resolution ("ADR"). We are very excited about this new resource for EASL Section members. Although the ADR Committee is in its infancy, we are working closely with the NYSBA's Committee on ADR, and include in this issue an article from the Chair of that Committee, Elayne Greenberg in order to give a background into the various ADR options that are available to practitioners.

We are also excited to publish the paper that was awarded the first Phil Cowan/BMI Memorial Scholarship. Rinil Routh, a student at New York Law School, won a $2,500 scholarship for a paper regarding the Copyright Term Extension Act, and what she believes

Inside

NYSBA

are the long-term effects of the rulings upholding its constitutionality.

In addition, on page 3, is the letter that Elisabeth Wolfe and I wrote in support of the NYSBA's expanded definition of pro bono. As you will see, we not only believe that the definition of pro bono services should be greatly expanded to include other, non-traditional services, but we also urge the NYSBA to lobby for the awarding of MCLE credits for services that fall under that expanded definition. Information regarding the NYSBA's position is available on its website.

Finally, I want to thank those members of the EASL Section who participated in Copyright Awareness week, by volunteering via e-mail, speaking in classrooms, or monitoring MENC's Bulletin Board. Copyright Awareness week was a resounding success, continuing with the mission of the Copyright Society of the USA and the EASL Section, as its partner, in furthering the importance of copyright education.

Editor's Note

I am pleased to provide you with what I believe is a very comprehensive *EASL Journal*. Included in this issue (in addition to what is listed above) are a wide range of topics, including a companion set of articles written both from a legal analysis and plaintiff's viewpoint regarding the use of multipliers in the calculation of copyright infringement damages, three articles devoted to different aspects of the music industry, the continuation of our series of articles devoted to the *Martha Graham* decision, an article about the FCC's rulings in 2004, and the most recent program information from VLA.

Once more, please be advised that authors can obtain CLE credit from having an article published in the *EASL Journal*. Articles and letters may be submitted with biographical information via e-mail to me at eheckeresq@yahoo.com.

THE NEXT DEADLINE IS MAY 13, 2005.

Elissa D. Hecker works on legal, educational and policy matters concerning many aspects of copyright, trademark and corporate law. In addition to her activities in the EASL Section, Elissa is also a frequent lecturer and panelist, a member of the NYSBA's Committees on CLE and Publications and a member of the Copyright Society of the U.S.A. and its Journal's Board of Editors. Elissa is the recipient of the New York State Bar Association's 2005 Outstanding Young Lawyer Award.

New York State Bar Association

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ENTERTAINMENT, ARTS AND SPORTS LAW SECTION

November 29, 2004

Cynthia Feathers
NYSBA
One Elk Street
Albany, NY 12207

Re: Proposal by Working Group on Definition of Pro Bono Service

Dear Cynthia:

We are writing on behalf of the Entertainment, Arts and Sports Law (EASL) Section in support of the NYSBA's position to broaden the definition of Pro Bono service. As you are aware, the EASL Section has set up a flagship Pro Bono program for both the NYSBA as a whole and for our members. Two years ago, we established a Pro Bono Committee within the Section, which is comprised of a Committee Chair and a liaison from each EASL Committee. The Pro Bono Committee was created because we believe that giving back to the community is good for a plethora of reasons, including the benefit to the community, individual attorney and to the reputation of the legal field as a whole. Limiting the definition of Pro Bono to litigation and other similar services would turn away those who are eager to do "good".

We have found that attorneys are more than willing to volunteer their time to do Pro Bono work, as we have defined it within the Section's activities. Our Pro Bono activities (which draw tremendous support) include staffing clinics at the Volunteer Lawyers for the Arts, providing speakers for inner-city and other schools regarding legal and legal-related issues, providing opportunities for attorneys to become involved with inner-city sports and mentoring programs, and creating a separate mentor program that matches senior attorneys with junior attorneys on a variety of Pro Bono matters.

The EASL Section supports the broad policy statement of the NYSBA, as we have seen in practice the breadth of services that attorneys are willing to provide as volunteers. We also believe strongly in the reformation of the current CLE rules, in that the broadening of the definition of Pro Bono service should work hand-in-hand with the broadening of CLE credits that should be available for those attorneys who provide Pro Bono.

Please do not hesitate to contact us if you have any questions about our position.

Best regards,

Elissa D. Hecker

Elisabeth K. Wolfe

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 authorized publications shall be divided between or among the joint authors to reflect the proportional effort devoted to the research or writing of the publication;
- only attorneys admitted more than 24 months may earn credits for writing.

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

Congratulations to the 2004 Law Student Initiative Winning Authors:

Holly Rich of Hofstra University School of Law,
Sarah Kutner of Hofstra University School of Law,
Tara Di Luca of Pace Law School,
Adam Zia of Fordham Law School,
Tamar Jeknavorian of St. John's University School of Law,
Jacob F. Lamme of Albany Law School, and
Harvey R. Manes of Hofstra University School of Law.

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

Law Student Initiative

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

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

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

Requirements

- **Eligibility**: Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form**: Include complete contact information; name, mailing address, law school, law school club/organization (if applicable), phone number and e-mail address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author's blurb must also be included.
- **Deadline**: Submissions must be received by **May 13, 2005**.
- **Submissions**: Articles must be submitted via a Word e-mail attachment to eheckeresq@yahoo.com or via mail to:

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

Topics

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

Judging

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

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

Entertainment, Arts and Sports Law Section and BMI Offer Phil Cowan Memorial Law School Scholarship

The Entertainment, Arts and Sports Law Section of the New York State Bar Association, in partnership with BMI, will fund up to two partial scholarships to law students committed to practicing in one or more areas of entertainment, arts or sports law.

The Phil Cowan Memorial/BMI Scholarship fund looks to provide up to two $2,500 awards on an annual basis in memory of Cowan, a past Section chair. Each candidate must write an original paper on legal issues of current interest in the areas of entertainment, arts or sports law. The competition is open to all students attending accredited law schools in New York State along with Rutgers and Seton Hall law schools in New Jersey. In addition, up to ten other law schools at any one time throughout the United States shall be selected to participate in the competition on a rotating basis. Students from other "qualified" law schools should direct questions to the deans of their respective schools.

The paper should be 12-15 pages in length, including footnotes, double-spaced, in *Bluebook* form. Papers should be submitted to each law school's designated faculty member. Each school will screen its candidates' work and submit no more than three papers to the Scholarship Committee. The committee will select the scholarship recipient(s).

Submission deadlines are the following: October 1st for student submissions to their respective law schools for initial screening; November 15th for law school submission of up to three papers to the committee. The committee will determine recipient(s) on January 15th. Scholarships will be awarded during the Section's Annual Meeting in late January.

Payment of scholarship funds will be made directly to the recipient's law school and credited to the student's account.

Law School Scholarships

The committee reserves the right to award only one scholarship, or not to award a scholarship, in any given year.

The scholarship fund is also pleased to accept donations, which are tax-deductible. Donation checks should be made payable to The New York Bar Foundation, designating that the money is to be used for the Phil Cowan Memorial/BMI Scholarship, and sent to Kristin O'Brien, Director of Finance, New York State Bar Foundation, One Elk St., Albany, N.Y. 12207.

Cowan chaired the EASL Section from 1992-94. He earned his law degree from Cornell Law School, and was a frequent lecturer on copyright and entertainment law issues.

About BMI

BMI is an American performing rights organization that represents approximately 300,000 songwriters, composers and music publishers in all genres of music. The non-profit-making company, founded in 1940, collects license fees on behalf of the 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 collected for the "public performances" of its repertoire of approximately 4.5 million compositions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the EASL Section

The more than 1,700 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including issues making headlines, being debated in Congress and heard 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 that is published three times a year, the *EASL Journal*.

About the NYSBA

The 71,000-member 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 125 years.

The Eldred Act: Contradiction to the "Progress of Science"

By Rinil Routh, Recipient of The Phil Cowan Memorial/BMI Scholarship

Copyright law is unique in that it protects the product of the human mind, namely the expression of an idea.[1] Federal Copyright law was born from the Copyright Clause in Article I, section 8 of the U.S. Constitution. That Clause states that "Congress shall have Power . . . to promote the Progress of Science . . . by securing to Authors for limited Times . . . the exclusive right to their . . . writings."[2]

Since the enactment of the first federal Copyright Act in 1790, there has been a gradual increase in the duration of copyright protection. In each of 1831, 1909 and 1976, Congress extended the term of both existing and future copyrights.[3, 4] In the 1998 Copyright Term Extension Act ("CTEA"), also known as the Sonny Bono Act, Congress extended the duration of copyrights by 20 years.[5] With the help of this extension, an individual's copyright protection lasts from a work's creation until 70 years after the author's death.[6] Copyright protection for works-for-hire were similarly increased by 20 years, from 75 to 95 years.[7] The CTEA applies to both existing and future copyrights.[8] Since the enactment of the CTEA, many scholars have paid close attention to the retrospective component that applies to already existing copyrights. This component has affected thousands of copyrighted works and could ultimately extend protection until 2019.[9]

There are those who believe that this extension of copyright protection collides with the First Amendment.[10] Although the First Amendment (which restrains the federal government's powers) and the Copyright Clause (which grants additional powers to Congress) may at first glance seem contradictory, both of these principles serve one important purpose, to provide a free flow of information to the public.[11] The two actually complement each other when one considers how both freedom of expression and a rich public domain are vital sources for building creative works. Several legal theorists argue that the CTEA's term extension will do more harm than good for creative expression, as it has postponed inclusion into the public domain of many copyrighted works. Therefore, some argue, the freedom of expression of creators who are inspired by those works will be stifled, as they will not have the carte blanche to use those works to create new ones.

The U.S. Supreme Court in *Eldred v. Ashcroft* recently upheld the CTEA, thereby supporting the extended term of copyright protection. This results in a depletion of works that were expected to enter the public domain. A depleted public domain contains a more limited stock of work on which potential creators may rely, and thus, effectively counters what the Copyright Clause promotes. The limited monopoly granted to authors by the Copyright Act serves as an incentive for authors to create. However, such incentive should only be a secondary consideration for modifying copyright laws.

> *"[A]n individual's copyright protection lasts from a work's creation until 70 years after the author's death."*

Instead, emphasis should be placed on the "progress of science," and for that to occur, a rich public domain is a prerequisite. This article will discuss *Eldred v. Ashcroft*, highlight the various arguments challenging the CTEA and conclude with this author's opinion of the intent underlying the Copyright Clause.

Eldred v. Ashcroft

In *Eldred v. Ashcroft*, the petitioners relied on copyrighted works that had fallen into the public domain to make their products and provide their services.[12] Eric Eldred and the other petitioners were seeking a determination that the CTEA failed constitutional review under both the Copyright Clause's "limited Times" prescription and the First Amendment's free speech guarantee.[13] The petitioners challenged the extended term for published works with existing copyrights.[14] They claimed that the "limited time" goes into effect when a copyright is secured, and that it becomes the "constitutional boundary," and "a clear line beyond the power of Congress to extend."[15]

The United States District Court for the District of Columbia entered judgment for the Attorney General and held that the CTEA did not violate the Copyright Clause's "limited Times" restriction.[16] The Court stated that even though the CTEA's terms were longer than the 1976 Act's terms, they were still "restricted and not perpetual in existence."[17] The court, in citing to *United Video v. FCC*, stated that there was no First Amendment right to use the copyrighted works of others for commercial gain.[18]

The D.C. Circuit affirmed.[19] The Court unanimously cited *Harper & Roe, Publishers, Inc. v. Nation Enterprises* for the proposition that copyright grants the author an exclusive right only to the specific form of expression, not the idea underlying the copyrighted work.[20] This suggested an important limitation on the rights of a copyright holder. The Court also stated that copyright law allows for fair use of the expression of the copyrighted work, striking a balance between that law and the First Amendment.[21]

Additionally, a majority of the Circuit Court rejected the petitioners' Copyright Clause claim.[22] The Court asserted that nothing in the Constitutional text or history suggested that a term of years for a copyright is not a "limited time" if it may later be extended for another "limited time."[23] The petitioners claimed that the time prescription ("limited time") meant forever "fixed" or "inalterable."[24] The Court however, did not adopt the petitioners' definition of the word "limited."[25] Instead it looked to the Framers' intent in defining the word "limited,"[26] and concluded that the word "limited" meant "confined within certain bounds, restrained, or circumscribed."[27] Therefore, it held that "a timespan appropriately 'limited' as applied to future copyrights does not automatically cease to be 'limited' when applied to existing copyrights."[28]

The Court emphasized that the CTEA harmonized the duration of United States copyright law with the requirements of the European Union's copyright protection laws.[29] In 1993, the European Union Directive instructed its member countries to institute a baseline copyright term of life plus 70 years and to deny this longer term to the works of any non-European Union country whose laws did not secure the same extended term.[30] The D.C. Circuit Court asserted that Congress wanted to make sure that American authors would receive the same copyright protection in Europe as authors do in the European countries, and that was the reason why Congress extended the baseline copyright term in the United States.[31]

The Supreme Court agreed with the lower courts and rejected the petitioners' challenges to the CTEA.[32] In delivering the opinion of the Court, Justice Ginsburg asserted that Congress placed "existing and future copyrights in parity in the 1998 legislation as in all other previous legislations."[33] Thus, the Court held that Congress acted within its authority.[34]

The Court analyzed the meaning behind "limited Times" by looking to the text of the Copyright Act itself, precedent and scholarly interpretation. It then concluded that "the Copyright Clause empowers Congress to prescribe 'limited Times' for copyright protection and to secure the same level and duration of protection for all copyright holders, present and future."[35] The Court cited Professor Miller in stating that "since 1790, it has indeed been Congress's policy that the author of yesterday's work should not get a lesser reward than the author of tomorrow's work just because Congress passed a statute lengthening the term today."[36] The Court also rejected the petitioners' argument that the 20-year term extension evaded the "limited Times" restriction by creating perpetual copyrights through repeated extensions.[37] Finally, the Supreme Court stressed the fact that the Copyright Clause empowered Congress to determine the intellectual property means that will serve the Clause's purpose.[38]

Justice Stevens dissented and cited *Sears, Roebuck & Co. v. Stiffel Co.* for the premise that a state could not "extend the life of a patent beyond its expiration date."[39] Justice Stevens stated that this limitation applied to Congress as well, and that by analogy, Congress may not extend the life of a copyright beyond its expiration date.[40] He disagreed with the majority's conclusion that the Court cannot review congressional grants of monopoly privileges to authors, inventors and their successors.[41] Justice Stevens argued that the two purposes of encouraging new works and adding to the public domain apply both to copyrights and patents and that the retroactive extensions do not serve the purposes of the Clause.[42] Although the respondent asserted that there had been an historical practice establishing the constitutionality of retroactive extensions of unexpired copyrights,[43] Justice Stevens cited *INS v. Chaddha* for the proposition that just because Congress had mistakenly interpreted the Constitution in the past, that did not mean that the Court could not strike down an unconstitutional practice when it was challenged in an appropriate case.[44] In his view, the CTEA was invalid.

Justice Breyer also wrote a dissenting opinion. He stated that the economic effect of the 20-year extension would be to make the copyright term virtually perpetual.[45] The legal effect of this would be to grant the extended term not to authors, but to their heirs, estates, or corporate successors,[46] and its effect would inhibit the progress of science.[47] He stated that the CTEA was a restriction on speech, and that he would have looked closer at the statute's rationality.[48] Justice Breyer wrote that he would find that the "statute lacks the constitutionally necessary rational support (1) if the significant benefits that it bestows are private, not public; (2) if it threatens seriously to undermine the expressive values that the Copyright Clause embodies; and (3) if it cannot find justification in any significant Clause-related objective."[49] With regard to the first point, Justice Breyer believed that the statute primarily benefited the holders of existing copyrights. He then cited to a congressional research service study, which indicated that the added royalty sum that the law would transfer to existing copyright holders would be substantial.[50] Addressing the second concern, Justice Breyer pointed out that copyright extension imposes a "permissions" requirement upon potential users of "classic" works that may or may not retain commercial value.[51] Third, he pointed out that the statute provided incentives to publishers and filmmakers to republish and redistribute copyrighted works.[52] However, Justice Breyer asserted that the Copyright Clause assumed the disappearance, not the perpetuation, of the monopoly grant,[53] and he also believed that the CTEA was unconstitutional.

The *Eldred* case was the first time the Supreme Court had ever had to define the scope of the "limited Time" phrase.[54] However, what the Court did not take into account is that the phrase "limited Time" must be understood within the context of the entire Copyright Clause. The purpose of the Clause is to promote the progress of science, and if that purpose is achieved by granting a limited monopoly to copyright owners, then such a monopoly may be granted. However, the limited monopoly should be scrutinized in order to make sure that it does not become a great obstacle in achieving the progress of science.

Historical and Constitutional Arguments Against the CTEA

Historical perspectives that have stood the test of time can be used to foster the notion that a free flow of ideas benefits both copyright owners and the public. As Thomas Jefferson stated, "He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening mine."[55] Copyright owners should rest assured that the mere expression of their ideas will help others to create innovative works as well. An author's choice to transfer his work to the public domain will not have a detrimental effect on his ability to innovate. The end result is that science progresses. After all, copyright owners would be wise to realize the adage that "imitation is the highest form of flattery."

Professor Lawrence Lessig of Stanford Law School asserts that most cultural and intellectual creativity makes at least some use of existing work.[56] He obtained over 15,000 signatures to the "Eldred Act" petition urging Congress to adopt certain changes in the law that would allow the vast majority of works ("those lacking economic value 50 or so years after publication") to go into the public domain unless the "copyright owner takes some nominal but affirmative action to maintain the copyright in force."[57]

There are many constitutional challenges in addition to the historical and philosophical reasons for opposing the Eldred Act. Professor Lessig suggests that the Constitution places a limit on copyright as a way to ensure that copyright holders do not heavily influence the development and distribution of our culture.[58] In his view, the ruling in *Eldred* shows that copyrights will not expire so long as Congress is free to extend them again.[59] The real harm, Professor Lessig suggests, will stem from the works that are not famous, not commercially exploited, and not even available.[60] He also suggests that only a small fraction of copyrighted work has a continuing commercial value, and that for those works, the copyright is a crucially important legal device.[61] However, the commercial life of that small fraction of work is extremely short.[62]

Marvin Ammori, a Visiting Fellow with the Information Society Project, argues that the Court should actually have limited how long the duration of the grant could be.[63] He believed that the prospective grant of the CTEA goes beyond Congress' affirmative power.[64] Ammori's view is that the primary, underlying purpose of Copyright law is economic.[65] He states that through the Constitution, the Framers intended to create a copyright monopoly that limited these costs and their duration, while still providing the benefit of incentive.[66] Ammori thinks that the Framers would consider the CTEA to be the type of monopoly that the Parliament scorned before the Constitutional Convention.[67]

The *Eldred* courts' holdings appear to state that the incentive-toward-progress component of the Copyright Clause does not limit Congress's power in any way. However, Ammori points to the 1909 House Report to the Copyright Act which states that "the Intellectual Property Clause limits the power of Congress" and further notes that certain legislation would be beyond the power of Congress."[68] He suggests that in the 1909 Report, Congress implied that it should use a cost-benefit analysis to determine the appropriate level of copyright protection, and after balancing the costs and benefits, Congress must use copyright to confer a "benefit upon the public that outweighs the evils of the temporary monopoly."[69] Thus, Congress's power is limited. Copyright owners may be granted a temporary monopoly, but only if the benefit to the public is greater. Once again, the emphasis is and should be on the progress of science.

Adjusting the Scale

Evolving technology has led to digitization of a vast bulk of creative works, including movies, music, and books. In fact, most of the 21st Century's entertainment will be recorded, stored, transmitted, and received digitally.[70] This was one factor that led to the enactment of the Digital Millennium Copyright Act ("DMCA") in 1998, anti-circumvention provisions of which created entirely new rights for content providers, giving rise to "paracopyright."[71]

There are certain exemptions from the DMCA's anti-circumvention provisions, but they are limited.

These exemptions include encryption research, reverse engineering and security testing.[72] However, they are not comparable to the fair use defense. The DMCA is an indication of the extra rights that copyright owners are receiving from Congress that tip the scales towards copyright owners. The extension of the duration of copyright ownership through the CTEA seems to benefit the copyright owners even more. If Congress is willing to give such favorable treatment to copyright owners, then it should also be willing to enact laws that will favor the public in order to make sure that the "benefit upon the public outweighs the evils of temporary monopoly."[73]

Conclusion

The Supreme Court in *Eldred v. Ashcroft* upheld the CTEA and rejected the petitioners' argument that adding 20 years' protection to existing works violated the Constitution's restriction of copyright to "limited times." However, the extended duration of copyright protection has the effect of depleting the public domain, a vital resource for potential creators in the making of innovative works. Lawrence Lessig, a strong activist against the extended duration of copyright protection, points to the harm that will result from such an extension. Marvin Ammori makes the argument that the Court should actually limit how long the duration of the grant can be. In addition, copyright owners are benefiting from the paracopyright that was created by the DMCA. That, as well as the extended duration of the copyright protection granted by the CTEA, gives copyright owners added protection while leaving the public almost empty handed.[74] The purpose of the Copyright Clause is to promote the progress of science. How will innovators create if their activities are limited by the DMCA or if they have to wait an extra 20 years before certain works enter into the public domain? Is the purpose of the Copyright Clause at all served by these limitations?

Endnotes

1. Paul Goldstein, Copyright's Highway: From Gutenberg to the Celestial Jukebox (2003 Stanford University Press) at 6.
2. 17 U.S.C. § 101.
3. Goldstein, *supra* note 1, at 10.
4. Paul C. Weiler, Entertainment Media and the Law Supplement 61 (2d ed. 2003).
5. Goldstein, *supra* note 1, at 10.
6. *Id*. at 10.
7. *Id.*
8. Weiler, *supra* note 4, at 61.
9. Marvin Ammori, *The Uneasy Case for Copyright Extension*, 16 Harv. J.L. & Tech. 288, 293 (2002).
10. *Eldred v. Ashcroft*, 537 U.S. 186, 123 S.Ct. 769, slip opinion p. 5 (2003).
11. This is the ideal purpose of the First Amendment and the Copyright Clause that I embrace and I do not suggest that this purpose has any legal justifications for it.
12. *Eldred* v. *Ashcroft*, 123 S.Ct. 769, 3 (2003).
13. *See id.* at 3 (The First Amendment challenge brought by the petitioners is not discussed in this paper).
14. *See id.*
15. *Id.* (Hence, the petitioners only challenged the retrospective component of the CTEA. They did not challenge the CTEA in terms of the prospective component.).
16. *See id.*
17. *Id.*
18. District court in *Eldred v. Ashcroft citing United Video* v. *FCC*, http://web2.westlaw.com/find/default.wl?DB=350&SerialNum=1989166127&FindType=Y&ReferencePositionType=S&ReferencePosition=1191&AP=&RS=WLW4.02&VR=2.0&FN=_top&SV=Split&MT=LawSchool" \t "_top.
19. *Eldred v. Ashcroft*, 123 S.Ct. 769, 3 (2003).
20. *Id.* (*citing Harper & Roe, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985)).
21. *Id.*
22. *See id.*
23. *See id.*
24. *See Eldred v. Ashcroft*, 123 S.Ct. 769, 4 (2003).
25. *See id.*
26. *See id.*
27. *Id.*
28. *Id.*
29. *See id.*
30. *See Eldred v. Ashcroft*, 123 S.Ct. 769, 4 (2003).
31. *See id.*
32. *See id* at 6.
33. *See Eldred v. Ashcroft*, 123 S.Ct. 769, 6 (2003).
34. *See id.*
35. *Id.* at 8.
36. *Id.* at 12.
37. *See id.* at 17.
38. *See id.*
39. *Eldred v. Ashcroft* (*citing Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964)).
40. *See id*. at 21.
41. *See id.*
42. *See id.* at 24.
43. *See id.* at 28.
44. *Eldred v. Ashcroft*, 123 S.Ct. 769 (*citing INS. v. Chaddha*, 462 U.S. 919 (1983)).
45. *See id.* at 31.
46. *See id.*
47. *See id.*
48. *See id*. at 32.
49. *Id.*

50. *Eldred v. Ashcroft*, 123 S.Ct. 769 (*citing* E. Rappaport, CRS Report for Congress, Copyright Term Extension: Estimating the Economic Values (1998) at 33).
51. *Id*. at 34.
52. *See id.* at 34, 35.
53. *See id*. at 35.
54. Weiler, *supra* note 4, at 61.
55. *See id.*
56. *See id.*
57. Opposing Copyright Extension, http://homepages.law.asu.edu/~dkarjala/OpposingCopyrightExtension.
58. Lawrence Lessig, Legal Affairs, March & April 2004 at http://www.legalaffairs.org/issues/March-April-2004/story_lessig_marapr04.html.
59. *See id.*
60. *See id.*
61. *See id.*
62. *See id.*
63. *See id.* at 5.
64. *See id.* at 5.
65. Ammori, *supra* note 9.
66. *See id.* at 11, 12.
67. *See id.* at 10 (He analogizes the CTEA to the kind of monopolies that Elizabeth I granted her courtiers in ale or salt, which were remedied by the Statute of Monopolies in 1623 and the Statute of Anne in 1710).
68. Ammori *citing* to the 1909 House Report (quoting H.R. Rep. No. 60-2222 (1909) at 10.
69. Ammori *citing* to the 1909 House Report (quoting H.R. Rep. No. 60-2222 (1909) at 10.
70. Paul Goldstein, Copyright's Highway: From Gutenberg to the Celestial Jukebox 6 (2003 Stanford University Press) at 163.
71. *See id*. at 175.
72. *See id*. at 175.
73. 1909 House Report (quoting H.R. Rep. No. 60-2222 (1909)).
74. However, it should be acknowledged that the public also includes current creators who receive the 20-year extension, and therefore not everyone is left empty handed. The author does not disagree with the extension for new works per se; rather, it is the extension for previous ones that limit the entrance of works into the public domain.

Rinil Routh is a third-year law student at New York Law School, an Associate Editor of the New York Law School Law Review and a Justin Harlan Scholar at New York Law School. She is affiliated with the Center for Information Law and Policy and intends to pursue a career in Intellectual Property law. Ms. Routh's interest in IP law stems from her artistic background as a classical Indian dancer. She has previously worked for the Federal Communications Commission and is presently a legal intern for the Metlife law department.

Court Excludes Use of Multiplier in Calculation of Copyright Infringement Damages

By Joel L. Hecker

The graphic arts, illustration and photography industries have traditionally used a multiple of actual damages as a standard practice in determining damages for breach of contract or infringement of copyrighted work. While this may be an accepted practice in negotiating settlements for these types of claims, a court has now, in no uncertain terms, held that there is no such provision for multipliers in determining actual damages for copyright infringement under the Copyright Act.

The case is *Michiko Stehrenberger v. R.J. Reynolds Tobacco Holdings, Inc. et al*,[1] brought in the United States District Court for the Southern District of New York. The decision came about on a motion before District Court Judge Louis L. Stanton to preclude the plaintiff from claiming, as part of her actual damages, a multiplier to increase actual damages by up to ten times. In an opinion filed September 15, 2004,[2] Judge Stanton ruled against the plaintiff and, after a thorough discussion of the issues and prevailing law, precluded such evidence from being presented at trial.

"The expert opined that when the case is settled without litigation, the multiplier is between two to three times the normal fee, but if the parties go to court, the multiplier goes up to ten times what the pre-infringement price would have been."

Ms. Stehrenberger is a prominent illustrator. One of her illustrations of a woman enthusiastically singing into a headset microphone was allegedly used in 16 newspaper insertions in R. J. Reynolds' advertisement for its Camel brand of cigarettes without her consent. (Copies of both the copyrighted image and the advertisement are reproduced herein on pages 17-19.) Ms. Stehrenberger instituted a suit for copyright infringement. Seven of the ads had run prior to the effective date of the registration of the image by the plaintiff with the Copyright Office and nine ran after such registration.[3]

In preparation for trial on the aspect of actual damages, the plaintiff's expert, a prominent photographer, claimed that the basis of actual damages in this type of case started with the value of a reasonable license for these usages. He then calculated that portion of the value of the license to be, for a company with the annual revenues of an R.J. Reynolds appearing in newspaper advertisements, $10,000 for a corporate advertisement and $50,000 for a limited corporate identity project. He concluded that "a total licensing fee of $60,000 is thus appropriate in this case."[4]

On top of this, the expert added a multiplier for unauthorized usage because, he claimed, the graphic arts community recognizes that mistakes do occur resulting in unauthorized uses, and to resolve these problems, the industry has a schedule of fees for the granting of a retroactive license. The reason such a multiplier is used, according to the court's interpretation of the position of the expert, is to avoid the costly and protracted business of a federal copyright case. The expert opined that when the case is settled without litigation, the multiplier is between two to three times the normal fee, but if the parties go to court, the multiplier goes up to ten times what the pre-infringement price would have been.

The court recognized that such a formula may have some utility as a marketplace technique for resolving problems in the industry, but rejected its place in calculation of actual damages under the Copyright Act. In short, the court said, "in litigated cases, infringement does not make a copyright more valuable."[5]

Judge Stanton did recognize and distinguished three other cases which had previously addressed the issue. In *Bruce v. Weekly World News, Inc.*,[6] that court did, in fact, use a multiplier to compute actual damages. However, Judge Stanton declined to follow it on the stated grounds that, in *Bruce*, the experts for both sides adopted the multiplier concept and that court therefore did not analyze the issue.

In *Baker v. Urban Outfitters, Inc.*,[7] Judge Preska mentioned the possible use of a multiplier, but did not address that point further because an alternate valuation based upon disgorgement of that defendant's profits was a higher measure of damages. The final case referred to was *Fournier v. McCann Erickson*, where that court made a "glancing" reference to the concept[8] and, in a later ruling in the same case, left open the possibility that lay testimony about this market practice has not been precluded.[9]

Judge Stanton therefore concluded that, since the expert determined actual damages at $60,000, any multiplier would constitute a penalty. (This figure was in any event only one piece of the evidence to be adduced at trial and was not of course, at this stage, binding upon the defendant or accepted by the court as accurate.)

"[T]he practitioner must be careful in structuring remedies and contract terms, so as to maximize the potential and actual value of the property at issue, and the artist should always *timely register the copyrighted work with the Copyright Office."*

Accordingly, the court said that if the plaintiff were to pursue her actual damages, it would be measured by the extent to which the market value of the copyrighted work at the time of the infringement had been injured or destroyed by the infringement. The court acknowledged that, in appropriate circumstances, actual damages may be equal to the reasonable license fee that would have been charged for such use as contended by the plaintiff. (Disgorgement of profits is also an available remedy, but that apparently was not raised, at least at this stage of the action.)

The case thereafter settled without any appeal so that this decision will not be subject to appellate scrutiny. The settlement presumably took into account the possibility of statutory damages and attorneys fees for the nine uses after the registration date but, since it is subject to a confidentiality stipulation, this can only be surmised.

In the graphic arts industry, multipliers have traditionally been used in contracts to value use without consent or use beyond the scope or duration, or other terms of the license granted. These clauses, which generally fall under the heading of liquidated damages under contract law, should not be affected by this decision and should still be enforceable under certain circumstances. Use of multipliers to determine damages, therefore, still has practical use in the industry. However, the practitioner must be careful in structuring remedies and contract terms, so as to maximize the potential and actual value of the property at issue, and the artist should *always* timely register the copyrighted work with the Copyright Office.

Endnotes

1. 03 Civ. 4894 (LLS).
2. 2004 U.S. District Lexis 18566 (S.D.N.Y. September 15, 2004).
3. Since the case settled on the eve of trial, an apparently unresolved issue (which will remain unresolved) was whether the plaintiff was eligible for statutory damages and attorneys fees for the nine advertisement insertions published after the effective date of the copyright registration.
4. 2004 U.S. District Lexis 18566, 1 (S.D.N.Y. September 15, 2004).
5. *Id.* at 3.
6. 150 F. Supp. 2d 313, 321 (D. Mass 2001), *vacated in part*, 310 F. 3d 25 (1st Cir. 2002).
7. 254 F. Supp. 2d 346, 359 (S.D.N.Y. 2003).
8. 242 F. Supp. 2d 318, 340 (S.D.N.Y. 2003).
9. 253 F. Supp. 2d 664, 665 (S.D.N.Y. 2003).

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Iron Fistful of Dollars—An Artist's Infringement Case Against Camel Cigarettes

By Michiko Stehrenberger

Michiko Stehrenberger creates illustrations and character designs for clients such as MTV, Sony Pictures, Britney Spears, Hasbro, Playstation, and Tokyo's Yellow Boots clothing line. She enjoys developing marketing concepts for animation, books, handmade dolls and quirky limited-edition pieces, many of which can be seen online at www.michiko.com.

In August of 2000, Michiko's 'Blue Girl' character artwork was used in a series of full-page newspaper advertisements promoting R.J. Reynolds' Camel cigarettes without her permission. In addition to the digitally manipulated copy of her image, Michiko objected to the exploitation of the appeal of her work to target her core audience, consisting of teenagers and kids well under the legal smoking age. The infringing advertisements showed the Camel cigarette logo prominently branding the headphones portion of the Blue Girl image, creating a hybridized icon aimed at the underground music and DJ culture.

Over the course of preparing this case for trial, it was discovered that R.J. Reynolds' use of cartoon characters in cigarette advertising was a direct violation of the $20 million Master Settlement Agreement made with several states' Attorneys General in 1998. R.J. Reynolds had already settled a separate $10 million lawsuit after its use of the notorious 'Joe Camel' cartoon character was shown to be a significant part of the company's strategy to attract children and underage smokers in the 1990s.

R.J. Reynolds' advertising agency failed to contact the artist for permission to use the work and, during depositions, its own in-house graphic designer admitted to having been instructed by management to scan an existing postcard of the Blue Girl artwork for use in the advertisements. The source postcard bore Michiko's copyright notice, signature, and contact information—all of which subsequently disappeared from the digitally manipulated version placed in the advertisements.

The case ultimately settled.

Background

Most people wince when I mention how my artwork was stolen and how I had to go through the whole process of a lawsuit, but I have to admit that it has been an utterly fascinating process spanning three years of my life. Most artists consider the law to be a dry and intimidating process, but I loved getting a look at the structure and processes underneath what I imagine are many of the motivators in decisions made in today's business world.

One of the things that strikes me is how easily the defendants could have avoided this situation in the first place. The infringing work was a near-exact copy of my image, just reversed, de-colorized, and with that darn Camel logo added right onto the headphones. Any jury would see the resemblance. The ads were created by the advertising agency Kevin Berg and Associates ("KBA" of Chicago), which had experience in commissioning and licensing work from illustrators on a regular basis. Presumably KBA knew that it needed a written release from the copyright owner to use a copyrighted image for an advertising campaign. With the way that big companies protect their trademarks these days, I am pretty sure that R. J. Reynolds representatives would have had to sign off—specifically—on the use of its brand logo being used as part of the headphones portion of my image. Surely someone might have remembered that the tobacco company was not supposed to use cartoon characters in its advertising, given the massive settlement it just paid out to the states' Attorneys General. R.J. Reynolds' own witness admitted to being instructed by management to scan my image. It would have been so simple to instead visit my website and request permission. Even if I refused permission because the requested use was for a cigarette campaign, surely the company could find another image from a different artist. For a company that, according to its 2000 SEC filing, spends close to a half-million dollars a day in advertising, one would think R.J. Reynolds could have taken the ethical and legally required route.

In 2000, I was contacted by artists from around the country who had seen the ads and wondered if I knew about the use of my image. Some of these were complete strangers who recognized my work even without my name or copyright notice on it. Some even sent me what was later to become key evidence in the case.

Once I was alerted to the unauthorized use, it took quite some time to get to the source of the problem. When I first contacted KBA to request proof of a license to use my image (or, in the alternative, to discuss any offer KBA may have to resolve this unauthorized matter amicably), the person with whom I spoke at KBA scoffed at my requests. KBA's employees and in-house counsel ignored subsequent inquiries.

Early on, I had proposed perhaps as part of a settlement solution, that R.J. Reynolds might consider funding an anti-smoking public service announcement directed to teenagers and children. This did not seem to be such a far-fetched solution, given that Philip Morris was already funding its own anti-smoking commercials as part of the Legacy efforts. I thought this might be a way for the company to save face, while still righting the wrong that had been done. It turns out that this idea was never considered.

The Case

Proving liability should have been easy. The defendants claimed that they had a license from a local DJ promoter, although in the three years of pre-litigation and discovery, the defendants never provided any signed documents to support this claim. The DJ promoter, Kim Clemmons (who at the time operated under the business name Genius Insanity Entertainment), had defaulted on payments for a local license of the Blue Girl image and proceeded to infringe with further uses on her company's website, despite having received several cease and desist notices. Clemmons refused to respond to the complaint for over a year, and ultimately filed for bankruptcy without providing any help for the defense.

However, proving damages turned out to be difficult. Given that the true market value for a license of any image is "the highest price that both the licensor and licensee agree to," it was quite a challenge—given that I never would have agreed to a license involving a tobacco product. The problem was that certainly was not going to help anyone deduce the value when dollar amounts were going to be the only answer. As a result, we then consulted with the Illustrators Partnership of America (IllustratorsPartnership.org), which was a great help in terms of research regarding important industry issues, such as stock usage and valuation and multipliers for retroactive licenses.

The issue of multipliers was an interesting one, given that there are so many examples of stock agencies using a ten-times multiplier (ten times the original license fee) to address willful infringement of copyrighted works.[1] In my case, the facts showed that KBA scanned my source image and then removed my copyright line and signature, and it had knowledge of how to contact me for permission in advance.[2] These were pretty significant factors towards consideration for the ten-times multiplier.

I am not entirely clear as to why the expert witness structured the actual damages to include a multiplier. The defendants were attempting to counter this report with their own expert witness—oddly, it seems as she had previously testified in an earlier case using multipliers herself. As the case ultimately settled, we were unable to see the defense's case come to fruition.

"In my case, the facts showed that KBA scanned my source image and then removed my copyright line and signature, and it had knowledge of how to contact me for permission in advance."

As a result of the settlement, no court adjudicated the issue as to whether the 16 different advertisements would have been regarded as separate infringements.[3] I spoke with several firms at the outset, and none seemed to be able to tell me whether these were defined as separate infringements or one single continuing infringement. This is a significant issue, because my work was registered with the U.S. Copyright Office sometime between when the ad campaigns began and when they ended. Between seven and 11 of the ads appeared before my work was registered, and the remaining nine to 21 ads appeared after registration.[4]

Though the ten-times multiplier was not allowed under the actual damages portion of the case, and as any such measures would have fallen instead under the category of statutory damages, it is interesting to note that the court did recognize an additional 40-percent markup of the license fee to be allowed under actual damages. This markup was due to the "noxious use" by the defendants, as tobacco was considered to be included in one of the sensitive-subject categories in the image licensing industry.[5] Such policies showed that sensitive subject advertisers must seek special clearances in addition to the usual license agreements and pay additional fees as a sort of penalty to balance out any risks to the rights holder for associating her image with controversial or "noxious" products.

The case has since settled, and I find that I continue to be fascinated by the unique combination of procedure, psychology, and personalities involved in such a legal matter. There are persisting "what ifs." I do wish that I had the chance to see what a jury would have thought about the issue of targeting teens with the ads.

I also learned about Local Rule 68 (Offer of Judgment). When the defendants brought forth what I believe to be an intimidation tactic, they instructed me that I could be held liable for all legal defense costs, even if I technically won the case. This would effectively bankrupt me. That is, I could lose everything if I did not accept their settlement offer and if the jury awarded me even one penny less than the offer.

"It was never all about the money for me. By agreeing to settle and not going to trial, I did not get that certain validation of right and wrong that I was seeking."

The Offer of Judgment was presented as though it were a good-faith effort by the defendants to save the court's time by settling out of court—but in the settlement amounts, they added an extra dollar and an extra penny to the rounded-off dollar amounts. Theoretically, any jury finding in favor of the plaintiff would award an amount that was a rounded-off dollar amount, and by the defendants' inclusion of both, it became clear that this was a bit of a trap. Even so, I managed to turn down three of their escalating offers; I really, truly, wanted to see this come before a jury. In the end, the only one paying was the insurance company, and that did not feel right either.

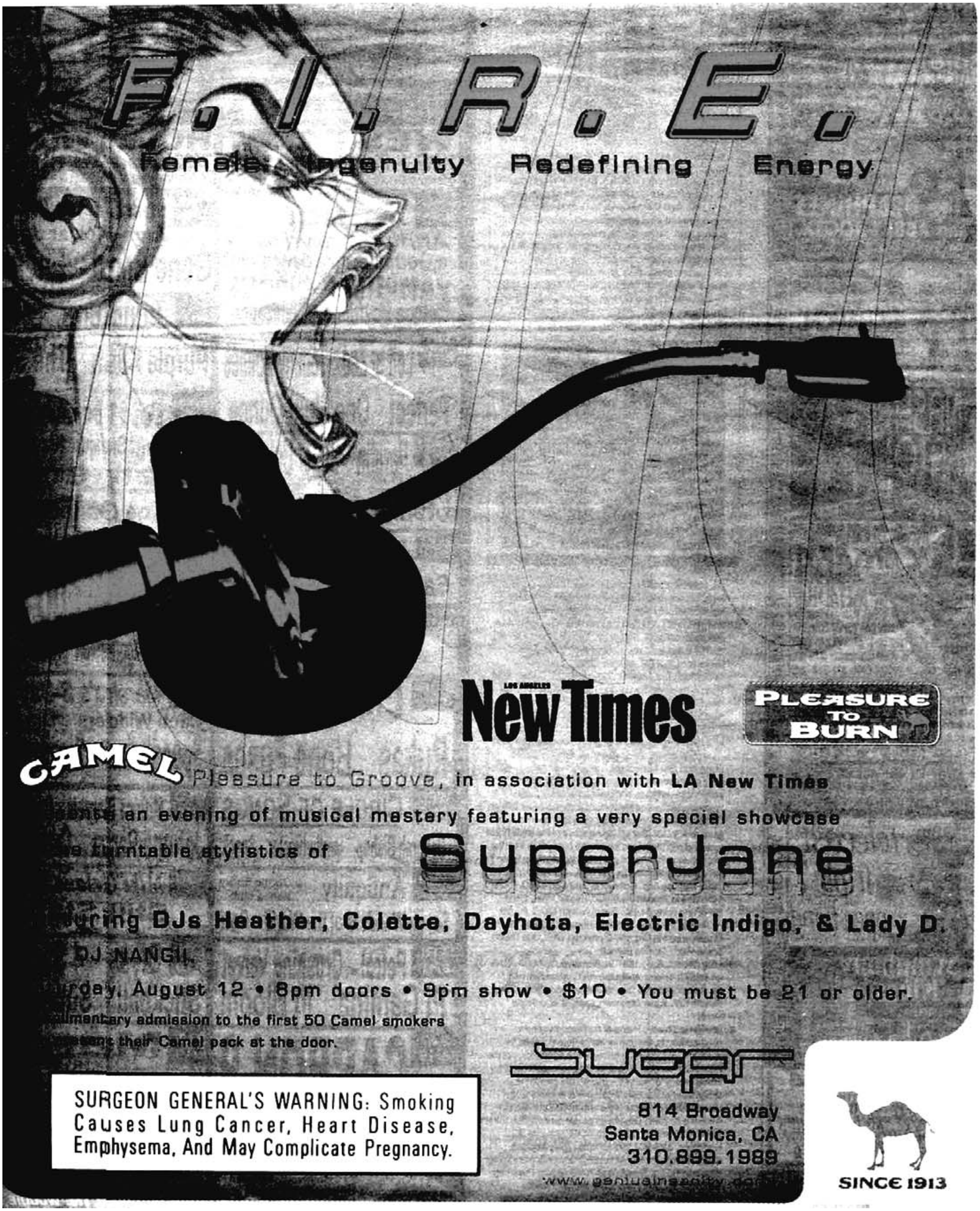
Ultimately, I am happy with the results, having learned all that I did about the process. It was never all about the money for me. By agreeing to settle and not going to trial, I did not get that certain validation of right and wrong that I was seeking.

