

Entertainment, Arts and Sports Law Journal



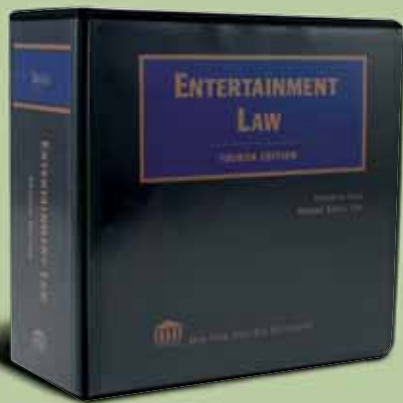
A publication of the Entertainment, Arts and Sports Law Section
of the New York State Bar Association



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Entertainment Law Fourth Edition



EDITOR-IN-CHIEF
Howard Siegel, Esq.

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"The definitive text in the burgeoning field of entertainment law. It provides an in-depth analysis of the key issues currently confronting the practitioners of its various specialties. For both its breadth and depth, I highly recommend Entertainment Law to students, academics and professionals alike."

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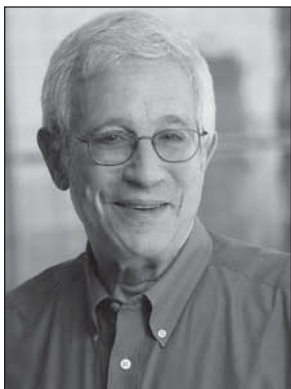


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Remarks from the Chair

I am now six months into my tenure as Chair of EASL, involved in all aspects of its activities, and planning for an exciting upcoming year as summer approaches. I have survived chairing my first Executive Committee meetings (with the invaluable assistance of Diane Krausz) and I am looking forward to many more.



In a short period of time, EASL has had three co-sponsored CLE events, all of which were tremendously exciting and successful, both in content and in attendance. The second annual Cardozo Sports Law Symposium (co-sponsored with Cardozo and several other organizations) took place in March. The third (yes, third) annual seminar on the "Legal Aspects of Live Theatrical Producing" (co-sponsored with CTI) and the panel on "Independent Film Finance and Distribution" (co-sponsored with Cardozo and the Metropolitan Black Bar Association) both took place in April. Thank you to Anne Atkinson, Jason Baruch, Diane Krausz and everyone else (I'm sure I have missed many names) who worked tirelessly to organize these events. I truly believe that EASL is becoming the pre-eminent presenter of seminars and educational events in the New York entertainment, arts and sports law legal community.

On May 21st, Barry Werbin and Mary Ann Zimmer presented the EASL Spring Meeting, which included guests speaking about "Cutting-Edge Case Developments in Entertainment Law" and "Protecting and Enforcing Publicity Rights in Social Media." In June, EASL also ran a full day entertainment law overview seminar for the

NYSBA's CLE Department entitled: "Practicing Entertainment Law in New York: What You Need To Know," and the Pro Bono Clinic at NYFA was held on June 3rd. In October, we will again be providing panels and seminars as part of CMJ. Of course, neither the EASL Blog, nor the *Journal*, will be taking the summer off.

A social event by the Membership Committee is being planned for the summer. EASL membership can be a valuable and fun social and networking group. Stay tuned for details.

We are closely monitoring several major cases, such as *Aereo**, that will be decided shortly and I'm sure that EASL will be actively involved in disseminating information and leading discussions on the outcomes. In addition, I am particularly happy to report that as a result of the efforts of Judith Bresler, EASL has submitted a memorandum in support of the proposed amendment to New York Arts and Cultural Affairs Law in regard to opinions concerning authenticity, attribution and authorship of works of fine art.

Lastly, I am looking forward to expansion of EASL's Law School Liaison program under the stewardship of Jason Aylesworth, to include not only more law schools, but to get the students and liaisons more actively involved in EASL and EASL's activities.

I wish you all a good summer.

Steve Rodner

*Decided 6/25/14. See nysbar.com/blogs/EASL. Post-Aereo: Has The Supreme Court Clouded the Future? by Barry Werbin, 7/3; Week in Review by Martha Nimmer, 6/27 and U.S. Supreme Court Decision Favors Broadcasters Over Aereo, by Barry Skidelsky 6/25.