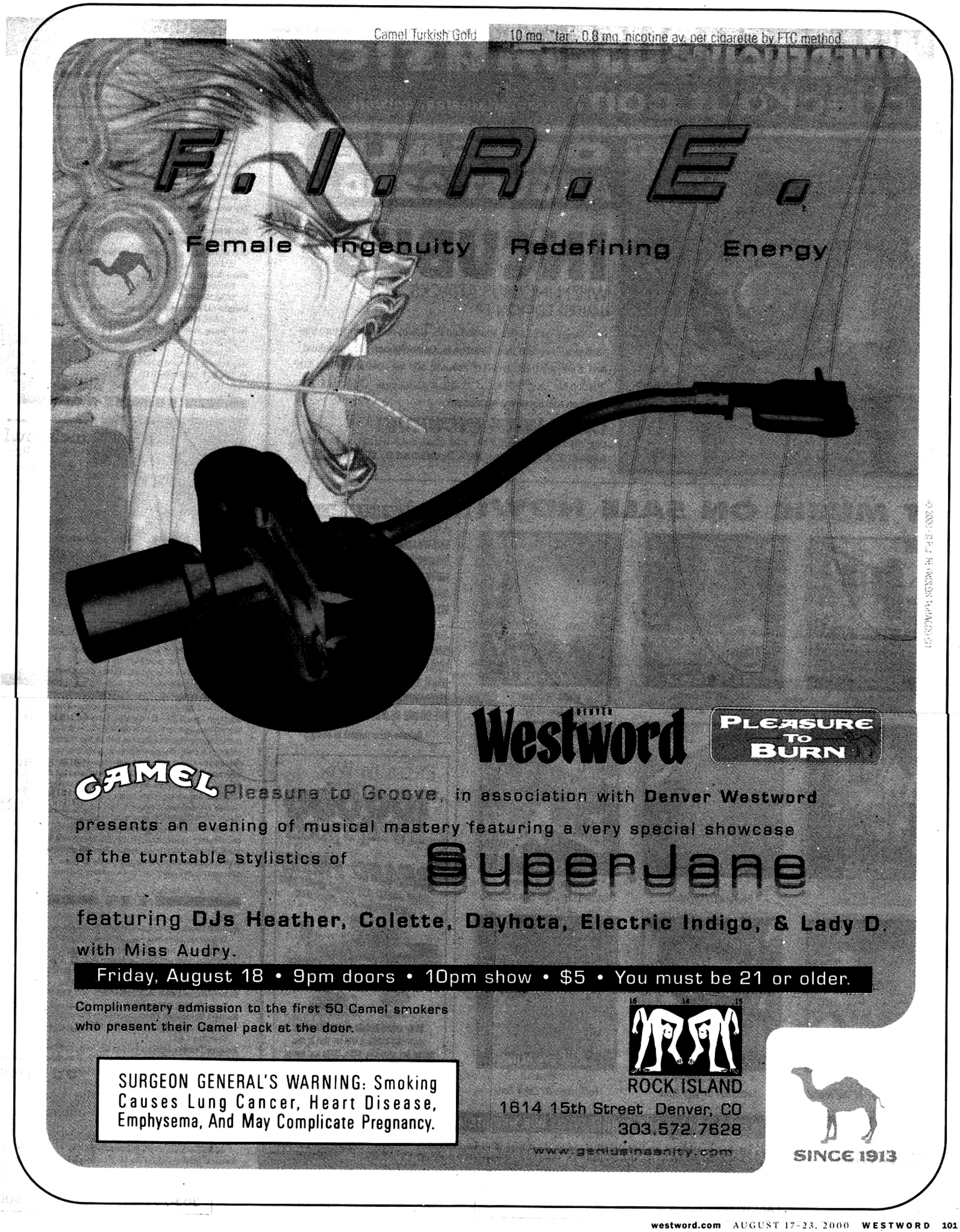
All in all, having had the opportunity to peek into your field, I would have to say that I quite like how green the grass is over there on your side of the fence. It is creative, strategic, and utterly fascinating.

Endnotes

1. There is also apparently a three-times multiplier in use as well, but it is used primarily in instances where the infringement was innocent and not willful.
2. In the advertising business, the advertiser usually claims the copyright to the final ad layout (which includes the contents within), which in this case would include my image. As KBA did not have a license to use the Blue Girl image and removed my copyright notice from its scan of it, I think that this might have raised another claim.
3. Each advertisement ran in a different city and advertised a different event for a different calendar date. At two newspaper insertions each, and due to precedent, there was a possibility that the unauthorized uses would be considered as 32 separate infringements.
4. With respect to prosecuting claims on the latter group, these were potentially eligible for statutory damages and attorneys' fees.
5. This statement is supported by the policies of major stock image licensors such as Corbis.

Michiko Stehrenberger can be reached at copyright@michiko.com, and she welcomes any thoughts or feedback.


F. I. R. E.
Female Ingenuity Redefining Energy
New Times
PLEASURE TO BURN
CAMEL Pleasure to Groove, in association with LA New Times
an evening of musical mastery featuring a very special showcase
turntable stylistics of
SuperJane
DJs Heather, Colette, Dayhota, Electric Indigo, & Lady D.
DJ NANGII
August 12 • 8pm doors • 9pm show • $10 • You must be 21 or older.
admission to the first 50 Camel smokers
their Camel pack at the door.
SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy.
814 Broadway
Santa Monica, CA
310.899.1989
SINCE 1913


Camel Turkish Gold 10 mg. "tar", 0.8 mg. nicotine av. per cigarette by FTC method
F.I.R.E.
Female Ingenuity Redefining Energy
Westword
PLEASURE TO BURN
CAMEL Pleasure to Groove, in association with Denver Westword
presents an evening of musical mastery featuring a very special showcase
of the turntable stylistics of SuperJane
featuring DJs Heather, Colette, Dayhota, Electric Indigo, & Lady D.
with Miss Audry.
Friday, August 18 • 9pm doors • 10pm show • $5 • You must be 21 or older.
Complimentary admission to the first 50 Camel smokers
who present their Camel pack at the door.
SURGEON GENERAL'S WARNING: Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy.
ROCK ISLAND
1614 15th Street Denver, CO
303.572.7628
www.geniusinsanity.com
SINCE 1913
westword.com AUGUST 17-23, 2000 WESTWORD 101

[NOTE: Source image frpm which Camel cigarettes/R.J. Reynolds scanned and removed copyright line and artist signature]
Original 'BlueGirl' image and design © Michiko Stehrenberger - www.michiko.com michikomail@earthlink.net

The Work-for-Hire Doctrine and the "Creative Genius" in the Wake of *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*

By Judith Beth Prowda

How do you copyright a dance? You teach dancers the steps and write them down in a system of notation that has developed over the past centuries.[1] You can also make a film or video of a dance, satisfying the copyright requirement of "fixed and tangible form."[2] But dance is chiefly stored in the memories and muscles of dancers.[3] Dance, the freest of art forms, is perhaps the most transitory.[4] If you write a poem there is a written text that can be reproduced and read. If you compose a sonata there are notes on the page that musicians can play centuries later. A painting is also a tangible work of art that remains on the canvas long after the painter is gone. Yet a dance is an "artistic activity that self-destructs on completion,"[5] and is passed down from choreographer to dancer by learned movements and technique.[6] In the case of Martha Graham, dance is also an approach based on the system of contraction and release, rather than a static body knowledge.[7] To protect the copyright in Martha Graham's dances requires the teaching of her technique, passed down from those who were taught directly by her.[8]

This is why the question of ownership of Martha Graham's dances has been a wrenching one. There was a prospect of losing individual choreographed works, and the artistic legacy of one of the pioneers of modern dance.

If the parties to the recent Second Circuit decision agreed on only one element, it was that Martha Graham was a "creative genius." Yet do works made by a "creative genius" fall outside the long-established work-for-hire jurisprudence? Should separate rules apply to such works if the "creative genius" has established a not-for-profit entity as a practical means of creating works? The Second Circuit, wrestling with these issues, resoundingly decided no. The Court concluded that the adoption of such an approach "is a matter of legislative choice for Congress in the future, not statutory interpretation for a court at present."[9]

Background

Martha Graham was a dominant force in modern dance for more than six decades and one of the great revolutionaries in the modern dance movement.[10] If she did not invent modern dance, she came to embody it through her highly personal movement vocabulary, training methods and monumental works with psychological and sexual themes.[11] She drew inspiration for her works from American history and heritage, Greek mythology and Biblical sources as well as intense human emotions.[12]

Graham began her celebrated career as a dancer, instructor and choreographer in the 1920s. She started a dance company and dance school, running them as sole proprietorships, and choreographed works for commissions.[13] By the mid-1930s Graham was heralded as "unquestionably the greatest dancer America has produced since Isadora Duncan, and as one of the outstanding exponents of the modern dance in the world."[14] She was compared in artistic greatness to Picasso, Stravinsky and Joyce.[15] An icon of the 20th century, Graham trained dance luminaries Merce Cunningham, Paul Taylor, Twyla Tharp and Meredith Monk, and was known for her collaborations with master artists such as sculptor Isamu Noguchi, composer Aaron Copland and fashion designer Halston.[16]

During the 1940s Graham decided to rely on not-for-profit corporations to support her creative work, for tax reasons and to unburden herself from funding and legal matters.[17] Eventually, Graham worked exclusively through two not-for-profit corporations, the Center and the School, which she established. Later, these corporations evolved into one entity, the Martha Graham Center of Contemporary Dance, Inc. (the "Center").[18] The 78-year old Martha Graham Dance Company is the oldest in the country[19] and has been dubbed "one of the seven wonders of the artistic universe."[20]

Martha Graham choreographed 181 dances, of which only 70 have survived.[21] She created and performed her principal roles until she finally stopped dancing in 1968 at the age of 75. By then she was a legend, and, by all accounts, arthritic, alcoholic and severely depressed.[22] For years, her friends had tried to convince her to teach her roles to other dancers. (Ironically, due to her proprietary nature, over half of her dances were lost because she did not wish to relinquish the roles she created for herself). Fortunately, however, beginning in the early 1970s and over the following two decades, Graham choreographed new works and continued to exhibit her earlier works through not-for-profit organizations, such as the Center. It was precisely the characterization of Graham's role within the Center that became the central issue in the Second Circuit's determination that her works were works-for-hire.[23]

Graham became acquainted with Ronald Protas, the plaintiff in this action, in 1967. At that time Graham, who was in her 70s, was reluctantly contemplating the end of her performing career. Protas was a 26-year-old freelance photographer and law student. He became Graham's close friend and confidante, and dropped out of law school. Graham increasingly trusted Protas with personal and professional matters, and appointed him as the Center's General Director (despite his having no background in dance or choreography).

When Graham died in 1991, at age 96, she bequeathed her entire estate, including rights and interests in her work, to Protas. She did not specify in her will (which she had executed two years before her death) as to what she owned.[24] Protas believed that he inherited Graham's name, as well as her ballets and physical properties, such as sets and costumes.[25]

After Graham's death, Protas became Artistic Director of the Center and later fell into dispute with its Board of Trustees. During a brief period of financial difficulties, the Center suspended operation. During that time, Protas founded the Martha Graham School and Dance Foundation, claiming that his new group had the exclusive rights to teach and perform Graham's works.[26] By then Protas had also registered "Martha Graham" and "Martha Graham Technique" as trademarks.[27]

When the Center re-opened in 2001 with a state capital fund grant of $750,000 and matching private funds,[28] Protas sued to enjoin it from infringing on copyrighted ballets of which he claimed ownership, as well as rights to the costumes and sets used in connection with those ballets.[29] The Center responded by claiming ownership over Graham's dances, costumes and name.

In 2002, following a bench trial on issues including the ownership of copyright to ballets and ownership of sets and costumes, Judge Miriam Cederbaum held that Graham did not own most of the dances, but either had assigned the rights to the Center or choreographed them as works-for-hire (*Graham II*).[30] Protas appealed. The Second Circuit, in a unanimous opinion by Judge Jon Newman, upheld the District Court's decision that the work-for-hire doctrine was properly applied to a majority of the works.[31]

In September 2004, the Second Circuit denied Protas a rehearing as to some of the dances, which the Court had found were works-for-hire.[32]

Work-For-Hire Doctrine Under the 1909 Act[33]

The work-for-hire doctrine originated in common law for the purpose of assigning economic rights in works created in a traditional employer-employee relationship.[34] By the end of the 19th century, it was well established that the employer owned the copyright to any creative work performed by a salaried employee.[35] The rationale was that when an employer hires another to do creative work, the fruits of the employee's work properly inure to the one who provided the initial idea, motivation and means for executing the work.[36] Similarly, specially commissioned works done outside the employment relationship belonged to the commissioning party, along with rights to the works, unless contracted otherwise.[37] While the situations of employer and commissioning party differ analytically, judicial interpretation of the 1909 Act created a unifying presumption "that anyone who paid an artist to create a copyrightable work was the statutory author under the work-for-hire doctrine."[38] Following this rationale, the initial assignment of copyright belonged to the employer or commissioning party.

The Supreme Court recognized the work-for-hire doctrine in the 1903 case *Bleisetein v. Donaldson Lithographing Co.*[39] Writing for the Court, Justice Holmes noted that "there was evidence warranting the inference" that chromolithographs prepared by the plaintiff's employees "belonged to the plaintiff, they having been produced by persons employed and paid by the plaintiffs in their establishment to make those very things."[40] This principle was codified in the Copyright Act of 1909, which states, "in the interpretation and construction of this title . . . the word 'author' shall include an employer in the case of works made for hire."[41] This was consistent with the broad purpose of copyright under the Constitution to reward those who bring creative works to the public.[42]

Until the mid-1960s, courts applied the work-for-hire doctrine only in cases where a traditional employer/employee relationship existed between the hiring party and the creator of the work.[43] The Second Circuit applied the "instance and expense" test,[44] which was satisfied "when the motivating factor in producing the work was the employer who induced the creation."[45] Under the instance and expense test, the employer's right to direct and supervise the manner in which the employee performed his work was an "essential element."[46]

Work-For-Hire Doctrine Under the 1976 Act[47]

The 1976 Copyright Act recognizes two separate species of works-for-hire: (1) commissioned works in one of nine statutorily prescribed categories when both parties expressly agree in a signed document that the work shall be considered a work-for-hire;[48] and (2) works prepared during the scope of employment.[49] Under the 1976 Act, copyright ownership "vests initially in the author or authors of the work."[50] "Author" is defined as the person who actually creates the work, except in works-for-hire, in which case "the employer or other person for whom the work was prepared is considered the author" and thus owns the copyright, unless the parties agree otherwise in writing.[51] The 1976 Act, however, does not define the term "employee" or "in the course of employment," which has lead to conflicting interpretations in the courts.

The Supreme Court sought to clarify the meaning of "employee" in *Community for Creative Non-Violence v. Reid*.[52] In *Reid*, the Court held that "the term 'employee' should be understood in light of the common law of agency."[53] The Court first considered whether the hiring party had the "right to control" the design and creation of the work.[54] Next the Court considered the "actual control test," which required that the hiring party actually exercise the right to control. This test was first enunciated by the Second Circuit[55] and adopted by the Fourth[56] and Seventh Circuits.[57] The Court in *Reid* specifically held that the characterization of "employee" should not be decided exclusively on whether the hiring party retained the "right to control" or wielded "actual control" over the creation of the work.[58]

The Court in *Reid* then set out a balancing test for ascertaining whether an employment relationship exists. The non-exclusive factors are: (1) the hiring party's right to control the manner and means by which the product is accomplished; (2) the skill required; (3) the source of the instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects to the hired party; (7) the extent of the hired party's discretion over when and how long to work; (8) the method of payment; (9) the hired party's role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is in business; (12) the provision of employee benefits; and (13) the tax treatment of the hired party.[59] The Court specifically noted that "no one of these factors is determinative" and that "the extent of control the hiring party exercises over the details of the product is not dispositive."[60]

The Second Circuit further developed the *Reid* analysis in *Aymes v. Bonelli*,[61] holding that the *Reid* factors were not intended to be applied in a mechanistic fashion, but "should be weighed according to their significance in the case."[62] *Aymes* also identified five factors "that will be significant in virtually every situation . . . and should be given more weight in the analysis."[63] The five *Aymes* factors are: (1) the hiring party's right to control the manner and means of creation; (2) the skill required; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party.[64]

The District Court Decision in *Graham II*

The District Court determined that the 34 dances created by Graham during the period after she became an "employee" of the Center (1956–91) were works-for-hire.[65] Of these 34 works, only 27 currently belonged to the Center. It was also determined that seven works belonged to neither party, because they were subsequently published without evidence of copyright notice and had fallen into the public domain.[66]

District Court Application of the Copyright Act of 1909

Dances Created from 1956 through 1977

Applying the "instance and expense test," the District Court in *Graham II* found that the 19 dances choreographed by Graham during this period were works-for-hire.[67]

At the "Expense" of the Employer

To satisfy the "expense" portion of the test, the *Graham II* court looked at evidence regarding the establishment of the Center, including a 1968 memorandum by the then Executive Director to the Board of Directors, stating that he recognized that "the Center comprising the School [and] Company . . . already existed" and that it would "continue all present activities, including teaching, choreographing and performing, and would propose to broaden these activities. . . ."[68] The court concluded from the evidence that the primary purpose of the Center was to perpetuate Martha Graham's dance legacy by training dancers in her technique and by creating, rehearsing, and performing new works of art.[69] Audit reports for this period revealed that Graham regularly received a salary paid by the School and Center.[70]

Also relevant was the ten-year employment agreement that Graham entered into with the School for the position of Program Director in 1956 (Graham's title later changed to Artistic Director). A tax report, which emphasized the educational purposes of the School, stated that Graham had agreed to devote one-third of her professional time to the School.[71] Subsequently Graham became a full-time employee with part of her principal responsibilities to create new dances.[72]

Graham's employment agreement with the Center was renewed, as evidenced by W-2 forms and earnings statements in her name, as well as payroll records.[73] She remained a salaried employee of the Center until her death in 1991. Significantly, she received employee benefits from the Center throughout this period. In addition, the Center paid for Graham's personal and medical expenses as well as social security tax, and regularly withheld income tax on her behalf.[74]

The collaboration between Graham and employees of the Center also satisfied the "expense" part of the test. Graham "choreographed on" dancers employed by the Center, which paid for piano accompaniment, rehearsal space, sets and costumes.[75] Graham depended on the Center's Board of Directors to keep herself and the dancers employed, recognizing that "[she] could never have done what [she did] if [she] had not had such a place."[76] Another critical factor in the "expense" analysis was the court's finding that Graham did not receive royalties from the Center for her ballets. Relying on Second Circuit precedent, the court stated that "where the creator of a work receives royalties as payment, that method of payment generally weighs against finding a work-for-hire relationship."[77]

At the "Instance" of the Employer

Although Graham was ultimately responsible for making all final artistic decisions relating to the dances, the District Court determined that she created them at the "instance" of the Center. Graham regularly reported to the Board regarding her new works and dance-related activities. In turn, the Board assisted her choreographic endeavors by obtaining funding for the creation and performance of her dances, set spending limits for rehearsal time, procured sets and costumes for new works, and licensed dances on behalf of the Center. The Board suggested ideas for new works, revivals, films on dances and the Martha Graham technique, classes and performances.[78] Significantly, the court stated: "That the Center's board of directors did not interfere with Graham's artistic decisions does not show that it did not have the legal authority, as her employer, to ensure that the dances were created at the 'instance' of the [Center]."[79]

District Court Application of the Copyright Act of 1976

Dances Created From 1978 through 1991

Applying the five *Aymes* factors, which are required in analyzing work-for-hire cases, the District Court in *Graham II* concluded that the dances created by Graham during this period were works-for-hire.[80] First, with respect to the hiring party's right to control the means of creation (the first *Aymes* factor) and assign additional projects (the fifth *Aymes* factor), the court pointed out that the Board's "right to control" the final product was dispositive, even if the Board did not choose to exercise that control.[81] The court reiterated Graham's regular reporting of her new works to the Board and the Board's setting of financial parameters, encouragement to create new works, and, occasionally suggesting themes for dances.

Next, the court identified Graham's salary throughout the term of her employment, from which the Center withheld income and social security taxes (the fourth *Aymes* factor) and the Center's payment of Graham's employee benefits, as well as personal, travel and medical expenses (the third *Aymes* factor).[82] Finally, citing *Carter v. Helmsley-Spear, Inc.*, the *Graham II* court decided that Graham's high degree of skill did not transform her status as an employee of the Center to that of an independent contractor.[83] The *Graham II* court stated that Graham's choice of the persons who were paid by the Center to assist her during her employment reflects her status as senior employee of the Center and did not render her an independent contractor.[84]

Lastly, the District Court in *Graham II* weighed the following additional *Reid* factors, in concluding that Graham was an employee of the Center: (1) the Center, which paid for the dancers, pianists, sets, and costumes and which provided the rehearsal space, was the "source of [Graham's] instrumentalities and tools,"[85] for creating the dances; (2) Graham created the dances on the Center's premises; (3) Graham was employed by the Center for more than three decades; (4) the Board of Directors set a fixed annual salary for Graham with no separate compensation for the creation of dances; and (5) the creation of dances by Martha Graham was part of the "regular business" of the Center.[86]

Second Circuit Decision in *Graham II*[87]

The primary issue on appeal was "whether the work-for hire doctrine applies to works created by the principal employee of a corporation that was, in the Appellants' view created to serve the creative endeavors of an artistic genius."[88] However, the Second Circuit ignored the Appellants' assertion that Graham was an "artistic genius," and whether there should be an exception for a category of persons labeled "artistic geniuses" who establish not-for-profit corporations merely as a practical means to enable creative work.[89]

The Second Circuit noticeably sidestepped what was perhaps the most intriguing argument, as put forth by the *Amici Curiae*,[90] that "the better result would be to apply the work-for-hire doctrine only cautiously, if at all, in situations where the putative 'employer' is a not-for-profit corporation formed for the purpose of encouraging and supporting authors in their creative endeavors."[91] (The *Amici* essentially proposed a "default rule" that would leave the copyrights in the new works with the employee (Graham) and place the burden on the employer (the Center) of pursuing a contract to obtain Graham's copyrights.) As described below, the Second Circuit analyzed the case solely on the basis of established work-for-hire jurisprudence in effect at the time of the creation of the work.

Second Circuit Application of the Copyright Act of 1909

Graham's Dances Created from 1956 through 1965

The Second Circuit reversed the District Court with respect to the ten dances that the District Court had ruled were works-for-hire.[92] The Second Circuit held that during this period, Graham was only a part-time employee, and that her employment duties did not include choreography.[93] Although part of the School's stated purpose included the creation of dances, and Graham was obligated to devote one-third of her professional time each year to activities at the school, Graham's employment contract during this period required her to teach and supervise the School's educational program, not to choreograph.[94] The Second Circuit emphasized that during these 10 years, Graham continued to receive income from other organizations for her dance teaching and choreography.[95]

The Second Circuit also found that neither the School (Graham's part-time employer) nor the Center commissioned Graham to create these dances at its "instance"[96] or "as a special job assignment outside the line of her regular duties."[97] Even if these works were created at the "expense" of the Center (thereby satisfying the "expense" portion of the "instance and expense" test), they did not also satisfy the "instance" portion of the "instance and expense test," both of which are required for a work to be a work-for-hire.[98]

The Second Circuit upheld the District Court's finding that of these 10 dances that were deemed works-for-hire, only one was published with the required copyright.[99] It remanded two of these dances (because they were published without proper copyright notice),[100] vacated the District Court's decision with respect to the remaining seven (because they were unpublished), and remanded for the District Court to decide whether they had been assigned or had passed to Protas through Graham's residuary estate.[101]

Graham's Dances Created from 1966 through 1977

The Second Circuit upheld the District Court's ruling that the nine dances created during this period were works-for-hire.[102] The Court emphasized the change in Graham's employment status from a part-time dance instructor to a full-time choreographer, with a substantial increase in salary.[103] At the Board's urging, Graham was to complete "[a]s many [new dances] as possible," and "[t]each[ ] [only] when permitted by schedule."[104] The Board also suggested themes for dances. During this period, Graham did not choreograph for any other organization and remained the Center's Artistic Director as well as Chief Executive until her death in 1991.[105]

The Court soundly rejected the Appellants' argument that the works were not for hire because Graham choreographed her dances at no one's "instance" but her own.[106] The Court pointed out that Graham choreographed the dances during this period (and from 1978 to 1991) in the course of her regular employment with the Center. "Where an artist has entered into an explicit employment agreement to create works, works that she creates under that agreement cannot be exempted from the work-for-hire doctrine on speculation about what she would have accomplished if she had not been so employed."[107] The Court emphasized that an employer does not need to be "the precipitating force behind each work created by a salaried employee, acting within the scope of her regular employment."[108] Indeed, "[m]any talented people, whether creative artists or leaders of major corporations, are expected by their employers to produce the sort of work for which they were hired, without any need for the employer to suggest any particular project."

The Circuit Court stated that Graham's role remained that of a traditional employee—technically, she could have resigned or been discharged (however unlikely the prospect) from the Center, thus relinquishing her salary and her duties to the Center.[109] The Court disagreed with the Appellants' argument that Graham's role with the Center was more distant from a work-for-hire relationship than that of the monk whose writings and religious lectures the Ninth Circuit had ruled were not works-for-hire under the 1909 Act, even though the monk was supported by the church he had founded at the time he created the works.[110] Whereas the monk received a monthly stipend from the church he founded and headed (having renounced any claim for compensation), Graham, as Artistic Director, received a salary specifically to create the dances she choreographed during this period.[111]

Second Circuit Application of the Copyright Act of 1976

Graham's Dances Created from 1978 through 1991

The Circuit Court confirmed the District Court's finding that the 15 dances created during this period were works-for-hire under the 1976 Act.[112] The most significant factors weighing in favor of an employment relationship between Graham and the Center were Graham's receipt of employee benefits, reimbursement for personal expenses, travel, and medical benefits, and a regular salary "'[t]o make dances.'"[113] Additional factors were the Center's routine withholding of Graham's income and social security taxes from her salary, the fact that Graham created her dances on the Center premises and with the Center's resources, and that Graham's choreography was a regular activity of the Center.[114]

The fact that the Center did not exercise control over Graham's work did not outweigh the other factors tilting in favor of an employment relationship.[115] The Court offered examples from the Restatement (Second) of Agency, such as a "full-time cook"[116] or "ship captain or manager" in which the "control or right to control needed to establish the relation of master and servant may be very attenuated."[117]

The Court held that Graham's artistic talent and the Center's purpose to promote her art did not exempt her dances from the work-for-hire principles under the 1976 Act any more than under the 1909 Act.[118]

Conclusion

The reality of modern day arts financing is that corporations are formed "for the purpose of fostering a supportive environment in which an employed artist will have the opportunity to create new works."[119] The Circuit Court in *Graham II* acknowledged the intrinsic merit of the *Amici*'s argument as a matter of arts policy, but firmly concluded that it was up to the courts to interpret the copyright law, and up to Congress whether or not to change the law in the future.[120]

It is clear from the *Graham II* decision that the courts are not willing to give special considerations for "artistic" or "creative geniuses," or to carve out an exception for the definition of "author" in the copyright context for artists who establish not-for-profit corporations as vehicles to create their works.[121] The Second Circuit did not address the concerns put forth by the *Amici* as to whether artistic assets were at risk if they fell into the hands of not-for-profit corporations that were either inactive or defunct, or whether the "practical reality of not-for-profit arts organizations" fits within the work-for-hire principles.[122] Moreover, the Second Circuit ignored the Appellants'contention that the Center, "[a]s a not-for-profit entity dedicated to Graham and her vision, cannot be said to be 'in business' in any commercial sense."[123] The Copyright Act of 1976 does not distinguish between not-for-profit and for-profit corporations in the context of the work-for-hire doctrine,[124] and it applies equally to both types of corporations.

Putting aside whether the Court reached the correct decision on the law, perhaps the practical outcome of this decision—that the majority of Graham's dances belong to the Center and not to her estate—is the "correct" one in terms of preserving Graham's legacy and the long-term benefit to society. The Center, after all, is not only the repository of her copyrighted works, but also the place where Graham's devoted protégés continue to teach her method to the next generation of dancers. Fortunately, the Center is committed to honoring Graham's art and carrying her legacy forward (the Center could well be the exception however, rather than the rule). If the Center had lost the intellectual property rights to Graham's works, it is conceivable that Graham's legacy would not survive (unless her dancers and the Board of Directors and Protas were able to find a workable solution, which seems unlikely, given that relations were strained long before the case arose).

In fact, the *Martha Graham* case is not the first of its kind in the dance world. British choreographer Anthony Tudor created *Dark Elegies* for Rambert Ballet Company ("Rambert") in 1937.[125] In 1940, Tudor staged a glossier production of *Dark Elegies* for the American Ballet Theatre ("ABT"), and the dance has remained in ABT's repertoire. Rambert revived the famed original version for its 1988 season. However, the Tudor estate only authorized Tudor's ABT version created in 1940, and served a writ on Rambert, seeking to enjoin its performance of the 1937 original, arguing that later versions were more accurate. In Rambert's view, Tudor choreographed *Dark Elegies* at a time when companies claimed ownership, and that Tudor never challenged this arrangement in his lifetime. Ultimately, the case was settled, with a compromise allowing the Rambert version to a limited number of performances.[126]

Luckily Graham's legacy is intact for the foreseeable future. One could easily imagine tragic results, such as the case of the legendary ballet artist Leonide Massine, whose productions are excluded from many repertoires because of the purported mismanagement by his son of his legacy.[127] Some troupes, such as Alvin Ailey and José Limón, have been adding to their repertoire without diluting the founder's work.[128] Other choreographers are securing their legacy by establishing foundations to address copyright issues after the choreographer's death (e.g., the George Balanchine and Jerome Robbins Foundations).[129] In some instances, the choreographer's wishes may not always be paramount. The Balanchine Foundation, for example, has the flexibility to override different versions of his ballets (such as the truncated rendition of the stunning 1928 original of *Apollo*), while still maintaining rigorous standards.[130]

To be sure, choreographers (and other artists, since the *Martha Graham* case affects the entire arts community, not only choreographers) in the future should be mindful of the work-for-hire doctrine when contemplating their legacies. They should not simply assume that their status as founder and head of not-for-profit corporations automatically means that they own their works (or that the not-for-profits automatically own them, for that matter). Dance companies can and do make arrangements with choreographers who wish to establish ownership of the dances they create (e.g., George Balanchine). Contracts between artists and not-for-profits should be ironclad, specifying copyright ownership of works, memorializing in dance notation (which has been refined over the years), and wherever possible, videotaping dance performances, coaching sessions, and discussions between the choreographer and dancers.[131]

Some commentators predict that the "Martha Graham syndrome" will be repeated again and again over the next 20 years, and suggest that American modern dance model its repertory companies after classical ballet companies.[132] Yet "the ethos of modern dance has existed and developed on the individualist credo of young choreographers" who learn their craft under an established choreographer and then may strike out and form their own companies with their own repertoire.[133] Modern dance, in contrast to ballet (which has an internationally practiced language), depends on the personal technique of its founders. Perhaps the very spirit of modern dance is one that constantly reinvents itself, all that is beyond the realm of the law.

No doubt Martha Graham could captivate an audience (as well as patrons) by her theatrical presence and charm. She was perhaps ambivalent about her work outliving her, believing that her choreography depended on herself and the dancers she trained who were animated by her passion and technique. Maybe she would be pleased over the havoc she staged. Martha Graham was, after all, the *doyenne* of modern dance.

Endnotes

1. Choreography did not receive explicit copyright protection until it was listed among the categories of works eligible for protection under the 1976 Copyright Act. See 17 U.S.C. § 102(a)(4); *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833, *7 (2d Cir. N.Y. Co., 2004) (citing *Horgan v. MacMillan, Inc.*, 789 F.2d 157, 16 (2d Cir. 1986)). Under the 1909 Copyright Act, choreography could be registered as a species of "dramatic composition." *Id.* For a fascinating discussion on the history of dance preservation, see Leland Windreich, Capturing the Dance; Preserving Choreography, World and I, No. 11, Vol. 17, at 96 (Nov. 1, 2002).
2. Dances, like other creative works, are eligible for statutory copyright if they are "fixed in any tangible medium of expression." 17 U.S.C. § 102(a) (2004). Written notation or a film or video of a dance performance satisfies this requirement.
3. Nadine Meisner, Stealing a Dance, Prospect (Oct. 17, 2002); *See* Joan Acocella, *Devil or Angel; Paul Taylor's Mixed Feelings*, The New Yorker, at 130 (Mar. 20, 2000) (describing the difficulty companies face when dancers depart, as the case when two dancers left Paul Taylor. "A whole chunk of your art walks out the door. . . . Did blue walk out on Picasso? Did C Major leave Schubert?").
4. See Windreich, *supra* note 1, quoting Marcia Siegel's collection of reviews, *Vanishing Point* (1973) (A dance performance is "an event that disappears in the very act of materializing.").
5. Windrich, *supra* note 1.
6. *See* Joan Acocella, *The Flame; The Battle Over Martha Graham's Dances*, The New Yorker, at 180 (Feb.19./Feb. 26, 2001) (comparing dance and theater. "Drama is a wheel, with spokes (the productions) radiating from the hub (the text). Dance is a chain, with each link attached only to the last.").
7. Marian Horosko, Martha Graham: The Evolution of Her Dance Theory and Training (Revised Edition), Preface at ix-xiii (2002); Meisner, *supra* note 3.
8. Wendy Perron, *Protas Sues as Graham Dancers Go Back to School*, Dance Magazine, No. 4, Vol. 75, at 32, quoting former Graham dancer Stuart Hodes; *see also* Robert Tracy, Goddess: Martha Graham's Dancers Remember (1996) (recollections of more than 30 dancers); Horosko, *supra* note 7 (reflections of Graham's teachings, as recorded by her students over the years).
9. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833 (2d Cir. N.Y. Co., 2004).
10. *See* Agnès De Mille, Martha: The Life and Works of Martha Graham (1991); Mark Franko, Dancing Modernism/Performing Politics (1995); Mark Franko, The Work of Dance (2002).
11. Martha Duffy, *The Deity of Modern Dance; Martha Graham: 1894–1991*, Time, at 69 (Apr. 15, 1991). Terry Teachout, *Martha Graham*, Time, at 200 (June 8, 1998); *Tribute, Martha Graham, the Revolutionary Mother of Modern Dance, Takes Her Final Leave of the Spotlight*, People, at 96 (Apr. 15, 1991).
12. The Notebooks of Martha Graham (Introduction by Nancy Wilson Ross) (1973); Garfunkel, *infra* note 16, at 65; Leroy Leatherman (text) and Martha Swope (photographs), Martha Graham: Portrait of the Lady as an Artist (1966).
13. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833 (2d Cir. N.Y. Co., 2004).
14. Edna Ocko, Martha Graham—Dances in Two Worlds, New Theatre (July 1935) (reproduced in Mark Franko, Dancing Modernism/Performing Politics at 65).
15. Horosko, *supra* note 7, Preface at ix; De Mille, *supra* note 10, at 198.
16. *See* Marion Horosko, Martha Graham: The Evolution of Her Dance Theory and Training 1926–1991 (Interview with Martha Graham) at 10, 12 (1991); Trudy Garfunkel, Letter to the World: The Life and Dances of Martha Graham, at 68, 75 (1995); Molly Glenter, *Graham Center Receives Grant*, The Houston Chronicle, at 14 (Apr. 14, 2004).
17. *Id.* at 2.
18. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 224 F.Supp. 567, 588 (S.D.N.Y. 2002). The Center functioned as an umbrella organization overseeing the Martha Graham School and the Martha Graham Company (as well as the Martha Graham Dance Company and the Martha Graham Ensemble). See Appellees' Br. at 10.
19. *See* http://www.marthagrahamdance.org; Candace Johnson, The Virginian-Pilot (Sept. 30, 2004), at E1.
20. Alan Kriegsman, *The Timeless Graham At Kennedy Center, Unparalleled Pieces*, Washington Post at C1 (Mar. 29, 1989).
21. *See* http://www.marthagrahamdance.org. These 70 dances, with the dates of creation, and determinations of the District Court and Second Circuit Courts as to their work-for-hire status, are listed in the Appendix to the Court of Appeals decision. *See Martha Graham School & Dance Foundation, Inc. v. Martha Graham*

Center of Contemporary Dance, Inc., 2004 WL 1837833, FN 4 (2d Cir. (N.Y.) 2004).

22. *See, e.g.*, De Mille, *supra* note 10, at 380–391; Joan Acocella, *The Flame; The Battle over Martha Graham's dances*, The New Yorker, at 180 (Feb. 26, 2001); Joan Acocella, *The Martha Graham Dance Company Returns to New York*, The New Yorker, at 202 (Feb. 17, 2003).

23. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833 (2d Cir. (N.Y.) 2004).

24. *Id.* at *5.

25. Despite the urging of his lawyer to ascertain what intellectual property had passed to him under Graham's will, Protas did not do so, but nevertheless asserted ownership of copyrights in all of Graham's dances, sets and properties. In 1998, Protas placed the copyrights in the Martha Graham Trust, a revocable trust that he created and of which he was sole trustee and beneficiary. Protas then licensed many of the works, assigned what he claimed was 100% interest in a Noguchi sculpture to the Center, and sold numerous properties to the Library of Congress for $500,000. The Second Circuit upheld the District Court's imposition of a constructive trust on property licensed and sold by the Trust, and remanded for a recalculation of the amount subject to the constructive trust. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833, at *6, *15 (2d Cir. (N.Y.) 2004).

26. *Id.* at *6.

27. *Id.*

28. Doreen Carvajal, *A State Grant Could Help Save Graham Studio*, New York Times, Sec. E, at 1 (Oct. 30. 2000); Joseph Carmen, *Graham School May Reopen with $750,000 Offer*, Dance Magazine, No. 1. Vol. 75, at 32 (Jan. 1, 2001) (quoting Senator Roy Goodman); see Windreich, *supra* note 1, quoting Marcia Siegel's collection of reviews, *Vanishing Point* (1973) (A dance performance is "an event that disappears in the very act of materializing.").

29. Protas also moved for a temporary restraining order barring the Center for using the name "Martha Graham" and "Martha Graham Technique." These trademark issues were tried (separately from the copyright claims) in an eight-day bench trial before Judge Miriam Cederbaum, who denied Protas's motion and dismissed the first four counts of the Complaint. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.* 153 F. Supp.2d 512 (S.D.N.Y. 2001) (*"Graham I"*). The District Court in *Graham I* held that Graham had assigned her name and the Martha Graham Technique to the Center. *Id.* at 526-27. The Second Circuit in *Graham I* affirmed the District Court's decision. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc. aff'd*, 43 Fed. Appx. 08 (2d Cir. 2002). (The District Court's decision on the trademark claims and the Second Circuit affirmation are collectively referred to as *"Graham I"*).

30. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 224 F. Supp.2d 567 (S.D.N.Y. 2002). (The District Court and Second Circuit decisions on the claims for ownership in the copyright, sets and costumes are collectively referred to as *"Graham II")*. The Court also decided that Graham had assigned her pre-1956 works to the Center and that 10 of Graham's works had fallen into the public domain. This article focuses on the work-for-hire doctrine, and the Court's determination of copyright ownership based on the work-for-hire doctrine.

31. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833, at *3. The Second Circuit in *Graham II* confirmed Protas's ownership of one more dance, raising his copyright ownership to two dances. The Second Circuit in *Graham II* also remanded for a future hearing the ownership of seven dances as well as two other dances the Court found were incorrectly deemed unpublished. In addition, the Second Circuit in *Graham II* found that Protas had breached his fiduciary duties to the Center and held him liable for damages that would be calculated by the District Court.

32. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, *reh'ing denied* (2d Cir. N.Y. Co., Sept. 22, 2004).

33. The Copyright Act of 1909 Act applies to works created before January 1, 1978.

34. For an interesting discussion on the work-for-hire doctrine and the District Court's analysis as it pertained to works created by Martha Graham, see Holly Rich and Sarah Kutner, *Dirty Dancing: The Moral Right of Attribution, the Work-for-Hire Doctrine and the Usurping of the Ultimate Grand Dame and Founder of Modern Dance, Martha Graham*, NYSBA, EASL J, Vol. 15, No. 2, pg. 11 (Summer 2004).

35. Rebecca J. Morton, *Note:* Carter v. Helmsley-Spear, Inc.: *A Fair Test of the Visual Rights Act?*, 28 Conn. L. Rev. 875, 885 (Spring 1996).

36. Rich and Kutner, *supra* note 34, at 11.

37. *Id.*

38. Morton, *supra* note 35, at 886, quoting *Dumas v. Gommerman*, 865 F.2d 1093, 1096 9th Cir. (1988).

39. 188 U.S. 239 (1903).

40. *Id.* at 248.

41. 17 U.S.C. § 26 (1977 ed.), amended by 17 U.S.C. § 101 (1978); *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 224 F. Supp. 567, 587 (S.D.N.Y. 2002) (citing *Brattleboro Publ'g Co. v. Winmill Publ'g Corp.*, 369 F.2d 565, 567 (2d Cir. 1966)).

42. U.S. Const. art I, § 8, cl. 8. The U.S. Constitution empowers Congress "[t]o promote the Progress of Science and the useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The theory behind Congress's authority is to maximize the output of creative works by granting to authors of work limited monopolies. *See* Judith B. Prowda, *Application of Copyright and Trademark in the Protection of Style in the Visual Arts*, Columbia/VLA, Vol. 19, Nos. 3-4, 269 (Spring/Summer 1995).

43. *Graham II*, 224 F. Supp.2d at 588 (citations omitted).

44. The "instance and expense" test was first defined in *Brattleboro Publ'g v. Windmill Publ'g Corp.*, 369 F.2d 565 (2d Cir. 1966).

45. *Graham II* at 588, quoting *Siegel v. Nat'l Periodical Publications, Inc.*, 508 F.2d 909, 914 (2d Cir. 1974).

46. *Id.* at 588, quoting *Playboy Enterprises, Inc. v. Dumas*, 53 F.3d 549, 554 (2d. Cir. 1995) (other citations omitted).

47. Under the 1976 Act, works that were created on or after January 1, 1978 acquired statutory copyright protection upon the creation of the work. U.S.C. § 302(a). The 1976 Act also protected works that had been created before January 1, 1978, but were neither in the public domain nor copyrighted as of that date. *Id.* at § 303(a). The 1976 Act was the product of extensive negotiation by representatives of the entertainment industry and authors. *See, e.g.*, Jessica D. Litman, *Copyright, Compromise, and Legislative History*, 72 Cornell L. Rev. 857, 89, 888–91 (1987). As a result of these negotiations, to the disadvantage of authors, certain possibilities of recapture were excluded from work-for-hire. In exchange, however, and to the advantage of authors, work-for-hire was narrowed to exclude most commissioned works. *See id.* at 889. For concise discussion of the work-for-hire doctrine under the 1976 Act, see Ralph E. Lerner and Judith Bresler, Art Law: The Guide for Collectors, Investors, Dealers, and Artists, Vol. II, at 809 (2d Ed. 1998).

48. The nine categories are: Contributions to collective works, parts of motion pictures or other audiovisual works, translations, supplementary works, compilations, instructional texts, tests, answers for tests, and atlases. 17 U.S.C . § 101 (2004).

49. *Id.*

50. 17 U.S.C. § 201(a) (2004).

51. 17 U.S.C. § 201(b) (2004).

52. *Community for Creative Non-Violence v. Reid*, 49 U.S. 730 (1989).

53. *Id.* at 741.

54. *Id.* at 738 (citing *Peregrine v. Lauren Corp.*, 601 F. Supp. 828, 829 (Colo. 1985)); *Carkstown v. Reeder*, 566 F. Supp. 137, 142 (S.D.N.Y. 1983).

55. *Aldon Accessories Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir. 1984), *cert. denied*, 469 U.S. 982 (1984).

56. *Brunswick Beacon, Inc. v. Schock-Hopchas Publ'g Co.*, 810 F.2d 410 (4th Cir 1987).

57. *Evans Newton, Inc. v. Chicago Systems Software*, 793 F.2d 889 (7th Cir. 1986), *cert. denied*, 479 U.S. 949 (1986).

58. *Reid* at 72-43.

59. *Id.* at 751–52.

60. *Id.* at 752.

61. *Aymes v. Bonelli*, 980 F.2d 857 (2d Cir. 1992).

62. *Id.* at 861–862.

63. *Id.* at 861.

64. *Id.* Professor Nimmer notes that the first factor, the hiring party's right to control, is not in fact one of the *Reid* factors, but "more accurately a summary of where the inquiry should focus." M. Nimmer, Nimmer on Copyright, § 503[B] (2004). The remaining four factors quote selectively from among a longer list to which the Supreme Court gave equal prominence. *Id.* The Second Circuit in *Aymes* identified two of the factors—employee benefits and tax treatment—as always relevant because they would "usually be highly probative of the true nature of the employment relationship." *Aymes*, 980, F.2d at 861. Commentators have pointed out that the Second Circuit's emphasis on details of payment echoes the definition of a "formal, salaried employee" and the approach to the work-for-hire interpretation in *Playboy v. Dumas*, 53 F.3d 549 (2d Cir. 1995), that the Supreme Court had rejected in *Reid*. *See* Nimmer, *supra*, at § 503[B] (The *Aymes* decision suggests an "end-run around the Supreme Court's opinion and resurrection of the *Dumas* rule."); *see also* Morton, *supra* note 35, at 890.

65. The District Court made clear that prior to 1956, Graham was not an employee of either the Martha Graham School or Center. The Martha Graham School did not exist until 1956. Although the Center was incorporated 1948, it did not hire Graham prior to 1956 in any capacity, either as traditional employee or independent contractor. (The Center supported Graham's work by promoting and disseminating her technique and raising and managing fund for performances of the Martha Graham Company.) Consequently, 36 dances created by Graham prior to 1956 were not works-for-hire. Copyrights in these dances originally belonged to Graham until they entered the public domain for failure to renew or if she assigned them to the Center. *Graham II* at 595, 603. The Second Circuit affirmed the District Court's finding that the 36 dances created by Graham created prior to 1956 were not works-for-hire. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833, *9 (2d Cir., N.Y. Co. 2004).

66. *Graham II*, 244 F. Supp.2d at 592, 594. Under the 1976 Act, works that were created on or after January 1, 1978 acquired statutory copyright protection upon the creation of the work. U.S.C. § 302(a). The 1976 Act also protected works that had been created before January 1, 1978, but were neither in the public domain nor copyrighted as of that date. *Id.* at Sec. 303(a). For concise summary of relevant provisions in the 1976 Act, see *Graham*, 2004 WL 187833, *7 (2d Cir. N.Y. Co., 2004). The 1909 Act applies to works created before January 1, 1978.

67. *Graham II*, 244 F. Supp.2d at 592.

68. *Id.* 588.

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.*

74. *Id.* at 589.

75. *Id.* Graham's style of choreographing was a collaborative process between Graham and the Center whereby Graham choreographed "on" the dancers' bodies and incorporated dance phrases the dancers presented to her. Appellants' Br. at 14.

76. *Id.*

77. *Id.*, quoting *Playboy v. Dumas*, 53 F.3d at 555.

78. For example, in the early 1980s several Board members suggested that Graham create a work with Scandinavian themes and recommended a composer she might consider for this work. Graham incorporated the Board's suggestions into her choreography for Acts of Light and Tangled Night. *Id.* at 590.

79. *Id.*

80. *Id.* at 591.

81. *Id.* The court noted that the Board did exercise its control "in ways it saw fit while giving deference to Graham's talent as a choreographer."

82. *Id.*

83. *Id.* (citing *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77 (2d Cir. 1995)). The Second Circuit in *Carter* held that a sculpture created by artists who "had complete artistic freedom with respect to every aspect of the sculpture's creation" was a work made for hire. *Carter* at 86. The *Carter* Court also found that the following factors pointed to an employment relationship: (1) provision of employee benefits and tax treatment of the plaintiffs; (2) that the artists were provided with many of the supplies to create the sculpture; (3) that they were employed for a substantial period of time, with no set date for termination; and (4) that the artists could not hire paid assistants without the owner's approval.

84. *Graham II* at 592.

85. *Id.* (citing *Reid*, 490 U.S. at 751).

86. *Id.*

87. *Martha Graham School & Dance Foundation, Inc. v. Martha Graham Center of Contemporary Dance, Inc.*, 2004 WL 1837833 (2d Cir. N.Y. Co., 2004)). For a brief synopsis of the Second Circuit decision, see James H. Ellis, *Martha Graham Has Another Hit*, NYSBA, EASL J, Vol. 15, No. 3, pg. 11 (Fall/Winter 2004).

88. *Id.* at *5.

89. Appellants argued that the Court should carve out an exception to the work-for-hire doctrine for "creative geniuses" who establish not-for-profit corporations because it is "inappropriate" to consider such persons "mere employee[s]." Appellants' Br. at 19, 20, 23.

90. *Amici Curiae* were the American Dance Festival, Inc., a not-for-profit corporation "committed to promoting the art of dance," founded in part by Graham; Gerald Arpino, Artistic Director of the Joffrey Ballet of Chicago; and Gordon Davidson, Artistic Director of the Center Theatre Group/Mark Taper Forum of the Los Angeles County Music Center. See *Graham*, 2004 WL at *10.

91. *Graham*, 2004 WL at *10, citing Br. for *Amici Curiae* at 2.

92. *Id.* at *7. Also see Circuit Court decision, *supra* note 9, for a list of these 10 dances.

93. *Id.* at *7.

94. *Id.*

95. *Id.*

96. *Id.*

97. *Id.* (citing *Shapiro/Vogel*, 224 F.2d at 570).

98. *Id.*

99. *Id.* (citing *Graham II*, 224 F. Supp.2d at 594).

100. *Id.*

101. *Id.*

102. *Id.* at *11. The Circuit Court upheld the District Court's finding that Graham received royalties for the dances she created during this period. The presumption that the dances were works-for-hire could have been rebutted by evidence that she received royalties.

103. *Id.* at *10. In 1966, after her initial ten-year contract (1956–66) with the School had ended, Graham signed a new ten-year contract with the Center (1966–76), which was renewed indefinitely in 1976. As noted earlier, Graham's title changed from Program Director of the School to Artistic Director of the Center and her duties shifted to choreography.

104. *Id.*

105. *Id.*

106. *Id.*

107. *Id.* at *10–11.

108. *Id.* at *11.

109. *Id.*

110. *Id.* (citing *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 206 F.3d 1322 (9th Cir. 2000)).

111. *Id.*

112. *Id.* at 11–12.

113. *Id.* at 11, quoting Trial Transcript at 223 (testimony of Lee Traub).

114. *Id.* at 11.

115. *Id.* at 12 (citing *Carter* at 85–88). The Second Circuit in *Carter* ruled that the sculpture was a work-for-hire under the 1976 Act despite the fact that the artists had complete artistic freedom with respect to every aspect of its creation. The *Carter* Court stated that "while artistic freedom remains a central factor in our inquiry, the Supreme Court [in *Reid*] has cautioned that 'the extent of control of the hiring party exercises over the details of the product is not dispositive.' Hence, resolving the question of whether plaintiffs had artistic freedom does not end the analysis." *Carter* at 86. Other factors weighing in favor of an employment relationship in *Carter* included the defendants' freedom to assign additional works and the fact that the artists had worked for over two years on a contracted 40-hour week schedule, with no previously set date of termination other than the sculpture's completion, which itself was not defined. The provision of employee benefits and tax treatment, in particular, pointed toward an employment relationship, as did the fact that the artists were provided with many of their supplies and could not hire assistants without approval. *Carter* at 87.

116. The court cites the example of a "'full-time cook' over whose culinary activity "'it is understood the employer will exercise no control.'" *Graham II*, 2004 WL at *12 citing Restatement (Second) of Agency § 220(1) cmt. d (1958).

117. "'[S]hip captains and managers of great corporations are normally superior servants, differing only in the dignity and importance of their positions from those working under them. *Graham II* at *12, citing Restatement (Second) of Agency at § 220(1) cmt. a.

118. *Graham II* at *12.

119. *Id.* at *10.

120. *Id.*

121. As the Appellants aptly pointed out, the determination of who is or is not a "genius," whether artistic, creative, or any other kind, is "supremely subjective and unworkable[.]" Appellants' Br. at 33.

122. See *Amici* Br. at 9, 12, 14, 17.

123. See Appellants' Br. at 33.

124. See Appellants' Br. at 47, quoting Gregory Kent Laughlin, *Who Owns Copyright to Faculty-Created Web Sites?: The Work-for-Hire Doctrines Applicability to Internet Resources Created for Distance Learning and Traditional Classroom Courses*, 41 B.C.L. Rev. 549, 572 (2000) ("[A] non-profit entity is considered to be 'in business' for purposes of determining whether or not the creator was an employee under the work-for-hire provisions of the 1976 Act").

125. The dance is set to Mahler's "Kindertotenlieder" and is described as "a work of intense tragic feeling." John Percival, *A Leap into the Dark Elegies for Rambert*, The Times (London) (June 4, 1988).

126. *See* Meisner, *supra* note 3; John Vidal, *Arts Diary: Pas de Deux? Pas du Tout*, The Guardian (London) (Oct. 1, 1988).

127. See Meisner, *supra* note 3.

128. *See* Clive Barnes, *Is This Crisis Critical? Fate of Modern Dance Companies*, Dance Magazine, No. 2 Vol. 75, at 162 (Feb. 1, 2001) ("What is happening to the Martha Graham company . . . has already happened to companies led by José Limón and Alvin Ailey.").

129. *See* http://www.balanchine.org and http://www.jeromerobbins.org.

130. See *id.*

131. The Balanchine Foundation has been videotaping Balanchine's original dancers coaching his ballets, to memorialize Balanchine's original choreography. The Library of Congress is attempting the same method for Graham's works: "layered films," including a performance, rehearsal, and Graham's coaching, if it exists, plus a discussion by the original dancers. *See* Joan Acocella, *The Flame; The Battle Over Martha Graham's Dances*, The New Yorker, at 180 (Feb. 19/Feb.29, 2001).

132. *See* Barnes, *supra* note 128.

133. *Id.*

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The Role of ADR in Preparing and Trying the Civil Lawsuit

By Elayne E. Greenberg

As litigators, of course we all know the well-touted figure that approximately 95 percent of cases settle. Why then do we still devote so much of our representation focus preparing for litigation? Does this make sense, given that a trial only has a five percent chance of occurring? Does it make more sense for litigators to use, in addition to litigation, other methods to settle cases? This article invites you to expand your thinking, and consider how you might integrate alternative dispute resolution (ADR) into your effective advocacy of your client's interests.

This article will familiarize you with ADR processes and explain how they can help you get more satisfying resolutions for your clients. Mediation, arbitration, early neutral evaluation, mini-trials, summary jury trials and hybrid processes are all dispute resolution processes to help you achieve a settlement for your client. From the initial client interview, while developing the negotiation/litigation plan, and while going forward with the case, skilled litigators integrate and evaluate the feasibility of ADR options into their case strategies. As an attorney interested in developing a working knowledge of these processes, you will also read about the practice issues each process raises.

What is ADR?

The concept of ADR, using alternatives to litigation to settle disputes, is not new or unfamiliar. For example, we have all turned to such great problem-solvers as Grandmas, members of the clergy or tarot card readers to skillfully settle many a dispute. Yet the legal system has been a bit slower to experiment with alternatives to litigation. In fact, the concept of a "multi-door courthouse," in which a court offers attorneys and their clients a menu of dispute resolution processes from which they may chose, was first introduced in 1976 by Professor Frank Sander of Harvard at the Pound Conference.[1] Since that historical moment, the legal system has been evolving. In addition to negotiation and litigation, astute litigators may now elect to resolve their disputes through ADR. In fact, Richard Long, esteemed former Chairman of the New York State Bar Association's Trial Lawyer's Section, cited ADR as one of the top ten significant changes in the civil justice system during the past decade.[2]

But I am a litigator . . .

To be effective, 21st Century litigators need to be versed in the language of dispute resolution. The following brief story about a mother mouse and her baby mice makes the point: One day the baby mice were playing in the house, became bored and asked their mother if they could go out and play. "Okay," the mother mouse responded, "but only if you agree to play in front of the house." "Yes, yes," agreed the baby mice. The baby mice went out to play, but children being children, they soon forgot what they had promised and wandered away from the house to play down the street. They were in the middle of playing, when all of a sudden who should appear but a big, fat cat! The cat cornered the baby mice, bared his teeth, exposed his claws and was getting ready to pounce and devour, when all of a sudden who should appear, but the mother mouse. "Sss," went the cat. "Ruff, ruff," went the mouse, and the cat ran away. The mother mouse turned to her babies and admonished, "I told you the importance of knowing more than one language!"

So too, the changing nature of the practice of law requires litigators to be fluent in both the language of litigation and the language of dispute resolution. The writing is on the wall: The traditional adversarial legal paradigm that has historically defined the practice of law is being challenged. For example, we have all been discouraged by the proliferation of lawyer jokes that have dominated the media,[3] eroded our image as members of a respected profession, and replaced it with an image of spineless vultures. We have all read with concern about increasing numbers of clients who, feeling fed up with the high cost of litigation and feeling duped by unsatisfying court outcomes, are now opting to do it alone and represent themselves in court.[4]

In response to this climate of challenge to the adversarial status quo, several alternative paradigms have emerged, each encouraging a re-thinking of both our role as attorney and the dimensions of our clients' conflicts. The corporate world, too, has heeded the demand for change with respect to conflict resolution. Corporations have shown an increasing recognition that ADR is an effective alternative to the traditional lawsuit. More than 4,000 operating companies have committed to the CPR Corporate Policy Statement to Litigation, requiring subscribing companies to seriously explore ADR options before proceeding with litigation.[5] In addition, over 1,500 law firms, including 400 of the nation's 500 largest firms, have signed the CPR Law Firm Policy Statement on Alternatives to Litigation that pledges, "appropriate lawyers in the firm will be knowledgeable about ADR," and "where appropriate, the responsible attorney will discuss with the client the availability of ADR procedures so the client can make an informed choice concerning resolution of the dispute."[6]

If you are still not convinced that ADR may have value to you as a litigator, think again. Attorneys have an implicit ethical obligation to consider ADR options as part of their client representation[7] (just look at Model Rules 1.2(a), 1.4(b), Rule 2.1 and the corresponding NY EC 7-8 and EC 7-9). Although the Model Rules do not explicitly mention ADR, they implicitly state that ethical lawyering obligates attorneys to educate and consider ADR as part of their advocacy and their clients' informed decision-making.

The question remains, how can you possibly be an effective 21st Century litigator who wants to keep up with the changing legal climate and be an ethical practitioner, without having a working understanding of ADR?

Interview the Conflict Expert: Your Client

To thine own client be true! A predicate to using ADR effectively is understanding your clients and the dimensions of their conflicts.[8] Understanding your client requires you to shift from believing that you know what is best to respecting that your client has the answers, if only you listen. Attorneys should conduct client-centered interviews and listen to their clients' interests, values and risk preferences, because the clients are the real experts about their conflicts. Client-centered attorneys want to understand all dimensions of their clients' conflicts: legal, ethical, social, economic, human. All are critical in preparing for effective representation. It all starts with the first interview.

Let us look at two distinct types of lawyers with two distinct types of interviewing styles. The first proudly refers to herself as a Rambo-like incarnate who loves to litigate and win. From her perspective, that is what being a lawyer is all about. When clients retain this attorney, she maintains total control of the case and reminds the client not to get in the way. During the initial client interview, she has two concerns—first, can her client afford her and second, she focuses on evaluating the facts to form a cognizable legal claim. Just the facts, and nothing more.

In direct contrast, a client-centered attorney serves as a counselor, problem-solver and negotiator for his clients. He believes that the client is truly the expert on what he wants to accomplish. This attorney does not presume to know what is best for that client. As he has found that no two clients are the same, the attorney uses the initial client interview to understand all of his client's interests and goals, and to develop a sense of the client's strengths and weaknesses. Then he educates the client about legal options and allows the client to decide how he may elect to proceed. As part of the interview, the attorney explores with his client different ways of resolving the problem and helps his client evaluate the costs and benefits of each option. The client wins with such an attorney.

As demonstrated by the second attorney, the client-centered interview is exactly what the name implies. It is about seeing the client as a human being and appreciating that not all clients are the same. It is also about understanding his feelings about the conflict and not just listening for the legal facts.[9] It is important to understand what is important to the client, in order to help evaluate his options and make choices that are consistent with his values and priorities.

If you are reading this article while in the midst of preparing for a civil lawsuit, you may be tempted to throw up your hands and think it is too late. After all, you are way past the first interview. Think again. It is never too late to learn what is important to your client. Although it is helpful to begin your attorney-client relationship with a client-centered interview approach, conflict evolves, new information emerges and perspectives change. Therefore, you should be conducting ongoing client interviews. Listening to and understanding your client throughout your representation is a predicate to the appropriate use of ADR as part of your effective advocacy. If you persist in seeing your client's conflict solely as a legal claim, you may disadvantage your client. Such legal myopia may preclude you from understanding your client's other needs and interests. Without this understanding, you may fail to consider ADR interventions that may offer your client resolutions that are more responsive to his priorities.

The following outline is a guide to help you conduct a client-centered interview:

Understanding your client's problem from the client's perspective

- What is important to your client (legal **and** non-legal interests)?
  - Why?
  - How are those interests prioritized?
- What are your client's risk preferences?
- What are your client's time needs?
- What are your client's moral, religious and social values and how does this impact this conflict?
- What is your client's best alternative to a negotiated agreement, known as BATNA?
- What resources does your client have?

- What is your client's understanding of the other side's perspective, merits and risks?
- What are the differences between your client's and the other side's priorities?
  - Values
  - Resources
  - Valuations
  - Predictions
  - Risk preferences
  - Time preferences
- What are the mutual interests shared by your client and the other side?
- How can these differences and similarities be used for mutual gain?

How will you and your client work together to develop a dispute resolution plan?

- Explain the legal process and the ADR processes.
- Evaluate the merits and risks of each process.
- Develop a dispute resolution plan.
- Develop a decision tree analysis.
- How will you allocate roles and responsibilities?[10]

Decision Tree: Your Road Map of Interventions

As a complement to the client-centered interview, you may choose to conduct a decision tree analysis to assist you and your client to evaluate the litigation strategy. Decision tree analysis is a graphic representation of your negotiation/litigation plan: identifying your options and predicting the likelihood, costs and risks of pursuing each. Decision analysis is not new. In fact, it has been used by savvy businessmen since the 1960s,[11] adopted by astute litigators in the 1980s[12] and incorporated as an impasse-breaker by devoted mediators in the 1990s.[13] As a litigator, you may find that decision analysis will assist you in providing your client with both a more specific qualitative and quantitative evaluation of you client's case.[14] Telling your client that he has a strong case is not sufficient to help him decide if he wants to pursue litigation. Your client needs and wants you to talk about what his case is worth and what it will cost to get there. Clients want to understand the cost of litigation, how litigation works, and the possible alternative strategies to settle their cases. Decision tree analysis will help you and your client stay focused on your client's goals, the true value of the controversy and what your client realistically wants to spend to achieve those goals.

This simple illustration should help clarify how decision analysis can help prevent runaway litigation costs. The *Wall Street Journal* reported how Alec and Suzi Diacou, owners of a co-op at 360 West 36th Street, generated $100,000 in legal fees and spent six-plus years of their lives litigating against the co-op board over who was going to pay the $909 for window guards.[15] If they were wise litigators, they would have approached this conflict using decision tree analysis.

Once you have designed your decision tree, you may be wondering where ADR fits in. Let us look at the window guard scenario above. Suppose the settlement value is appealing, but you are unsure if you could negotiate the settlement. This may be an opportunity to consider an ADR intervention. However, suppose that you proceeded down the litigation path, and that path was bumpier and costlier than anticipated. There are still opportunities to consider how ADR may help you reach a satisfying settlement of value. ADR may be an important option in your decision analysis, either as an initial decision, or as an option to help you settle or litigate.

ADR Processes

Marx Brothers vs. Warner Brothers: The Conflict

The threat of litigation focuses parties and their attorneys to deliberate on the best way to resolve the conflict, to litigate or settle. ADR can play a significant role in helping you and your client achieve more responsive resolutions. To illustrate the point, let me share with you a legal conflict between Jack and Harry Warner, owners of the Warner Brothers studio, and the Marx Brothers. The Marx Brothers decided to release, through United Artists, a comedic movie entitled "A Night in Casablanca." When Warner Brothers heard about this, the brothers were outraged. They alleged that this was a copyright infringement on the name "Casablanca" and threatened to seek a temporary injunction halting the release of the film. Warner Brothers sent a legal letter to the Marx Brothers warning them that the soon to be released movie, "A Night in Casablanca," would constitute an infringement on the name "Casablanca."

If the Marx Brothers or Warner Brothers contacted you, how might you advise that they proceed? Surely, you would not recommend litigation, and force a court to choose between cinematic geniuses.

Let us re-examine this case and consider how you might use ADR to resolve this case if you had the good fortune to represent either party.

Both sides have reasonable legal arguments. Warner Brothers alleges that "A Night in Casablanca" is a copyright infringement on the name of its film. The Marx

Brothers state that "A Night in Casablanca" is a parody and is protected under the fair use defense.[16]

Got the facts? Certainly, you would know how to litigate this case. Yes, the familiar gives us comfort. Yet, you are also willing to go beyond the familiar. Let us begin by becoming acquainted with some of the possible ADR options. As you read, begin thinking about how each might help to resolve the dispute.

Mediation

Mediation is actually an assisted negotiation. The mediator does not decide how to resolve the conflict. Instead, the mediator may assist the parties to resolve their conflict, by supporting, not supplanting, their decision-making. The "value added" by mediation is that it enhances the quality of information, communication and decision-making.[17] Mediation is often the process of choice when the parties in conflict have an ongoing relationship. When skillfully used, mediation offers you and your client an opportunity to be heard, a dignified way to address the conflict and a range of remedies, limited only by the imagination of your adversary, your mediator and you. Mediation requires a unique type of advocacy.[18] Most mediators encourage client participation; you and your client are partners putting forth a case, developing options and evaluating how to proceed. Even when it is court-ordered, you can only be compelled to attend mediation, but not to settle.

All mediations are not the same. Some mediators will have pre-hearing meetings and request written pre-mediation submissions. Before beginning the actual mediation, most mediators will request that the participants sign an Agreement to Mediate or a Confidentiality Agreement. The terms of this agreement are negotiable. This is an opportunity for you to make sure that the terms of participation and the parameters of confidentiality reflect your priorities.

Both you and your client will attend the actual mediation. The mediation begins with the mediator making an opening statement, explaining how the process works. Usually, each side will then be asked if it wants to make its opening statement, explaining the conflict from its perspective. Sometimes the attorney makes the opening statement, at other times the client makes it, and sometimes the attorneys and their clients share the responsibility. Opening statements are opportunities to set the tone. Beginning with the opening statement and continuing throughout the mediation, each side may assess the strength of the other's case, the type of witness each client would make and the other side's willingness to mediate.

Following opening statements, some mediators hold caucuses, or separate meetings with each attorney and his or her client. Some will conduct most of the mediation by caucusing with each side only, shuttling back and forth between the parties until an agreement is brokered. Others prefer to mediate with the attorneys and parties present in a "joint session," believing there is value in having the parties and their attorneys in the same room, negotiating together.

There is no one appropriate time to use mediation. Some attorneys find that it is helpful at the beginning of a dispute to clarify discovery and work out procedures for settlement. Others contend that a case is ripe for mediation at the eve of trial, only after discovery is complete. Yet mediation is a process that may be used several times in the course of case management. Mediation may also be used as part of an ADR plan. For example, if there is an impasse in mediation, the parties can agree to arbitrate or seek the assistance of an early neutral evaluation.

Many attorneys welcome the information sharing that takes place in mediation. It is an opportunity to learn about and evaluate the strength and quality of an opponent's case. However, some are concerned about how many of their own cards they may need to show to participate meaningfully. Therefore, there is a struggle with defining the line between participating in good faith and giving away too much information.

Who Are the Neutrals?

No two mediators function the same way. There are mediators who evaluate and facilitate,[19] and those who transform.[20] For your purposes, you need to understand that some mediators will give an evaluation of the merits of your case, others will help the parties find common ground, and still others will assist you to talk about your conflict, clarify your options, and even shape your own resolutions. Some will narrowly stick to your issues while others will encourage a broader framing of the problem.[21]

When selecting a mediator, you may choose from an administering agency's list of approved mediators, a court roster, a local bar association's referral list or word of mouth. There are many skilled independent mediators. Satisfied colleagues who have had positive experiences with mediations are a good source of referrals. Mediation is an unregulated field. Therefore, it is imperative that you interview the mediator with care to ensure that you are getting the type of neutral that is right for your case. When interviewing potential mediators, ask about their mediation training, substantive knowledge, style of mediating, number and types of cases mediated per year, success rate and their references.

Remedies

Mediation allows you and your client to help shape remedies that satisfy your client's needs. In mediation, parties can agree on both legal and non-legal remedies.

For instance if your client's ego has been savagely wounded, a heartfelt apology[22] in mediation may be more satisfying and palliative than a favorable jury verdict that involves years of expensive litigation. Many litigators are pleasantly surprised at the creative solutions that clients are able to generate in mediation, with the appropriate guidance.

Practice Issues

Some practice issues to consider include:

- Do we want to seek the assistance of an administering agency, or do we want to set up and administer the mediation ourselves?
- What type of neutral are we seeking?
- What are the best ways to allocate the responsibilities between my client and me?
- How have I tailored my advocacy to maximize use of the mediation forum?
- What are the parameters of confidentiality and privilege that I want included in the Agreement to Mediate or Confidentiality Agreement?
- What do I want to accomplish through the mediation?
- What information do I wish to reveal in mediation?
- What are the next steps if mediation does not completely resolve our conflict?

Description of the Arbitration Process

Arbitration is actually privatized judging. Customization, promptness and certainty are appeals of arbitration. It may be customized: you can pick the arbitrators, negotiate the procedural rules, define the scope of discovery, and delineate the type of remedies. As a litigator, you may feel a comfort and familiarity with arbitration because it is akin to a trial. Your litigation skills are transferable. However, if you are looking to create precedent for jury sympathy or for appellate review, arbitration may not be the appropriate forum for your case.

Some arbitrations are compelled by contract. However, chances are that you may either be voluntarily considering arbitration or are compelled by the court to arbitrate. If a court compels you, the arbitration is non-binding. If you are voluntarily considering arbitration, you are likely to elect to have a binding arbitration. If this is a voluntary arbitration (with no prior agreement to arbitrate), you begin by a submission. In the submission, all parties must sign, identify the arbitrator or how the arbitrator will be selected, delineate the authority of the arbitrator, agree on the procedures for hearing, identify the matter in dispute, define the amount in controversy and agree on the remedies sought.[23]

Prior to the actual arbitration, a pre-hearing with the arbitrator(s) and attorneys is likely to be scheduled. At the pre-hearing, you will agree on the rules of the arbitration: the issues, timing, discovery, stipulations, and motions.[24] The arbitration itself is like an informal court proceeding. The hearing begins with opening statements from each party's counsel.[25] Usually, evidentiary rules are not strictly adhered to. Not only can attorneys introduce evidence, but arbitrators, too, can direct evidence be introduced. Not only can attorneys subpoena witnesses, but arbitrators can as well.[26]

At the conclusion of the hearing, the arbitrator will render a decision in the form of an award. Usually awards are rendered within 30 days; in complex arbitration it may take longer. Litigators will opt for arbitration when they would like to get a faster decision than they are likely to get from a court.

If the arbitration is binding, a party will not be able to overturn the award unless it is shown that the award was totally irrational, exceeded the arbitrator's defined powers[27] or was against public policy.[28] However, if the arbitration is court-ordered and non-binding, then the parties may disregard the award and proceed to a trial *de novo*.[29]

Who Are the Neutrals?

In arbitration, you may select either one arbitrator or a panel of three arbitrators, depending on the cost and complexity of the case.[30] The good and bad news is that arbitrators do not have to be lawyers and may be individuals with subject-matter expertise. Of course, arbitrators with subject-matter expertise will cut down on the amount of "education" time you will need. However, some arbitrators may put less importance on the law and more emphasis on the spirit of the case. Based on the particulars of your case, choose accordingly. When selecting an arbitrator, look for an individual with integrity, arbitration experience, and the ability to manage your issues.[31]

Unlike the court system, where you cannot select the judge, in arbitration you have the right to select your arbitrator(s). You can select from private referrals, bar association referrals, and alternative dispute organization providers like Jams, CPR and AAA.

Remedies

A benefit of arbitration is the flexibility an arbitrator has to fashion any remedy that he "deems just and equitable."[32] Therefore, both the law and the spirit of the parties' agreement may influence the arbitrator's decision. Included in the permissible awards are monetary relief and specific performance, punitive damages under the FAA and when permitted by both state law and arbitration agreements,[33] costs and expenses (so long as it is not contradicted by contract), attorneys' fees (if provided by contract), prejudgment interest (if provided by agreement), and post-judgment interest from the date of entry of the award.[34] Arbitrators may also be allowed to issue provisional relief such as TROs.

Practice Issues

If you are considering moving your case to arbitration, some other practice issues to consider are:

- Do you want the arbitration administered or non-administered? Some dispute resolution organizations will arrange the arbitration, provide their rules, manage the scheduling and provide the facility at a cost.
- What issues do you want arbitrated? Some litigators sever the issues and have some litigated and others arbitrated.
- Are the issues able to be arbitrated pursuant to the applicable law?
- What type of relief are you seeking?
- How will you select neutrals—drawn from a pool, expertise, training, ability to strike?
- Where will the arbitration take place?
- What are the parameters of confidentiality?
- What substantive law will apply—FAA/UAA, choice of state law, including statues of limitation, choice of conflict laws?
- What is the timeline with which you wish to proceed?
- How will the costs be allocated?
- How will awards be collected and enforced?[35]

Arbitration Variations

High/Low Arbitration or Bracketed Arbitration

High/low or bracketed arbitration occurs when the parties make an agreement about the parameters of the award that the defendant is willing to pay.[36] For example, the defendant may agree to pay no less than $5,000 and no more than $150,000. The arbitrator is not aware of this agreement and proceeds with his regular decision-making process. If the arbitrator finds for the defendant, and awards the plaintiff nothing, then the defendant is still obligated to pay the plaintiff $5,000. However, if the arbitrator finds for the plaintiff and awards the plaintiff $1 million, the defendant only has to pay $150,000. If the arbitrator awards the plaintiff $100,000, the plaintiff will receive $100,000, because it falls within the bracketed amount. High/low arbitration is gaining popularity in personal injury cases.[37]

This type of arbitration is insurance for both parties. It ensures that the plaintiff will walk away with something, and ensures the defendant against a runaway award.[38] Moreover, the process of agreeing on the bracketed range may promote reasonableness and realistic valuation on both sides.[39]

Baseball Arbitration

According to this type of arbitration, each party submits a proposal to the arbitrator, who must select one proposal.[40] This type of arbitration encourages each party to put forth a reasonable proposal, with the hope that the arbitrator will agree with its idea of reasonableness. Often arbitrators may issue a binding decision within 24 hours.[41]

Medaloa

Medaloa is the combined name for mediation and last offer arbitration. It is another type of hybrid process that allows control of the outcome, and the parties begin with mediation. If they arrive at an impasse, the parties then submit their last offer to the mediator. The mediator, acting like an arbitrator, chooses one. This decision is binding.[42]

The medaloa process is considered controversial by many, and unethical mediation practice by some. The concern is that there will be a tainted mediation. Knowing that the possibility exists that a mediator may also be an arbitrator, the concern is that parties may not participate in mediation in good faith. Instead, they may spend their time in mediation "spinning" the mediator about the merits of their perspectives, just in case the mediator winds up arbitrating the conflict. There is also concern that the mediator's role of neutrality may be compromised if the mediator believes that he might have to decide on the very case that he is mediating.

Mediation/Arbitration

Parties agree at the onset that they will mediate until they are at an impasse. At that point, the mediator will become the arbitrator. According to one variation of mediation/arbitration, the mediator-turned-into arbitrator will make a decision at that point. In another variation, the converted arbitrator will first hold a hearing before rendering a decision.[43] Some attorneys prefer this approach because it allows them to try to settle the case through mediation, and if they cannot, at the end of the day there is a decision. Other attorneys are concerned about allowing one neutral to wear both the mediator and arbitrator hats. They fear that parties and their attorneys will be less forthcoming and spin the mediator, knowing that mediator may be the final arbiter of their case.

Mediation/Then Arbitration

Mediation/then arbitration offers the party-determination appeal of mediation and the certainty of arbitration. This process involves two neutrals: the mediator and arbitrator. First the parties and their attorneys mediate. If they are not able to mediate to agreement, they proceed to arbitration. Mediation/then arbitration addresses the conflict of having the same neutral both mediate and arbitrate. However, litigators should be forewarned this advantage comes at a cost. To take advantage of the mediation/then arbitration process, you have to pay the fees of the two neutrals.[44]

Arbitration/Mediation

To begin, the parties arbitrate, and have the arbitrator make a decision.[45] However, instead of informing the parties of the decision, the arbitrator puts it aside.[46] At that point, the parties then try to mediate, either with the arbitrator acting as the mediator or with another neutral serving as a mediator. An advantage of this process is that parties may mediate more successfully because information has been disclosed in arbitration and each party may have a more accurate evaluation of the outcome.[47] If they are unsuccessful in mediating their agreement, the arbitrator will decide.

Neutral Evaluation or Early Neutral Evaluation

Neutral evaluation prompts parties and their attorneys to take a hard look at the merits of their cases and consider how they might settle. In neutral evaluation, the attorneys and their clients have the opportunity to present their cases to a neutral expert or panel of experts. The neutral expert is an experienced, respected attorney with subject-matter expertise who will then advise the parties as to how he thinks the case is likely to be decided if it went to court. In addition, the neutral expert(s) may also offer suggestions about how to settle the case. The neutral expert's opinion is not binding. However, the expert may be a helpful agent of reality for an unrealistic party or unreasonable attorney.

Mini-Trial

Mini-trial, as its name suggests, is actually a condensed, modified trial.[48] This process is gaining popularity for large, complex cases, especially when there are highly technical issues.[49] Mini-trials offer two significant advantages over traditional litigation: first, they are less costly because there is abbreviated discovery[50] and second, the executive and neutral involved are likely to understand the sophistication of your case and know how to settle it.[51]

To begin, parties negotiate a mini-trial agreement.[52] The agreement delineates the scope and time frame of discovery, the identity of deponents, and a time limit for each deponent. Upon completion of discovery, parties may then exchange position summaries that identify the document and witness list.[53] A benefit of mini-trial is economy, because it is a streamlined process.

The mini-trial hearing is heard by a panel of three: an executive from each side who has decision-making authority, yet who is not directly involved in the dispute and a third-party neutral with both subject-matter and case-management expertise.[54] After the hearing, the two executive neutrals begin negotiating a settlement.[55] The third-party neutral serves as a clarifier, not an active negotiator.[56] It is no surprise that mini-trials have a high settlement rate.[57]

Summary Jury Trial

Summary jury trial is a non-binding, abbreviated trial that is used when there is a settlement impasse.[58] This one-day proceeding offers parties and their attorneys the opportunity to learn how a judge and jury are likely to react to a case, at a substantially reduced cost.[59] In fact, there is a high correlation between the findings of a summary jury trial and a full-blown trial.[60] The hope is that insight gleaned from a summary jury trial will promote settlement.

How does this streamlined process work? Prior to the actual trial, there is a pre-summary trial conference where the judge rules on all motions.[61] Then the attorneys submit a condensed trial brief that includes instructions for the jury.[62] At the trial, attorneys will orally present a summation of the evidence[63] to a jury of only six, which has been *voir-dired* by the judge.[64] After the jury enters a verdict, both parties and their attorneys meet with the judge and jury to debrief. The feedback gained from the pre-summary trial conference and actual hearing contribute to high-settlement rates for those who use summary jury trials.[65]

Putting It All Together with the Marx Brothers and Warner Brothers Dispute

Now that you are an expert litigator familiar with ADR options, let us see how that might help you be a more effective advocate if you were one of the attorneys involved. In that case, a pure litigation approach would miss the boat and not effectively represent *many* of your client's interests.

To recap, *know thine client.* A client-centered interview will help you understand your client's priorities and consider the appropriate range of ADR and litigation strategies to satisfy those priorities. In your client-centered interview with the Marx Brothers, you might learn that they want to have "A Night in Casablanca" released on time. Warner Brothers is making much ado about nothing. After all, "A Night in Casablanca" is just a parody of the romantic drama "Casablanca."

The Marx Brothers are troubled about this conflict from a personal, financial and artistic perspective. Personally, they are deeply saddened to be having such a conflict with people they considered long-time friends and trusted associates. There is a fear that this conflict is actually attorney-driven. For this reason, the Marx Brothers would prefer to be able to resolve this personally, face to face. Of course, they would like to resolve this amicably and would welcome the opportunity to work with Warner Brothers again.

The Marx Brothers would rather keep this conflict as private as possible. They fear that negative publicity will destroy their image and instead, portray them as opportunists who betray professional relationships and capitalize on them for their own private gain. They also fear that such publicity might hurt, rather than help, their film. The Marx Brothers are very conscious that each day that their film's opening is delayed is a day of lost profits.

As artists, the Marx Brothers take pride in the worldwide recognition they have received for their comedic interpretations. They value their artistic freedom and have a vested interest in safeguarding the artistic freedom of fellow artists with lesser-known talent. They feel it is important to prevent large companies such as Warner Brothers from exerting undue influence on other actors.

It should come as no surprise that your client-centered interview with Warner Brothers offers a different perspective on the conflict. In its interview, Warner Brothers is outraged and betrayed by those brothers who they thought to be long-time friends and associates. Of course, the Marx Brothers know that the movie title "A Night in Casablanca" is a copyright infringement on the Warner Brothers' movie title "Casablanca." Warner Brothers does not want "A Night in Casablanca" released and wants to seek a temporary injunction, halting the release of "A Night in Casablanca." Feelings were hurt because the Marx Brothers went to another studio rather than Warner Brothers. Well, yes, there might be an opportunity to work with the Marx Brothers in the future on another film, if they apologize for their betrayal. After all, a Marx Brothers film has huge economic potential.

Warner Brothers is very concerned about maintaining its public image. It wants to send a message to others in the field that they cannot capitalize on the studio's property and get away with it. Warner Brothers wants to be known in the movie industry as a studio that fights to preserve its titles and copyrights. Of course, "Casablanca" is one of its crown jewels, and Warner Brothers needs to do everything and anything to maintain the film's stature.

As part of their interviews, both attorneys should conduct a decision-tree analysis with their clients. What is the cost and value of litigation and what is the cost of settling?

Then, each side should develop a strategy that includes ADR processes. As with litigation strategies, there may be several appropriate ADR strategies.

Now you know what your clients want, and where they want to wind up. The clients' needs guide your choice of processes. To sum up, both the Marx Brothers and Warner Brothers want a confidential, speedy resolution that respects their professional values and would leave open the possibility of a future working relationship.

How are you going to get your clients to where they want to go? You need to consider options that address your clients' needs and get them where they want to be. If your first instinct is reflexively to think, "litigation only," or to devote much of your energies to preparing for litigation with little thought to settling, you will be doing your clients a disservice. Of course, the process begins with negotiations. However, what are your next steps, if negotiation does not work?

All of the ADR options discussed above should be considered, not just as isolated processes, but also in combination, as part of an integrated plan of advocacy. Skilled litigators will consider a combination of options to ensure that the case gets settled. Caveat! Not all processes are suitable interventions at each stage of the case; different processes may be more appropriate at different points in the case development. As you proceed with your advocacy plan, you are gaining more information about the conflict and what is needed to settle this case. Based on this new information, you will be evaluating on an ongoing basis the appropriate interventions needed to settle the case at that point in the case development.

For example, suppose negotiations failed because Warner Brothers' attorney keeps pumping up his clients by telling them that they have a slam-dunk case and that litigation is the way to go. What other options might you consider to settle this case? Possibly, mediation might be a forum in which they may have a more realistic discussion about the case. It would also provide both the Marx Brothers and Warner Brothers a confidential opportunity to air their differences, develop creative ways to address their dispute, retain their dignity and continue working together in the future. If there is concern that mediation might not work or that both sides need to have a more realistic assessment of their cases, you may consider other options to support mediation. One option is to select an evaluative mediator. As another possibility, early neutral evaluation might provide both sides with a more realistic evaluation of a court's outcome. With a more realistic assessment of their case, the parties might be able to continue in mediation. Alternatively, you could agree to mediation/then arbitration where the arbitration is a high/low arbitration. This would allow the clients the opportunity to settle the case. If they cannot, they could control the value of the case, and have a resolution in a timely fashion.

Looking at the case from a different perspective, you may conclude that beginning with mediation is not appropriate for this case, or perhaps your opponent will not even entertain the idea. Mini-trial is another option worthy of consideration. This litigation/negotiation hybrid, known for its high settlement rate, will get both sides and their organizations working to negotiate a settlement. In the unlikely event the case does not settle, the parties could then consider arbitration.

As you may know, United Artists released "A Night in Casablanca" in 1946. Audiences throughout the world are still captivated by the mystique of "Casablanca" and continue to laugh at the antics of the Marx Brothers in "A Night in Casablanca."[66]

* * *

Now that you have a working knowledge of ADR processes, you may want to continue exploring how ADR fits into your client representation. One suggestion would be to re-evaluate previously litigated cases with your newfound knowledge and ask yourself whether you could have achieved better outcomes if you integrated ADR into your advocacy. Better yet, sit down with your colleagues and have case rounds about cases with pending litigation, then discuss as a group when ADR processes, alone or in combination, might be used to help you get more satisfying resolutions.

Endnotes

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Record-Label Names as Trademarks: Enforceable or Expendable?

By Jessica R. Friedman

A client wants to start a new record label to produce rap recordings under the name NOMAD. She asks you to conduct a trademark clearance search. You find a federal registration for NOMAD for a record label that produces rock recordings. At first blush, this seems to be a clear conflict: the registrant uses the identical name, sells the same kind of product that your client wants to sell (most likely in the same retail and online outlets), clearly has priority of use, and has the *prima facie* exclusive right to use that mark for those goods in the United States. But is that the end of the inquiry? Would your client definitely be infringing that registration if she used NOMAD for her record label?

In fact, in every reported case in which one record label has sued another for trademark infringement, the plaintiff has lost. In virtually all of those cases, a key factor in the defendant's victory was the court's finding that since music stores organize recordings first by genre and then alphabetically by artist, not by label; and since consumers shop for music by artist and song, not by label, it was not likely that a consumer shopping for a particular recording would be confused into buying a different recording based on a similar label name.

Do these decisions make sense? On what evidence were they based? Do record label names really not play any role at all in consumers' decisions about which recordings to buy? If that is the case, is there any reason for a record company to take care in choosing a name, or to try to choose a distinctive name, for a new label?

The Legal Criteria

Before looking at the decisions, it is worth reviewing the basic criteria by which the courts determine whether one trademark infringes another.

Your client's proposed trademark will infringe another's mark if it is likely that consumers will be confused into thinking that your client's NOMAD recordings (i) are being provided by the producer of the other NOMAD recordings; (ii) are affiliated with other NOMAD services or products; or (iii) are endorsed by the provider of other NOMAD services or products. The question in a trademark infringement case is whether consumers are likely to think that the first user of the mark in question has expanded its offerings to include the goods or services that the second user, or "junior user" (which in this case would be your client) is offering.

To decide whether a likelihood of confusion exists between two products, a court will consider a list of non-exclusive factors that, in the Second Circuit, comes from *Polaroid Corp. v. Polarad Elecs. Corp.*[1]:

> the strength of [the plaintiff's] mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal [sic] of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers.[2]

If the junior user is bigger or better known than the senior user, the confusion at issue is known as "reverse confusion." Instead of the traditional scenario in which consumers assume that the junior user's product comes from or is associated with the senior user, consumers assume that the senior user's product comes from or is associated with the junior user.

Infringement can result from confusion that creates initial consumer interest, even if the consumer realizes before she buys anything that the product being purchased does not come from the source from which she initially thought it did. For example, let us assume that your client makes briefcases under the name NOMAD and a shopper picks up one of them because he thinks it is part of another line of briefcases with a similar name. Even if he realizes that your client's briefcase in fact had nothing to do with the other line of briefcases, if he buys your client's briefcase anyway, then your client will have obtained a customer by using someone else's name.

The "junior user" has a legal duty to choose a mark that is not likely to be confused with a prior user's mark. Thus, even with a close call, the advisable course is to choose another mark.