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and click the link to follow us and stay up-to-date on the latest news from the Association and the EASL Section

Editor's Note

Happy Summer reading! This issue is filled with interesting and well written articles concerning all aspects of entertainment, art and sports law topics. Please make sure to visit the EASL Blog for regular updates, as cases are decided, legislation is passed, and business negotiations are concluded between when articles are written and the *Journal* is published.



Elissa

Have a wonderful remainder of the Summer, and stay tuned for more exciting EASL Section activities and publications.

The next *EASL Journal* deadline is Friday, September 5, 2014

Elissa D. Hecker practices in the fields of copyright, trademark and business law. Her clients encompass a large spectrum of the entertainment and corporate worlds. In addition to her private practice, Elissa is a Past Chair of the EASL Section. She is also Co-Chair and creator of EASL's Pro Bono Committee, Editor of the EASL Blog, Editor of *Entertainment Litigation*, *Counseling Content Providers in the Digital Age* and *In the Arena*, is a frequent author, lecturer and panelist, a member of the Board of Editors for the NYSBA *Journal*, Chair of the Board of Directors for Dance/NYC, a Trustee and member of the Copyright Society of the U.S.A (CSUSA), Co-Chair of the National Chapter Coordinators, a member of the Board of Editors for the *Journal of the CSUSA* and Editor of the *CSUSA Newsletter*. Elissa is a repeat Super Lawyers Rising Star, the recipient of the CSUSA's inaugural Excellent Service Award and recipient of the New York State Bar Association's 2005 Outstanding Young Lawyer Award. She can be reached at (914) 478-0457, via email at eheckeresq@eheckeresq.com or through her website at www.eheckeresq.com.

Pro Bono Update

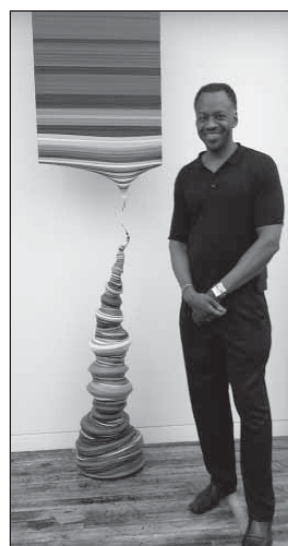
On March 29th, we hosted a roundtable discussion at ArtsWestchester and Kristine A. Sova led a conversation about employees, interns, and general employee business practices. It was a resounding success, and we are working with ArtsWestchester to see if EASL can be helpful in other areas as well.

On June 3rd, we co-sponsored a very successful Clinic with the IP Section at NYFA.

Special thanks to:

Bob A. Celestin
Sharon Cherry
Matthew Covey
Alex Guzman
Elissa D. Hecker
Kathy Kim
Cassidy Merriam

Bindu Nair
Michael Pantalony
Amanda Ross
Bob Seidenberg
Brooke Smarsh
La-Vaughnda A. Taylor
Elizabeth Urstadt



Speakers Bureau

Carol Steinberg, on behalf of EASL's Pro Bono Committee, spoke to students at Parsons Art School on April 24th. Margaret Buck Thumherr, an instructor of 3D digital printing, requested a talk on fair use, as students had many questions about using images found on the Internet and adding music to their installations. Alumni and other Parsons' students were invited to attend the talk. The presentation took place in a studio classroom. The discussion was lively and much appreciated by the professor, students, and alumni.

Carol will also be providing a summer basic artists' rights class at the East End Arts Council.

Elissa D. Hecker
Carol Steinberg
Kathy Kim
Irina Tarsis

Pro Bono Steering Committee

For your information, should you have any questions or wish to volunteer for our pro bono programs and initiatives, please contact the Pro Bono Steering Committee member who best fits your interests as follows:

Clinics

Elissa D. Hecker and Kathy Kim coordinate walk-in legal clinics with various organizations.