The Cases

Sunenblick v. Harrell

In *Sunenblick v. Harrell*,[3] the plaintiff was a full-time medical doctor who had operated an independent record label on the side for 15 years. The label, which was called UPTOWN RECORDS (to evoke "the stylish image of African-American jazz culture in Harlem, New York as it was known in the 1930s and 1940s"), recorded and released music of unknown or "forgotten" jazz artists.[4] Sunenblick's label was not exactly a commercial success. In 12 out of his 15 years in business, the label had sold a total of fewer than 5,000 records, and only three of its recordings had ever sold more than 5,000 copies a year. The court attributed these low sales figures to the fact that Sunenblick had done very little to promote his recordings. From 1982 through 1993, he had spent a total of $13,500 on advertising (from 1989 through 1993, he had spent no money at all) and his catalog was not readily available to prospective purchasers, although the albums he had released had received good reviews.[5] Sunenblick registered the mark UPTOWN RECORDS in New York State, but he never sought a federal registration.[6]

The defendant was André Harrell, a rap performer turned recording executive who had founded his MCA/UPTOWN RECORDS label in 1986 in a venture with MCA to develop rap and R&B artists. Like the plaintiff, Harrell chose the name UPTOWN to evoke Harlem, although his vision was of "a new life style [sic] that was going on in the 80s from the rap generation."[7] He was not aware of Sunenblick's label when he chose the name (partly because no one had conducted a trademark search). Between 1986 and 1994, Harrell's UPTOWN RECORDS label, whose ranks included well-known artists such as Mary J. Blige, sold over 25 gold and platinum recordings.[8]

The two labels co-existed for five years without either one's being aware of the other until 1991, when Sunenblick sought to acquire the rights from MCA to release a certain jazz recording under his own label, and MCA advised him that it would not let him do so because it had its own UPTOWN label. At that point, Sunenblick demanded that Harrell cease and desist. When he would not, Sunenblick sued for infringement.[9] Since Harrell's label clearly was much bigger than his, Sunenblick claimed "reverse confusion."[10]

Considering Sunenblick's infringement claim, the court went through the *Polaroid* factors in order. Since Sunenblick was claiming reverse confusion, when the court considered "the strength of the mark," it looked at the defendant's mark.[11] Although Harrell's label had millions of dollars in sales, the court nevertheless found that this factor weighed slightly in Sunenblick's favor, because the defendants had not presented any survey evidence. The court found that "with infrequent releases, anemic advertising and poor sales, Sunenblick's catalog is virtually invisible in the jazz marketplace, and in the market for music generally."[12] As regards similarity of the marks, the court concluded that although the marks as spoken were identical, the parties' respective logos were sufficiently different so that the marks were "not likely to promote confusion."[13] On the issue of product proximity, the court accepted the testimony of the defendant's expert, Steve Harman, Regional Manager of Tower Records,[14] that

> [a]lthough the products are sold in the same channels of trade, they are not sold side-by-side; rather, they are featured in different sections of the stores in which they are sold, according to genre, and not by label name. . . . Hence, absent any evidence that consumers of one will be potential consumers of the other, it is most likely that consumers entering a record store with the intention of purchasing one of [plaintiff's] products would not even see the defendants' products, much less the trademarks appearing thereon.[15]

From there, the court went on to find that Sunenblick had no plans to bridge the gap to hip-hop; the instances of actual confusion that Sunenblick presented did not involve the end consumers and thus did not prove that consumer confusion was likely;[16] Harrell had adopted his mark in good faith; and Harrell's recordings were of high quality.[17] Finally, the court agreed with the defendants that "buyers of musical recordings are relatively sophisticated consumers whose purchasing decisions are driven by a recognition of and search for a particular artist or composition, and whose awareness of the record label—if such awareness even exists at the time of purchase—is at best a peripheral concern compared to the contents of the recording [sic]."[18] All things considered, the court held that there was no likelihood of confusion.

The court expressly declined to rule, however, that record labels are always irrelevant to a music consumer's purchasing decision, because

> [t]he unavoidable conclusion would be that such marks can never receive protection under the trademark law. The court is not willing to go quite that far. Nevertheless, the court does accept that the role of the trademark in the purchase of musical recordings is generally subordinate in a meaningful way to the purchaser's search for the artist and the composition. Compact discs are not radial tires.[19]

Tsiolis v. Interscope Records, Inc.

Tsiolis v. Interscope Records, Inc.,[20] was an action by the heavy-metal band Aftermath against the rap artist André Young (also known as Dr. Dre). Young had left Death Row Records to start his own label, Aftermath Entertainment, which was distributed by Interscope. The AFTERMATH band name, for which Tsiolis had a federal registration, turned up in a trademark search conducted by Young's attorneys. One of Young's attorneys offered Tsiolis $5,000 in return for permission to use AFTERMATH as the name of "a small r&b [sic] label," without disclosing the nature or scope of that label or the fact that Dr. Dre was involved. When Tsiolis refused, the attorney offered him a recording contract worth about $20,000 if he would assign the mark to Interscope. Tsiolis refused this offer as well, perceiving it as a "sham." At this point, Young stopped pursuing Tsiolis and simply started his company using the AFTERMATH name. When Tsiolis discovered what Young was doing (by which time Young had already spent $200,000 promoting the upcoming label), he sought a preliminary injunction to keep Dr. Dre from using AFTERMATH.[21]

In support of his claim that the public was likely to think that his heavy-metal band was related to Young's rap label, Tsiolis offered expert testimony from a sociologist that the lines that separate the various genres of music are constantly changing and that certain groups combine elements of both rap and heavy metal.[22] The defendants offered contrary expert testimony that "while undoubtedly some fans listen to both rap and heavy metal music, the two styles of music are different and have different primary audiences. The primary audience of heavy metal is white, teenage, working-class males; the primary audience of rap is young, urban, black males."[23]

More important for this analysis, the defendants' expert also testified that:

> the selling feature of a musical recording is not the record label, but the performing artists. Except in rare instances, such as the Motown record label, the record label names are not considered by record consumers when they purchase musical recordings. Therefore, each record label focuses its marketing activities on promoting and advertising the artist and his or her works, not the record label name.[24]

The same expert also testified that it was "highly unusual for a band to market its recordings on a label of the same name. Thus, bands and record labels with the same names have co-existed for three decades." Among the examples that the expert gave were the labels and bands named Cream and Imperial.[25]

The defendants also relied on the testimony of the V.P. of Marketing for Best Buy that that store organizes its records by genre, and within each genre, by the name of the artist: "[a]ccording to Arnold, record consumers purchase music with a specific artist or specific album, not record label, in mind," and therefore, "stores such as Best Buy do not decide to purchase records because of their record labels, but because of the popularity of the artist."[26]

Tsiolis's motion for a preliminary injunction was denied. Incredibly, the court found that the mark AFTERMATH was "not fanciful, arbitrary, or suggestive," but merely descriptive. But it went on to hold that even if it had not made this finding, there was no likelihood of confusion. Citing the evidence described above, the court found that consumers of recordings would use a high degree of care and that they would be motivated to buy recordings based on the artist, not the label. Due to the way stores organize records, "even the most inattentive and careless purchaser of the [plaintiff's] works will be hard-pressed to 'accidentally' purchase the albums of artists that are produced by the [Aftermath] label."[27]

Cooper v. Revolution Records, Inc.

In *Cooper v. Revolution Records, Inc.*,[28] the Ninth Circuit affirmed the denial of a preliminary injunction to the owner of Revelation Records ("Revelation"), an independent alternative rock label founded in 1987 whose focus was hardcore punk,[29] against Revolution Records ("Revolution"), another alternative-rock label,[30] for infringement of Revelation's unregistered mark REVELATION RECORDS. Since the Ninth Circuit's opinion does not state any of the underlying facts and the district court's opinion was not reported, it is necessary to elicit the facts from the dissenting opinion of Judge Kleinfeld.

At the time when Revelation made its motion for a preliminary injunction, Revolution had not yet started selling its records in stores, so there had been no opportunity for actual consumer confusion. To prove the likelihood of confusion, Revelation presented an affidavit from one record-store owner that stated, "Based on my experience as a record store owner, manager and buyer, I have found that my retail customers do in fact make purchasing decisions based on the name and identity of the label itself."[31] Revelation also submitted an affidavit by the plaintiff, Jordan Cooper, which stated that buyers regularly contacted Revelation by phone to buy Revelation's entire collection of releases. The evidence that people do buy the label made the aural similarity of the defendants' mark especially problematic. Mr. Cooper's affidavit and an affidavit by Revelation's marketing director, John Nutcher, both recounted an incident in which "a national trade publication confused the names [REVELATION and REVOLUTION], and an advertising representative called Revolution looking for Mr. Nutcher."[32]

Cooper also submitted evidence that, although Revolution's lawyers had not done a full trademark search before the company adopted the name REVOLUTION,[33] executives at the company (which previously had been called Giant Records), knew of Revelation. In his affidavit, Cooper asserted that one of the Revolution executives had actually told Cooper that he had advised Giant Records against changing the name because it was too close to REVELATION. An affidavit of the executive in question disputed this, and "spen[t] several pages recounting his purported explanation to Cooper of how Giant believed the two marks were different."[34] This effort was so detailed as to compel Judge Kleinfeld to conclude that "someone at Giant had given this a great deal of thought."[35] In any event, at oral argument on the motion, counsel for Revolution confirmed that Giant had known of Revelation when it changed its name.

In addition to the evidence already discussed, the defendant introduced evidence that its executives did not believe that its adoption of the name REVOLUTION would cause confusion, because Revolution served a more "mainstream" market than Revelation. It attributed great significance to the fact that the plaintiff advertised as "Revelation Records," while the defendant promoted itself simply as REVOLUTION. The defendant also argued that it had spent a great deal of money in advertising its mark, which presumably was intended to show that it was likely to suffer more harm than the plaintiff.

The district court found that Revelation's mark was inherently weak because it was not registered in the Trademark Office. (Apparently the district court confused the legal effect of a federal registration, which creates a presumption that the mark is valid, with the issue of whether the mark is strong.) It also found that "due to [Revolution's] anticipated massive advertising and market saturation, customer confusion could benefit [Revelation] by generating more sales," and therefore, it held, Revelation could not show a likelihood of irreparable harm.[36] It did not discuss the similarities and differences between the markets that the two companies served or whether record label names actually figure in consumer purchases of sound recordings.

The Ninth Circuit held that the district court had erred in finding that Revelation's mark was inherently weak because Revelation did not have a federal registration, and that the lower court had misapplied the doctrine of reverse confusion when it held that reverse confusion could benefit Revelation. Nevertheless, the appellate court affirmed, holding that there had been no abuse of discretion, and it emphasized that, "[w]hile the two names taken alone are very similar, the Revelation Records name has the word 'records' as part of it whereas Revolution does not. Moreover, the two logos are quite different and serve to further differentiate the names."[37]

The dissenting judge, Judge Kleinfeld, attacked the majority on several points. First, he agreed with the plaintiff that since many customers would contact Revelation by phone, the aural similarity of the marks was more important than the visual difference in logos. Indeed, Judge Kleinfeld pointed out, the judges themselves had confused the two names several times at oral argument. Second, the fact that the plaintiff's name included the word "records" was insignificant to distinguish the two label names:

> I don't even know whether RCA, Decca, Columbia, Deutsche Grammophon, or any of the other labels I have special ordered [sic] have "Records" at the end of the name, and [I] doubt that many other people who step up to the counter to place an order, or look through the bins, do either. If the clerk said "is it on Columbia Records or Columbia?" nearly all consumers would say "I don't know."[38]

Moreover, Judge Kleinfeld pointed out,

> [d]espite Revolution's argument that the two marks are dissimilar because Revelation's includes the word "Records," the record includes an advertisement for an album by "Revolution Records!" It is in Revolution's Super Deluxe ad, which says, "On Revolution Records." Did they mix up their own name (as we did)? Did the advertising agency? Whatever the reason, the word "Records" does not make the marks distinctive.[39]

With respect to the district court's holding that reverse confusion would benefit Revelation, Judge Kleinfeld asserted:

> Revelation is entitled to the integrity of its own mark. People who like more mainstream music are likely not to like [Revelation's], and not be repeat buyers. Old Revelation customers who mistakenly buy Revolution albums, a more likely phenomenon based on Revolution's marketing power, are likely to think that Revelation has "sold out" and "gone mainstream," and [to] lose interest in Revelation products. Those are the business risks [that] a preliminary injunction based on confusingly similar names is supposed to prevent.[40]

Finally, Judge Kleinfeld took the defendant to task for taking what he considered to be a "cynical gamble that it could overwhelm the smaller label in litigation."[41]

Q Div. Records, LLC v. Q Records

In *Q Div. Records, LLC v. Q Records*,[42] the district court denied the plaintiff's motion for a preliminary injunction. The plaintiff, an alternative rock label, had a federal registration for QDIVISION, but not for Q DIVI-

SION RECORDS. It used the name Q DIVISION RECORDS together with a small oval logo that "features an obliquely set ellipse with a line through the middle, an abstraction simultaneously evocative of both the letter 'Q' and an old-fashioned vinyl record slightly tilted and halfway down the spindle." The defendant was an electronic retailer, owner of the famous home shopping channel, that had added records to its line of goods.

Having established that the plaintiff's QDIVISION mark was presumptively valid because of its federal registration, the Massachusetts district court then reviewed the First Circuit's list of factors, which, as the opinion says, "resembles, though it does not precisely mirror," the *Polaroid* factors. It found the two parties' marks to be "quite dissimilar in total effect" because of the differences between the parties' respective logos, and also on account of the word DIVISION in the plaintiff's mark, which it found the defendant to be using "in an entirely arbitrary fashion," and not to indicate that the defendant was a division of a separate parent entity.

The court reached a similar conclusion about the parties' goods:

> Q Division's stable of artists appear [sic] to specialize in so-called "alternative rock," an appellation used to denote several strands of hard-to-categorize pop music subgenres. Perhaps the best description that may be offered is that Q Division's artists create challenging works which [sic] are not intentionally geared for market success. Recordings marketed under the Q Records, imprint, on the other hand, apparently will cut a broader arc across various musical genres, ranging from opera to honkey-tonk [sic] to Broadway show tunes. Though quite a few of the artists featured in these recordings have achieved considerable degrees of critical success, the tune that seems to have caught QVC's corporate ear is the melodious ring of the mass-market cash register.[43]

Thus, while "an eclectic audiophile" might have recordings from both companies in her collection, the court concluded, "[t]he goods themselves are dissimilar."[44]

Next, the court considered, all together, channels of trade, advertising, and the classes of prospective purchasers, devoting considerable space and effort to the last item:

> There are essentially three types of "prospective purchasers" that a record label regularly deals with. The first type consists of those who seek to purchase production and promotion services from the label. These include the artists and their agents who want to "get signed" as well as other labels looking to barter production and promotion capacity for a cut of the resulting sales revenues. The second group are [sic] distributors and retailers that seek to market the recordings generated by the labels. These two types of prospective purchasers are industry insiders by and large; they are presumed to be quite sophisticated and highly aware of both the gross and subtle distinctions between record labels. They are not likely to be confused in any material way by Q Records' and Q Division's marks.
>
> Finally, there are the end-product consumers themselves. Unlike the insiders, they range in sophistication. Some know precisely what they want and search very efficiently to get it. Others may have trouble finding what they're looking for, and might seek advice from the proprietor of the record store—or, if shopping online, through information and search engines located on the website. One need only have a passing familiarity with purchasing records to know that the primary indicia of selection are the name of the artist, the title of the recording, and the genre of the music. [*Citation to Sunenblick v Harrell omitted*.] The name or mark of the record label is not a factor for most consumers.
>
> This commercial fact of life is emphasized by the way that (physical) record stores are set up. Usually, records are grouped in stores by genre, then artist, then title of the recording. They are not organized by record label. To find Neil Young's Rust Never Sleeps, released by Warner Brothers in 1979, one would first typically locate the "Rock" section of the store and then search for "Neil Young" (probably, depending on the store staff, under "Y"). One would not, as a general matter, ask to be shown to the "Warner Brothers records" section; even if one did, very few stores, if any, would have such a thing.[45]

In a footnote at this point, the court acknowledged that:

> [o]n-line Internet record shopping through websites established by record labels and retailers are changing this dynamic to some extent and are allowing consumers to shop by label. The availability of this method of searching, however, does not change the fact that consumers will likely use such search tools to continue purchasing records according to the traditional indicia: genre, artist, and record title.[46]

In another footnote, the court also took note of the fact that:

> [t]o some extent, certain labels (particularly those that specialize in a particular genre or a small coterie of artists) may develop a reputation with consumers based on the artists whom they market. Some consumers, for example, may find themselves so pleased with the works of Gastr Del Sol, Red Krayola, Royal Trux and Smog that they would treat any recording marketed by Drag City Records as a recording worth purchasing simply because Drag City has put its mark on it. But such a consumer, familiar enough with the variety of artists marketed under the same label to know that he or she would like to purchase more similarly labeled records, would in all likelihood be a sophisticated aficionado. Such customers are not likely to be confused.[47]

Nevertheless, on balance, all these factors favored the defendants.

With respect to actual confusion, the court held that a single e-mail to Q Division seeking a recording that had been released by Q Records "[did] not, standing alone, prove very much."[48] Finally, the court looked at the defendants' intent and "strength of [the] mark," which it considered together. Neither factor favored the plaintiff, as there was "insufficient evidence in the record" to prove either that Q Records chose its name "out of some ill motive to capitalize on Q Division's goodwill" or that Q Division's marks were "commercially strong marks in the field of musical recordings."[49] Accordingly, the court denied the preliminary injunction.

M2 Software, Inc. v. M2 Communs., LLC

In *M2 Software, Inc. v. M2 Communs., LLC*,[50] the California district court granted the defendants' motion for summary judgment on the ground that no reasonable jury could conclude that there was a likelihood of confusion between the defendant's Christian music services and products and the plaintiff's music products and royalty-tracking services. Although it appears from the opinion that the plaintiff was actually claiming that consumers would think that the defendant's Christian CDs were somehow related to the plaintiff's royalty-tracking services, this opinion is worth noting for purpose of this analysis because on the issue of product proximity, at least with respect to the two parties' respective music products, the defendant offered an "expert report" from a witness "with experience in the Christian music industry" that opined that "it is essentially unheard of in the music business for a consumer to search for music recordings by record label."[51]

The Real World

Do these opinions accurately assess the likelihood of consumer confusion when it comes to the names of record labels? With respect to the purchase of sound recordings in record stores, the opinions in *Sunenblick, Q Division* and *M2 Software* certainly seem to make sense. They accurately describe how most record stores are laid out and how individual consumers shop for sound recordings.[52] The affidavits submitted in *Cooper* as evidence that people in fact do shop for music by label do not offer very strong contradictory evidence, since they were not subject to cross-examination; and we do not know whether the store manager's affidavit gave specific examples of labels that inspired such purchases.[53]

Comments made by recording-industry executives and representatives over the past few years appear to confirm the courts' conclusions. As far back as 1997, when the recording industry was just starting to consider online distribution, an article in the *Washington Times* noted that for any recording company to succeed in selling directly to consumers over the Internet, the labels would need to change the way in which they communicated with music fans. As Hilary Rosen, former president of the Recording Industry Association of America, stated, "Fans don't know music by labels, they know it by artists and genres."[54] Four years later, commenting on the refusal of the five major labels to sell song rights to EMusic, a fledgling online music service, one industry analyst predicted that for successful online music sales, the industry needed to form one big online store where all music would be available, because "[c]onsumers don't know music by label" and, therefore, would not know which Web site to go to if each company had its own.[55] A few months later, the new head of Pressplay (the online subscription service then run by Sony Music and Universal Music Group and now part of Napster) announced that Pressplay would seek licensing deals with other major label groups specifically because the average music consumer does not distinguish music by label.[56] MusicNet, the online music service started by Warner Music Group, EMI, and BMG Entertainment, took a similar approach. (Ultimately, music consumers did not flock to either of them.)[57]

The advent of online music retailing does not appear to have changed this situation. Most online music stores that exist today operate on the assumption that consumers do not shop for music by record label. Walmart.com, Apple's iTunes, J&R.com and BestBuy.com do not permit users to search for sound recordings by label at all. Amazon.com and Barnesandnoble.com do permit such searches, but they are hardly intuitive: you have to drill down through the Web site to locate the label search function, which implies that such searches are geared toward those few people who know enough to look for and find this kind of "advanced search" or "power search" function. Amazon.com has partnered with online music retailers such as CDNow, Borders, and HMV, all of whom use this same search functionality. At www.allmusic.com, you can search by label directly from the home page, but "labels" is the last search category after artists, albums, songs and styles.[58]

Nevertheless, there are certain genres in which the identity of the artist, or even particular pieces, may not be as important as the record label. In classical music, consumers often seek recordings of particular well-known works without having any idea (or necessarily caring) which well-known artists have recorded them. In that situation, knowledge of label names may be crucial to the decision to buy a particular recording. For example, many classical music lovers will buy almost anything that has been recorded on the Deutsche Grammophon label, which was started in 1898 in Germany and is now part of the Universal Music Group.[59] Its roster of artists includes Vladimir Horowitz, Anne-Sophie Mutter, the Berlin Philharmonic, and Andre Prévin; its catalog of classical recordings is immense. An online search shows five different recordings of the Brandenburg Concerti.[60] By contrast, Naxos, which promotes itself as "The World's Leading Classical Music Label," issues only one recording of any given work.[61] Started in 1995, Naxos is known for superb recordings that cost much less than those produced by other companies.[62] Thus, if someone has been satisfied with the quality of Naxos recordings in the past, is looking for a recording of the Brandenburg Concerti and does not prefer any particular artist, she has only to go to Naxos and obtain its recording of that work. At least one online music site, that of Tower Records, recognizes that classical music lovers buy music this way. If—and only if—you are looking for classical recordings, you can search this site by label from the front page. Otherwise, to search by label, you have to use "Advanced Search" or "Power Search."

Another genre in which music lovers are likely to seek out particular labels by name is electronica, which refers to electronic dance and listening music. This very broad category of music includes various subgenres such as house, techno, jungle, trance, breakbeat, downtempo and IDM.[63] Within these subgenres, consumers often search for recordings by label, either because they are not familiar with the individual artists or because the economic barrier to entry into this genre is so low that new artists come along every day.[64] Among the labels that an electronica lover might search for are Warp Records (www.warprecords.com) and Ninja Tunes (www.ninjatune.net). Though these labels have their stars (Aphex Twin and Amon Tobin, respectively), buyers often will listen to and even buy lesser-known label-mates just because those artists are on the Warp Records or Ninja Tunes labels. Frequently lesser-known artists from one of these labels will perform together on a label tour, such as the 1997 Ninja Tunes Stealth Tours. Since consumers know the label, they are willing to go to the show, even though they may not be familiar with everyone who is playing.[65] In this genre, which is not often covered in the mainstream press, labels function as a form of music criticism.[66]

A similar phenomenon has occurred in some branches of indie rock. For example, in the early 1990s, SubPop, which is currently associated with grunge music, had what in retrospect is an impressive indie roster that included Nirvana, L7, and Smashing Pumpkins.[67] To some degree, many of those artists became famous initially *because of* their association with SubPop, rather than the other way around. Indeed, SubPop has been called an "indie tastemaker."[68]

One record label that almost certainly attracted consumers in its own name and "made" its stars as much as they "made" themselves, is Motown. During the period of "classic Motown" (1959 to 1988),[69] when that company's roster included Diana Ross, Smokey Robinson, Gladys Knight, the Jackson Five, the Temptations, and Stevie Wonder, many music lovers would attest to a recognizable "Motown sound" that would justify the purchase of any recording on the Motown label. Although the Motown site proclaims that "the legacy continues," one wonders whether music consumers today can identify a Motown artist as easily as they or their parents could two or three decades ago.

Conclusion

Let us return to our beginning hypothetical, in which your client wants to use the name NOMAD for a rap label, when someone is already using that name for a rock label. Given that the plaintiffs in all of the aforementioned cases lost their infringement claims against record labels with similar names, is your client likely to be infringing on the NOMAD rock label if she uses NOMAD for her rap recordings? It appears not.

It is important to realize, however, that every decision discussed above with the exception of *Cooper* was based at least in part on the fact that the two parties recorded or played distinctly different kinds of music. Indeed, in *Sunenblick*, the court expressly *conditioned* its holding that there was no likelihood of confusion on the absence of "any evidence that consumers of one will be potential consumers of the other."[70] Therefore, if your client was going to be producing rock music instead of rap music, or a wide range of recordings that included both, a court might hold your client liable for trademark infringement.

Accordingly, even though consumers generally do not consider record label names when they shop for music, it is still crucial to conduct a full trademark search on any name that a client wants to use as a record label, especially if the client is going to be selling recordings in classical or electronic music or any other genre where people pay special attention to those names. No matter how emotionally attached your client may be to the mark you are searching, if another record label with the same name in the same genre of music turns up, your client will be well advised to pick another mark.

Endnotes

1. 287 F.2d 492 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961).
2. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961) at 495. Note that the *Polaroid* court specifically limited this analysis to a situation in which the defendant is using the marks on products that are different from the products on which the plaintiff uses the mark. But over the past 40 years, courts have used these criteria also in situations where the parties are using the mark on similar products.
3. 895 F. Supp. 616 (S.D.N.Y. 1995), *aff'd*, 101 F.3d 684 (2d Cir. 1996), *cert. denied*, 519 U.S. 964, 117 S.Ct. 386, 136 L.Ed.2d 303.
4. *Sunenblick v. Harrell*, 895 F. Supp. 616 (S.D.N.Y. 1995) at 620.
5. *Id.*
6. *Id.* at 621.
7. *Id*. at 622.
8. *Id.*
9. *Id*. at 623.
10. *Id.* at 625.
11. Since Sunenblick had no federal registration, the court first had to decide whether the mark UPTOWN RECORDS was worthy of trademark protection in the first place. It concluded that the mark was suggestive. *Id*. at 626.
12. *Id*. at 627.
13. *Id.* at 629. Sunenblick's logo featured the work "Uptown" written across a cityscape, whereas Harrell's logo centered on a black cat wearing oversized sneakers and a gold medallion, leaning on the word "Uptown." In the respective logos, the word "Uptown" appeared in clearly different fonts.
14. *Id.* at 619.
15. *Id*. at 629. The court rejected the plaintiff's contention that jazz records are commercially proximate to hip-hop recordings, which was based on testimony that there was a trend towards "fusion" of jazz and hip-hop and on a survey reporting a crossover between listeners of the two genres. As the court put it, "Fusion notwithstanding, the products at issue here are marketed differently and are still sold in separate sections of record stores. Moreover, Sunenblick's recordings are 'straight ahead jazz,' not fusion, and concern artists who made their name [sic] years before fusion even made its appearance on the jazz scene." *Id*. at 616.
16. *Id*. at 630.
17. *Id*. at 632–633.
18. *Id*. at 634.
19. *Id*. at 634. On appeal, the Second Circuit stated simply, "We affirm, substantially for the reasons given in the opinion of the district court." *Sunenblick v. Harrell*, 101 F.3d 684 (2d Cir. 1996).
20. 946 F. Supp. 1344 (N.D. Ill. 1996).
21. 946 F. Supp. at 1346–1349.
22. *Id*. at 1349.
23. *Id*. at 1350.
24. *Id.*
25. *Id.*
26. *Id.*
27. *Id*. at 1356.
28. 1997 U.S. App. LEXIS 8128, *aff'd without opinion*, 111 F.3d 138 (9th Cir. 1997) (unpublished).
29. According to a previous version of the plaintiff's Web site at http://www.revelationrecords.com (which is now cached), the plaintiff, Jordan Cooper, founded Revelation Records with a partner with the sole intent of producing one particular album by one punk group. In the first three years, the label put out 23 releases and pressed approximately 20,000 records, and it has continued to release an average of seven to eight albums a year.
30. An online search for REVOLUTION RECORDS turned up several companies with variants of that name, but it is not clear whether any of these was the defendant in this case. Interestingly enough, a few months ago, a notice appeared at http://www.revolutionrecordsonline.com that stated (in all lower-case letters), "unfortunately, revolution records has been issued a 'cease and desist' letter by a larger, anonymous company. this company believes that the revolution is impeding its capitalist napoleonic vision. in other words, we have been trampling too many toes. this is exciting. it means that we are actually reaching people, creating controversy, and changing lives . . . for the better! what are we going to do? change the name! and keep on producing revolutionary music." This site is no longer accessible.
31. *Cooper v. Revolution Records, Inc*., 1997 U.S. App. LEXIS 8128 at *8.
32. *Id*. at *10.
33. Revolution had done a federal trademark search, but that did not turn up Revelation's name because Revelation did not have a federal registration. *Id*. at *17–*18.
34. *Id*. at *17.
35. *Id*.
36. *Id*. at *4.
37. 1997 U.S. App. LEXIS 8128 at 3.
38. *Id*. at 9.
39. *Id*. at 10.
40. *Id*. at 11.
41. *Id*. at 19. Overall, Judge Kleinfeld seems to have based his dissent on the questionable ethics that implicitly underlay the defendants' name change, rather than on an analysis of whether

consumers actually buy sound recordings by label in the first place.

42. 2000 U.S. Dist. LEXIS 1773 (D. Mass. 2000).

43. *Q Div. Records, LLC* at *14.

44. *Id.*

45. *Id*. at *15–*18.

46. *Id*. at *18. The opinion in *Q Division* does not make clear whether the defendant submitted specific evidence on this point or whether the court was taking judicial notice based on its own observations. Presumably the court would have been obligated to state that it was taking judicial notice.

47. *Id.* at *17.

48. *Id.* at *19.

49. *Id.* at *20.

50. 281 F. Supp. 2d 1166 (C.D. Cal. 2003).

51. 281 F. Supp. 2d at 1174. In connection with noting this evidence, the court cited *Sunenblick* and *Tsiolis.*

52. One point that none of these opinions makes is that given the sheer cost of CDs, a prospective purchaser is unlikely to buy a CD without being sure that the album she is buying is the album that she wants. In *Mars Musical Adventures, Inc. v. Mars, Inc.,* 159 F. Supp.2d 1146 (D. Minn. 2001), a case that involved competing music stores, the court made this point: "The products sold by both companies are not inexpensive, and call for a higher than average degree of sophistication and consideration in making the purchases, given the wide array of options and product lines. The Court finds that in this case, the type of products sold, and the level of involvement of consumers with these products, indicate that customers will take more time and effort in their purchase decisions." *Id*. at 1153.

53. We do not even know whether the record store whose manager submitted the affidavit carried any genre other than rock. If it carried only rock, then it would have been in a singular position to organize its wares by label.

54. Eric Fisher, *Internet has record appeal; Music firms hope to lure customers onto the Web*, THE WASHINGTON TIMES (Aug. 27, 1997) at B7.

55. Todd Pack, *Napster Fans: New Service Is Off Key; Experts And Napster Users Say Musicnet, A Big-Label Backed Subscription Service, May Have Trouble Catching On*, ORLANDO SENTINEL (April 3, 2001) at B1.

56. Tamara Conniff, *Schuon changes tune, named CEO of new pressplay,* THE HOLLYWOOD REPORTER (June 12, 2001).

57. In 2003, "[a] belated realisation [sic] that consumers do not buy records by label group, led to two joint venture subscription services, Pressplay and MusicNet, neither of which proved attractive to consumers." See *RIAA's threat to sue file-sharers raises questions over copyright and the Internet*, MUSIC & COPYRIGHT (July 11, 2003) (emphasis added).

58. This site is owned by All Media Group, which is owned by Alliance Entertainment Corporation. *See* http://www.allmediaguide.com/overview.html.

59. One might ask whether anyone who knows enough about classical music to prefer Deutsche Grammophon would not inherently know enough about classical artists and repertoire to know what particular recordings to look for, so that she is not really buying by the label. The answer is, not necessarily. Someone who knows about violinists and violin repertoire, for example, will not necessarily know about artists and repertoire with respect to other instruments; particular vocalists (including changes in a singer's voice and music preferences over time); or particular ensembles of different types (*e.g.*, string quartets, wind quintets, early music ensembles and opera companies).

60. *See* http://www.deutschegrammophon.com, "Catalogue".

61. *See* http://www.naxos.com, "About Naxos".

62. As its Web site states, "Costs are kept to a minimum by focusing on the music rather than on the artist—money is not wasted on expensive artist promotions, and profits are invested into recordings of new music rather than multiple versions of standard repertoire already in the catalogue." *Id.*

63. For descriptions of these various categories of music and their origins, see http://phobos.plato.nl/e-primer/intro.htm and its various pages; http://www.othermusic.com, which is the Web site of Other Music, a music store in New York City; and http://www.ishkur.com/music which has detailed subgenre trees that show how the different individual forms of each subgenre evolved from and became the basis for new subgenres. The "electronica" category at http://www.allmusic.com contains no fewer than 29 sublistings. (In the credits at http://www.ishkur.com, Ishkur's creator strongly advocates that allmusic.com calls this category electronic music, not electronica.)

64. Dan Daley, *Andy East*, MIX (Dec. 2002) at p. 13.

65. In addition to people who buy music in particular genres, people in the recording industry pay attention to label names. An artist may seek to sign with a particular label because of its reputation for promoting its artists, or because it is known to have generous contract riders; an artist may leave a label because of a bad experience that is subsequently publicized and affects that label's image with prospective artists. For example, Aimee Mann bought out her recording contract with Interscope after it deemed one of her recordings unfit for release, after experiencing a series of problems including lack of promotion and mismanagement by the label. See David Simmons, *Success On Her Own Terms: Aimee Mann Leaves Her Label and Gets the Last Laugh*, in ONSTAGE (July 1, 2001) (available at http://onstagemag.com/ar/performance_success_own_terms). This kind of recognition is not likely to be persuasive in a lawsuit for infringement of a record label name, however, since the "end-user" buyers of sound recordings are not music professionals.

66. The writer thanks Mariah Warnock-Graham for providing this perspective and the information about these labels.

67. *See* http://www.subpop.com/history/intro.html.

68. Joan Anderman, *The Pride of Omaha Nebraska is the New Home of Indie Rock, and Its Bands are there to stay*, THE BOSTON GLOBE (May 10, 2002) at C14. *See also* Paul Maldonado, Jr., *The Shins Hope to Create a Little History with Release of New CD*, THE ALBUQUERQUE TRIBUNE (June 29, 2001) at C7 (calling SubPop, "the indie label from Seattle whose name lends a cachet all its own"); David Belcher, *The Weird and Wonderful*, THE HERALD (GLASGOW) (Jan. 15, 1999) at 17 (interviewing well-known electronica act Moloko, whose singer, Roisin Murphy, says that as a youth she bought "everything on the SubPop label").

69. *See* http://www.classic.motown.com.

70. *Sunenblick* at 616.

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The Need for a Performance Right

By Ann Chaitovitz

It may be thought of as remarkable that, in an environment where (theoretically) "content is king," recording artists in the United States are not paid when their sound recordings are broadcast over the radio.[1] This ability of the broadcasters to perform sound recordings without payment or permission is inconsistent with the philosophy of Copyright law; that is, to secure the benefits of creativity to the public by encouraging individual effort through private gain.

The Copyright Office has repeatedly advised Congress that, as with all other types of U.S. copyrighted works, sound recordings should have a performance right. The United States is one of the few industrial countries—if not the only one—that does not grant a performance right for sound recordings. As a result, in addition to not receiving compensation when their works are broadcast here, performers lose the potential of hundreds of millions of dollars each year that are collected when U.S. recordings are broadcast overseas.

Radio stations have built businesses off of and earn money from artists' works. It is, after all, the artists' music that attracts the listeners, which demographics and numbers broadcasters then use to sell advertising space. They receive the recordings, their biggest resource, at no cost, and do not share any revenue with the creators. Yet broadcasters refuse to compensate the artists and have successfully blocked implementation of a performance right for sound recordings at every turn.

Broadcasters contend that playing sound recordings is "promotional," and therefore they should not have to pay for the performance of sound recordings. However, even if this were true, it is irrelevant. For example, broadcasters pay songwriters (who also benefit from sales of the recordings) for broadcasting the underlying musical compositions. Furthermore, authors often are beneficiaries of increased sales when their books are made into movies. Yet no one would realistically suggest that the writers not be paid for the visual interpretations. In any event, the promotional value of radio airplay cannot be universally assumed. For although recordings may rise in the airplay chart, they may never top the sales chart.[2]

Moreover, the rationale of the 20th Century no longer applies in the 21st Century. Even if one agrees that the promotional argument may have provided justification for denying a performance right in the past, business paradigms are changing. As the music industry evolves, so do revenue streams. The public performance revenue income stream is taking on increased importance as new business models emerge. The public's consumption of sound recordings is no longer limited to purchasing physical product.[3]

In the future (especially as we become wireless), music fans may never "buy" a physical product, but instead rely on broadcast and transmission services to hear what they desire. There are already a variety of such services that have threatened traditional distribution and sales channels.[4] Currently, sound recording performance royalties are being paid by webcasters, satellite radio companies and cable subscriber services, yet broadcast radio remains exempt.[5]

The emergence of Digital Audio Broadcasting ("DAB") reinforces the immediate need for a performance right. DAB is not simply the same as analog radio transmitted digitally. With DAB, radio listeners may be able to hear whatever recordings they want whenever they want to. Consumers will no longer have to purchase product (or even "listens"). If that is the case, how will the services that pay artists survive, and how will artists earn a living? There will be no financial incentives left for the creators (or investors in sound recordings).

The music industry must change. It is important to encourage new, creative and legitimate business models that service customers in ways in which they are interested. Yet any new model, in either the tertiary or digital landscape, must ensure that artists are compensated. At the heart of this important issue is the individual whose talent creates a sound recording. Performance royalties will provide critically important income to artists, without whom there would be nothing to listen to.

Endnotes

1. Record labels, the investors in the sound recordings, are also not paid royalties for radio airplay.
2. For example, "oldie" sound recordings provide radio stations with entire formats and streams of revenue, but rarely result in commensurate sales for the performers, many of whom are American cultural icons.
3. For example, consumers may now also purchase streams and downloads from subscription and other services available on the Internet.
4. For example, there are satellite radio services (such as XM Satellite Radio and Sirius), as well as streaming services (such as Rhapsody), where consumers purchase "listens" instead of products or downloads.
5. To explain this difference: If you hear Pasty Cline singing "Crazy" on the radio, she has not been paid a royalty (but the songwriter Willie Nelson has). However, if you hear "Crazy" on XM Satellite Radio, both Patsy Cline and Willie Nelson have received royalties. For an explanation of this new performance right and the importance of this licensing revenue to legacy artists, see Ben Sisario, *Old Songs Generate New Cash for Artists*, N.Y. Times, Dec. 28, 2004.

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Royalty Auditing Issues Arising Under Recording Artist Agreements

By Chris Hull, CPA

In any business, it is standard practice to monitor sales to ensure that revenue from all transactions is realized. A businessman knows the sales his company makes, and realization involves making collection for all amounts billed. In a royalty situation, however, one's revenue is actually determined by another unrelated entity, and the royaltor's ability to determine completeness and correctness of the royalties reported are limited to information that is set forth in the royalty statements received. There are measures that can be taken to help ensure that one is being fairly compensated for the usage of one's property, including critically reading the royalty statements rendered by the licensee and making comparisons with information that is known personally or which is publicly available. However, in many instances, the royalty statements rendered set forth such a paucity of information that it is frequently difficult, if not impossible, to draw any meaningful conclusions from the information provided. In order to determine whether the royaltor is being appropriately compensated, it is generally necessary to conduct a royalty audit of the licensee.

Royalty audits are considered normal business practice and make good sense as a way to maximize revenues. Top selling artists, producers and other rights owners exercise audit rights on a regular basis. As such, rights owners must be cognizant of the audit provisions contained in their agreements and be sure to make proper notification of their intent to conduct an audit within the allotted time frames. Typically, audit periods are limited to three years, although it is not uncommon for licensees to frequently grant access to longer time periods.

There are a multitude of income streams in the recording industry on which rights owners may be entitled to receive royalties, including: the traditional outlets (such as the sale of physical records through normal retail channels); record club sales and sales made directly to consumers; recouped usages in compilations, including releases by unrelated third party labels; and masters licensed for synchronization usage in film, television, video games, and other productions. In addition, there are emerging outlets, such as sales made in conjunction with non-musical products; master tone licenses issued for telephonic use; licenses issued to third parties for digital downloads and subscription streaming services; and public performance fees.

It is my intention to provide the reader with a royalty auditor's perspective on certain royalty issues and share with you some of the insights gained through years of experience in conducting royalty audits.

"In order to determine whether the royaltor is being appropriately compensated, it is generally necessary to conduct a royalty audit of the licensee."

As an initial comment, it is worth noting that audit issues generally arise for one of the following reasons:

- Calculations Based on Company Policy. Companies responsible for the payment of royalties sometimes determine royalties pursuant to Company policy rather than the provisions set forth in the subject agreement. Policy implementation seems to be a means to addressing limitations in the Company's royalty system, or perhaps as a way to streamline royalty processing.
- Human Errors. Although most royalty statements are generated by highly sophisticated computer systems, the royalty calculations are based on parameters as input by royalty department personnel who may be responsible for the royalty statements rendered to thousands of rights holders. Various elements of the royalty calculation are frequently entered incorrectly.
- Interpretations of Agreements. The royalty statements that a Company renders implicitly represent the Company's interpretation of the royalty terms contained in the subject agreement. Royalty agreements have become considerably more precise over the past several years. Nevertheless, gray areas continue to exist and it is the norm for entities paying royalties to interpret these issues in the way that is most beneficial to themselves.

Artist royalties are determined pursuant to terms contained in the artist's recording agreement and typically take the shape of a calculation that looks something like this:

Royalty = Price Basis x Royalty Percentage x Units.

This seemingly simple equation can quickly turn quite byzantine when each element is reduced and otherwise diminished by a variety of factors. The Price Basis (either retail or wholesale) is typically reduced for container deductions and can be further reduced by a contractually stated percentage for breakage (a holdover from the old days when fragile vinyl was the principal format and records would break during shipment).

The contractually stated Royalty Percentage can be reduced for almost any sale of analog records that does not occur in the United States at top price, including: (1) digital and new technology rate reductions that are taken against sales of compact discs; (2) distribution channel rate reductions such as sales from record clubs, television advertisements, libraries, and military post exchanges; (3) price rate reductions for sales made at mid-line and budget; (4) territorial rate reductions for sales made outside of the United States; (5) foreign withholding taxes; and (6) shares payable to producers and other participants.

Units refer to sales units and are typically reduced by quantities described as free goods (and sometimes still further for discounts that record companies convert into free goods). Units are also sometimes reduced by a contractually stated net sales percentage.

Many of these reductions are vestiges from other eras of recording industry history that live on today at inflated levels and which bear no resemblance to reality. For example, when the compact disc format was first introduced in the early 1980's, record companies approached the artists to request that they accept reduced rates on sales of the new configuration as a way to help shoulder the companies' initial capital expenditure. Needless to say, the capital outlay was an exceedingly good investment, as the CD proved to be the biggest boon to recorded music sales in the industry's history. The cost of the investment in the format was probably fully recouped by about the time the average music fan was just starting to convert his record collection from vinyl to CD. Another example is the container charge on a compact disc unit, which is typically equal to 25 percent of the price basis. In the case of a retail based contract, and an album released at a top-line price of $17.98, the container deduction would be $4.495. This is exceedingly high when one considers that top quality finished CDs, including all elements of packaging, shrink-wrap and stickers, can be readily purchased in small batches for well under $1.00. Nevertheless, these reductions live on in agreements drafted years later and can only be negotiated out or down by prominent artists.

The point here is that typical royalty calculations are not based in any way on reality; but rather exist in some kind of a parallel universe that is rooted in the years of record industry accounting practices that have been melded into a standard royalty framework. The bottom line and the questions that need to be answered after considering all of the elements of the defined calculation and the various diminutions are: (a) "What is the dollar and cents royalty that my artist is entitled to be paid?" and (b) "Were the proper royalties paid?" The purpose of the royalty audit is to identify underpayments resulting from the record company's failure to comply with the terms of the agreement. Here are some of the issues that have frequently turned up in recording artist royalty audits:

- Each element of the royalty calculation represents a moving part, in that it is the subject of a negotiated term and is therefore subject to being erroneously accounted for. Those agreements that contain non-conforming language, such as rate escalations for when sales levels eclipse stated thresholds, are particularly subject to miscalculation. Other examples of non-conforming language include those agreements that contain minimum royalty provisions or most favored nations provisions, which basically require that if the record company is obliged to pay another royaltor on a more favorable basis, then the contracting artist is entitled to be paid on the same basis.
- Unreported and/or Underreported Sales. Invoiced sales are recorded in the record company's billing system which interfaces with the company's royalty system, where sales are tabulated on a record number basis for processing. If a record number is not set up in the royalty system, or if there is a discrepancy in the record number between the two systems, then invoiced sales will be dumped into the company's unmatched account where it sits until such a time that the royalty department personnel analyze the account and identify the unmatched sales for processing in the royalty statement. Foreign sales, which may be reported by affiliated licensees under different record numbers, are also candidates to end up in the unmatched account. It should be noted that the best and perhaps only way to truly ascertain whether the record company has reported royalties on all sales is to gain access to the company's inventory reports and general ledger. With these source documents, it is possible to complete a reconciliation of derived movement (units manufactured as adjusted by opening and closing inventories) with sales as tabulated in the company's royalty system. Unfortunately, most record companies resist requests for these documents, citing confidentiality reasons and/or contractual stipulations.

- Unreported Licensee Income. Record companies derive substantial revenues from licensing their master recordings to third parties for usage in compilation albums, films, television productions and various other forms. In addition, through the advent of Apple iTunes and other legitimate download and streaming services, the companies are beginning to recognize monies from the sale of digitally transmitted music. It is important to ascertain the completeness of licensee income, which often times is non-recurring and subject to omission. In these instances, information available to the public, and more importantly, specific knowledge from the artist's management and attorney, is very helpful in identifying unreported usages.
- Excess Free Goods. The sales plans of most major record companies include free good programs pursuant to which a customer is charged for a certain number of units (usually 80 or 85) and then receives another allotment of units at no charge (usually 15 or 20). Additional free goods are also routinely distributed under seasonal restockings and short term or special marketing plans. Recording agreements normally provide that artist royalties are only payable on sales units, and free goods are specifically deemed non-royalty bearing. Further still, record companies may grant dollar value discounts, which they convert into unit quantities, which are sometimes excluded from the royalty calculation. However, agreements normally provide limits on the number of free goods that can be distributed, and it becomes an audit issue when the maximum allowable number of units is exceeded. Excessive free good distribution through record clubs is also a recurring issue, as the clubs often give away more units than they sell.
- Advances, Recording Costs and Other Recoupable Expenses. Record companies take substantial risks in developing artists and bringing new products to the marketplace. However, those risks are tempered by the fact that the advances they pay an artist, as well as recording costs and some other expenses, are recoupable from royalties earned by the artist. The sums of these payments can amount to hundreds of thousands of dollars, and for many artists, the royalty earnings from the sales of their records do not exceed the recoupable amounts. The costs charged against royalties need to be substantiated on audit, as incorrect charges for unrelated costs do occur. Further, the date of the charges must conform to the period set forth in the royalty statement. The charging of an expense incurred subsequent to the royalty statement period, but prior to the date the statement is rendered, is an incorrect offset. This could result in a payable balance being diminished or wiped out, and instead being erroneously reported as part of an unrecouped balance.
- Foreign Base Prices. Most royalty calculations are based either directly or indirectly on retail list prices. That works fine in the United States and a few other foreign territories where such price lists are published; however, a problem exists in the European countries and other foreign territories where retail list prices have been outlawed since the early 1970s. Thus a vacuum is created in the royalty world where defined calculations have to be made on non-existent prices. It is a widely held opinion that the foreign base prices used by record companies are substantially lower than the actual selling prices.
- Controlled Composition Royalties. Songs written or controlled by either the artist performing on the recording or the producer who produced the recording are generally defined as controlled compositions. Mechanical royalties for controlled compositions are paid pursuant to the controlled composition clause that is contained in the artist's recording agreement. If the controlled mechanical royalties have not been the subject of a separate publisher's examination, then they are normally encompassed within the context of an artist royalty audit.

  Controlled composition clauses can dramatically reduce the mechanical royalties that would otherwise be payable under United States Copyright law, which requires that mechanicals be paid at the minimum statutory rate on all units manufactured and distributed. The terms of these clauses are negotiated and therefore vary greatly depending on the stature of the artist or producer; but generally result in:

  (a) a reduction of the per song rate to some level below 100 percent of the minimum statutory rate, typically 75 percent. Based on the current statutory rate of $.085 and a 75 percent rate reduction, the controlled per song rate would be $.06375.

  (b) The controlled per song rate is normally fixed in time based on the statutory rate in effect at either the date of delivery of the subject master or its release date and is not subject to increase for subsequent changes in the statutory rate. In 2006, when the statutory rate is increased to $.091, the record company will still only be required to pay the above-noted per song rate of $.06375.

(c) the introduction of a "cap" or maximum amount of mechanical royalties the record company will have to pay in respect of all songs (both controlled and non-controlled) contained in the record. The cap is normally based on a stated number of songs multiplied by the previously noted per song rate (for example: 12 songs x $.06375 = $.765). Mechanical royalties on non-controlled songs are normally payable at the full statutory rate and are first deducted from the cap to determine the pool of controlled royalties that is spread over the controlled songs. In this example, if the album contains 14 copyrightable songs and five are non-controlled, then the per song rate payable in 2005 on the nine controlled songs would be: $.0378 [($.765 – (5 x $.085)) / 9]. This rate is only 45 percent of the current statutory rate. It can be further reduced with the passage of time, because the controlled royalty rate must absorb the increase in the statutory rate that is enjoyed by the non-controlled songs.

(d) Unit quantities are also reduced. While mechanical royalties are payable on units manufactured and distributed (sales units and free goods), controlled composition clauses typically limit the number of payable units to sales units, which may be further reduced by a contractually stated net sales percentage. Thus, if the record company has a free good policy pursuant to which 80 units are invoiced as sales and 20 units are described as free, and if the subject agreement contains an 85 percent net sales percentage, then payable units are reduced from 100 percent of units shipped to 68 percent of units shipped (100% x 80% x 85%).

All told, the effect of the controlled composition clause in this example reduces mechanical royalties to 30 percent of what would otherwise be payable under United States Copyright law.

As illustrated, the calculation of controlled composition royalties is comprised of several elements that are subject to miscalculation and which require detailed analysis in the course of the royalty audit.

Each of the above-noted issues is orientated to a traditional royalty arrangement. Some of these issues carry over to other arrangements such as pressing and distribution ("P&D") deals or joint venture ("JV") deals. P&D and JV arrangements, however, are structured differently, in that they are orientated to a profit and loss statement in which the record company reports revenue from sales and licensing deals and from which it deducts a variety of specifically defined charges that may include distribution fees, manufacturing costs, recording costs, copyright royalties, union payments, royalties paid to other participants, and promotional costs. In auditing P&D and JV arrangements, it is important to verify completeness of reported revenues and to make a determination of whether all deductions are authorized by the agreement, and whether they are valid and appropriate.

"Royalty audits are considered normal business practice and make good sense as a way to maximize revenues and help contain expenses."

Conclusion

Royalty audits are considered normal business practice and make good sense as a way to maximize revenues and help contain expenses. The best results are achieved when auditors work closely with attorneys and business managers as a team, because so many of the accounting issues are borne from agreements that require legal interpretation and directions.

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Indecent Proposals: Why the Most Recent FCC Indecency Crackdown Risks Crossing the Center Line into an Oncoming First Amendment Showdown

By Robert Corn-Revere and Ronald London

On September 22, 2004, the Federal Communications Commission ("FCC") announced that it was fining the CBS Network $550,000 for Janet Jackson's infamous "wardrobe malfunction" that concluded the halftime show of the 2004 Super Bowl. The fine did not set a record under the FCC's rules against broadcast "indecency," but it sent a clear message that the Commission is mad as Hell and is not going to take it any more. As of the date of this writing, members of Congress continue to explore ways to enact legislation that would empower the FCC to multiply the magnitude of such fines by ten or even nearly 20 times.

Although the halftime show may have been the breast-shot seen 'round the world, it was not the beginning of the current revolution in the law governing broadcast indecency. The broadcast indecency *contretemps* started months earlier with a decision by the FCC's Enforcement Bureau that U2 lead-singer Bono's spontaneous remark "this is really, really fucking* brilliant" while accepting a Golden Globe Award on live TV did not constitute actionable indecency.[1] The staff's Golden Globe decision attracted the attention of Capitol Hill and was headed for reversal by the Commission when Congress convened the first congressional oversight hearings. Because the now-famed "wardrobe malfunction" occurred days after the initial hearing, it eclipsed the previous controversies. L'affair Super Bowl galvanized momentum for newly restrictive and constitutionally suspect FCC indecency rules, an indecency enforcement crackdown startling in its breadth and heavy-handedness, and new legislation to vastly increase indecency fines.

"As of the date of this writing, members of Congress continue to explore ways to enact legislation that would empower the FCC to multiply the magnitude of such fines by ten or even nearly 20 times."

Even before any new legislation was enacted, however, the FCC proposed massive fines for broadcast indecency, culminating in a record $1.75 million settlement with Clear Channel. They included:

- a $755,000 maximum fine for bits on the syndicated "Bubba the Love Sponge" show;
- a $495,000 maximum fine against six Clear Channel stations for airing the Howard Stern Show;
- maximum fines of $357,000 and $247,000 to two licensees for sexual banter;
- a maximum $55,000 penalty for a radio broadcast that described a sex act in "colloquial terms" and "innuendo" rather than as direct references.

The FCC also imposed a maximum $27,500 fine against a television station for a live news interview with the cast of the stage production "Puppetry of the Penis" because of the accidental, brief "overexposure" of one of its members. Then-FCC Chairman Michael K. Powell told Congress that the indecency fines represented "the most aggressive enforcement regime in decades," and he pledged to further sharpen the agency's "enforcement blade."

Background to the Current Crackdown

The FCC regulates indecent broadcasts pursuant to 18 U.S.C. section 1464, which prohibits the transmission of "obscene, indecent or profane language by means of radio communication." The FCC defines indecency as "language or material that, in context, depicts or describes, in terms patently offensive as measured by contemporary community standards for the broadcast medium, sexual or excretory activities or organs."[2] The Supreme Court narrowly upheld this standard in the famous George Carlin "Seven Dirty Words" case, *FCC v. Pacifica Foundation*, 438 U.S.C. 726 (1978). Although the 5-4 decision upheld the FCC's authority to regulate broadcast content, it emphasized that the Commission's power is limited. Justice Powell, who supplied a crucial swing vote for *Pacifica*'s slim majority, stressed that the FCC does not have "unrestricted license to decide what speech, protected in other media, may be banned from the airwaves." *Pacifica*, 438 U.S. at 760–761 (Powell, J., joined by Blackmun, J., concurring). Justice Powell was willing to allow the FCC some control because he

**This language would ordinarily be redacted, but is included since the language was the subject matter of the FCC decision.*

believed the FCC would "proceed cautiously," and he instructed the FCC to consider the chilling effect on speech "as it develop[s] standards" in this area. *Id*. at 760, 762.

Lower court decisions that subsequently upheld the basic indecency standard similarly counseled agency caution. In *Action for Children's Television v. FCC*, 852 F.2d 1332 (D.C. Cir. 1988) ("*ACT I*"), the D.C. Circuit considered FCC implementation of a generic indecency definition in a series of rulings in which the FCC held that broadcasts that would not have violated Pacifica's "filthy words" standard nevertheless were indecent.[3] The court rejected vagueness and overbreadth challenges to the generic definition but it vacated the FCC's rulings that found post-10:00 p.m. broadcasts indecent, holding that a "reasonable safe harbor rule" was constitutionally mandated and the FCC's findings in that regard were "more ritual than real" and its underlying evidence "insubstantial." *Id*. at 1341–42. The court directed the FCC to be "sensitive to" to the facts that "the speech at issue . . . is protected by the first amendment" and that the agency's "avowed objective is not to establish itself as censor but to assist parents in controlling the material young children will hear." *Id*. at 1334. The court also reiterated that "[i]ndecent but not obscene material . . . qualifies for first amendment protection whether or not it has serious merit." *Id*. at 1340. It allowed the Commission some latitude to regulate in this constitutionally protected area, noting that it did so with the expectation that any "potential chilling effect of the FCC's generic definition . . . will be tempered by [its] restrained enforcement policy." *Id*. at 1340 n.14.

The *Golden Globes Bureau Decision* seemed to keep these admonitions in mind. The FCC staff applied well-established FCC precedent and held the NBC-affiliate broadcast licensees that aired the awards show did not violate the law because, with such live, unscripted events, "fleeting and isolated remarks of this nature do not warrant" sanctions.[4] The decision is consistent with language in *Pacifica* stating it would be "inequitable" to "hold a licensee responsible for indecent language" when "public events likely to produce offensive speech are covered live, and there is no opportunity" for editing. 438 U.S. at 733 n.7. The Bureau decision, and its refusal to impose a fine or any other sanction, was consistent with Justice Powell's understanding that *Pacifica* did not approve sanctions against "the isolated use of a potentially offensive word." 438 U.S. at 760–761 (Powell, J., concurring); *see also id*. at 772 (Brennan, J., dissenting). In an unfortunate part of the decision—that attracted the most attention—the staff also reasoned that "the material aired . . . does not describe or depict sexual and excretory activities and organs," as required by the indecency definition, but rather simply included an "adjective or expletive to emphasize an exclamation." *Golden Globes Bureau Decision*, 18 FCC Rcd. at 19861-62.

The decision was adopted with little fanfare but was soon the center of a political firestorm. Those outraged with the decision demanded to know how this alleged dirtiest of dirty words could not be indecent. Leading the charge was the Parents Television Council ("PTC"), a self-appointed watchdog of broadcast content that had mobilized its members to bombard the FCC with e-mail complaints about the broadcast. The PTC filed an application for full Commission review seeking to have the Bureau's decision reversed.

While that request was pending, and before the year was out, both the Senate and the House of Representatives had issued resolutions calling the FCC to task. The Senate urged the FCC to reconsider the Bureau's decision and to "return to vigorously and expeditiously enforcing" the indecency standard, to "reassert its responsibility as defender of the public interest" against "degrading influences of indecent programming," and to "use all . . . available authority" including "fines . . . for each separate 'utterance' or 'material' [and] license revocation proceedings for repeated violations." S. Res. 283, Dec. 9, 2003. The Senate resolution came one day after the House protested "the lowering of standards [and] weakening of the rules of the [FCC] prohibiting obscene and indecent broadcasts." H. Res. 482, Dec. 8, 2003. At the same time, the "Clean Airwaves Act" was introduced to amend Section 1464 to specify "words and phrases . . . and other grammatical forms of such words and phrases (including verb, adjective, gerund, participle, and infinitive forms)" that constitute "profanity" under the statute.[5]

Legislative and regulatory hand-wringing continued into the new year, including adoption of another House resolution largely mirroring Senate Resolution 283. H. Res. 500, Jan. 21, 2004. Meanwhile, FCC Chairman Powell openly lobbied fellow Commissioners to reverse the *Golden Globe Bureau Decision*. At the same time, he called on Congress to raise the maximum fine the FCC can impose against licensees airing indecent programming "by at least tenfold" from its then present level of $27,500 per offense. His entreaties soon were answered. The Chairman of the House Committee on Energy and Commerce's Subcommittee on Telecommunications and the Internet introduced legislation to increase the fines from $27,500 for each indecent broadcast (with a maximum of $300,000 for continuing violations) to $275,000 per incident (with a $3 million cap). The Subcommittee also held a hearing on January 28, 2004, to examine FCC indecency enforcement. In addition, the Senate started its own inquiry by scheduling a hearing to be held February 11, 2004.

Not coincidentally, the FCC stepped up its indecency enforcement by proposing, the day before the House hearing, fines against two radio stations for airing sexually oriented bits involving, respectively, New York's St. Patrick's Cathedral and a D.C. Catholic school, and a third fine against a TV station for a news story on the Australian show "Puppetry of the Penis," which included an inadvertent glimpse of the title character.[6] Little did the FCC know, however, how soon it would have an opportunity to flex its indecency muscles. Just days after the House hearing, stakes were raised considerably by the now-infamous 2004 Super Bowl halftime show.

Did the FCC overreact to Janet Jackson's "wardrobe malfunction?" Consider the following: It took 11 days after the "day of infamy" for President Franklin D. Roosevelt to convene the Roberts Commission to investigate the attack on Pearl Harbor, and it took one year and 77 days after September 11, 2001 before President George W. Bush authorized the National Commission on Terrorist Attacks Upon the United States. Yet it took the FCC less than 24 hours to issue a letter of inquiry demanding a full investigation of the Super Bowl halftime performance. Some thought this was over the top. At least one poll indicated that nearly 80 percent of respondents believed that the investigation was a waste of tax dollars.[7] Nevertheless, congressional activity rapidly took on new urgency. The House quickly scheduled another indecency hearing on February 11, 2004, moving so aggressively that schedules for the two chambers' inquiries had to be coordinated to facilitate the appearances of common witnesses. Proposals began making their way through Congress to increase FCC authority over indecent broadcasts. Bills proposing to increase maximum FCC indecency fines to up to $500,000 per utterance joined the existing proposal for a tenfold increase and the new list of "off limits" dirty words.[8]

The flurry of activity in Congress soon culminated in legislative and regulatory action. On March 11, the House passed H.R. 3717, the Broadcast Decency Enforcement Act of 2004. The bill calls for increased fines of $500,000 per incident for obscene, indecent or profane broadcasts. It also specifies criteria for the FCC to consider in setting the amount of fine, including whether the offending material was live or recorded and/or scripted or unscripted; whether there was an opportunity to review recorded or scripted programming or a reasonable basis to believe live or unscripted programming might contain offending material; whether a delay was utilized for live or unscripted programming; the size of the audience; and whether the material was part of a children's program. The bill also would relieve network affiliates of liability for network programming that lack the ability to preview or if it is live or unscripted and there was no reason to believe it would contain offending material. On the other hand, it would allow FCC fines against non-licensees (*i.e.*, performers) if they willfully or intentionally "utter" an indecency.

Though indecency legislation temporarily stalled in the Senate, that chamber eventually passed the Broadcast Decency Enforcement Act of 2004, S.A.3235, as an amendment to the National Defense Authorization Act for Fiscal Year 2005, S.2400. The House and Senate were seeking to reconcile the respective bills at conference committee at the time of this writing.

The FCC Vastly Changes the Indecency Legal Environment

As Congress debated changes in the law, the FCC effected a sea change on March 18 when it reversed the *Golden Globes Bureau Decision* and held Bono's exclamation indecent and profane. That same day, the Commission issued three other decisions adopting or applying new indecency rules.[9] The full Commission rejected the Bureau analysis of Bono's use of the word "fucking," finding that "within the scope of our indecency definition . . . it does depict or describe sexual activities." *Golden Globes Order* ¶ 8. It then found the material otherwise satisfied the indecency definition in that it was patently offensive under contemporary community standards for the broadcast medium, *id*. ¶ 9, and it adopted a new *de facto* rule that "any use of [the] word ['fuck'] or a variation, in any context, inherently has a sexual connotation and therefore falls within the . . . indecency definition." *Id*. ¶ 8.

In addition, the FCC held that prior decisions "that isolated or fleeting broadcasts of the 'F-Word' . . . are not indecent or would not be acted upon" are "no longer good law," *id*. ¶ 12, and it adopted what is essentially a requirement that broadcasters use technological measures such as delays to avoid airing a single or gratuitous use of a vulgarity. *Id*. ¶ 11. The FCC also found "an independent ground" that the material violated Section 1464 as being "'profane' language," *id*. ¶ 13, and it put broadcasters "on notice" that it "will not limit its definition of profane speech to only those words and phrases that contain an element of blasphemy or divine imprecation." *Id*. ¶ 14. Rather, the FCC announced that hereafter it "will also consider under the definition of 'profanity' the 'F-Word' and those words . . . that are [likewise] highly offensive." *Id*.

The FCC also took the "opportunity to reiterate . . . that serious multiple violations of [the] indecency rule . . . may well lead to . . . license revocation proceedings" and that fines could issue "for each indecent utterance in a particular broadcast." *Id*. ¶ 17. However, notwithstanding a finding that the broadcast of Bono's expletive was indecent and profane, the FCC did not fine the licensees that aired the offending material. *Id*. ¶ 15. By a 3-2 vote, it found such action would be inappropriate because precedent at the time of the broadcast would have permitted airing the material, and the *Golden Globes Order* was "a new approach to profanity," such that the licensees "lacked the requisite notice to justify a penalty." *Id*.

The FCC reinforced and/or built upon the new *Golden Globes Order* rules in the concurrently issued *Infinity Radio, Infinity Broadcasting* and *Capstar* actions, as well as in other actions issued shortly thereafter.[10] The Commission's new approach included deeming colloquialisms or innuendo actionable whenever the FCC finds there is an "unmistakable" sexual connotation,[11] holding that the indecency of a broadcast can turn on the "identities of the participants,"[12] restricting the extent to which broadcasters can look to prior agency statements defining indecency for guidance,[13] and stating an intent to pursue sanctions even in the absence of complaints.[14]

Reaction to the FCC's sharp change in direction on indecency regulation was virtually instantaneous, and eminently foreseeable. Broadcasters immediately began eliminating or curtailing live programming. They also fired on-air personnel. Examples included not only Clear Channel's termination of Howard Stern's show on its six stations (that had drawn a $495,000 fine), but also some personalities that merely aired a single offending word inadvertently. Radio stations also began removing or editing numerous songs, including quite a few that had aired for years without complaint. Networks canceled or altered edgy television shows, even though audiences had long been on notice as to their content and/or tone, and some even were previously found not indecent. For example, public broadcasters were compelled to edit out a hint of cleavage in the *American Experience* documentary "Emma Goldman." In "Every Child is Born a Poet: The Life and Work of Piri Thomas," a program featuring readings and dramatizations of the work of this renowned poet, writer and educator, PBS cut out several expletives (including nonsexual epithets) though they appeared in the original works. Citing this substantial chilling effect, a coalition of two dozen licensees, public interest organizations, professional associations, production entities, programmers, writers and performers sought reconsideration of the *Golden Globe Order*, asking the FCC to seriously consider whether "the system of government regulation" it has newly adopted is "fundamentally incompatible with the First Amendment."

The Golden Globes Order Focuses Attention on Constitutional Problems of the FCC Indecency Scheme

The *Golden Globes Order* raises a host of constitutional questions notwithstanding the Supreme Court's decision in *Pacifica* a quarter century ago. Even before the *Golden Globes Order*, the FCC's Section 1464 enforcement regime was fraught with constitutional difficulties, and the new indecency and profanity standards, more zealous enforcement, higher fines, and other recent policy changes focus attention on the need for wholesale First Amendment review. In this regard, the government has a constitutional obligation to address significant First Amendment issues when it modifies or reaffirms any regulation of broadcast content. *See Meredith Corp. v. FCC*, 809 F.2d 863, 874 (D.C. Cir. 1987).

Any such reexamination must acknowledge that the Supreme Court's 5-4 ruling did not give the FCC *carte blanche* to decide what broadcasts are indecent or to impose unlimited penalties. The ability to regulate so-called "indecent" speech is a limited constitutional exception, not the rule. The Supreme Court has invalidated indecency restrictions imposed on print media, film, the mails, cable television, and the Internet,[15] and in doing so confirmed that indecent speech is fully protected and not subject to lesser First Amendment scrutiny as "low value" speech. *Playboy*, 529 U.S. at 826. It has acknowledged the FCC's definition of indecency was not endorsed by a majority of Justices and repeatedly described *Pacifica* as "emphatically narrow."[16] Lower courts have not analyzed or reaffirmed *Pacifica*, but instead simply recited and applied its outcome.[17]

Both broadcasting and the media environment in which it operates change over time, and with it so, too, must regulatory standards that bear on broadcast programming. As the Court observed in *CBS v. Democratic Nat'l Comm.*, 412 U.S. 94, 102 (1973), "problems of regulation are rendered more difficult because the broadcast industry is dynamic in terms of technological change; solutions adequate a decade ago are not necessarily so now, and those acceptable today may well be outmoded 10 years hence." In the 26 years since *Pacifica* and the nine years since the D.C. Circuit last considered broadcast indecency, it has become less tenable to assume that broadcasting may be subjected to special rules because it is a "uniquely pervasive presence." *Pacifica*, 438 U.S. at 748. During this interval the FCC has found that traditional media "have greatly evolved," and "new modes . . . have transformed the landscape, providing . . . more control than at any other time in history."[18] Notably, *Reno v. ACLU* subjected the indecency definition (in the Internet context) to rigorous scrutiny for the first time and found it seriously deficient. 521 U.S. at 871–881. It has not helped that while legal standards and the media environment have been evolving the FCC has shown a marked inability to clarify, solidify, and/or apply its own standard.[19]

From the outset, the regulation of indecent speech has presented a paradox. Courts confirm that "indecent" speech is fully protected by the Constitution, yet the amorphous FCC standard provides little protection as a practical matter. Meanwhile, "obscenity" that purportedly is unprotected is subject to First Amendment doctrine that provides more actual legal protection. The test for obscenity, adopted in *Miller v. California*, 413 U.S. 15 (1973), permits restriction only of works that, taken as a whole, are deemed by the average person applying contemporary community standards to appeal to the prurient interest; that depict or describe in patently offensive ways sexual conduct specifically defined by applicable state law; and that taken as a whole lack serious literary, artistic, political, or scientific value. Meanwhile, the indecency standard bars transmission (at times of day when children are likely in the audience) of language or material that, in context, depicts or describes, in terms patently offensive under contemporary community standards for the broadcast medium, sexual or excretory activities or organs. Unlike the test for obscenity, the FCC's standard applies to select passages not whole works, is based not on average persons in a community but on children, and literary or artistic merit do not bar liability.

The Supreme Court has held that the *Miller* test "critically limits the uncertain sweep of the obscenity definition." *Reno*, 521 U.S. at 872–873. By sharp contrast, the focus of the FCC's indecency enforcement on select passages and not works as a whole is alone a significant constitutional defect. This problem with the indecency standard merely scratches the surface of its constitutional shortcomings, as it does not even begin to consider the extent to which the standard does not evaluate the effect of material on the average person but rather on the most vulnerable members of the community (children), and the extent to which it likely restricts material that has serious literary, artistic, political or scientific value. Because the test is far less rigorous, the Supreme Court found the indecency standard as applied to the Internet "unquestionably silences some speakers whose messages [are] entitled to constitutional protection," and the requirement that isolated passages be considered "in context" is no cure. *Id*. at 871, 873. Since *Reno*, virtually every court ruling on laws that depend on the indecency standard has found them unconstitutional.[20]

The FCC's historical enforcement of its indecency standard also has lacked strict procedural safeguards that govern any administrative processes that effectively deny or delay the dissemination of speech, *see, e.g., Freedman v. Maryland*, 380 U.S. 51, 58–61 (1965), and that are required by a constitutional mandate for the government to use "sensitive tools" to "separate legitimate from illegitimate speech." *Speiser v. Randall*, 357 U.S. 513, 525 (1958). The FCC's regime of enforcing indecency is inconsistent with the basic First Amendment principles that any delay in rendering a decision on the permissibility of speech be minimal, that speakers receive prompt judicial review, *United States v. Thirty-Seven Photographs*, 402 U.S. 363, 367–368 (1971), and that in every case where the government seeks to limit speech a constitutional presumption runs against it and requires the government to justify the restriction. *Playboy*, 529 U.S. at 816; *Interactive Digital Software Ass'n v. St. Louis County*, 329 F.3d 954, 959 (8th Cir. 2003).

With respect to judicial review in particular, the process is anything but prompt even after the FCC finds a particular broadcast indecent. Licensees challenging such findings generally must either agree to pay the fine and appeal, or refuse to pay and endure enforcement proceedings (assuming the government initiates collection action) before raising a defense in court. *See, e.g., AT&T Corp. v. FCC*, 323 F.3d 1081, 1085 (D.C. Cir. 2003). Yet since the FCC in the interim may withhold action on other matters the licensee has pending before it, no licensee has been able to hold out long enough to test the validity of an FCC indecency ruling. *See Action for Children's Television v. FCC*, 59 F.3d 1249, 1254 (D.C. Cir. 1995) ("*ACT IV*"). Under this system, Clear Channel recently paid $1.75 million, the largest "voluntary payment" ever negotiated between the FCC and a broadcaster to settle indecency charges. *Clear Channel Communications, Inc*., FCC 04-128, (June 9, 2004). The payment was in addition to a $755,000 forfeiture Clear Channel paid in February for a broadcast not covered by the settlement.

The fact that there are no court decisions interpreting or applying the indecency standard in particular cases compounds the problem, as licensees must look to the FCC for clarity, but its decisions provide scant guidance. First, most such decisions are unpublished, informal letter rulings stored in individual complaint files at the FCC and thus are unavailable, especially those declining to take action.[21] Second, even where the FCC reaches the merits of a complaint, its decision typically consists of conclusory statements finding the broadcast indecent. The FCC's one attempt to address this problem, the aforementioned *Industry Guidance* adopted pursuant to the *Evergreen Media* settlement, was little help. The FCC pointed out that "contextual determinations" critical to indecency analyses "are necessarily highly fact-specific, making it difficult to catalog comprehensively all of the possible contextual factors that might exacerbate or mitigate the patent offensiveness of particular material." *Industry Guidance*, 16 FCC Rcd. at 8002-03. Furthermore, the FCC stated in the past that, if individual rulings fail to "remove uncertainty" in this "complicated area of law," it may use its power to issue declaratory rulings to clarify the standard, *New Indecency Enforcement Standards*, 2 FCC Rcd. at 2727, the FCC in practice has never granted such a request. *See Infinity Broad. Operations, Inc*., 18 FCC Rcd. 26360 ¶ 6 n.14 (2003).

The FCC's New Approach Has Significant First Amendment Flaws

The *Golden Globe Order* brings long-simmering problems underlying the indecency standard to the fore by taking the FCC well beyond established precedent and ultimately raising questions about *Pacifica*'s continuing validity. *Pacifica* upheld the FCC's narrow authority to regulate indecent broadcasting only to the extent it exercised "caution" and "restraint," *see, e.g.*, 438 U.S. at 756, 760-761 (Powell, J., concurring); *ACT I*, 852 F.2d at 1340 n.14, and since then courts have raised significant questions about the government's limited authority in this sensitive area. By overruling precedent that isolated or fleeting uses of "indecent" words are not actionable, and undermining the importance of "context" in indecency analysis, the *Golden Globes Order* eliminated interpretive restraints long relied upon to help ensure constitutional enforcement of Section 1464.

Despite a purported attempt to clarify matters by decreeing that "any use of [the 'F Word'] or a variation, in any context, inherently has a sexual connotation," *Golden Globes Order* ¶ 8, the FCC only muddied the waters. It warned broadcasters that it intends to interpret broadly the ban on "vulgar and coarse language" including "words (or variants thereof) that are as highly offensive as what it repeatedly referred to as the 'F-Word.'" *Golden Globes Order* ¶¶ 13-14. Whether a word may be deemed "highly offensive" depends on "contemporary community standards" for the broadcast medium, yet the FCC has never previously defined that standard other than to say it is national and reflects the "average broadcast viewer or listener," whoever that may be. The FCC recently claimed it has "experience and knowledge, developed through constant interaction with lawmakers, courts, broadcasters, public interest groups and ordinary citizens, to keep abreast of contemporary community standards." *Infinity Radio* ¶ 12. Contrary to this assertion, however, there has been no such "interaction" and the last time a court ruled in this area was nearly a decade ago, at the behest of broadcasters, not the FCC. *See ACT IV*, 59 F.3d 1249. Worse, the FCC discounts objective means of ascertaining contemporary community standards such as polling or ratings, *see Infinity Broad. Operations*, 17 FCC Rcd. 27711, 27715 (Enf. Bur. 2002), though recent surveys reveal far different attitudes within the broadcast audience than the FCC presumes. *See* Kavla McCabe, *Study Reveals Rock Listeners' Views on Indecency*, Radio & Records, Apr. 9, 2004 at 1; *Rated R for Rock*, Radio & Records, Apr. 9, 2004 at 15.

The FCC's new holding that certain expletives can be "profane" further undermines the constitutionality of its rules. It replaces one already-vague rule with several vague standards applying to words or images that may include blasphemy or divine imprecation, "personally reviling epithets naturally tending to provoke violent resentment," "language so grossly offensive" that it "amount[s] to a nuisance," and "vulgar, irreverent, or coarse" words. Notably, the religious-based category "blasphemy" and "divine imprecation," render such phrases as "go to hell" or "god damn it" actionable, *see Duncan v. United States*, 48 F.2d 128, 134 (9th Cir. 1931), and thereby violate the First Amendment's Establishment Clause. The "nuisance" and "personally reviling epithet" prongs also raise significant First Amendment problems under well-established precedent.[22]

Conclusion

It has been over a quarter of a century since the Supreme Court has reviewed the constitutionality of the broadcast indecency standard. During that period, there have been vast changes in the media landscape that shatter the assumption on which *Pacifica* was based, that broadcasting has a "uniquely pervasive presence in society." 438 U.S. at 748. At the same time, other decisions invalidating the indecency standard when applied to other media raise fundamental questions about *Pacifica*'s continuing validity. The current crusade against broadcast indecency by Congress and the FCC may lead to a long overdue reassessment of the government's power in this area.

Endnotes

1. Complaints About Various Licensees Regarding Their Airing of the "Golden Globes Awards" Program, 18 FCC Rcd. 19859 (Enf. Bur. 2003) ("Golden Globes Bureau Decision").
2. See Industry Guidance on the Commission's Case Law Interpreting 18 U.S.C. § 1464 and Enforcement Policies Regarding Broadcast Indecency, 16 FCC Rcd. 7999, 8000 (2001) ("Industry Guidance").
3. *Id.* at 1334 *(citing* Pacifica Found., 2 FCC Rcd 2698 (1987); The Regents of the Univ. of Cal., 2 FCC Rcd 2703 (1987); Infinity Broad. Corp. of Pa., 2 FCC Rcd 2705 (1987)).
4. 18 FCC Rcd. at 19861 *(citing* Entercom Buffalo License LLC (WGR(AM)), 17 FCC Rcd. 11997 (Enf. Bur. 2002); L.M. Communications of S.C., Inc. (WYBB(FM)), 7 FCC Rcd. 1595 (Mass Med. Bur. 1992); Peter Branton, 6 FCC Rcd. 610 (1991); Industry Guidance, 16 FCC Rcd. 8008-09).
5. H.R. 3687, 108th Cong., 1st Sess. (2003).
6. Infinity Broad. Operations, Inc., 18 FCC Rcd. 19954 (2003); AMFM Radio Licenses, Inc., 18 FCC Rcd. 19917 (2003).
7. The Associated Press/Ipsos Poll: Janet Jackson's Act Bad Taste, But Not a Federal Case, February 24, 2004 (www.ipsos-na.com/news/pressrelease.cfm?id=2062&content=full). While 18 percent of those surveyed thought that the halftime show was "an illegal act," 54 percent said that the incident was an act of bad taste but not illegal. Twenty-seven percent thought it was neither.
8. Other proposals included basing fines on the number of viewers that see or hear an alleged indecent broadcast, or on a percentage of the broadcaster's revenues; a requirement that indecency fines lead to revocation hearings, either for every three violations or at license renewal; extension of the FCC's power to impose fines to include talent or non-licensees that perform

offending content; liability on networks for programming aired by affiliates; mandatory retention of tapes of broadcasts for 180 days; and an expedited 180-day time limit for the FCC to decide whether a broadcaster has violated indecency rules. *See* Broadcast Indecency Enforcement Act of 2004, S.2056, 108th Cong. (2004), Broadcast Decency Responsibility and Enforcement Act, S.2147, 108th Cong. (2004).

9. *Complaints About Various Licensees Regarding Their Airing of the "Golden Globes Awards" Program*, 19 FCC Rcd. 4975 (2004) ("Golden Globes Order"); *Infinity Radio License, Inc.*, 19 FCC Rcd. 5022 (2004) ("Infinity Radio"); *Infinity Broad. Operations, Inc.*, 19 FCC Rcd. 5032 (2004) ("Infinity Broadcasting"); *Capstar TX Ltd. P'ship*, 19 FCC Rcd. 4960 (2004) ("Capstar").

10. Entercom Seattle License, LLC, FCC 04-89 (May 14, 2004) ("Entercom"); *Emmis Radio License Corp.*, 19 FCC Rcd. 6452 (2004) ("Emmis Radio"); *Clear Channel Broad. Licenses, Inc.*, 19 FCC Rcd. 6773 (2004) ("Clear Channel").

11. Capstar ¶ 9; Infinity Broadcasting ¶ 10; Infinity Radio ¶ 5.

12. Emmis Radio ¶ 10.

13. Entercom ¶ 12; Clear Channel ¶ 12. See also Golden Globe Awards ¶ 12.

14. Clear Channel ¶ 16.

15. *Butler v. Michigan*, 352 U.S. 380, 383 (1957) (book with obscene, immoral, lewd, lascivious language or descriptions); *United States v. 12 200-ft. Reels of Film*, 413 U.S. 123, 125, 130 n.7 (1973) ("movie films, color slides, photographs, and other printed and graphic material [carried] into the United States from Mexico"); *Bolger v. Youngs Drug Products Corp.*, 463 U.S. 60 (1983) (unsolicited mail with contraceptive information); *United States v. Playboy Entmt. Group, Inc.*, 529 U.S. 803 (2000) (cable channels primarily dedicated to sexually-oriented programs); *Reno v. ACLU*, 521 U.S. 844 (1997) ("indecent" and "patently offensive" Internet content).

16. *E.g.*, *Reno*, 521 U.S. at 866–67, 870; *Bolger*, 463 U.S. at 74.

17. *E.g.*, *ACT I*, 852 F.2d at 1339; *Action for Children's Television v. FCC*, 932 F.2d 1504, 1508 (D.C. Cir. 1991) ("ACT II"); *Information Providers' Coalition for Defense of the First Amendment v. FCC*, 928 F.2d 866, 875 (9th Cir. 1991); *Alliance for Community Media*, 56 F.3d 105, 129 (D.C. Cir. 1995), *rev'd in part and aff'd in part sub nom.*, *Denver Area Educ. Telecomms. Consortium v. FCC*, 518 U.S. 717, 756 (1996); *United States v. Evergreen Media Corp. of Chicago*, 832 F. Supp. 1183, 1186 (N.D. Ill. 1993).

18. Biennial Regulatory Review ¶¶ 86-87. *See also Denver Area Educ. Telecomms. Consortium*, 518 U.S. at 744 ("[c]able television broadcasting, including access channel broadcasting, is as 'accessible to children' as over-the-air broadcasting, if not more so"). In *Denver Area*, the Court upheld a provision that permitted cable operators to adopt editorial policies for leased access channels, but rejected government-imposed restrictions on indecent programs on leased and public access channels.

19. See New Indecency Enforcement Standards to be Applied to all Broadcast and Amateur Radio Licensees, 2 FCC Rcd. 2726 (1987) ("New Indecency Enforcement Standards") (switching from indecency standard applicable to only seven specific words in Carlin monologue to generic indecency policy); *Evergreen Media, Inc. v. FCC*, Civil No. 92 C 5600 (N.D. Ill. Feb. 22, 1994) (settled to require the FCC to adopt industry guidance); Industry Guidance, 16 FCC Rcd. 7999 (settling enforcement action by, *inter alia*, committing to provide "industry guidance" on meaning of indecency standard within six months but taking six-and-a-half years to do so). *Compare* The KBOO Found., 16 FCC Rcd. 10731 (Enf. Bur. 2001) (proposed $7,000 forfeiture for broadcast of "Your Revolution"), *with* The KBOO Found., 18 FCC Rcd. 2472 (Enf. Bur. 2003) (reversing prior decision and rescinding forfeiture after "Your Revolution" was effectively banned for 21 months); *compare* Citadel Broad. Co., 16 FCC Rcd. 11839 (Enf. Bur. 2001) (proposing $7,000 forfeiture for broadcast of "radio edit" of "Real Slim Shady"), *with* Citadel Broad. Co., 17 FCC Rcd. 483 (Enf. Bur. 2002) (reversing prior decision and rescinding forfeiture after "Real Slim Shady" was effectively banned for 6 months).

20. *PSINet v. Chapman*, 362 F.3d 227 (4th Cir. 2004); *ACLU v. Johnson*, 194 F.3d 1149 (10th Cir. 1999); *Cyberspace Communications, Inc. v. Engler*, 238 F.3d 420 (6th Cir. 2000) (table); *ACLU v. Napolitano*, Civ. 00-505 TUC ACM (D. Ariz. Feb. 21, 2002); *American Bookseller's Found. for Free Expression v. Dean*, 202 F. Supp.2d 300 (D. Vt. 2002); *Bookfriends, Inc. v. Taft*, 223 F. Supp.2d 932 (S.D. Ohio 2002).

21. See Remarks of Commissioner Michael J. Copps to the NATPE 2003 Family Programming Forum (Jan. 22, 2003) (of nearly 500 complaints received in 2002, 83% were either dismissed or denied, one company paid a fine, and the rest are pending or "in regulatory limbo").

22. *Gooding v. Wilson*, 405 U.S. 518, 523 (1972); *Cohen v. California*, 403 U.S. 15, 20 (1971); *Lewis v. New Orleans*, 415 U.S. 130 (1974).

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NEW YORK STATE BAR ASSOCIATION

ENTERTAINMENT, ARTS AND SPORTS LAW SECTION ANNUAL MEETING

New York Marriott Marquis • Monday, January 24, 2005

ELISSA D. HECKER, ESQ., Section Chair

ALAN D. BARSON, ESQ., Section Vice-Chair

WELCOMING REMARKS: **ELISSA D. HECKER, ESQ.**
Program Co-Chair

PROGRAM INTRODUCTION: **ALAN D. BARSON, ESQ.**
Program Co-Chair

KEYNOTE ADDRESS: **"Sex, Drugs, Rock "n" Roll and the First Amendment**
MARTIN GARBUS ESQ., Davis & Gilbert LLP

Branding of Entertainment, The Media and the First Amendment: Social Question and Legal Challenges

MODERATOR: **THOMAS SELZ, ESQ.**
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Frankfurt Kurnit Klein & Selz PC

PANELISTS:

BRUCE REDDITT
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Indecency, the Media and the FCC

MODERATOR: **JENNIFER ROMANO, ESQ.**
Graham Campaign, PC
Chair, EASL Committee on Young Entertainment Lawyers

PANELISTS:

MICHAEL BOTEIN, ESQ.
Professor of Law
New York Law School

CHRISTOPHER A. HANSEN, ESQ.
Senior Staff Counsel
American Civil Liberties Union

BARRY SKIDELSKY, ESQ.
Attorney at Law

ROBERT W. PETERS, ESQ.
President
Morality in Media, Inc.

DAVID H. SOLOMON, ESQ.
Chief of Enforcement
Federal Communications Commission

MS. ELISSA D. HECKER: Welcome. Thank you for trekking through New York City's majestic snow and slush in order to attend EASL's Annual Meeting. I want to open this meeting by telling you, the EASL Section members, some of what we have done for you this past year and what we intend to do for you in 2005. Bear in mind that I am always looking for constructive feedback and suggestions as to how to make EASL the best resource it can be, so please do not hesitate to contact me at any time. My e-mail address, eheckeresq@yahoo.com, appears in the *EASL Journal*, and I welcome comments and suggestions.

In 2004, the EASL Executive Committee held its first annual planning Retreat, where the focus was how to make the EASL Section better serve you. Among the topics that were addressed were: the makeup of the Executive Committee, EASL bylaws, the budget, committees, communication, pro bono services, diversity, legislation, and increasing visibility and programming.

In 2004, we almost doubled the size of the Executive Committee, so that most standing committees now have two co-chairs, in order to provide more programming and discussions. The Executive Committee consists of attorneys who are at the at the top of their fields, and include a medalled Olympian, Vice President at NBA Properties, partners from both major and boutique law firms, corporate attorneys, entrepreneurs, law treatise editors and solo-practitioners.

The committee chairs must hold at least two programs or meetings per year. In addition, we have begun an outreach effort to ensure that those EASL members who wish to be on committees are, so that no programs, CLE opportunities or meetings are missed. Please let us know if we do not have your current e-mail address on file. This is one of our primary sources for the dissemination of program information.

As part of our increased service to our members, both our Web site and membership materials now include detailed information about each EASL committee. Please visit the EASL page on the nysba.org/easl Web site for more information. Incidentally, the EASL Web site has been rated as one of the top five most visited Section webpages on the New York State Bar Association's site. If you have not already visited it, please do.

Another service we are offering is that all Executive Committee members are designated as Ambassadors at every EASL gathering. Would the Ambassadors all stand up for a moment? Every Ambassador has a yellow Ambassador ribbon. We look as though we are—as Stanley Schneider said, we look like we are all at the state fair. Please feel free to approach any Ambassador that you see at any time, with questions, suggestions or concerns. We are here for you.

In order to help facilitate programming, a Committee Chair Handbook for all Committee Chairs and District Representatives has been compiled, so that they can better navigate their positions and serve the membership. Our goal is to enable every EASL member to participate in Section and committee programs.

In this vein, efforts are underway to incorporate the District Representatives in the planning stages of all meetings, programs and events, so that members outside of New York City should have the opportunity to participate in or attend remotely, via teleconference, video conferencing, or in person, and for those programs that provide CLE credit, obtain the credits. We are really working on making sure that this can happen.

In addition, Peter Herbert, the immediate past Chair of the Litigation Committee, and I, will be working in conjunction with input from the committee chairs to create an EASL Section Handbook. This will highlight important issues to practitioners in the areas of entertainment, art and sports law and should prove to be a valuable resource that will be provided on a complimentary basis to all EASL members. We are hoping to have this out sometime in 2006.

As you should know by now, one of my primary missions as Chair of this Section is to expand the breadth and depth of our pro bono programming. We would like the EASL Section pro bono efforts to be an example, by instituting an organizational structure where pro bono permeates every reach of the Section. We also want to show attorneys how enriching, interesting and fun pro bono can be. Pro bono services range among speaking in schools about a legal career, mentoring, working the Volunteer Lawyers for the Arts clinics, and taking on major litigation, among other examples.

We are working to introduce several non-traditional types of pro bono activities available to our members so that you can select which best fits your practice. We have also submitted a letter of support to the New York State Bar Association, encouraging it to lobby for an expanded definition of pro bono, and to do that in conjunction with encouraging the crediting of CLE as well for such services. The letter will be published in the Spring issue of the *Journal*.

I would now like to take this opportunity to congratulate the 2004 Law Student Initiative winners: Holly Rich and Sarah Kutner of Hofstra University

School of Law, Tara Di Luca of Pace Law School, Adam Zia of Fordham Law School, Tamar Jeknavorian of St. John's University School of Law, Jacob Lamme of Albany Law School and Harvey Manes of Hofstra University School of Law.

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. Information about the LSI is available in the Journal and on the EASL Web site, at nysba.org/easl.

You are in for a tremendous program today, which should be both interesting and entertaining. I would like to thank the speakers and moderators for generously sharing with us their time. I would also like to thank XM Satellite Radio, which is sponsoring the cocktail reception following the afternoon program. XM's sponsorship enables you to attend the reception at no cost. I look forward to seeing you all there, where a very talented musician, Karl Kramer, will entertain us.

Once more, please feel free to approach any Ambassador, or me, at the reception for questions, comments or just to introduce yourself.

I would now like to call Jeffrey Rosenthal, immediate past Section Chair, and Howard Siegel, former Section Chair, to the front.

Jeff, I would like to present to you a token of our thanks for being an extraordinary past Chair from 2002 through 2004. You are a wonderful leader and we are very happy that you are staying on and continuing the tradition of being an active and informed Executive Committee member.

MR. JEFFREY ROSENTHAL: Thank you.

MS. HECKER: And now for the working part. Jeff needs to talk to you about the nominations.

MR. ROSENTHAL: I guess former Chairs don't just retire, but they become Chair of the Nominating Committee. This year we've got a couple of things that I am here for. One is at our fall Retreat last September, we made some changes to the bylaws, which in accordance with the New York State Bar Association, need to be approved at the Section's Annual Meeting. And out front, hopefully everybody had a chance to get a copy of that.

Take a look at it. It's blacklined so that you can see what the changes are. There are not very many changes. And perhaps the most significant of which is to create up to six at-large positions to allow the Chair of the Executive Committee to keep people on who no longer, for a variety of reasons, want to, or can service as active committee chairs, or to also allow other people to take District Representative positions without losing some of our more talented and more involved members of the Executive Committee.

So Elissa has in fact, already proposed for appointment four of those at-large positions. And hopefully, they will be blessed here with the approval of the change in the bylaws. So if everybody has had a chance to just take a look at them, I would like to see if we can get a motion to approve the bylaw changes. Any seconds? Okay, all in favor of the new bylaws?

(EN MASSE): Aye.

MR. ROSENTHAL: Any opposed? Looks like we have approval of the new bylaws. Thank you very much. Because we have changed the bylaws, we now have to do the second thing, which is re-nominate the 2004 to 2006 Executive Committee posts. Usually it's a two-year term. Last year, the Section unanimously approved the nomination of the current slate. But because of the new bylaws, we need to nominate them again for another year.

So I will read to you the slate. Chairperson remains, Elissa Hecker. Our Vice Chair is Alan Barson. Secretary is Judith Prowda. Assistant Secretary is Ken Swezey. The Treasurer, Steve Rodner. And then our District Representatives are Stanley Rothenberg from the 1st District, Paul Sciocchetti from the 4th District, James Salk from the 6th District, Mark Costello from the 7th District, David Parker from the 8th District, Arnold Gurwitch from the 9th District, Rosemary Tully from the 10th District, and Eric Berman from the 11th District. And we also have two members of the House of Delegates, which is actually thanks to a recent change in the New York State Bar Association's bylaws to add a delegate for our Section. And our two delegates are Steve Richman and Alan Barson.

So if I can get a second for the nomination of the Nominating Committee, we can then take a vote. All in favor of this new slate, or actually old slate of Executive Committee members?

(EN MASSE): Aye.

MR. ROSENTHAL: Any opposed? Congratulations, you've been re elected.

MS. HECKER: Thank you.

MR. ROSENTHAL: And actually, that leads me to the last thing I wanted to mention, which is what a good thing we did in re-electing Elissa and the rest of her slate.

Many of you might not know, because it's going to actually be formally announced this coming Wednesday, but the Young Lawyers Section of the New York State Bar Association gives an award each year to the outstanding young lawyer of the year. And this year, the Young Lawyers Section made, I think, a fantastic decision, and chose Elissa as the Outstanding Young Lawyer of the year. And we thought that it would be remiss of us just to let the Young Lawyers Section announce the award without our own Section members getting to congratulate Elissa personally, and just really hear about what a fantastic job she's been doing.

The Young Lawyers Section gives its award to somebody who has been in practice for ten years or less, and is younger than 37. So it really requires somebody who accomplishes a lot very, very quickly. And that's obviously quite obvious from the fact that Elissa, at her young age, and being in practice less then ten years, has already risen to the Chair of our Section.

Several years ago when Elissa first joined the Section, and became an Executive Committee member, just her talent, and her energy was apparent to everyone. And from her first main task which was revitalizing our Section's *Journal* to what is perhaps one of the leading bar association journals in the country, to being one of the two spearheaders in our Section of our pro bono initiative, which has gained recognition throughout the state as really a model bar association pro bono program, to the things she has done on the Executive Committee itself. Elissa has really taken a tremendous amount of energy to this position, and I think is really bringing our Section to the next level. So congratulations again, Elissa.

MS. HECKER: This is a mutual admiration society! Thank you so much. I want to thank everybody on the Executive Committee for the excellent service that they have been giving this year. There has been a tremendous amount of work.

One of the members of the Executive Committee, actually Howard Seigel, who I guess couldn't be here today, is also the Editor in Chief of the Entertainment Law Third Edition, which is a key book for entertainment law practitioners. And that is available for sale at a discount to you. So that's available here today. And Howard did a wonderful job with it.

I would now like to turn the microphone over to Judith Bresler, another former EASL Section Chair extraordinaire, and current Chair of the Phil Cowan Memorial Scholarship Committee, for an award to our scholarship recipient.

MS. JUDITH BRESLER: This is something else that former Section Chairs get to do. Phil Cowan, one of the founding members of our Section, had passed away prematurely a couple of years ago. And in his honor, our Section created a memorial scholarship. We teamed up with BMI, and the teaming up has enabled us, starting this year, to award as many as two scholarships on a yearly basis of $2,500 each to a law student who wins a writing competition.

The writing competition can be on an article relating to either entertainment, art or sports law, or Copyright law, all subjects dear to Phil's heart. And today it is my particular pleasure, because she's actually a former student of mine, to award the inaugural Phil Cowan Memorial/BMI Scholarship, to Rinil Routh. Rinil, would you please come up.

Rinil wrote a wonderful article on the *Eldred* case, which we will be able to see in the next *Entertainment, Arts and Sports Law Journal*. And you will be receiving the scholarship which will be going directly to New York Law School. So congratulations for a job well done.

I would like to now turn over the microphone to our Section Vice Chair, Alan Barson.

MR. ALAN BARSON: Judith, thank you. We have a wonderful program today, so let's just get started. Our keynote address called "Sex, Drugs, Rock and Roll, and the First Amendment," will be given by Martin Garbus, a partner in the law firm of Davis and Gilbert, and one of the country' leading trial lawyers.

Mr. Garbus has appeared before the United States Supreme Court, as well as the highest state and federal courts in the nation. His devotion to ethics, justice, and the law has garnered respect among the legal community and beyond.

Time magazine has named him, "legendary, one of the best trial lawyers in the country," while *Newsweek* and *The National Law Journal* and other media agree that Mr. Garbus is America's "most prominent First Amendment lawyer" with an extraordinarily diverse practice. *The National Law Journal* named him one of the country's top ten litigators.

Mr. Garbus' cases have established new legal precedents in the Supreme Court and courts throughout the country. Mr. Garbus has tried many high profile criminal and complex commercial litigations and celebrity cases. Currently, Mr. Garbus represents employees in a class action discrimination suit against President Bush's Faith Based Initiative, and will soon start a copyright infringement suit against the infamous hip-hop and rap star, Eminem.

Mr. Garbus has won freedom of speech suits against the United States government, and defended authors and publishers charged with defamation and libel.

Recently, the government of China called upon his expertise to remedy the problems posed by digital piracy that have come to plague that nation over the past decade.

Marty is the author of four widely read books, and has been the recipient of awards too numerous to describe here. As a matter of fact, one cannot fairly encapsulate Marty's extraordinary career in a minute or two, so please take a look at his Web site, http://www.martingarbus.com, and you will be amazed at what you find there.

Unfortunately, a federal court judge scheduled a trial today, preventing Marty from being here to give the keynote address in person. But he was kind enough to let us tape it on Friday for playback now. As Warner Wolf would say, let's go to the videotape.

MR. MARTIN GARBUS (VIA VIDEO TAPE): Alan, thank you very much. Before I start, I would like to congratulate Elissa Hecker on the award that she has just won. A well-deserved award, I've known of her work for years.

It's a pleasure to speak here today to so many of my friends. I thank you for coming, and I thank Alan Barson and the New York State Bar Association for allowing me to present my talk this way. But for a trial I certainly would be here. And I thank Tom, my former partner, for substituting for me.

This panel, this is going to deal with two parts of a very much larger issue, namely the media, and the Court's affect on all of us. The two panels deal with the two separate areas of speech – commercial and non-commercial speech. The path of this Court and courts throughout the Bush years, and for a period of time thereafter, is set, commercial speech will be continually expanded and political speech will be restricted.

We're now in changing times. This Supreme Court has been hyped as a First Amendment Court. It's been over-hyped, and in the next few years, as the Court changes, it will become less a First Amendment Court.

The title for the talks is "Sex, Drugs, Rock & Roll, and the First Amendment." First sex, which so many of us talk about so much of our lifetimes.

We are now seeing a great deal of regulation of sex, not through the courts, but through regulatory agencies. Through the FCC.

Michael Powell today stepped down. "Thank God he's gone, but God help us with what's next," said Howard Stern upon learning of Mr. Powell's imminent exit. He's right. Donald Wildmon of the American Family Association and L. Brent Bozell of the Parents Television Council continually blasted Mr. Powell for "failed leadership" in fighting indecency. Powell actually rejected a few of the Conservatives' complaints about breasts and penises. But under Powell's aegis, the number of annual indecency complaints increased from 111 in 2000 to a million-plus last year. There will be an even tougher successor. This is now an area, like the courts, where the conservative wing of the Party makes the choice of the successor.

But even before Mr. Powell's chair is filled, the second Bush term began with the installation of a powerful new government censor. Before being officially sworn in, Margaret Spellings, the new Secretary of Education, went after PBS' "Postcards From Buster," threatening PBS with decreased financing because one episode had lesbian moms.

Censoring sex creates a censoring attitude and leads to censoring in other areas. "Unofficial" censorship reflects the times—some teachers are afraid to teach Darwin's theories and more schools are rewriting books to provide for the possibility the world was made in seven days. *The Los Angeles Times* reported on its front page in October 2004 that the Education Department had quietly destroyed more than 300,000 copies of "a booklet designed for parents to help their children learn history" after Lynne Cheney, who previously testified against sexual lyrics on CDs, complained about its contents. The book burning was ordered by Rod Paige, the Secretary of Education.

The present administration intimidates PBS, creates a censorship mentality on television and in the schools, and buys so-called newscasters—including paying $240,000 in taxpayer funds to Armstrong Williams, a conservative columnist—to enforce "moral values."

Because of the new technologies, the conservative groups become more powerful. The Janet Jackson incident, or the Bono incident—I call them "oops Censorship," somebody makes a mistake. The difficulty is that when that mistake is made, 40 million people are seeing it.

The pressure on the regulatory agencies is constantly increasing. And as you look at the political landscape, there's no reason to believe that it won't continue to increase.

Congress is also considering new and broader areas to render criminal, and higher penalties.

Almost one year to the day after Janet Jackson's controversial Super Bowl "wardrobe malfunction," House and Senate leaders reintroduced the Broadcast Decency Enforcement Act in the 109th Congress.

This new legislation would dramatically increase indecency fines on both broadcast licensees (from the current limit of $32,500 to $500,000) and individuals (from $11,000 after an initial warning to $500,000 with no warning). Thus, under this legislation, individuals would be fined at the same level as large corporate broadcast stations.

The bill also contains a "three strikes" provision whereby TV and radio broadcast licensees undergo a license forfeiture proceeding after a third indecency violation.

President Wilson asked, "Who will regulate the regulators?" The Supreme Court says the censor's business is to censor. But the chief sensor is no longer the government.

The worst kind of regulation is often self-regulation by business. "Saving Private Ryan" was recently censored by the television station for language that appears elsewhere on television. Wal-Mart regularly prohibits books it deems obscene.

Private organizations, like Donald Wildmon's Family Planning Association and Brent Bozell's Parents Television Council, and other evangelicals, are putting pressure in order to stop material from going on the media. The Family Planning Association tried to stop Mapplethorpe pictures from going on PBS. They brought suit in Mississippi, a jurisdiction they thought they would win in, and *we* won. But there have been successful attempts by groups like evangelical groups to stop shows on abortion, and other controversial issues. They put pressure on the advertisers, the advertisers withdraw, and the programs don't go on.

Paradoxes abound. The people who want to see "Desperate Housewives," the people who probably live in the red states, are the same people who are most upset about seeing for a fleeting second, Janet Jackson's breast. You have more language, more innuendo on television, expanding restrictions on what you can see. The innuendo on "Desperate Housewives" will not be punishable because it's so commercially successful. I will bet that the Super Bowl half-time this year will be insipid as advertisers try to avoid controversy. Ultimately, the advertisers, scared off by the FCC, will come back. Janet Jackson sells, sex sells, creates controversy and the people want it.

CBS, after loudly protesting, claiming its First Amendment rights, has indicated that it's going to pay the $500,000 fine imposed because of the Janet Jackson incident.

Years ago we used to have a media that would fight back, that would try and stop this kind of suppression. Now the mainstream media is cowed – the overplayed Dan Rather incident did not help. But Fox, the new kid on the block, has indicated it is going to fight in a case where it has been penalized.

DRUGS—the second part of my title in "Sex, Drugs and Rock N Roll," gets us into the expansion of commercial speech.

We went from attempting to restrict advertising first of alcohol, then tobacco, then drugs, and in these cases we developed a whole body of commercial speech.

In order to consider branding, you necessarily get into the question of Copyright and Trademark. There are needed protections and pressures to expand copyrights and trademarks to protect brand products.

I just came back from China, and I saw the onslaught both on American trademarks and American copyrights. I also saw the onslaught on Chinese copyrights and Chinese trademarks. And here we see foreign goods, primarily Chinese, sold in the United States that are knock-offs of American goods. It's a global problem. So the whole question of worldwide protection of the brand names that are developed here is very, very significant. And I'm sure the first panel is going to discuss that.

Branded entertainment in television, sometimes referred to as product placement, product integration or strategic entertainment, can take many forms. The rise of reality television, where a lack of scripts and a focus on "real world" situations lend themselves to the integration of products and brand names. We have seen the Coca Cola name and marks in the program "American Idol," or the American Eagle apparel that each cast member wears on "The Real World." Sometimes, branded entertainment appears as a form of sponsorship, with marketers like Pepsi attaching their names to programs such as "Pepsi Smash" in much the same way Texaco did over 50 years ago. Meanwhile, other marketers are attempting to combine various of these elements, as Ford Motor Co. attempted through its participation in the "No Boundaries" television program, which shared its title with the tagline for Ford's truck and sport utility vehicle lines, and prominently featured Ford vehicles in this outdoor-themed reality program.

Branding is an American institution. It goes from John Cameron Swayze, the "Camel News Caravan," "Little Orphan Annie" and the radio show sponsored by Ovaltine in the 1930s and 1940s to the "Texaco Star Theater" in the early 1950s, to this summer's second season of "Pepsi Smash" on The WB television network.

This latest iteration of the branded entertainment phenomenon is penetrating every form of media. In print, marketers such as Abercrombie & Fitch are blurring the lines between catalogs and magazines. On the Internet, Sony Electronics is taking the concept of advertorials to the next level with Web-based articles written by Sony and its advertising agency that appeared on such editorial sites as nationalgeographic.com and wired.com—not as advertisements, but as content. Similarly, BMW is expanding the boundaries of advertising formats on the Web with the bmwfilms.com Web site, where the short films featuring BMW automobiles are the attraction, not an advertising distraction.

The new Time Warner Center at Columbus Circle has a jazz room entitled Dizzy Gillespie's Coca Cola room. The recent resurgence of branded entertainment in television has been hailed by some as an opportunity to engage consumers in a different and meaningful way by marketers and has provoked anger and complaints by media watchdogs who object to the commercialization of American culture.

The current battle over product placement disclosures is only one area in which the debate over the place of marketers in the national dialogue is taking place. There has been a growing effort to characterize communications, which have a marketer as their source as being entitled to less First Amendment protection than those originating from other sources. Unfortunately, the Supreme Court chose not to take *Nike v. Kasky*, the case was settled, with the result that the area remains unclear.

We have given you a copy of Commercial Alert's Petition to the FTC and the FCC. Commercial Alert is a citizen's group involved with Ralph Nader. It looks at branding not as a blessing but as a practice to be limited. Commercial Alert has petitioned the Federal Trade Commission and the Federal Communications Commission to initiate rulemaking to regulate product placement practices in television programming. Commercial Alert's proposal would require, among other things, real-time "pop-up" notifications of any product placement arrangement in television programming. I do not think they will be successful.

ROCK N ROLL, the third category in the title, considers issues raised in the first two categories. Today's music brings sex and violence to young listeners. It also, because of the Internet, creates copyright and "sampling" problems for well-known artists. Lynne Cheney, before her husband was Vice President, testified before Congress that Eminem's lyrics were corrupting society. So, too, did Tipper Gore. One of the cases that my old firm was involved in was the Sarah Jones case, and the question was, how much can they restrict a song of hers. Ultimately, they tied her up for a period of time, people would not play her song. And then they decided not to prosecute.

When Alan Barson and I, and the people of the New York State Bar Association, spoke about this program, we wanted to try and cover in one afternoon as much as we could, realizing how much we could not cover.

Commercial speech is often intertwined with political speech. I was one of the ones who did a brief on Nike's side saying that there should be an expansion of free speech, to allow Nike to defend itself. At issue in that case is whether Nike's responses to allegations of unfair labor practices broad in the form of press releases and other communications is subject to the same First Amendment protections as the statements of its foes in the international labor debate, or some lesser degree of protection. *Nike Inc. v. Kasky, cert. dism'd*, 123 S. Ct. 2554 (2003). There should be corporate protection for the First Amendment.

I'd like to mention some of the concerns we had that perhaps the next program will talk about. We want to look at the contradictions in the society and see the role that the law and media play in fostering those paradoxes.

The society in many ways is more open. And in many ways it's more closed. We have more news programs then we ever did, and we are getting less news.

There is more noise, more sounds, more visuals, and less real hard news. Previously you had three independent news stations, ABC, CBS, and NBC, they had no competitors. And there was a realization that in order to keep those news stations alive, you had to subsidize it. Something that the news stations were prepared to do a good while back, something they are no longer prepared to do.

Some 20 to 30 years ago, you couldn't print Henry Miller, you couldn't print D.H. Lawrence, you couldn't exhibit sexually provocative foreign films. In the Supreme Court, I then represented Swedish film makers challenging the licensing system. Lenny Bruce, who I then represented, couldn't use words that are commonplace today.

You have more books coming out and more speakers saying works "far worse" than Lenny Bruce did. But you have fewer ideas. If you look at the bestseller list of *The New York Times* 30 years ago, and you look at it today, you see a remarkably different bestseller list.

Presidents have become branded products. The presidential election now is a commercial battle—who can say what's better that other nominees is bad and I am good, and spend the most amount of money to do it.

When I debated Ken Starr, one of the problems we discussed was the effect of money in the election process—on Presidents becoming branded product. When we debated, we talked of campaign financing, about the effects of money on democracy. I am against campaign financing laws on a First Amendment basis. But he and I both agreed that the money could impair, seriously impair the kind of democracy we had.

Democracy is only 200 years old. We don't know what it's going to look like in the future. My fear is that the kind of political campaigning you have is seriously going to affect all of us, and seriously impair that democracy.

What the future holds, I don't know. A famous statesman ten years ago was asked, what was the effect of the 1794 French Revolution? And he said, it's too early to tell.

I think it's too early to tell with respect to how our democracy will be affected by money.

So today, two wonderful panels are going to talk about two aspects of the larger problem, branding commercial speech and indecency in the media. You are lucky twice. You are lucky because we have wonderful panelists. And you are also lucky, because had I been there, I would have talked much longer.

Thank you very much for giving me the chance to talk to you. I'll meet you at the cocktail party.

MR. BARSON: If I may, I would like to introduce the moderator of the first panel, Tom Selz. Tom is a founding partner of Frankfurt Kurnit Klein and Selz, focusing on entertainment law, Copyright law, Trademark counseling, and motion pictures, television, new media, and publishing matters.

In addition to transactional work from developments through production and distribution, Mr. Selz focuses on mergers and acquisitions, secured transactions, private placements, public offerings, and other complex corporate work involving the entertainment industry and Intellectual Property assets.

Mr. Selz is the author of numerous books and legal publications, some of which are listed in the biography included in the printed materials that you have today. And also I would recommend that you take a look at Tom's site at fkks.com for an expansion of this brief introduction.

Tom graciously agreed to step in as moderator of our first panel when Marty Garbus was called away on trial. Thank you, Tom. If I can turn it over to you.

MR. TOM SELZ: Thank you all for joining us here today. I think we hopefully have an interesting panel for you all. We will start with a presentation by the panelists, and then open it up for questions from the audience. I will introduce the panelists in the order in which they will be speaking, and not necessarily in the order in which we are arrayed across the dais here.

The first person we will hear from today is Ron Urbach. Mr. Urbach is considered one of the country's top advertising, promotion, and marketing lawyers. His clients include numerous multi national, national, and regional advertising agencies, including those agencies that are viewed as being the top creative agencies in the world.

Agency clients include the full range of below the line agencies, and his clients include those in the automotive, telecommunications, wireless communications, video games, and many other branches of the commercial industries.

Again, for all of our panelists, there's more detailed information in the course materials, and I urge you to take a look at it.

Mr. Urbach, along with one of our other panelists, Howard Rubin, represented the American Association of Advertising Agencies, the American Advertising Federation, and the Association of National Advertisers. And the filing of an *amicus* brief before the U.S. Supreme Court in *Nike v. Kaskey*, a First Amendment commercial speech case, which I suspect we will hear more about later on today.

Next we will hear from Bruce Redditt, who is responsible for business and strategy development at Omnicom Group, the parent company of global advertising agencies BBDO, DDB and TBWA Chiat Day; global media services companies OMD and PHD, and 175 diversified agencies involved in all aspects of marketing services. He was one of the key people in setting up the company Full Circle Entertainment, Omnicom's first original content programming and production venture.

Joseph Kim serves as Senior Counsel for the Pepsi-Cola Company in Purchase, New York, and will bring a perspective from the advertisers' point of view. At Pepsi, he specializes in marketing and advertising law, as well as corporate and commercial transactions.

Within the field of marketing law his practice includes a wide variety of domestic and international advertising and promotional matters. He's negotiated deals with sports leagues, teams, athletes, artists, actors, and a variety of other contributors of creative content.

His recent practice has included branded television integration on shows such as "Pepsi Play for a Billion," "Pepsi Musica," "Pepsi Smash," "The Apprentice," and "The Contender."

We'll then hear from Howard Rubin, who is co-chairman of the litigation department and employment practices group of Davis and Gilbert. Mr. Rubin has defended numerous First Amendment, libel, and slander, Copyright, breach of contract, and securities fraud cases. And with Urbach, he was involved in the Supreme Court case *Nike v. Kaskey*.

We will also hear from C. Edwin Baker, who is the Nicholas F. Gallichio Professor at the University of Pennsylvania School of Law. He has also taught at

NYU, Chicago, Cornell, Texas, Oregon, and Toledo Law Schools, and at Harvard's Kennedy School of Government, and was a staff attorney for the ACLU.

As I say, all of these wonderful panelists have more detailed information in the course materials, and please feel free to look at that for more information about them. Ron, should we start with you?

MR. RON URBACH: Sure. Thank you. Good afternoon everybody and thank you for coming. I have a little PowerPoint, and we are going to follow along with that. We also have some additional materials inside the handouts.

What you are going to hear today is, as Tom pointed out, a little introductory session by each of us. I'm going to kind of take you back to the days of yesteryear to bring you up to the current perspective. Bruce and Joe are going to talk about the business of branding and entertainment, both in the perspective of the agency and from the perspective of the advertiser. Howard and Professor Baker are going to both talk about the legal issues. I think we are also going to be talking about business, legal, but also the socio political issues before us.

So my little UPC code up here is "Branded Entertainment Back to the Future." Once upon a time, there were brands and songs. I can't sing, as my kids know, but we can sing along. "Take me out to the ball game, take me out with the crowd, buy me some peanuts and crackerjacks," there we go, all right.

How about some of you out there who have a little bit of gray hair, or some of you out there who don't have any hair, may remember some shows that were produced by ad agencies for clients. This is trying to tell you that what we are talking about today in current events is that as things change, they always stay the same. Or as things are the same, they change.

"Kraft Television Theatre," 1947. "Texaco Star Theatre," hosted by Milton Berle, 1948 to '53. "The Alcoa Hour." The soap operas, why they are called the soap operas is because Proctor and Gamble wanted a way to sell its soap to an audience that it was able to reach, which was middle class housewives, at the time.

The first television ad created for the Coca-Cola Company was produced in conjunction with a TV special featuring Edgar Bergen and Charlie McCarthy on Thanksgiving Day in 1950.

1950 to '52, the National Association of Radio and Television Broadcasters ratified a new TV code addressing the concerns of social critics of the time. Nearly half the code is devoted to advertising.

In response to protest about program content, the House and its subcommittee investigates offensive and immoral TV programs, and touch on a wide range of topics from beer spots, to dramas depicting suicides. Sound familiar?

Popular daytime radio show, "Queen For a Day." I remember this. I probably saw this in syndication or something. When it went from radio to television it was an extremely popular show. And the television commercial had time to reflect how popular it was, as it was being sold for $4,000 per minute. That will get you nothing today on television.

Former U.S. President Ronald Reagan became host of "GE Theatre," a long running anthology series on CBS, '53 to '61.

"The $64,000 Question," sponsored by Revlon, premiers in June in 1955, igniting the game show craze, which continues to this day.

This was a good one I thought. In 1957, in October a report in the *Journal of the American Medical Association*, Dr. Meyer Natey identifies television legs—blood clots that result from watching TV for too long. Similar to airplane legs nowadays, I guess.

1958, *Advertising Age* reports that videotapes seem to be catching on like wildfire. 1966, according to *The New York Times Magazine*, TV is not an art form or a cultural channel, it's an advertising medium. What a surprise. It seems a bit churlish and un-American of people who watch TV to complain that their shows are lousy. They aren't supposed to be any good, they are supposed to make money.

An opinion surveyed by National Association of Broadcasters in 1967 shows a high level of public dissatisfaction with television commercials and programs. 63 percent of those surveyed would prefer TV without commercials. That's an easy survey to predict. But let's talk about some of the other aspects of it. 1970, Coca-Cola said, "I'd Like to Teach the World to Sing." Classic heartthrob Coke commercial, due deference to my Pepsi friends here, saturates the radio and broadcast airwaves and becomes an instant hit. And Coke goes on to sell a million records featuring a non-commercial version of the song.

The transition from 60-second commercials. There used to be commercials longer then 30's, they are called 60's. The 60-second commercial, they then went to 30's. And there was a whole discussion about what impact that would have with over-commercialization of media, because we went from 60-second spots to 30-second spots and have more spots on television.

What else happens, product categories being taken off air. 1970, a Congressional ban on radio and TV cigarette advertising taking away $220 million in advertising. In 1970, that was a lot of money.

1972, concern about our children, which is of course the key element for government regulation in any area today. We have to protect the children. What do they do, deal with the fact of over commercialization. They restrict the amount of the NAB, which is a self-regulatory body. It restricts the amount of commercial time in weekend fare from 16 minutes an hour to 12 minutes an hour.

Then released the development of HBO, a non-commercial network, starting off with the sports broadcast of the heavyweight boxing championship between Joe Frazier and Muhammad Ali, "the Thrilla in Manila."

1984, a defining moment, the 1984 spot from Apple. Those of you who have not seen the commercial, I direct you to it. The classic commercial for the introduction of the Macintosh continuing on a very successful campaign by TBWA Chiat Day, then Chiat Day, which really revolutionized and brought to bear the issue of monster programming by launching it on the Super Bowl.

1990's, the Children's Television Act takes effect to limit by government, a mandate now, the amount of commercialization in children's TV programming.

And then comes to the day of infomercials. The National Infomercials Marketing Association, believe it or not, there is a trade association dedicated to infomercials, estimated that they generated sales of $750 million dollars, more then double the revenues in 1988. And what they are today, astounding. And who is this? Ron "But Wait" Popeil.

1993, Visa signs a $3 million deal to become the official credit card of the Atlanta Olympics, the host city of 1996 summer Olympics.

Meanwhile, what about the movies? 1940's N.W. Ayer, unfortunately, an advertising agency that no longer exists in name, was the advertising agency for the diamond giant, De Beers. It arranged for glamorous film stars to be draped in gems on screen.

1950's, this is a good one, Ace Comb sales soared after James Dean swept one through is hair in "Rebel without a Cause." And let's watch a little bit.

(Video commercials being played).

And of course, who could forget the biggest marketing mistake in the world by Hershey's, which—I'm sorry, by not our M&M friends, but certainly Hershey's, to go in with Reeses Pieces.

"Sex in the City" revolutionized fashion. And of course, I didn't know Windex could really have such great uses as we saw from this film.

"Meet the Fockers," a movie I have not yet seen, my family has. The number of brands that are featured there go on. You can read it at your leisure. Quite a few.

Now, TiVo, what's the effect of DVRs going to have upon all this? Is there panic in the streets of the world of Madison Avenue?

You saw today, if you saw in today's trade press discussions about NBC picking up another season of "The Apprentice." And we've got Craftsman Tools, "Extreme Makeover," "Friends," Campbell Soup, Pepsi, and of course, its competitors at "American Idol."

This is Oprah in giving away a number of free cars. That just goes to show that no good deed is unrewarded. People are pissed off because they got a free car and they have to pay tax on it. I'm sorry to hear about that. If someone gives me a free car, I'll pay the tax on it myself.

And of course, the wonderful things technology can do in terms of sports. On my left you'll see what fans saw at the stadium and what fans see on TV. And of course, similar issues that Sony had with trying to put, I think, a "Spiderman" logo on home plate. That didn't go over very well.

But also, as Marty talked about, the separation between church and state. How about brands and books. *Cheerios Counting Book*, *The Hershey's Milk Chocolate Bar Fractions Book*, on and on.

Brands and songs. "Pass the Courvoisier Part Two," a move to see a number of units with a promotional deal with Allied Domecq, with Busta Rhymes' recent single. Brands and songs. I'll mention Cheerios because I like them, but if I didn't they wouldn't be in our songs. Roc-A-Fella's Damon Dash.

How about brands on the web featured by Sony advertising series? How about this, and I spoke at a recent conference. There was a whole session devoted to video games and advertising brands. Great way to reach kids and teens.

And of course, Mr. Bush, President Bush, I'm sorry. Cadillac's first customer for its redesigned 2006 DTS. It should have a little logo on the back of that car.

I want my—Scripps Howard is a newspaper company. And there is a definitive church and state line with all newspaper publishing groups that they have extended into their cable entrée's. Yet I don't think that's the case.

So that's just a very broad overview to kind of get you to where we are. So when you start talking about, oh my God, we have branded entertainment. What is this going to mean? Go back in time, see what's happened, look in all the particular medias that exist, and really, it's pretty much the same. It changes a bit, but pretty much the same. With that, let me turn it over to Bruce. Kind of give you a little bit of perspective from the agency.

MR. BRUCE REDDITT: It's a great overview. I think first, a little bit about Omnicom. We are like our competitors, WPP, Interpublic, and some of the others. We aggregate a lot of media buying. We are fortunate amongst BBDO, DDB, TBWA, and all of the agencies to aggregate under our umbrella, some of the biggest brand name pop culture brands of the world. Pepsi, Visa, Fed Ex, Anheuser Busch, Apple, Cingular, Dell, Nissan, Daimler Chrysler. These are brands that live, and breathe, and eat every day in pop cultures.

So it is very important to be part of the "next big thing." But I think a lot of what you are seeing going on right now is kind of a middle age crisis of media, if you will. And it's really being driven by the frustration of CEOs and their CMOs. The frustration with what's going on with technology. And what's going on with media continuing to be fragmented. And mass market inefficiencies.

And I think that timing in the aspect of a lot of brands being a part of programming, and being packaged with programming, is helping them mass-market and integrate their brands, and other marketing channels right down to the point of sale. That's another way of saying perhaps the network ad sales model is a bit challenged right now because of the timing. By the time the ad sales come out, it may be too late to integrate that into actual retail sales.

What it's meant for Omnicom, it's driven our acquisition strategy into areas of—we've looked at a lot of Hollywood type companies. We have acquired companies that are involved in product integration. It's been an ongoing transition for many of our biggest agencies, including the big ad agencies. Certainly a transition for our media services companies who have had to become absolutely expert in all aspects of licensing and product integration across all aspects of entertainment, whether it be television, programming, feature films, games, video, whatever.

The most recent development for us has been the development of a new business model. Actually, what was eluded to in the bio was the creation of a company called Full Circle Entertainment. And it's really our first step into television programming.

We recruited a gentleman named Robert Reisenburg, who, at one of our competitors, was responsible for putting on about 50 hours of programming in a couple of years that were financed by his company. But also with clients embedded in the programming, and either co-owning the programming or being embedded in the programming early in the process.

He has come in, that business has been up and running now for just about a year. He has been able to clear about 55 hours of programming for us in the first year, which I think is a pretty good example of client interest No. 1, in this type of activity. And the networks interest as well in partnering with brands and with the right type of business model set up by the marketing services companies.

There has been a lot of criticism. Reisenburg for example, when he was at our competitor, was responsible for "The Restaurant," which had included embedded ads for American Express, Coors, and Mitsubishi. There was some criticism of it, and I can tell you that from what we are seeing, it's somewhat of a self regulating process. If it's not entertaining, if it's just an infomercial, people won't watch it.

The networks are not going to relinquish creative control. So that's another part of the self regulatory process brand. Attributes have to be worked into the entertainment. They have to be built into the storytelling, or it's going to be rejected.

I think all of this though right now is not an area of pure black and white, it's an area in which it's a question of degree. And it's a question of a lot of experimentation. But again, I think it goes back to if you are in the seat of the CMO at a major brand, which I think the last time I heard, the average life expectancy is about 24 months, there's a lot of pressure. And it's being driven by the difficulty in a fragmented media environment. There will continue to be a lot of experimentation by clients and by brands. And as they experiment we will continue to move our business model in that direction as well.

MR. URBACH: Joe.

MR. JOSEPH KIM: Thanks. Omnicom has provided great services for us over the last couple of decades. And as Bruce mentioned, they continue to evolve and help us as our needs change. And the Omnicom agencies like Davie-Brown and OMD have become X-branded as we move into areas like branded entertainment to help us structure deals that we hadn't seen before.

What I'd like to do is show some clips. And aside from the main benefit of shaving about five minutes off of my talking time, these clips are going to serve to illustrate some examples of the types of branded entertainment projects that Pepsi has been involved in, in the last couple of years.

So after showing these clips I would like to talk for a couple of minutes about why advertisers use branded entertainment as a marketing tool. And then talk a little bit more specifically about how Pepsi uses branded entertainment as part of its overall integrated marketing strategy.

I have four clips to show. The first one is from a show called "Pepsi Play For A Billion," which is a one-hour game show special. And basically, we took 1,000 sweepstakes winners, put them on a televised game show where they competed for cash prizes. We ran that promotion twice, and therefore, we ran the show twice, in 2003 and in 2004. Once on the WB, and in 2004 on ABC.

The second clip is going to be from "Pepsi Smash," which is a weekly music concert series. And we also ran that twice for two years on the WB in 2003 and 2004.

The third clip is from a recent episode of "The Apprentice," in which Pepsi was involved. And the last clip is a montage from the Pepsi 400 NASCAR race. And that's just an example of how we extend our branding to the sports marketing properties which are televised. So with that, we will take a look at the clips.

(Clips being played.)

Okay, so why do advertisers choose to use branded marketing or branded entertainment as a marketing tool? I think by now we've all heard the debate about the waning efficacy of the 30 second commercial, which Bruce eluded to earlier. And this is attributed to things like the TiVo effect, where consumers can skip through commercials. And I think most experts agree that in the next two or three years, DVR's are going to reach critical mass among American households.

Also, as Bruce referred to earlier, at the fragmentation of TV viewership with the proliferation of numerous cables, satellite, pay-per-view, and other viewing options. And finally, there are just a lot of other non-TV sources out there for people to get their news, their information, and their entertainment. Things like the Internet, DVDs and video games.

So I think all of these factors have converged to make it increasingly more challenging for advertisers to really reach mass audiences through traditional means of advertising.

As a result, marketers have had to become more creative and more innovative to find ways to get their message across and to reach their target audience. And I think branded entertainment provides one marketing tool through which advertisers can accomplish this.

In terms of the term "branded entertainment," it really encompasses a lot of different types of deals and structures. Anything from passive product placement to extensive integration where the brand forms an integral part of the story line.

And I think at Pepsi, the types of branded entertainment that we focused on in the last couple of years, generally fall into one or two categories. The first is where we tie into an existing show or series and integrate our product in a way which forms an integral part of the story line. And an example of that would be "The Apprentice," where the task was around designing new packaging and marketing innovations for Pepsi product.

The other category is where we brand an entire show or series. And examples of that would be "Pepsi Smash," and "Pepsi Play For A Billion." These generally involve much more involvement from the marketers' standpoint, both from a creative standpoint, as well as a financial one.

But we like these types of deals for a couple of reasons. First, it gives the marketer more control over how its brand is positioned or portrayed, and hopefully allows us to find a seamless or natural way of integrating our product into the television show.

And this is sometimes what's lacking in a more passive product placement deal where you might get a very contrived or gratuitous placement, and it looks like an obvious paid endorsement.

The other reason we like these types of branded integration deals is because it provides numerous opportunities for us to run various marketing extensions and overlays off of that TV property. And I think some of those you saw. And in fact, each of the clips there, you saw the television property was just one of several elements of a more integrated marketing campaign.

For instance, in the "Play For A Billion" show, as I mentioned, this was really the culmination of a series of national and regional sweepstakes. And we also had numerous media elements on top of that. An Internet marketing extension and various other consumer touch points.

For the "Pepsi Smash," that's just one part of our broader music campaign, which also involves music—a live music tour, as well as a radio merchandising component, national consumer promotion, and an Internet Web site, all branded under the "Pepsi Smash" banner.

For "The Apprentice," we ran an Internet sweepstakes based on the episode that we were involved in. And that sweepstakes was successful in drawing approximately three million viewers to a virtually unknown Web site.

And for the Pepsi 400, we typically accompany the race through numerous consumer promotions, grass roots marketing, and onsite activation. And also as you saw, we used Jeff Gordon's car to advertise our big summer promotion.

So for the last two years, the special Pay Now car featured the "Play For A Billion" logo. And this summer coming up, it will feature graphics from a major movie property, which we are tying into for the summer. So said another way, this goes back to why advertisers use branded entertainment.

I think reaching our consumers has become an increasingly complex process, and we need to find new and innovative ways to reach these consumers. And if done right, branded entertainment serves as a 22- or 44-minute exposure, which really helps to create the image of the brand.

MR. HOWARD KUBIN: That's a hard act to follow. I wish we had some clips of Davis & Gilbert imbedded in some branded entertainment. We have actually represented some of the companies that have been involved in "The Apprentice," but for some reason, the Donald has not suggested that our firm be in one of its episodes.

Branded entertainment is one kind of commercial speech. And so what I want to talk about are two cases that our firm was involved in over the issue of what is commercial speech, and what isn't, and what difference does it make.

And basically, what difference it makes is the issue of truth of falsity, which is one of the issues we are going to talk about in terms of the *Nike v. Kaskey* case. The other is when can it be regulated, under what situations can the government regulate it when it's non-commercial speech. Obviously, First Amendment, fully First Amendment is protected speech. It's subject really to very, very little government regulation. But when it is commercial speech, then it is subject to quite a lot of government regulation.

And so the battle in these two cases over whether it was commercial speech or not, makes a big difference.

Actually, I wanted to pick up on something that Mr. Kim just said. We were involved once in a very different kind of case that involved Nike and its star athletes. And the Screen Actors Guild had raised the issue that 50 percent of the money paid to Michael Jordon and the other athletes, but he was of course, the most graphic example, should be attributed to television commercials in terms of payment for their pension and welfare benefits.

And they say of course, whatever appears on television is more important then whatever could possibly appear in print. And one of the arguments that we made is basically that Michael Jordon is being paid to wear Nike. He's not being paid for the commercials that he makes for Nike, he's being paid to wear Nike sneakers, and to appear in the sports pages dunking the ball wearing Nike sneakers, and to wear all the way to the championship and the All Star games.

In essence, it's a 62-minute or a 60-minute branded entertainment for Nike when he's wearing those sneakers and winning. Ultimately, we were able to convince the Screen Actors Guild, because it was on television, so therefore, it had to be as important as television commercials.

We were involved from 10,000 feet on the Nike case. In other words, we did an *amicus curia*e brief to the Supreme Court. We didn't want the actual lawyers handling the litigation in California.

Briefly, the facts in that case were that Nike was one of many companies that had been sued by people saying that there were sweatshops, that its products were made in sweatshops. Actually, we represented a major manufacturer of garments at one point in this case as well. But Nike was sued, and the claim was made that it was running sweatshops around the world. It was not only a litigation, but it was a public relations campaign.

Nike hired Ambassador Andrew Young to inspect its factories and write a report. In summary, Ambassador Young said, Nike is doing well, but it could do better. Nike took those statements, and produced one paid ad, but in addition, it wrote letters to university presidents and sent out press releases saying, "Ambassador Young has inspected our sweatshops. They're saying we do well, but we could do better."

An activist in that area named Kaskey, under a law that can only exist in California, sued. And California has laws, as many of you may know, that allow anybody to sue as a private Attorney General when you suffer no harm whatsoever. He hadn't bought Nike sneakers on the basis of this ad. He had no harm at all, but he sued.

The lower courts in California threw out the case saying that Nike wasn't advertising, it was simply involving—engaging itself in a public debate on the global political issues, therefore, it was not subject to this law, and it didn't matter whether what it was saying was true or false.

The California Supreme Court, in its wisdom, created a new test, what it called the "limited purpose test," as to what was and what was not commercial speech. The three part test said that: a) Was it a commercial speaker? Was it any company that sold the product? b) Was it intended for a consumer audience? and c) Did the message consist of commercial facts? And based on that, it decided that this was commercial speech, and that Nike could be brought to trial over whether it was true or false, what it had to say about whether it was operating sweatshops or not. Nike went to the U.S. Supreme Court, and there were a lot of *amici* briefs on both sides.

I actually recently ran into somebody who is the president of the Center for Constitutional Rights, which was honored by Columbia Law School for its outstanding award this year. And I told him proudly that we were representing parties on *amicus* brief in the Supreme Court on that case. And he said, on which side? Because while it's obvious to us in this room which side we might want to be on, to those people it's a different, more radical perspective, they are very concerned about the ability of big corporations to spend money to campaign against activists trying to make a political point.

Well, you know what side we were on, since we represented the three major advertising trade associations.

The Supreme Court took *cert.*, which was good, because we all thought that it was going to reign in the California court, because the definition that the California Supreme Court had created as to what was commercial speech made virtually any statement by any company that sold the product, commercial speech. It's a commercial speaker, its audience is going to be consumers. And if—whether or not you have sweatshops was a commercial fact, then almost anything is going to be a commercial fact.

The mere fact of trying to enhance the image of the company by taking positive positions, by getting the public to like you because you are pro-environment or anything else, or you say, buckle up seatbelts, could be enhancing your image, and ultimately encouraging people to buy your products.

So we wanted the Supreme Court to reel in the California Supreme Court. Because the U.S. Supreme Court's definition of commercial speech, something we'd all lived with for many years, was something we could live with. And it said, "the core notion of commercial speech is speech that does no more then propose a commercial transaction."

And in another case, the U.S. Supreme Court had said, "commercial speech is speech that informs consumers who is producing and selling what product, for what reason, and at what price."

Now, think about what Nike had said by simply saying, "Ambassador Young says that we are doing okay, but we can do better in terms of the factories we have around the world." It was not selling the product, it didn't mention its products. It didn't talk about the price or quality of its products.

Well, the Supreme Court took *cert.*, and then ultimately withdrew its *cert.* grant, calling it improvidently granted, because after all, at that point, Nike had not yet gone to trial, and hadn't been found guilty, until the Supreme Court had decided there was nothing for it to decide.

Nike then settled the case because it didn't want to go through all of the time, and expense, and publicity of trying to prove the truth or falsity of the information about its sweatshops. Which really went to prove exactly the point that we were making, was that it was going to have a chilling effect on companies, because nobody was going to want to go through a trial of the truth or falsity of those facts. And it was going to cause companies to not engage in the public debate that we believe they have an absolute First Amendment right to do.

We also filed what the courts called a lodging, in which we attached actual advertisements to give examples of the kinds of speech that can be chilled. One was the circus, which took out an ad to answer the charges of PETA, the animal rights organization, about how it treated elephants.

Another had to do with oil companies, talking about safety in the environment. Another had to do with several corporations who took out ads talking about minority diversity programs that they had.

And finally, in the debate on healthcare that was going on so much during the Clinton Administration, certain insurance companies had taken out ads. The point that we were making is that just like Nike, they were not willing to take on the fight of going to prove the comments that it had made were true, other people would not want to do that either, and therefore, would withdraw from the debate. And you would have only one side.

An activist could attack a company and make whatever points it wanted without fear, but if a company were to answer in any way and take part in the public debate and defend itself, it could end up in a whole litigation on the truth and falsity of its statements.

As it turned out, there wasn't any ultimate decision, the California law stands, and the California opinion stands. And so advertisers do need to be wary when they are making statements in California.

Now of course, we know that statements made right here in New York may find their way to California. So it's really the law in California that spreads out over much more of the country.

We believed, and certainly argued, that if this case does reach the U.S. Supreme Court, that it would go back to the cases that were decided over many years, and have a correct definition of commercial speech, and therefore, give companies more leeway in terms of being able to engage in public debate.

The other case involves a situation that, as a First Amendment lawyer that I was very proud of, and as a New Yorker, not quite so crazy about, because as you trip over those news boxes as you walk along the streets, I'm afraid I'm the person responsible for them being there.

In 1984 several publications decided they wanted to put out news racks, *The New York Times* being first. New York City had no rules, no regulations, no statute, but simply reached the letter agreement with the *Times* about not putting them in crosswalks, not putting more then a certain number together. And the *Times* signed that, and a few other newspapers signed that.

A company called the Learning Annex came along and decided that it wanted to distribute its course catalog in a news box. After all, you can put it in hundreds or thousands of places around the city. You didn't have to have it sold at a newsstand, it was in fact, free. You didn't have to have people stand on the street.

So it went to the City and said, we'd like the same kind of letter agreement that you reached with *The New York Times*. And the City said, absolutely not, this is commercial speech, there's nothing but your courses.

So then the Learning Annex came to us, and we said, well, put some articles in it, get some articles that have nothing to do with your courses. Get some ads from people other then yourself. They did that, they went back to the City, and the City said, absolutely not, we know your motive. You are really just trying to get around being commercial speech. And the City refused to talk, refused to give any guidelines on how to comply. So we said, put the boxes out any way. And they did.

So the City brought a preliminary injunction to get the court to allow them to take all the boxes off the street. They argued, foolishly, that the articles were meaningless, that they were a mere sham. So of course, we had some fun with that, we said, maybe they are meaningless for the Corporation Counsel, because there is an article on losing weight, and maybe that person doesn't need to lose weight.

So we got into a whole debate about what was a meaningful article and what wasn't. And of course that was playing on our turf, not the City's.

So the State Supreme Court struck down the City's plan, and allowed us to keep the boxes on the street. We went to the Appellate Division, and we won again. This time they declared that the magazine was not commercial speech, and therefore, the City couldn't really regulate it at all.

The City took us to the Court of Appeals in Albany, where the Court of Appeals sort of ducked the issue of whether it was commercial speech or not, but said under any circumstances, the City could not regulate this, because it had no guidelines. The law there says that the government needs carefully constructed and narrowly tailored guidelines. So you are not talking about the discretion of the City officials that have to make the decision.

Based on that decision, the City of New York passed a law and guess who it sued first? It sued the Learning Annex first. So we promptly went back to the State Supreme Court and had the law declared unconstitutional on the grounds that the City still hadn't come up with the appropriate guidelines.

We went to the Appellate Division and we were upheld again. And then finally, the U.S. Supreme Court decided a case that was parallel to ours, and the City gave up and didn't take us back to the Court of Appeals in Albany. The result of which of course, has been a proliferation of those boxes all over the street.

I was proud enough to say that I did make the argument in Albany to the Court of Appeals that as a New Yorker, as far as I was concerned, you could take all the boxes off the street. But what you couldn't do is pick and choose. You couldn't decide which publications you liked, and which ones you didn't. You could keep them out of crosswalks. You could have no more then three to a block. There were many, many different ways you could regulate it. But the one thing you couldn't do is content regulation.

So the battle over what's commercial speech and what's not makes a difference in these two different ways. One, can the government regulate it, and the other is, are you going to have to get into a battle of whether it's true or false?

PROFESSOR C. EDWIN BAKER: Martin asked me to talk about product placements, and I think I will get to that in sort of a roundabout way. I would sort of like to have written about the constitutionality of regulation of commercial speech. And I've also written specifically about the *Nike* case. If I have some time at the end, I might make a few comments about that.

I've also talked and written about the general impact on the advertising on the type of media we have. I think that's beyond the topic of any plausible version of this discussion. But to get to product placements, I wanted to go a roundabout route.

I've long been an admirer of Justice Potter Stewart's Fourth Estate view of the press. He argued I think, quite persuasively, if only freedom of speech was at stake, the press clause would be a redundancy, we wouldn't need it.

He offered a Fourth Estate theory based on instrumental value to society of protecting the integrity and independence of certain institutional entities, namely the press, or more generally, the mass media.

He argued that it was vital to a democratic and free society to have such an institution that had institutional integrity that was making judgments for itself, and was protected from various sides of intrusions by the government. It was on this basis that he argued for reporters' privilege, for instance, or to protect the press against search and seizures of the press office.

This value of integrity and independence of the media I think is the nerve that was struck by the recent Armstrong Williams case where, at least according to *The New York Times,* Armstrong Williams was paid to plug government programs in his own programming. Not just to run an advertisement of the government, but to affirm the merits of the government program as his own view.

Now, it seems to me clear that the government has a right to get its message out. It can issue press releases. It can purchase advertisements in the media. It can do a variety of things to get its message out. But what we get from the media itself, should represent the media's professional judgment about what the public needs to know and see. Those independent judgments are what I think the press clause should protect.

The government undermines that integrity of the press. It violates students' vision of the Fourth Estate, when it pays the media to present as its own message, the message that the government chooses. Which is why I would argue that what the government did in the Williams case was not only wrong as a matter of politics, it may be wrong under a variety of statutes and should be viewed as an unconstitutional abridgement of freedom of the press.

Hugo Black, another of my judicial heroes, made an important point in *Associated Press v. United States*. In that case, he argued that the First Amendment that protects the freedom of the press from the government, does not disable the government from protecting that same freedom from abridgement from private power.

If I am right, that we have—we properly have an almost instinctive sense of the importance of press, integrity, and independence, that was offended by the government's product placement in the Armstrong Williams case, we ought to expect that there would be an impulse also to protect the public interest in press, integrity, and independence, when it's similarly being corrupted by private interest.

We look around. In fact, we have seen such an impulse. At the end of the 19th century, the beginning of the 20th century, there was a common practice of publishing reading notices in newspapers. This was essentially publishing content that the person who paid the newspaper to publish it, wanted it published, but not be identified as the sponsor.

There would be a news article describing some event or the local newspaper would publish the big society party of the week, where Ms. Smith hosted and was wearing this beautiful chiffon dress that she had purchased at Hickman Department Store. Things of that sort.

The whole story was concocted by Hickman Department Store, and the press was paid to run it. They were also paid to run editorials promoting the political agenda of the person paying them to run the story.

Congress reacted and passed postal legislation that effectively made this practice illegal. Essentially, what the legislation required was that if the content was paid for by an outsider from the press, it had to be identified as an advertisement.

Congress responded similarly to almost the same type of circumstance in the payola scandals of the '50's, and passed legislation and the FCC adopted further implementing rules that said that when the broadcaster, and later when the cable company—separate rules covering cable companies—ran content that they were paid to run, they had to identify that as being paid for by the party that paid them to run it. Essentially requiring that the identification of who was paying for the content be made clear.

This type of legislation I think, is designed to say, not to stop people from having their messages delivered by the media. But when their message is delivered by the media, make it clear to the recipients that this isn't the media's own independent judgment about what they should see or hear, but that they're providing this as an advertisement for the party who is paying them. That was what was going on in the reading notices dealing with newspapers beginning at the turn of the 20th century and in mid-century what was done with broadcasters, and then later with cable.

I think this is in effect, an implementation of Black's notion of protecting the press from private corruption. Just as the First Amendment protects it from government corruption and embodies a notion of what press freedom is that was essentially Stewart's idea of institutional integrity.

So on this basis, I would think that any prohibition on products placements or what's more plausible, I think converting them into advertisements by identifying them as paid massages of their sponsors, should be viewed as, first of all, constitutional. And secondly, as having a clear rationale in terms of integrity of the media.

After saying that as a matter of policy, whether an individual context, it would be seen to be worth the gain of having this information made available to the public or not, has to be thought about carefully. But the instinct ought to be that the public should know what the source, the ideas, the content that they are getting was. That this is what we would want from a free press.

Okay, that's basically what I had prepared to say. Let me just mention a few things about the *Nike* case. The first thing I would want to suggest is that under *Bolger v. Young*, the definition of what commercial speech in the Supreme Court has been, has been quite variable. And under *Bolger,* where they found commercial speech to include various pamphlets dealing with contraceptive devices by a company that produced contraceptive devices, even though it wasn't advertising that company's devices, the Court viewed that as commercial speech.

I think that commercial speech can very well be read exactly the way the California Supreme Court read it, and their reliance on U.S. Supreme Court decisions at point. But I'm not sure that that's at all crucial.

The suggestion is that virtually any statement by a company that sells commercial products would be commercial speech under this definition. And that would too greatly restrict their speech rights.

In *Austin v. Michigan Chamber of Commerce*, and in last term's *McConnell* decision, the Supreme Court has made clear that speech that would be perfectly protected if made by a non-for-profit advocacy organization, or by a private individual as political speech, can be regulated if it's being financed for a for-profit corporation.

Specifically, the corporate political speech is subject to regulation very similar to how its commercial speech is subject to regulation, and much more extensively then either the press or private individual's speech is.

So I'm not sure that the *Nike* case really determines what the content of the speech was. In fact, in all of the Court's commercial speech cases, it didn't regulate particular content per se, but they only regulated it as content by a particular party. It was always crucial that it was a commercial entity that was engaged in the speech in terms of government's regulation of commercial speech.

In that sense, just like in the political arena, it's clear that Nike was a commercial entity that was engaging in speech, which I would suggest should be subject to regulation.

There are a lot of other briefer comments I could make, like the notion that Nike would be chilled in a public debate where it's relevant to get its message out. It may take care that it can prove what it was saying, but it's not so clear how chilled it would be. I don't believe that companies are chilled into not making FCC filings because they might be challenged, because what they said was inaccurate or false. They see it in their corporate interest to make the FCC filings, maybe because they are required to.

But similarly, I think they can stand the heat if they decide they want to enter into a public debate. And so that's important for companies to do so, though they might exercise some care about the truth or falsity of what they say.

Anyhow, those are just some brief comments on the *Nike* case that I thought I might add in for purposes of debate.

MR. TOM SELZ: I would like to thank all of our panelists here today for presenting a wide variety of different views. And I would like to throw out a couple of questions for discussion by our panelists, and also perhaps, by people here in the audience.

It seems to me that the area of branded entertainment is one of particular interest to lawyers, because we are dealing with areas where you have different views of the law and of business practices coming in conflict with each other. And where the distinction for example, between commercial speech, in which there is a proposed transaction, and editorial content, is becoming increasingly blurred.

And Professor Baker, I believe you were one of the signatories of a letter to the Society of Magazine Editors, urging that there would be a disclaimer on what is in the magazine world, a blurring of the distinction between advertising and editorial. There used to be two very strict departments in magazine publishing. There was the editorial, and there was the advertising. And with advertorials and other things like that, those distinctions are becoming increasingly blurred. And I believe you were urging that there be some kind of labeling. If you could talk a little bit about that.

PROFESSOR BAKER: I'm not sure precisely. I don't remember precisely what was being proposed. I think it was basically that a magazine, when it was publishing something that was paid to be published, identified the fact that it was paid to be published and who paid them.

MR. SELZ: So basically had disclosure.

PROFESSOR BAKER: I thought you said disclaimer. Disclosure, right. It was my view that it was certainly constitutional. And I think it would advantage the public if it knew that certain the content it was receiving was paid for, and who paid for it to receive it.

MR. SELZ: In the magazine world it's perhaps easier because you have a fixed image which the consumer is looking at. How would you deal with that in the television world?

PROFESSOR BAKER: I think it has to be a policy judgment about how important it is to do that. I think I could develop an argument whereby we are much better off if television programming is made with the design of the creators of the programming at stake, and so that I could imagine the corruption of television programming if it went into too much design around trying to be the center of products. It might effect the choice between making a modern New York City thing or a show about 19th Century life.

The second wouldn't offer many opportunities for product placements. So we might get as our media entertainment, something tilted entirely on the basis of the desire to get this money.

So in that context, I think there would be merits either restricting product placements or identifying it. There's also disadvantages to it, and I think it's something that I would have to think carefully about. Whether I would want to do anything about it and what.

One thing to do about it would be to require that the fact that certain things were in the program and were paid to be in the program, be announced at the end of the program.

A more radical solution, which I think would be constitutionally permissible, would be to require that it be flashed on the program itself at the time that it occurred.

Now, I would imagine that would likely eliminate most product placements in television programming. And so at that point, whether or not you would want to use that as your method would have to be based on assessment about whether you largely want to eliminate them or whether you would want to allow them, as long as the information is provided in some way, but a not very effective way at the end of the program.

MR. URBACH: Just a couple of points on that. First of all, advertising regulation in this country is really fostered on the idea of competition, and providing information, truthful information to the consumer so that it can make informed decisions. It is not based upon the philosophy of prohibition, though you see that in certain product categories more so then others, such as tobacco, and some of the threatened categories of alcoholic beverages, and potentially the next one of course, is fast food, and obesity, and the protection of so called—again, of our children. But that's all about disclosure.

So this whole issue about branded entertainment. When you take the advertisement model, if you will, to the entertainment world, which of course, is the biggest, both the philosophical issue and the conceptual issue, and legal issue, which is, what is it? Is it advertising or is it an editorial? And based upon what it is, there may be different sets of regulations.

When I look at a commercial before it goes on air, I am concerned about rights clearances. People come to me constantly and say, why can't I do in a commercial what they can do on David Letterman? And the answer is because you're not the "David Letterman Show," you are doing advertising.

Now, when you think about it, maybe later you'll have this discussion to say, wait a minute, these are not a bunch of starving artists in the middle of an apartment somewhere, you are talking about a billion dollar business. They are both billion dollar businesses, whether selling a product, a toothpaste, a car, a soft drink, or a program, they are both big businesses. So what's the conceptual difference, and why should there be a distinction?

Well, leave it for others to decide, but it makes a big difference in terms of what we do and how we treat it based upon that categorization. Rights clearances, how far I can go, what I can do, what permissions I need, what statements I can make. We talked about before, if I am in the middle of a book, writing a novel, and I say that the new Chevrolet Impala will go 250 miles an hour, who cares? That's false. Do that in the middle of a television commercial, you are not going to be able to have the same ability.

So it's a very difficult issue, but at the end of the day, the whole issue of branded entertainment is really simply about disclosure. And there already is disclosure. There's a disclosure at the back of a program, "promotional support provided by so and so."

And I think to Bruce's point earlier, and to some of the points that raises some of the media, one of the most critical barometers of what's going to happen here, and the critical limiters, is going to be us. By the time the regulator figures out how to really regulate this area, if it goes too far, we're not going to watch it anymore. It's going to be passé, it already is. Unless it's done really well, you are not going to pay attention to it.

How many more reality TV shows are we going to see? We are seeing an awful lot, but there's going to be a saturation point. That's going to be what's happening. It's not going to be having a disclosure saying, by the way, this is brought to you by the Pepsi-Cola Company. Do you think people are stupid? So I think that's the real issue.

MR. SELZ: One of the other problems, I guess for advertisers, in labeling or in disclosure is that there are regulations as to how much commercial time can appear in, particularly, prime time television programming.

Mr. Kim, I was wondering if there was any discussion when you were talking about "The Apprentice," and having Pepsi Edge appear in "The Apprentice." Did that issue come up at all in terms of talking with standards and practices at the networks about whether this would somehow put them in jeopardy of the maximum number of advertising minutes they would have?

MR. KIM: No, it didn't come up in our context at all. And I'm not really sure if so because they didn't consider that to run into advertising time, or whether it just wasn't an issue in terms of how much advertising we're running.

MR. SELZ: In the NASCAR race the winner actually gave a great plug for the Edge, talking about, "we have the edge." Was that scripted or spontaneous?

MR. KIM: That was actually a commercial that we ran. We ran two versions of the commercial. One if he won the race, and another if he didn't. And it was shot in a way, sort of like "The Apprentice" spot to make it look like it was part of the program. So after he won the race, they just cut to the version of the commercial that applied. And fortunately for us, it was the one that—where he was saying, we won the race, we got the edge on the competition. So it was actually a 15-second commercial that we ran.

MR. SELZ: Did you have each of the entrants in the race sign a waiver or disclaimer permitting their use in commercial products?

MR. KIM: When you say the entrants—

MR. SELZ: Everybody who was competing. When you obviously have the winner appearing in a commercial, there has to be a release that permits the use of name, image, and likeness, the right of publicity in connection with the commercial use.

So if you are not sure who the winner is going to be, did all of the people who are competing in the race have to sign something which would permit their use in an ad?

MR. KIM: Well, we actually didn't shoot a version with other people. Jeff Gordon is obviously a Pepsi spokesperson. So he was involved in the shooting of the ad itself. In terms of all the background people, those were all scale actors that appeared in the ad.

The other version that I was talking about were still the same people who appeared in the ad, it was just Jeff Gordon with a different script.

MR. SELZ: I see. So you didn't actually try to do it with anybody who might win the race, it was focused on who was already a paid spokesperson?

MR. KIM: That's right.

MR. SELZ: The right of publicity is something else to consider as you are dealing with this whole area of branded entertainment, is that when you suddenly have somebody on "American Idol" holding a can of Coke, is that something which is now promotional, and in advertising which requires permission, beyond the standard actors agreement to appear in a show?

Again, just a question for people to be aware of as one possible issue that comes up as you start dealing with advertainment, branded entertainment, where you are seeing the confluence of the editorial and the content, the advertising. And what are some of the legal issues that arise from that.

Are there any questions from the people here in the audience? Yes, in the back?

(Questions from the floor):

AUDIENCE MEMBER: As you were discussing financial incentives or product placement within television programs. I wasn't certain that it was clear that as far as broadcast television is concerned, that those arrangements have to be disclosed in the credits of the program under Sections 507 and 508, I believe, of the Federal Communications Act.

MR. URBACH: I'm not an FCC expert, but if you look at the end when they run credits, at the end, for example, of all the quiz shows, you'll always see or normally hear, promotional consideration provided by X, Y, or Z. I will be honest and say I haven't seen too many reality television shows. I've been involved with a number of them behind the scenes, but I don't recall what they do or don't say in that regard.

The Commercial Alert petition, which is attached to your material—it was a petition to the FCC about how to deal with this issue, and it really goes to the point that the Professor talked about earlier, which is what's the solution for the problem here, if there is a problem. And that is one of again, of disclosure. But the question of what type of disclosure.

And what they were requiring was similar to what exists in the infomercial industry, except worse, which is not just one disclosure at the back end of the program, but every time the so-called commercial announcement appears, to have a disclosure appear at that time. Well, if that in a sense means within a body of a 30-minute editorial program, you have a ten-second segment, which now all of a sudden is commercial speech, it raises issues that you can let your mind go with, which is within that segment.

Should I then have had appropriate rights clearances? That I would not be able to do an entertainment program which I would have to do an advertising programming? Do I have to be concerned about claim substantiation? Do I have to be concerned about comparative advertising issues? Do I have to be concerned about regulatory concerns on a state AG basis? In terms of the question about categorization of time, is that commercial time in terms of over-clutterization or is it not?

If you take that whole world and talking about broadcast where it's more difficult because it's so much broader, take it to the web, we are already there. You go look on the web now, today, and you see what's there in terms of the way advertising has really moved beyond simple, very distinct, very clearly enunciated segments. A banner ad, a pop up. Yes, I know we all hate them, but you understand exactly what that is. You can't get rid of it, but you understand it. To what really exists in content.

Most of the advertising deals we do with the web are really these kind of convoluted arrangements, because there is such competition, even though the web advertising has soared lately, to really go ahead and be creative. And there is a lot of creativity on the web in terms of using technology to make that happen.

So we already are there, and I don't again see this groundswell of consumer dissatisfaction with that issue. There's dissatisfaction with other issues, but not that. But it raises very fascinating legal issues again, from a lawyer's perspective, which is, what is it? How can it be regulated?

Take *Nike v Kaskey*, we are talking about Nike's, with due deference to the Professor's statements, clearly public relations statements. They were PR statements talking about a specific non-product or non-service related event. We'll go beyond that to now, what is this now quasi quagmire stuff? What is it? I really don't have a clue.

When I've had discussions with the FTC, when they went ahead and went to the magazine industry and jawboned them, and said look, you better do something about some of your ads that are really doing the whole diet area and the exercise area, because you are going too far, and do something. They jawbone, because they couldn't do anything else about it. They knew that from a First Amendment basis. But when it becomes this mixed stuff, everyone really doesn't know what to do.

And that's going to move. I would be curious about Bruce and Joe's perspectives. Where is it going to be not just today? Where is it going to be two, three, four years down the road?

MR. REDDITT: One of the things, the economic implications of it, I mean, if you look at Omnicom, the history of it. The company was created in 1987. And in 1987, 97 percent of our revenue came from traditional advertising. Today it's about 42 percent. That's an indication of how much the big clients have moved their money into non-paid media advertising. And that's part of the media fragmentation that's going on. What you also have now are the broadcast networks charging more and more clutter. And the model is being challenged, and they see product integration as a way of monetizing—further monetizing the time they have. So the economic implications of it are very severe particularly, for the broadcast networks.

MR. SELZ: I think going back to other First Amendment doctrines you have a very clear distinction between truth and falsity, even in the political speech area. And so I think if something is being presented as fact, that it is subject to a truth and falsity discussion without running afoul of the First Amendment.

If you are dealing with things that are not presented as fact, if you will, in the more traditional context, opinion, except in the advertainment area, it's more image advertising. It's emotional advertising. You think car advertising. You think about the advertising for C2, which is all about people doing crazy things. There's not really a fact being presented there, it's an emotional sales pitch as opposed to a factual discussion.

So I think even in the commercial speech area, distinction between fact and opinion or emotional appeals, is one that can still bear fruit.

MR. KIM: I think one distinction you have to think about in branded entertainment is that the marketer doesn't always have control over how its product is integrated into the programming. It's something that we fight about on every deal with the networks and the producers, trying to get more control over how our brands position. But it's not always a battle that we win.

So in terms of the legal issues that arise as to claim substantiation and some of the other things, I think it's hard to sort of reconcile the fact that we don't necessarily control how the brand or the product is placed in the show. But then at the same time, need to bear responsibility for any type of implied or expressed claims made by those products.

MR. RUBIN: That was actually the question that I asked Ron that we talked about before. As Ron mentioned before, somebody—an author, completely unconnected to any commercial interest, can write a television program, and say that a car gets 200 miles to the gallon. What happens if it's a product placement, and in the middle of that story, it's about the car getting 200 miles to a gallon, which could make everybody very impressed with that car, but the statement isn't true.

And as you said, when you may not have control, you may not know. You may have said, I want my Chevrolet in that story, and then you find out that it's all about stuff that's not true about the car. Can you be held responsible for that? And then a step further, what if you place it there intentionally, because you know it's a story about a car that gets 200 miles to the gallon. Boy, wouldn't it be great if it were my car that was featured, even though you didn't write the script. At what point are we going to start seeing false ad claims out of that kind of product placement?

MR. SELZ: A question there?

(Question from the floor):

AUDIENCE MEMBER: One of the things that has fascinated me about this presentation today is the selective recollection of the history.

I remember from my childhood in the '50s, that the great branded entertainment scandal was the scandal over what was called subliminal selling. I had almost completely forgotten about it until Professor Baker made the reference to flashing the disclosure.

In the 1950s, certain corporations did quiet deals with major movie production companies, and they would put the name of a product on one or two frames of film. The mind recalled it, but you didn't see it because it went by so fast. And a comedian, a woman named Anna Russell, made a wonderful sendup of the concept. And I think she put together something called the practical banana promotion.

The thing I find myself wondering, and this is why I chose to bring it up, Mr. Kim may have some insight, all of you may do. How do we know that this kind of technology is not being applied nowadays? And what effectively in this day and age can anyone do to prevent it?

MR. URBACH: Let me just speak to one of those points, and then maybe the other panelists can jump in on that. And this is to say with the utmost respect, because I was—my middle daughter was looking to me to say, gee, can you help me with a science project or something? Of course, what the heck am I going to do, since I don't remember those days from school anymore. But I said, why don't you do something about something I know about, advertising? Let's look at some subliminal advertising. And we went back and looked at some of the history behind it.

And if anything, it's an example of a great public relations situation when you really investigate what happened. The fact was, it's really all it was, nothing more then a hoax. There really is no effective way to do it. And running messages that you are hungry in the middle of a television movie theatre, is really all just a joke.

And was I seeing sex in ice cubes in the '60s with alcohol beverage spots, it's a question I think, maybe someone said, maybe Marty said in his presentation, we all think about sex a lot. You are going to see sex in a lot of things that you do on a day-to-day basis. I just don't believe that exists. It's prohibited, by the way, by the FCC regulation, when that stuff all came out. So it does not exist. And to my knowledge, it does not exist anywhere.

Now, the subtlety of marketing, if you will, which is the question by analogy, is branded entertainment nothing more then subliminal advertising? Well, the issue of subliminal advertising, if there was an issue, was that it was not disclosed.

There is no ambiguity about the fact that the people in "American Idol" are holding Coca-Cola, or that Oprah is giving away a Pontiac G6. It's pretty clear, and I would argue in fact, in those—the way the businesses evolve, if we did some market research, probably the average consumer who is the jaded New Yorker that I think many of us are here, are going to believe in fact, that the reason why that's there is because someone paid him to do that.

So I don't think there's been any deception about that. I think the issue really is, is it going to be good entertainment or not. And I think the marketplace regulates itself quite well on that issue. And I think it's going to. And I think what's going to happen is over the next year or two with us and I agree, there's been an over-saturation of this whole technique, that it's going to be the tulips, the Internet boom of the period. It's just going to become another marketing technique. And two years from now we are going to be talking about something else. It's just the way life in business evolves.

MR. SELZ: Any other questions? We are going to take a break, give people a chance to stretch their legs, and then we'll come back for the next panel.

(Break)

MS. HECKER: I'd like to start the next panel, give them an opportunity to present everything they know. I want to introduce the moderator, Jennifer Romano, who is the Chair of the Young Entertainment Lawyers Committee for the EASL Section of the New York State Bar Association.

Jennifer graduated from New York Law School in 2003. She practices as a Trademark and an Intellectual Property attorney for Graham Campaign, P.C. Jennifer is also a member of the Connecticut Bar Association. And most exciting, and why she is the moderator of this panel, is that she is a host and executive producer of "Media Reporter," a cable series on local cable access, in conjunction with New York Law School.

The cable series examines pervasive legal issues in the ever-changing landscape of media and communication. And at this point, I am going to turn this over to Jennifer to discuss the FCC and indecency.

MS. ROMANO: Okay, is everyone ready to have a very indecent conversation? Great. Indecency has certainly been a major topic of attention at the FCC, in Congress, in the press, and especially among the American people.

The issue of indecency regulation and enforcement is very delicate. It's one that touches the lives of each and every one of us in one aspect or another.

We are fortunate to have here with us today a distinguished panel of speakers to examine the legal and political issues that surround the paradox of free speech, the tensions between protecting individual rights and government responsibility, the crucial role of mass media, and forging a dynamic balance.

At this point, I would like to take an opportunity for the panelists to introduce themselves. So why don't we start—we'll just go down the line.

MR. ROBERT PETERS: My name is Robert Peters, I am president of Morality in Media. It's often said that that's an oxymoron.

PROFESSOR MICHAEL BOTEIN: I'm Mike Botein, I teach at New York Law School and have had Jennifer as a student many times.

MR. DAVID SOLOMON: I'm David Solomon, I am Chief of the FCC Enforcement Bureau.

MR. BARRY SKIDELSKY: I'm Barry Skidelsky, private practice. Recently named Chair of the EASL's Television and Radio Committee. If there are any members here or people who would like to talk to me about that afterwards, please come on up.

MR. CHRIS HANSEN: I'm Chris Hansen, I'm a staff lawyer at the American Civil Liberties Union.

MS. ROMANO: They are all being very modest, I'm sure, as you'll read through their biographies.

So why don't we jump into this. Barry, if you could please give us a brief overview for our audience of the current indecency law, and basically, how we've gotten there.

MR. SKIDELSKY: It's a violation of federal law to broadcast obscene, profane, or indecent language. And that comes from a criminal statute, 18 U.S.C. Section 1464.

A lot of people, including those in broadcasting don't realize, but it is a criminal statute. And the FCC regulations that implement this federal statute are worded very simply or vaguely, depending upon your point of view.

The Commission has defined indecency as: "language or material that, in context, depicts or describes, in terms patently offensive as measured by contemporary community broadcast standards for the broadcast medium, sexual or excretory organs or activities." It's a pretty long phrase, but a couple of points need to be made about that. Community standards don't mean local, it's rather, a reasonable person or an average broadcast viewer or listener standard.

And courts have held that indecent speech, to be distinguished from obscene speech, is protected by the First Amendment, therefore, subject to strict scrutiny analysis. We now have a safe harbor for indecent and profane broadcast, in that while obscene broadcasts are prohibited at all times, indecent programming may be broadcasted from 10:00 p.m. until 6:00 a.m.

Last year, the FCC had defined or redefined profanity in the *Golden Globe* case, that's U2's lead singer with the fleeting expletive, I'm sure you are all aware of. Profanity is now defined as "language that denotes certain of those personally reviling epithets naturally tending to provoke violent resentment, or denoting language so grossly offensive to members of the public who hear it so as to amount to a nuisance."

The word "offensive" I think is a subjective term. I think the government, particularly the FCC and David's Enforcement Bureau, has a very difficult task of balancing our First Amendment traditions of free speech and free press against this federal statute. Which interestingly enough, applies to radio and television, but not to other media.

The print media, of course, has a very strong history and tradition of free speech, free press, First Amendment protections. Radio and television indecency regulations started to rise with the famous case of George Carlin's, "Seven Dirty Words," the *Pacifica* case. And there was a risk of children in the audience.

In fact, the Carlin case involved a guy driving here in New York City listening to WBAI, which had put disclaimers up front saying, "you might find the following offensive." And I think his kid was ten years old at the time. And rather then just turn the knob, change the station, or turn it off, you want to make a federal case out of it? Yeah.

And we've come a long way since then. Carlin has basically served as the—or *Pacifica* has served as sort of a *de facto* standard. But in recent years there has been a shift at the FCC and how it defines and treats obscene, indecent, and profane broadcasting, which I'll make a segue into David right now on the latest.

MR. SOLOMON: Well, there's certainly no question that the FCC has gotten tougher on indecency. Indecency enforcement sort of goes through various periods. And in the late '80's and early '90's, the FCC sort of ramped up indecency enforcement for a period of time. It changed its case law in a way that went beyond just the "Seven Dirty Words" from the Carlin case, and said that other material that didn't include expletives could also be indecent. And that got affirmed by the D.C. Circuit as being consistent with the First Amendment under *Pacifica*.

And then after a Consent Decree that the Commission had in the early '90s with Infinity, really it went to a level where every year there were maybe three, four, or five, six, actions, each of them for a few thousand dollars each.

What lead the Commission in recent years to start ramping up, was sort of a gradual process. It began, I think, really in 1999 when Commissioner Tristani, who was a Democrat on the Commission then, started criticizing many of the denials that the Enforcement Bureau was issuing. And she would issue public statements, sort of time after time, saying that we weren't being strong enough on indecency.

Then starting in 2000, 2001, members of the Commission changed. Commissioner Copps, who is also a Democrat, also joined, and he started ramping up the criticism of the staff even more, and basically on a whole series of decisions that the staff issued, disagreeing with them and saying he would have found things indecent.

When the Commission as a whole really started ramping up enforcement was in April of 2003, and it really was caused, I think, by a case that really just offended all of them and outraged them to a degree that material that they had looked at hadn't previously. This was a case involving WKRK in Detroit. The case has been settled as part of a Consent Decree that we had with Viacom/Infinity, recently. But it was a case that involved very explicit descriptions of sexual activities involving excretion. And I think that the Commissioners all found that sort of a very serious violation.

And so they changed what previously had been the staff's practice which was, if we were issuing a proposed fine, what we call a Notice of Apparent Liability under our statute. We typically did it at $7,000, which was—the Commission has a forfeiture policy statement that said, $7,000 is the "base amount for indecency."

In that case, the Commission instead issued a proposed forfeiture for $27,500 which was the statutory maximum for a single violation. That statute maximum recently, through inflation, went up to $32,500.

Then in the fall of 2003, the Commission issued a proposed forfeiture of about $350,000 involving—and some of you in New York are probably aware of this, the so-called "Opie and Anthony" sex in St. Patrick's Cathedral contest, where basically there was a contest about having sex in various places, including a broadcast about, I guess, the contest winners having sex in St. Patrick's Cathedral. And I think that case particularly affected the Commission in how seriously they were acting in the indecency area. And in that case, they got to the amount by taking the statutory maximum, $27,500, multiplying it by the number of stations and/or times that it was broadcast to reach $357,500.

The next step that sort of occurred in this ramp-up was there was a lot of public reaction to a decision I issued at the staff level where Bono had said in receiving a Golden Globe award, "this is fucking brilliant." I hope no one is offended, if I use the words, it helps explain what we are doing.

And what the staff decision had said was that based on Commission precedent as it existed at the time, that using it in a non-sexual context, fleetingly, was not indecent.

The Commission reversed that 5-0 in the *Golden Globe* case that Barry was referring to. And I think that's a case that certainly has gotten a lot of attention as a shift in how the Commission was viewing things. The Commission wasn't shy about the fact that it was making a shift, it effectively overruled about seven of its prior precedents, saying that they were no longer good law, a series of cases that had previously said that the fleeting use of an expletive was not indecent.

At the same time that was going on was the Janet Jackson thing on the Super Bowl. There was also another case that the Commission issued the maximum proposed forfeiture, which was $27,500, where there had been interview with two people who put on the show called "Puppetry of the Penis." There had been an interview with them on a news station in San Francisco where one of them exposed himself—exposed his penis. Those cases combined got the Commission more and more concerned, I think.

When the Commission has issued some of these cases, it still has tried to be very sensitive to the First Amendment concerns and the balance at stake, and the due process concerns as well, when it announced in the WKRK case that it would start looking at indecency potentially in terms of separate utterances, rather then just as one program, or one distinct program segment. It said that it would do that prospectively. Only it also said in that case that it would start looking more seriously at the possibility of license revocation for indecency, something that's been in the statute for a long time. And it said again that it would only use that prospectively over some dissents, in both those instances.

Similarly in Golden Globe, where it admittedly changed the law, it didn't find issue of forfeiture, propose of forfeiture in that case. I should add that there are reconsiderations pending on some of these decisions. So I'm not going to talk about what the Commission might do in response, but certainly I can explain what they have done.

The Commission does take the First Amendment concerns seriously. The way we do indecency enforcement, we don't go out and target different programs or different types of programs that concern us. We have field offices around the country in 26 cities that do engineering enforcement. We don't have them tape things to do indecency enforcement. And that's because of our concern that it's not for the Commission to be targeting particular programs or types of programs. We respond to individual complaints.

There's been a lot of attention to the fact that—and this is not surprising with the development of e-mail, that we get a lot more sort of mass e-mail complaints. From the Commission's perspective, and certainly from the staff's perspective, we look at every case on the substance. And the substantive standards we apply when we apply the Commission standards, Commission case law, what we look at is the nature of the program, the facts in context. Whether there is one complaint, 100 complaints or a 1,000 complaints, in terms of our analysis of the substance, that doesn't effect it.

I will say that the Commission—I know a lot of people after *Golden Globe* have said that, in other cases, that the Commission needs to give more guidance to broadcasters. And that's something the Commission thinks about.

We did in 2001 issue a policy statement on indecency. It's criticized by a lot of people in a sense from both "sides of the issue," as not providing as much guidance as people want. I will tell you, it took the Commission about six years to develop that policy statement, which basically summarizes the case law.

What the Commission tries to do is to provide additional guidance through its case law. The alternative would be for the Commission to try to come up with some absolute definition that would say, "here, we've defined exactly what is and isn't okay." It has tried very hard not to do that.

And in the *Golden Globe* case, for example, unlike a lot of press reports, it didn't say it was always illegal to use that word on radio and television. In fact, it went out of its way to cite with support a case that had previously decided that it said in the context of a news program where they were broadcasting a recorded wire tape of John Gotti. And he said "fucking this, fucking that," et cetera. The Commission had found that wasn't indecent.

Last year it denied several cases in addition to issuing proposed forfeitures in an effort to give more guidance. More of those cases have been decided at the full Commission level and in published opinions.

Today, the Commission issued two decisions that collectively denied 36 complaints filed by a group, the Parents Television Counsel. And again the hope is that those will give more guidance. Among other things, those cases say that fleeting use of the words dick, ass, bitch, hell, damn, crap, pissed, and bastard,* are not indecent or profane in the context it issued.

So the Commission is sensitive to the notion that it is tough in the standard, but it wants to give guidance that it's still being sensitive to the context and to the First Amendment.

**This language would ordinarily be redacted, but is included since the language was the subject matter of the FCC decision.*

MS. ROMANO: David, you've explained to us how the increase in enforcement has been going on. But my first question to you, and of course, to be open for discussion for the rest of the panel, is why broadcast media?

Does the underlying rationale that one singled-out broadcast media as a uniquely intrusive medium of media, still apply? Why not universally apply the standards to satellite or any of the other possible media?

MR. SOLOMON: Well, this is a sort of simplistic answer, but from our perspective as government staff, our job is to carry out the statute and the rules as they exist. The statute does not apply to cable. There's a separate statute right after 18 U.S.C. Section 1464, right after that that prohibits obscenity on cable.

So the FCC, at least the current perspective of the Commission, is that it doesn't have authority to regulate cable indecency. And similarly because satellite is essentially similar to cable, in that it's a subscription service that the Commission has said that it doesn't regulate that as well.

Congress has been looking at the issue. Congress can change the law. Lots of people speculate in both directions that the focus on the different regulatory schemes for different industries could lead ultimately to *Pacifica* being undercut. Other people argue that it would now be constitutional to apply it to cable and satellite, and that Congress should do that.

But from the FCC's perceptive and certainly my perspective as a staff person, we enforce the law as it is.

MR. SKIDELSKY: Just a side note. At the end of the year in December, the Commission issued a ruling on a petition filed by a California broadcaster, seeking to have the Commission apply its indecency regulations or enforcement to satellite radio in the wake of Howard Stern's announced transition from terrestrial to satellite radio. And the Commission basically said, no, subscription-based services like satellite don't apply, or our indecency regulations don't apply in the subscription context.

MS. ROMANO: Chris, do you have a comment on this?

MR. HANSEN: Sure. It seems patently clear to me that the distinction between broadcast TV and everybody else in print, satellite, cable, the Internet, and virtually every other, and speech here at this conference, it seems crystal clear to me that that distinction no longer makes any sense, if it ever made any sense.

I would add, and I think *Reno v. ACLU*, which strikes down indecency in the context of the Internet makes the Carlin monologue case enormously vulnerable.

The other factor that you didn't mention that I think also renders the rationale for indecency laws in the context of broadcast suspect, is the V-Chip. All televisions now that are sold have to carry V-Chips that give parents and others the opportunity to set their own rules for their own TVs, rather then having the government set the rules for the TV. And the combination of those two things, I think, makes the FCC's regulation of indecency enormously constitutionally suspect.

MS. ROMANO: Barry.

MR. SKIDELSKY: If I can add two cents to that. I think First Amendment parity is where it's at. And no law in what we are talking about here is a good substitute for parenting.

MR. PETERS: My sense of things is that for most of our nation's history, there was really never a question as to whether government had the power to maintain a decent society. And those words were uttered by former Chief Justice Earl Warren, in a 1964 obscenity case, back when obscenity reached a lot more then it does today.

But there is a right of the nation and of the states to maintain a decent society. When broadcasting came into popularity, I think Congress and everybody else recognized it was a public place. And just like a public street or a public park, government had some power to maintain a decent media.

Now, why the changes? Is the Supreme Court's thinking on the right of government to maintain a decent society changed? Our City Counsel right now just issued regulations on sexual harassment in the workplace where adults are concerned and talk dirty too much. Bring in dirty pictures, or maybe a little bit indecent pictures, and you could get in trouble, exposing that to adults in the workplace. But for some reason, you can take the same and worse, and expose it to children, and suddenly there is a constitutional issue.

Well, I would maintain that the only constitutional issue here is whether the Supreme Court effectively has the right to rewrite our First Amendment to deny government the right to maintain a decent society.

And by the way, I do distinguish between basic cable for example, and premium channels. I hate HBO and Showtime. But people choose affirmatively to bring those individual channels into their home.

I give partial credit to, I think it's XM Satellite Radio, because they've put Opie and Anthony, who really are shock jocks, on a subscription channel.

So to me there's a difference between a medium that basically goes out into most every home, or will soon, versus when somebody is affirmatively choosing to bring something into their homes.

And in the mass media society, such as ours, there are more and more opportunities for the media to offer things in a way that people who actually want that programming, can choose to bring it into their home, instead of putting the whole onus on particularly parents, to protect their children in a mass media society. Which I think any honest person would have to come to the conclusion, it's an impossibility, unless you keep your kid at home 24 hours a day, isolated from all media.

MS. ROMANO: Professor, are the Commission's Golden Globe and Super Bowl decisions consistent with the prior D.C. Circuit and Supreme Court's *Pacifica* decision? What's going on here?

PROFESSOR BOTEIN: I think that there's some confusions and assumptions being made. David said quite correctly that the Commission has decided not to go over after DBS, cable, and satellite radio. And of course, it has, and there are good reasons for that, as you've just said. I think it could.

I mean the statute says, "radio communication." And if you go back to the definition of radio communication, clearly that includes direct broadcast satellites. It would also include amateur radio where the Commission has fined people in the past. I would also include the satellite relays that are used to bring programming, including premium programming, to cable systems.

So if the Commission wanted to it could. I think it's probably quite wise, because probably everybody here would agree, it's quite wise that it has not, because once you give somebody the power to control the programming through subscription, et cetera, that becomes a totally different ball game.

But forgetting about that for the moment. My problem is that *Pacifica* is one of those cases that probably never should have been decided.

I remember one of the members of the Commission back then, an old friend of mine named Glen Robinson, who is now back where he belongs as a law professor at the University of Virginia. He was a member of the Commission back then, and after he left, he was only on for two or three years, I remember we were talking one night over a couple of beers, and I said, what were some of the best and worst things? He said by far, the worst thing he ever did was to vote in favor of *Pacifica*, because they just introduced endless confusion into this whole area.

Now, through the '90s, I think there was very good teamwork between the D.C. Circuit and the FCC in bringing some clarity to this area so that people didn't fear so much.

But David had given us a very good and accurate description as to how that has changed, and that frankly bothers me a bit, because that has all come really in the last year.

The old fleeting obscenity thing, out the window. Suddenly, blasphemy and profanity are included. And the best the Commission can do is to cite us to a 32-year-old Seventh Circuit case.

I looked for some other, better, more recent authority when I read that, and I couldn't find anything, so maybe I am missing something. But I hadn't noticed a lot of litigation recently over blasphemy.

Then we get a standard in the Super Bowl decision where the Commission says well, maybe CBS didn't know that Ms. Jackson's breast would be bared for one half of one second, but they should have known. So now we are getting to a negligence standard, as opposed to an intent standard. And if I were counseling people on this, I wouldn't really know quite what to tell them.

Then there were a bunch of decisions coming out on November 23rd, which did not impose liability, but in a way, they bothered me more.

You've got a couple of decisions, one involving—this is to show you, I've got to tell you I've never heard of this in my life, and probably none of us ever have, Keen Eddie, does anybody know what that is? I've never heard of it. You did? Okay. "Off Center," I haven't got a clue of this, I've been asking friends, and nobody has heard of them. But in any event, there's no question that they are in terrible, absolutely retched taste. But that's not the issue, obviously.

When I look at those then I begin to wonder, well, it seems to get some language in there after the initial five or six paragraphs of boiler plate as to what the general position of the Commission is.

We get one or two paragraph discussions, and we'll be told, well, in a particular case, there was no depiction of anything which was a sexual or excretory act.

And for the reason that there was no depiction, it was not patently offensive. And that's confusing, conflating those two different standards. As David had explained in the beginning, they are separate and they are different.

Then in another one of those decisions, another program I've never heard of, I can't find anybody who watches it or admits to it anyway, "Coupling" on NBC, another one of that November 23rd group. Again, we're told there is no depiction, so it's okay, although that part would be okay, but it was sexually suggestive. So now we are into a situation where even though the basic standard is a depiction of a sexual or excretory act, if there's enough there to suggest to somebody that there could be a sexual or excretory act going on, that's a problem.

I don't know how you deal with this in terms of either a broadcast company or a lawyer advising one. I've thrown in three little squibs summarizing some of these cases in the written materials. Understand, those were not published in this country, those were published in a Counsel of Europe magazine coming out of *Strasbourg Magazine*. And my European colleagues think, "what is this?," they can't understand this.

The whole idea that a woman's breast—showing a woman's breast is a depiction of a sexual act is absolutely mind-blowing to them. They can't understand how we get there. So this is a little bit confusing.

And the final part is that it's not a cost free choice. I'm advised by—I've got some students who are techies and work for various networks, and who have been working on various types of video delay systems so that you can take out the half second of Janet Jackson's breast, or whatever it may be. And they advised me that to get that delay, up to five minutes, which the Commission has suggested is really what it should be, requires them to build a machine which costs approximately $250,000.

Now, the networks obviously can do that. But, if you are a UHF PBS station in Jackson Hole, Wyoming, do you have a spare quarter of a million dollars, or do you have in fact, several spare quarter of a million dollars to monitor several different channels as they are going on simultaneously? I don't know that any of these things really are resolved very thoroughly.

Certainly, the opinions which have been coming out are very, very cursory, they are very, very short. They don't even mention some of these issues such as cost. I, for one, would feel a lot more comfortable. My final thought is that maybe it's not an issue anyway, because opinions like this, my experience in just general administrative law, leads me to believe are absolutely sitting ducks for reversal by a court of appeals, particularly the current D.C. Circuit, which has lost an awful lot of patience with federal regulatory agencies in general, and the FCC in particular. So I'm not sure how long this stuff is even good for, but I would sure like to see it clarified in the future.

MS. ROMANO: Okay, I'm sure each of you have something to say about that. Barry will start.

MR. SKIDELSKY: Michael mentioned a couple of programs, "Coupling" and "The Off Center." Let me put this in context. We have television and radio. Traditionally, television has gotten the lightest regulatory touch in terms of indecency enforcement up until the last couple of years, with radio coming into the focus mostly by shock jocks and other morning shows. Typically, those are the ones who get hammered.

But by and large, most broadcasters in general are not out there trying to walk the line. I think most of them are just trying to serve their local communities, serve their constituencies, advertisers, and viewers/listeners. It's only in a very small set of circumstances. You have guys like Howard Stern out there deliberately pushing the line.

So like I said, television traditionally had gotten the light slaps. In my materials, you will see there's a list of some selected cases from 2004. Under local TV is where you will find "Coupling," it's a program that aired in this instance on our station in Washington D.C. where sexual dialogue was not actionable.

In fact, another station in Phoenix, Arizona was a subject of complaint for the "Will and Grace" show. Dry humping is not actionable. "Puppetry of the Penis" in San Francisco, that's a "whoops," as David pointed out. That was actionable, that received an maximum forfeiture.

On the network TV side, we all know about Janet Jackson's, Super Bowl, CBS, Golden Globe, NBC. "The Off Center" was a Warner Brothers program, a sitcom where there was a discussion about a stopped-up toilet and genital problems. This was not actionable.

Only Howard Stern, in the course of my doing some research for this, has managed to put both the sexual and expletory into one utterance. The Detroit case, WKRK, March of '04, description of sexual practices and excretory organs. What that highlighted to me was Howard's reference to blumkins. Does anyone know what a blumkin is?

MR. SOLOMON: I have to interrupt for a second because we often get accused of picking on Howard Stern. That case didn't involve Howard Stern. And in fact, of the roughly 30 actions the Commission has taken in the last four or five years, two of them involved Howard Stern.

So one of the things about Howard Stern is that he is very good at getting publicity. But the focus of its indecency enforcement hasn't been Howard Stern.

MR. SKIDELSKY: That's right. A blumkin was described—if you look at some of these cases you will see some transcripts attached to a fair amount of them that make for amusing reading if you are not easily offended. A blumkin is a man receiving oral sex while sitting on a toilet.

So I would think that all of us as parents and members of society can come to some understanding about what's decent and what's not, what's appropriate and how we should guide our children. But I just don't know that the law is the right place.

The last comment I will make is about profanity. There was an '03 case at the Commission involving the program, "West Wing" where the character who plays the President expressed frustration with God, and God's seeming indifference to human suffering. He called him a "feckless thug." Now, does anybody know what a "feck" is? I don't, but the point is, this is one of the cases that went through the Commission about profanity. And they said, relying on Supreme Court and other judicial precedents, "damn" and other common curses are not profanity. End of these remarks.

MS. ROMANO: Chris or Bob, either of you want to take this?

MR. HANSEN: I share the point that everybody has been making that the FCC has been remarkably unsuccessful in providing any guidance as to what they mean by indecency. I'll give you two more examples very briefly. There are two cases that I am aware of, one involving "Buffy the Vampire Slayer," a fabulous TV show, one that I did watch, and one involving, "Married by America," which sounds like the worst sort of dreck you can possible have, and I've never seen. But it is almost impossible to reconcile the two decisions in those two cases.

But, all that being said, let's not spend all the time talking about how the FCC has been unsuccessful in giving us further definition of what indecency means, because that's not the fundamental problem here. The fundamental problem is with the goal of trying to regulate indecency on the Internet and the constitutionality of that.

I referred earlier to *Reno v. ACLU*, in which the Supreme Court found that it was unconstitutional to regulate indecency on the Internet. I will tell you one story about *Reno v. ACLU*, which is a case I was involved in. It's called *Reno v. ACLU*, because we at the ACLU wanted to be the people who challenged the statute. We were afraid we didn't have standing. We didn't have anything on our Web site that was terribly indecent.

So we put on our Web site a copy of the Supreme Court's decision in *Pacifica*, which has as an appendix, the entire transcript of George Carlin's monologue.

The Supreme Court's opinion was sufficient to give us standing in *Reno v. ACLU*, because there was a sufficient threat that it would be found indecent, that we were found to have standing.

Now, to be fair, we went further then that, because we weren't sure we were going to win that point. We also held a contest and invited people on our Web site to guess the seven dirtiest words in the English language. And what we discovered is there are more then seven. But the problem is that the concept of going after indecent speech is constitutionally wrong.

You've heard this afternoon the word "balance" a lot. We've got to balance the First Amendment against whatever. The whole essence of the First Amendment is not about balancing. The essence of the First Amendment is that free speech gets a very heavy thumb on the side of the balance. And I think we sometimes lose sight of that.

MR. PETERS: Particularly with broadcasting, and the broadcasters are charged with serving the public interest. I would at least recommend that in addition to looking at the FCC decisions, that broadcasters look at public opinion polls. I included a number of them in my comments, which are in your written materials. Activities of grassroots groups over the last ten to 15 years.

Another indication, I'm—I guess you can call me a news junkie, particularly in the newspaper realm. And I have been reading the newspapers in this city since going back to '77. And I am amazed at how often the—effectively, the liberal media critics, TV critics in particular in this city, are offended by something that they see. So it's another indication.

Certainly, another indication of where the American public stands is politics. I was very gratified that I saw in a good number of analyses of the most recent election that people mentioned public concern about the content of media, that this was a factor. So I think there are a lot of indications in terms of where the public stands. Keep in mind, this is a community standard.

A second thing, all else failing, particularly when we are talking about this 6:00 a.m. to 10:00 p.m. window, or I should say window for decency. We have—we can thank the courts that we still have a window for decency from 6:00 a.m. to 10:00 p.m. And I think everyone would agree that the primary concern is children. In my opinion, that's not the only concern, because there is a right of the nation and of the states to maintain a decent society. But when all else fails for that—in that window for decency, how about the kid test.

And I'll tell you, I am amazed that the FCC came out with standards based on its decisions in 2001 to help clarify that there's no mention of kids in the equation. My wife and I watch a lot of PBS, and occasionally I see something, hear something that is not my cup of tea, to say the least. But if I try to think, I think this program is not publicized all over the place, it's not likely to attract large numbers of children.

Another factor that I find isn't part of the standards is serious value. After so much of this can be made so much more easy. Two key factors in determining what is indecent. Who is your likely audience? And does the content have serious value? In my opinion, and thankfully still the FCC, something can have serious value and still be indecent.

But I will tell you, apart from the way I may react emotionally to content, if it genuinely has serious value, I'm more apt to not want to hit the FCC over the head when they say it's not indecent.

A good example, and it's a touch case, was the Clinton impeachment trial. My God, some of the content in that. But you take a look at the serious value of that. I think if the FCC had come down and said, that's not indecent under the law, I would have had to agree.

Now, compare that with I think it was the William Kennedy Smith, you know, the rape trial. Now, celebrity status, yes. Importance to the nation, no. So had they broadcast that all over the place. I would have been inclined to say, put it on after 10:00 p.m., but keeping in mind the window for decency, which our courts and undoubtedly many others would like to get rid of.

But a primary concern is children, and if you keep them in mind instead of trying to go through all the legal muck that's been made in this area, I think you'll make a reasonably intelligent decision.

And there will be areas where reasonable people will differ as to what is indecent and what is not. I have come to the conclusion that that's part of life in a free society. But it really won't be as difficult as it's being made out in this panel.

MS. ROMANO: Barry, you had commented that not many broadcasters are going out of their way to be indecent. But in the FCC and its actions in the Super Bowl half-time performance by Janet Jackson, it seems as though they may have changed their standards for indecency by imposing liability for negligence, rather then willful broadcast of sexual material.

So where do we really stand? Professor, if you want to take this one.

PROFESSOR BOTEIN: Jennifer, who do you want to answer that?

MS. ROMANO: Either way.

MR. SKIDELSKY: The FCC is in a shift. As we've heard, they are getting more aggressive in enforcement actions. But you have to understand administrative law at the FCC and elsewhere, it goes in cycles. You have regulations, deregulations, unregulation, reregulation practically every time there's a change in administration.

We also have a set of Commissioners that you know, it's been a long time since we've had anybody like Jim Quello who stayed there and had institutional memory. As you heard on the videotape presentation before, the FCC Chairman, Michael Powell, has stepped down, as did his dad. General Counsel of the FCC has also changed recently.

I think that the biggest impact out of all of this since we are talking here at an Entertainment Section meeting of the New York State Bar Association, is the impact on advertising. I think there's a new conservative ethos out there. I think that people are making commercials or programming content to be safer in this new conservative environment.

I know that the attention is drawn to these cases that roll through the FCC. But there are lesser known issues that roll through where, for example, FOX has rejected an ad in which Mickey Rooney's 84-year-old ass would be shown briefly at the end of a commercial. And I don't think that anybody would really be offended by that. But I think it's indicative of the fact that there's a new conservative ethos.

And we were talking before about product placement, advertorials. It's all about content and distribution. So I don't think we can just segregate the programming and the commercials anymore.

MS. ROMANO: Professor.

PROFESSOR BOTEIN: Yes. I think there are some problems for commercials here. I mean if you take some of these very, very short current FCC opinions, these are all things that came about in the last year. And you look at them—I mean, I can construct a doctrine I think, which says, under the Super Bowl, CBS, Viacom, MTV, situation.

If I am negligent in allowing not the depiction of anything indecent, but rather the suggestion of anything indecent on a broadcast television program that I could—and all of my affiliates could, if I am a network, be held liable for that at what is now an increasingly and escalating amount of money. That's pretty different then where we were before.

Think about commercials for a minute. How many commercials do you see particularly for consumer products, cosmetics, things like that, where it could be a deodorant, it could be a perfume, whatever? A young man or a young woman, whatever, uses it, and then falls into the arms of somebody else—however it may play out. Seems that there are an awful lot of those. Now, is there a suggestion that maybe they are going to have sex later on? Well, it doesn't seem impossible to me.

We haven't really applied this, nobody has applied this to advertisements in the past just out of custom. But there's nothing in the statute that says you couldn't. Again, it just talks about radio communication, which could be anything from a traditional broadcasting, to amateur radio, to all kinds of other things, citizens' band radio, et cetera.

So I do think that there's a problem here. And I think also, it's not an accident that this has come about in the last year. It does seem to me that in the last—a little over a year, it was suddenly the whole notion of family values has become increasingly significant among all political parties in our system.

Twenty two percent of the people answered the networks' exit polls in the November election, and said that their votes have been heavily determined by family values. Well, I don't know what that means frankly, but that certainly could mean to me that that's 22 percent that doesn't want to have things that are even vaguely disturbing, or suggestive, or whatever the standard may be, on broadcast television, which is the last family area in our society.

And that we are—therefore, we have a push which, what do you want to call it, political? I don't think it's partisan, because everybody's been working the same side of the street. Whether you want to call it philosophical, whether you want to call it moral, I don't think it makes any difference. But this is a change, and it's really only in a little over a year that this has come about. And that I think, is causing a tremendous amount of confusion that we have here.

MR. SOLOMON: One thing that I think is helpful is to just pause for a moment about what are the decisions where the FCC has found something or proposed to find something indecent on television. I don't mean to suggest that people from both sides can't say—people can argue we should be finding more indecent, people can argue that we should be finding less indecent. But I think sometimes when people talk about sort of the—where we are on the slope and where we could be heading, talking about decisions where we denied complaints saying, this isn't indecent on TV. And he was raising several things about well, it's confusing why we denied them. But if you look at what we said was, or proposed to find indecent, even if you think they were bad decisions, they haven't necessarily gone as far as some suggestion of sex could mean that it would be indecent.

If you go back—actually, the Commission had one TV case in about '99 or 2000, where a man and a woman were in a bathtub, and basically it involved very apparent sort of oral sex in the bathtub, although they didn't actually show the organs. But the recent ones involve showing a penis, showing a woman's breast with a nipple, saying the word "fuck" on television, and the "Married by America" one, which Professor Botein mentioned as "Coupling," but it's "Married by America." That one was six or seven minutes where the plot line had strippers in Las Vegas interacting with a bunch of people, although it was pixilated. Even if you argue those cases went too far, they didn't start staying, well my goodness, if you suggest that people are going behind a door, there might be sex later, or something like that.

The other thing I'd point out from some things that were said, just to reinforce something that Barry said, was the Commission has not sort of reinvigorated the notion of blasphemy, It did have a case a couple of years ago which basically said, it can't regulate blasphemy. And in *Golden Globe*, it didn't bring back blasphemy. It said, okay, we used to define it as blasphemy, which we can't any more. And then it came up with another definition which found in that context, that word to be indecent. Although, as I just mentioned, it's giving, and has given guidance today, and will continue to give guidance that it's not saying every offensive word is indecent by any means.

MR. HANSEN: That reminds me of the Justice Stewart definition of obscenity, and that is he knew it when he saw it. What you hear is, don't worry, we know indecency when we see it. But the problem is, you are not giving sufficient guidance, the FCC is not giving sufficient guidance to the rest of the world, so that they know what is on one side of the line, and what's on the other side of the line.

We know from "Married with America" that pixilating doesn't save you from being held liable. We know from *Golden Globe* that inadvertence and fleeting doesn't save you from being fined. We know from Janet Jackson that lack of intent and lack of knowledge doesn't save you from being fined.

There are an awful lot of things that common sense would tell you ought to save you from being fined, but no longer save you from being fined. Is it any wonder that a lot of television stations around the country refused to show "Saving Private Ryan," because they were afraid that the use of the one word in that movie might well result in them being fined by the FCC.

The problem is that the way the decisions are coming out, nobody knows what the rules are. But there's—I want to keep coming back, and in particular address what Bob was suggesting to you about what the whole basis of this indecency is. Essentially, he said the majority has the right to impose on the minority its view of decency. Well, in my mind that's antithetical to the First Amendment.

And then the other thing he said was that we all have to sensor adults in order to protect children. The Supreme Court has been saying for 50, 60 years that that's antithetical to the First Amendment.

I think the FCC has lost sight of the First Amendment in its recent flurry of decisions. Whether the statute is any more constitutional or not, the FCC has lost sight of what the First Amendment says about speech in this country.

MS. ROMANO: Actually David, I just have a quick follow up question to your comment. In 1993, Bono used the F word at the award ceremony in a very similar context, and then subsequently stated that it was unplanned and could be construed as fleeting. So how do you reconcile the recent *Golden Globe* decision?

MR. SOLOMON: Well, the Commission clearly—it was a change in course. We had—the Commission overruled in *Golden Globe* not only my decision saying it was okay in that case, but several prior staff decisions where it had said that kind of fleeting use was okay, as well as several Commission decisions that said that fleeting use of an exploitive was not indecent.

When I mentioned in the late '80s that the Commission had sort of strengthened the standard by saying that it wasn't just the sort of Carlin repetitious use of "Seven Dirty Words," but could be other things, sexually suggestive language, and that sort of thing, and innuendo. At the same time, it had said that single use of an exploitive wouldn't be indecent.

So the Commission changed its interpretation in the law in those cases, and was clear that that's what it was doing.

MS. ROMANO: We'll close this up after Bob. And then I just want to talk about the future of indecency. Then we will open it up for questions.

MR. PETERS: The subject of advertising came up in terms of should it be somehow unique? And I would say most of the complaints we get at our organization involve inappropriate ads during programming that's supposed to be family friendly. The favorite excuse for—I don't know excuse or defense is, if you don't like it, turn it off.

So a lot of Americans are really trying to be more selective in their viewing. And as they do that, the networks become more aggressive, particularly with promos for violent sexual programs. So there is no way part of the *Pacifica* rationale, that you can possibly avoid this. And not that it would make that much difference the way the V-Chip works. But the V-Chip doesn't keep out the ads.

But on the subject of "Saving Private Ryan," personally I could go either way on that film. And I find it interesting as a newspaper reader, how rarely I see a four letter word printed out in full, on occasion. But you know, I tell you, we were talking earlier, somebody made the comment, more news, but less hard news, less information, except in *The New York Times*, and *The Wall Street Journal*, and even *U.S.A. Today*, *The Daily News*, and *New York Post*. Rarely will you find that F word spelled out completely.

So that raises the question in terms of free speech. How much is lost during this window for decency, if at least on occasion, a network would blurp or bleep that four letter word in "Saving Private Ryan." And in my opinion, it shouldn't have been aired at 8:00 p.m. simply because of the violence. But it would have been very simple for ABC, I forget which—I guess it was ABC, just to blurp the F-word. Everybody would have known what was being said anyway, because we can all read that word. But how much in terms of our cherished First Amendment right would we have lost had ABC done that, just like every one of our newspapers do every day of the week. And we get a lot more information that's important to us as citizens of this city, and state, and country, in our newspapers, then we will ever get from television news.

MS. ROMANO: Chris.

MR. HANSEN: I think there's a simple—to that which is it's my understanding that Spielberg had a contract that prohibited, he would not allow any network to run the movie if they censored even one word.

MR. PETERS: You know, I wrote an open letter to Steven Spielberg, which he didn't answer. But I made the point, and said, you know, there was a lot of racism and types of prejudice in World War II. I think we all know that.

I remember there was an article about a vet in New York City talking about the anti-Semitism that he faced during World War II. But Steven Spielberg didn't have any racial jokes, anti-Semitic jokes, ethnic jokes of any kind. The only selective reality that he had was cursing, and some sexual bad humor. And I liked "Saving Private Ryan," and again, that to me is a gray area. I could go either way on it.

But I found it interesting that in his selection of reality, and of course, they always say that in the foxhole nobody is an atheist, but there was a lot more cursing in "Saving Private Ryan" then prayer. But that's Steven Spielberg's choice. And maybe ABC could have said, okay, we'll air it at 9:00 p.m. And to me that would be been a wiser course of action, then the family hour, to have what went on during the first half hour of "Saving Private Ryan," you know, for your two-year olds to watch. If you didn't happen to know what was on ABC that night, and they are sitting there in front of the TV, and suddenly the arms and legs start getting blown off, and every third word is the F-word. Great entertainment for the children of America.

MS. ROMANO: Thank you. Chris, with the ACLU being a champion of the First Amendment, is the FCC exceeding its scope of Congressional-given authority? Are they overreaching their boundaries and infringing on citizens First Amendment rights with their new regulation guidelines, enforcement tactics, and higher forfeitures?

MR. HANSEN: Yes. (Audience laughter)

MS. ROMANO: Why? And where do you see it? And what's the problem?

MR. HANSEN: That was just too easy a question. I didn't know what else to do with it.

MS. ROMANO: Well, what are your comments on the—exceeding their scope of authority? And what are you opinions? Where should they be?

MR. HANSEN: David makes a perfectly legitimate point, which is to say that the FCC is trying to enforce what Congress has instructed them to do. And I actually think one of the most interesting legal questions that I ever talk about is the question of under what circumstances can executive branch or independent regulatory agency officials follow Congress' direction, even at a time when they think Congress has directed them to do something unconstitutional. Actually, I think that's a really interesting legal question. But I don't think we have to get to it at this point.

I think that the inconsistency, and the opacity of the decisions that the FCC has been issuing recently suggests that whatever the—even if it is true that the Constitution permits the FCC to engage in some indecency regulation, they have now gone to a point where their regulation of indecency is untethered by standards, or for that matter, something we haven't talked about, which is legitimate procedures.

And I think at the very least, the Constitution would require some degree of clarity as to the standards that are going to be applied in the indecency context. We are not getting that from the FCC.

MS. ROMANO: Barry.

MR. SKIDELSKY: A couple of other things that we did not mention when we talk about constitutional arguments, in addition to the First Amendment, is due process. There's argument about vagueness, chilled speech.

2004, the year just ended, was a pretty interesting year, not only in terms of escalated indecency enforcement at the FCC, but Martha Stewart went to jail. I know I feel a lot safer. Cat Stevens got deported. We had this Janet Jackson most TiVo'd moment.

Also, the year ended with Congress trying to pass what was called the Broadcast Decency Act, which if I am not mistaken, passed in one place, but died in the second. Passed in the Senate, died in the House.

This would have raised the FCC's statutory authority up to $500,000, which, if you go along with the FCC's per utterance policy, as opposed to per-incident, or per-program, creates serious issues not only for FCC licensees but for any person or entity. And I use that word "any" like a lawyer. Any person or entity, because if am not mistaken, the statute says, any person, not just an FCC licensee. Any person can be tagged, provided, I believe, they get some sort of notice and opportunity to be heard.

And the Broadcast Decency Act, through reports I read, would have expanded personal liability for not only air talent, but musicians, comedians, writers, others. So it's content and distribution. I'm back to that.

MR. PETERS: There's one reason to go after the person who utters it. Sometimes it probably is unfair to go after the licensee. So at least you have the target. But I wouldn't use it willy-nilly. But that might be a circumstance when going after Howard Stern, of course everyone knows what Howard—but occasionally a broadcaster is caught unaware. And yet the performer knew darn well what he or she was going to say. So why not hold them responsible in certain cases. I would use that discretion guardedly, but that would be an appropriate situation to go after the person who said it, rather then you if you represent the licensees.

MS. ROMANO: David, do you have any comment to this?

MR. SOLOMON: On the constitutional point, I do think that the five Commissioners who vote on these items certainly believe what they are doing is constitutional. I suspect certain of these decisions will make their way to court. Probably *Golden Globe*, probably the Super Bowl. Maybe some others. I think one way or another, the Commission and lawyers in the industry will get additional guidance, certainly if the court reaches constitutional issues, and probably even if they don't reach constitutional issues, that the Commission in the industry will get further guidance.

So I think the Commissioners try to give guidance in their decisions. They think what they do is constitutional. And I think to the extent that more guidance is provided by the courts, that's certainly something that the Commission welcomes. Everyone welcomes.

In past case law, the Commission did get guidance that what it was doing was constitutional against vigorous attacks. If it gets guidance that it's not constitutional, or there are problems with it, obviously, it will heed that guidance.

MS. ROMANO: Okay, we are going to discuss the future of indecency. And particularly, in light of Powell's resignation, what is the future of indecency regulation? It seems there is a large agenda of unfinished business.

And I would like each of you to address, in your opinion, where you see the future of indecency regulation going. I guess David, it would probably be appropriate to start with you.

MR. SOLOMON: Well, I think there are a lot of unknowns. I think one thing depends on what the courts decide in some of these cases that will make it to the courts. Another question mark is who becomes Chairman of the FCC. While it takes three votes to have a majority at the FCC, who is Chairman is very important.

I think that while certainly all of the Commissioners have gotten stronger on indecency, depending on your point of view for good or for bad, the Chairman has been sort of in the middle on the indecency fight. And so to the extent, there have been a lot of three to two decisions to find things not indecent, that he's been one of the three.

The *Golden Globe* decision, in which a majority said it would be inconsistent with due process to issue a forfeiture in that case, because the Commission had changed the law. That was a 3-2 decision where two Commissioners said that they supported a forfeiture.

So I think who becomes Chairman is an unknown. And that could make indecency enforcement much tougher. Could keep it around the same, it could have different effects.

I think the third question is, what does Congress do? Congress, as mentioned, is considering legislation that would increase the forfeiture amounts and take various other actions to strengthen indecency. That's going to have an impact if it's passed.

I mean, I assume it's not the case that the Commission would use the maximum in every case. But obviously, having a maximum of that amount affects the way it looks at things. That could play into a litigation battle as well, depending on what Congress passes.

So I think there are a lot of unknowns at this point. But there does certainly seem to be among all of the Commissioners right now, an interest in strong indecency. And so probably we will continue to find some things indecent. And we will continue to find some things not indecent. And struggle with the issue that we do struggle with.

We want to provide enough guidance. I think for the whole history of indecency regulation we've always been told we're not providing enough guidance. And the Commission, I think, continues to provide its best guidance.

MS. ROMANO: You mean you are not attempting to resolve the paradox of free speech? So I'll leave it open to the panel, if you would like to comment on the future of indecency regulation or where you would like to see future indecency.

MR. SKIDELSKY: I'd like to see it in the toilet. I think that we need to—if we are all serious about this, there can be a concerted effort to oppose measures like the Broadcast Decency Act. And perhaps try—it's swimming upstream to me it seems, but trying to repeal the criminal statute that's the underlying basis of all this.

I believe in the First Amendment parity is what's required. In terms of the near term, I think we will see continued enforcement at the FCC. Relatedly, there is an effort to rewrite the Telecommunications Act in *toto*, or in wholesale chunks that's underway, mostly in regard to the advancements of technology, broadband, voice over IP. There's also a Notice of Proposed Rulemaking issued by the FCC, talking about requiring broadcast stations to record programs. Once upon a time, if you made a complaint about indecency, you had to submit a tape or transcript.

In the course of the FCC shift over the last few years, that requirement has sort of gone by the wayside. I think you do see this conservative ethos out there, and a lot of broadcasters are playing it safe. At the end of my written materials, I have a laundry list of the things you could advise your clients. Things like: have a written policy, train your people, have a delay mechanism, those sort of things.

I'll just conclude with it's a sad state of affairs that in 21st Century America, independent thought and decency are just deemed not worthy of protection.

MS. ROMANO: Michael.

PROFESSOR BOTEIN: I don't really expect to see any major constitutional decisions here at all, because if you look at what the courts have done to Commission rules in the last couple of years, the D.C. Circuit ripped up most of the old ownership rules in the FOX television station's case, basically just on the grounds that they are arbitrary and capricious. And the Third Circuit did that to the attempt to increase the national ownership limits from 35 percent to 45 percent, which was a pet item of the Chairman's.

Again, just saying it was arbitrary and capricious, I don't think these courts particularly want to get involved in major First Amendment issues. I wouldn't if I were those judges. You can do it just as well by suggesting that the agency made the wrong judgment, and didn't articulate it well enough.

And again, I hate to come back to this, but that's where these very short computer generated opinions really, I think, rebound to the detriment of the Agency, because that tends to convince a court that there really isn't much there.

My final thought is that I'm really sad, I've said this before, that we are talking about this the same day that *The New York Times* has written a fairly nasty editorial about the outgoing Chairman. It's the first time I can remember their doing it about any regulatory agency Chair in a number of years.

And I'm not a obviously complete fan, nobody is, I'm sure, of any regulator Chair's total agenda. But I think one of the—given the issues that have passed through the FCC in the last four years, I think in a way it's kind of sad that what that particular regime under Mr. Powell may end up being remembered for even five or ten years from now, is going to be a squabble over a few dirty words. And there are more important things going on, some may be positive, some may be negative. But certainly, this is not going to change the telecommunications structure of the United States where some of the other proceedings which have taken place at the FCC in the last four years, quite possibly could.

MS. ROMANO: Bob and then Chris. Then we will go to questions from the audience.

MR. PETERS: I assume the future will depend in good measure particularly in what the courts are going to do in the next couple of years, because I assume that one or more of these cases are going to get up to the Supreme Court. And certainly, there are going to be judges who would like to make Chris very happy and throw out the indecency law, period. Whether that's going to happen or not, I don't know.

The other element certainly, is the American people. And contrary to what is often heard, I don't think it's just religious conservatives who are concerned about the content of mainstream media.

And in terms of my own desire, when I speak before people on my side of the issue, I always make the point that it's not my goal to create a perfect society. I don't think it should be my goal or our goal to get rid of everything that might offend me personally, or my group. I think there is a middle road. I don't think that the FCC right now has—I don't think they've got that middle road. I think they are still down here, and too much in adult land, and First Amendment nonsense to some extent in contrast to common sense.

But I do think—you know, my—not so much expectation I guess, but my desire is again the bottom line of maintaining a decent society in public spaces, particularly where children have ready access. And please don't try to put the whole onus on parents. It won't work.

But I do think if the FCC can find a better medium in all of this, there are going to be times where I am going to say, David Solomon and the FCC are great people. And there are going to be times when I'm going to be very unhappy with the FCC. And hopefully, that will be the same with you. And that's life in a free society.

MR. HANSEN: I hope that there will be court challenges to some of the actions of the FCC in recent years. One of the discouraging things to us is that many of the broadcasters have been anxious about publicly challenging the FCC's indecency determinations. Fortunately, some broadcasters are starting to do that. But if there are any people in the room who represent TV stations, and want to challenge one of the FCC actions, and want the ACLU's help, give me a call.

MS. ROMANO: Okay, questions from the audience. I see lots of hands.

(Questions from the floor).

AUDIENCE MEMBER: In my mind, the problem with TV is not the dirty words, or that it's too provocative. The problem with TV is its utter mediocrity. And my concern is that by focusing on the indecency issues, we get away with what I see as the core problem. I just wonder if anyone can comment on that.

MR. PETERS: I'll comment. My wife and I watched "The Birdman of Alcatraz" on PBS last weekend—what a great film, and what a great message. Now, HBO took that kind of theme and put it into "Oz" and effectively limited its audience to about one/100th—maybe one/1,000th of what we have seen and who will see "The Birdman of Alcatraz."

So in terms of the First Amendment, how much is gained by showing the homosexual rapes, and every third or fourth word out of somebody's mouth, a gross vulgarity like "Oz" did it. On HBO, they can do it. But if you want to be concerned about the First Amendment, getting your message out, you want to reach the broadest number of people possible. And you are not going to do that by showing explicit homosexual rape, or heterosexual rape, and four letter words out of somebody's mouth every third or fourth word.

You will reach a certain part of the public, they will love you. But the large majority of the people will turn you out. That should be a First Amendment concern.

MS. ROMANO: Any response to the statement?

MR. SKIDELSKY: Just a couple of concepts come to mind. Lowest common denominator, race to the bottom, and vulgarity is the crutch of an inarticulate motherfucker.

MS. ROMANO: Well said, okay. Next question.

(Question from the floor)

AUDIENCE MEMBER: In the context of indecency, would you—the panelists give a comment on the coverage of live news by local broadcast stations?

MS. ROMANO: This is a free-for-all, guys. Whoever wants to take it.

MR. SOLOMON: I think if you look at the case law, the Commission certainly pays attention to the context. So that if it's in the context of news, that's a very relevant factor. I think from at least the proposed forfeiture in the "Puppetry of the Penis" case, it isn't necessarily an absolute protection.

I know years ago when I was in the General Counsel's office, people used to talk about, well, if Walter Cronkite went into a whorehouse, and sort of brought a camera, and started showing it, that might be indecent. But I think the Commission does certainly take the fact that it's news into account.

(Question from the floor)

AUDIENCE MEMBER: But isn't it what you could do, not what you actually do. It's the thought process in the news rooms of what you could do, or what might happen if you went down to the local high school, and you were with a bunch of kids, and some words got on air that you really didn't want on air. There are so many variations where you can end up with the kind of comments and words on air that you really would have excluded if you could have. But yet it's a news context, and you don't want to preclude people from following the best news coverage.

MS. ROMANO: I see a hand.

(Question from the floor)

AUDIENCE MEMBER: I have two comments. The first one, Professor Botein, you might tell your broadcasters to buy a TiVo if they want a delay.

The second one is, for the last year I have lived in coraty [sic] communities in Jerusalem. For those of you who don't know what this is, it's pretty right wing religious. And the parents of the children in those communities know what their children see on the Internet, and know what their children see in video, and they monitor it. And it's not unreasonable to expect parents in America to do the same.

Nonetheless, that said, I don't understand the distinction between V-Chip and subscription, except to say that subscription television is for people who have money, and V-Chips are people who don't have money. And how can you possibly think that if a broadcaster chooses to say, this is for an adult audience or for a mature audience, that is to children?

MS. ROMANO: Professor. Who would you like to answer it? Whoever?

PROFESSOR BOTEIN: Well, if you look at the demographics and the reach of over the air broadcast television in this country, basically, what used to be the three, and now can be the four, or five, or six, depending upon how you want to count them. Commercial networks went from approximately 90 percent 30 years ago to 35 to 40 percent right now, depending again upon how you want to count them.

While that's been going on, of course as the ratings go down, advertising revenues go down, they make less money. Media people are not stupid. They are very smart, and they have very good economists that they employ, and what they see is all right, in effect, why don't we just—let's just cede broadcast television to a very large extent for people that either don't have enough money in most cases, or really don't care.

So what we will do is we will make broadcast television into kind of the lower quality, but free, relatively free, depending upon how you look at the cost of receiving advertisements. And for those people who are willing to ante up for a pay medium, anything from a VCR, to a DVD, to cable, to DBS, et cetera. Those people in effect, can buy their way into watching anything they want, including all kinds of indecency.

I think that's another reason for wondering about this whole thing, because that doesn't strike me as being quite the American way, if we go back to the original understanding. But certainly, that is what's happening. And hey, if I want to find dirt, I certainly wouldn't look for it on broadcast television. I would go look for it on all those other pay media.

MS. ROMANO: I see a couple of hands over here.

(Question from the floor)

AUDIENCE MEMBER: I want to direct this to Mr. Hansen, because I found this certainly, it was unintentionally amusing. I worked at WBAI from 1974 to 1986 on a weekly basis. I broadcasted a classical music show every Thursday morning. I vividly recall the chilling effect that the Carlin case had, and the extraordinary legal costs. What it did to the network, and how basically everybody was terrified.

I put together a satire on the Wagner operas, assembled a fake Wagner opera overture. And I wanted to call it the lost Wagner opera, "Deardreck," the word that you used to describe one of the current television programs. I was asked by the then station manager to change the name, because dreck to a certain segment of the elderly German Jewish immigrant audience in New York had a decidedly unpleasant connotation, because in addition to be simply dirt, it was commonly used for the four letter word that begins S and ends with T.

So it's in what the words say. When you stop and consider the fact that one of the Presidents of the United States in recent history had a last name that is, in certain quarters, an off-color word. And that one of the members of the panel has the last name that is the plural for a widely used word for a sexual organ. I really do think it's a tempest in a teapot, and the faster that we get rid of it, the better off we are. Do away with all the indecency.

And Mr. Peters, may I say that if my mother knew that your children were up at 8:00 o'clock p.m. when they were two, she would give you quite a tongue lashing. I was in bed at 7:15.

MS. ROMANO: Thank you for sharing. Our next—okay we have time for about two more questions after this.

MR. PETERS: You know, I've often, in one of my dark moments, I suspect that a lot of television producers in particular who have small children, I think these dark things—I would love to meet them when they are with their kids. And then to go up and start talking to their children of whatever height, the way they talk or certainly want to talk in front of America's children. I suspect I would get my teeth kicked out by more than one of them.

So most Americans don't want their kids being sworn to right, left, here, and there, in the media, particularly when their kids spend anywhere from 35 to 40 hours a week listening, watching media.

Look at the opinion polls in the materials I gave you. I could give you many others. I'm telling you, you may think cursing is wonderful, that's your choice. To me there are many options in this multi-media area where you can choose to bring that into your home. HBO and Showtime would be two marvelous examples. But I will make the assertion that most Americans don't share—if you happen to be amongst those who think cursing and explicit sex and dirty talk in front of children is great stuff. If you happen to be amongst those, I would assert, the majority does not agree with you.

MS. ROMANO: Okay, we are going to move on. I see two more hands. And then we will break.

(Questions from the floor)

AUDIENCE MEMBER: First I would like to say it's been a very good presentation with a lot of—every different point of view that I can—every major point of view represented here.

MS. ROMANO: That was the point.

AUDIENCE MEMBER: But anyway, seeing that the FCC has come out with new standards that seem to throw more confusion in terms of suggestiveness and negligence. And witnessing how just a couple of months ago, a lot of people raised a furor over the Monday Night Football, Terrell Owens/Nicolette Sheridan skit that aired prior to the game. I'm wondering if maybe we really have opened up a Pandora's box where, if something like that arguably could be found indecent, whether ever major movie, soap opera, and almost every other form of expression on TV could arguably fall into that realm. And anyone—I welcome anyone's observations.

MR. PETERS: I would maintain that football is a family program. Another program maybe, "For Better and Worse," it should not. But I think that's one of the things that the FCC seems to be ignoring, certainly often. Although, I should retract that. But I think that's a Super Bowl also. Had that happened on "Saturday Night Live," even if we didn't have a 10:00 p.m. cutoff, I suspect the reaction would have been very different. But it was the Super Bowl.

And Monday Night Football, there are a lot of people who love football, and they watch it with their kids.

MS. ROMANO: Any remarks? Okay, our last question.

(Question from the floor)

AUDIENCE MEMBER: I have a question for Mr. Peters. In your opinion, is "Desperate Housewives," an ABC program that's on before 10:00 o'clock, indecent?

MR. PETERS: I haven't watched it, but when I look at the statistics of what the—just a survey that came out a couple of weeks ago where 51 percent of the kids say they get a lot of their information about sex. That doesn't mean that we should ban all sex talk from TV. But whether they crossed the line, if I were a betting man, I would say, if they haven't, they will.

But if we had a really responsible media, it wouldn't be airing at 9:00 o'clock, it would air at 10:00. Or maybe they would put it on HBO and do it—everybody—be as dirty as dirty can be. And it would be a smashing success on HBO and Showtime. But is it really the kind of entertainment that kids all across America need to hear more of.

The same thing with "Friends." I wouldn't have banned "Friends" from broadcast TV, but I think a great time for "Friends" would have been 11:00 p.m. in the evening, where it airs on reruns. Because kids don't need to hear that every other night one of their favorite people is hopping in the sack with somebody else. They learn from this stuff. And if you don't think they do, I'll give you a lot of stuff that will at least try to convince you that they do get information from the media.

MS. ROMANO: Okay, thank you for engaging in our battlefield here. We really appreciate it. And I would just like to thank all of our guests here for participating. And Alan is going to come up and invite you to the cocktail party.

MR. BARSON: Thank you all for coming. You are all invited, as you know, to a cocktail reception, which is sponsored by XM Satellite Radio.

VOLUNTEER LAWYERS FOR THE ARTS www.vlany.org

Call VLA'S Pro Bono Coordinator Chris MacDougall (212) 319-2787 ext. 14 to Volunteer Today!!!

Since 1969, VLA has been the leading provider of pro bono legal services, mediation services, educational programs and publications, and advocacy to the arts community in the New York area. Through public advocacy, VLA frequently acts on issues vitally important to the arts community in New York and beyond. We serve over 8,500 clients each year. You can get involved and help in the following ways:

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CLE Credit for Pro Bono Work!

VLA has been approved to provide CLE credit for *pro bono* legal services rendered. Credit for *pro bono* legal services shall be awarded in the following ratio: one (1) CLE hour for every six (6) 50-minute hours (300 minutes) of eligible *pro bono* legal service. A maximum of six (6) *pro bono* CLE credit hours may be earned during any one reporting cycle. Please contact Chris Macdougall, Pro Bono Coordinator, at (212) 319-2787 ext. 14 for more information, to participate in the Clinic, or to receive the case list.

Pro Bono Case Placements

By placing cases with Volunteer Attorneys, VLA delivers *pro bono* legal services to low-income (per VLA guidelines) individuals and nonprofit arts organizations. The VLA Case List is e-mailed twice a month to our volunteer attorneys and *pro bono* coordinators. Cases are available on a variety of issues ranging from Trademark, Copyright, and other Intellectual Property issues to Nonprofit Incorporation and 501(c)(3) Status, and other matters of Corporate Formation to Contracts and Licensing Agreements. Artists from every discipline utilize our services including: filmmakers, visual artists, playwrights, poets, directors, musicians, multi-media artists, graphic designers, independent curators, dancers, and actors. VLA requires all of its volunteer attorneys to be covered by legal malpractice insurance, and advises our clients that the attorneys must check for conflicts of interest on each case before agreeing to accept it. VLA also holds a monthly New Volunteer Orientation: please find upcoming dates posted on http://www.probono.net.

Bi-monthly Legal Clinic

The VLA Legal Clinic is a bi-monthly forum for any VLA member to meet privately with an attorney to discuss arts-related legal issues. The clinic provides an opportunity for attorneys to advise clients in a direct and effective manner. Held from 4:00 p.m. to 7:00 p.m. on the second and fourth Wednesdays of each month, the clinic also provides volunteer attorneys with a low-time commitment option.

CLE Accredited Seminars

VLA is pleased to announce that it has been approved by the New York State Continuing Legal Education Board to provide CLE credit for the following transitional classes. For questions, or to register for a workshop, please call (212) 319-2787, ext. 10. All workshops are held in the auditorium of The Paley Building, 1 East 53rd Street, Ground Level.

CLE Credit: Areas of Professional Practice: 3 CLE credit hours

- Nonprofit Incorporation and Tax-Exempt Status
- Contract Basics for Arts & Entertainment Professionals
- Copyright Basics
- LLC, "C" Corp, or "S" Corp: Choosing the Right Corporate Structure For Your Arts Business

CLE Credit: Areas of Professional Practice: 2.5 CLE credit hours

- Trademark Basics
- Managers in the Arts & Entertainment Industry
- Talent Contract Basics for the Film Industry
- Legal Issues in the Sports Industry
- Legal Issues in the Music Industry

VLA MediateArt Program

VLA offers Mediation Training to arts professionals and attorneys for New York State Certification and pairs artists with mediators to resolve arts-related disputes outside the traditional legal framework. For more information contact Allison Mattera, MediateArt Program Director, at (212) 319-2787 ext. 16.

Career Development and Private Counseling

VLA's Executive Director and Senior Staff attorneys are available for private career counseling and to review resumes in the context of charting desired career paths. By private appointment only. Please call Alexei Auld, Esq., Director of Legal Services, at (212) 319-2787, ext. 12 to arrange an appointment.

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Entertainment, Arts and Sports Law Journal

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