- Elissa D. Hecker,
eheckeresq@eheckeresq.com
- Kathy Kim,
kathyk@productions101.com



Speakers Bureau

Carol Steinberg coordinates Speakers Bureau programs and events.

- Carol Steinberg, elizabethcjs@gmail.com

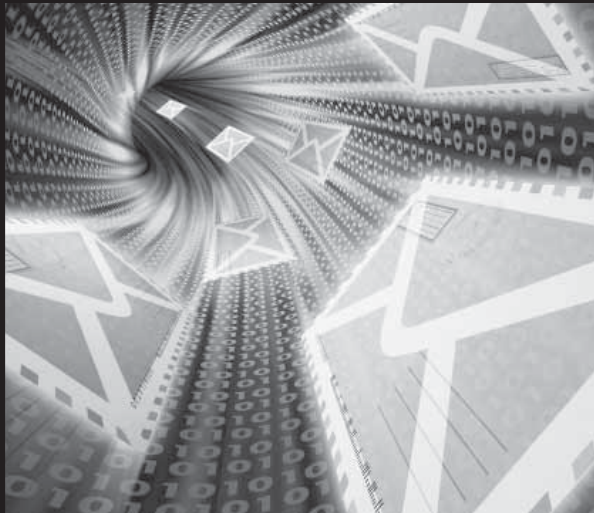
Litigations

Irina Tarsis coordinates pro bono litigations.

- Irina Tarsis, tarsis@gmail.com

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

Request for Articles



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

Elissa D. Hecker
Editor, *EASL Journal*
eheckeresq@eheckeresq.com

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

www.nysba.org/EASLJournal

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

Law Student Initiative Writing Contest

Congratulations to the Summer 2014 LSI winners:

CHARLOTTE A. TSCHIDER, of Hamline University School of Law, for her article entitled:
**Automating Music Similarity Analysis in “Sound-Alike”
Copyright Infringement Cases**

and

JOSEPH PERRY, of St. John’s University School of Law, for his article entitled:
Leslie S. Klinger v. Conan Doyle Estate, Ltd.

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

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

Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form:** Include complete contact information; name, mailing address, law school, phone number and email address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author’s blurb must also be included.
- **Deadline:** Submissions must be received by **Friday, September 5, 2014**.
- **Submissions:** Articles must be submitted via a Word email attachment to echeckeresq@echeckeresq.com.

Topics

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

Judging

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

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

The Phil Cowan Memorial/BMI Scholarship

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

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

The Competition

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

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

Eligibility

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

Free Membership to EASL

All students *submitting* a paper for consideration will immediately and automatically be offered a free membership in EASL (with all the benefits of an EASL member)

for a one-year period, *commencing January 1st of the year following submission of the paper.*

Yearly Deadlines

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

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

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

Prerogatives of EASL/BMI's Scholarship Committee

The Scholarship Committee is composed of the current Chair of EASL and, on a rotating basis, former EASL Chairs who are still active in the Section, Section District Representatives, and any other interested member of the EASL Executive Committee. *Each winning paper will be published in the EASL Journal and will be made available to EASL members on the EASL website.* BMI reserves the right to post each winning paper on the BMI website, and to distribute copies of each winning paper in all media. *The Scholarship Committee is willing to waive the right of first publication* so that students may simultaneously submit their papers to law journals or other school publications. *In addition, papers previously submitted and published in law journals or other school publications are also eligible for submission to The Scholarship Committee.* The Scholarship Committee reserves the right to submit all papers it receives to the *EASL Journal* for publication and the EASL Web site. The Scholarship Committee also reserves the right to award only one Scholarship or no Scholarship if it determines, in any given year that, respectively, only one paper, or no paper is sufficiently meritorious. All rights of dissemination of the papers by each of EASL and BMI are non-exclusive.

Payment of Monies

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

About BMI

BMI is an American performing rights organization that represents approximately 600,000 songwriters, composers, and music publishers in all genres of music. The non-profit making company, founded in 1940 collects license fees on behalf of those American creators it represents, as well as thousands of creators from around the world who chose BMI for representation in the United States. The license fees BMI collects for the "public performances" of its repertoire of more than 7.5 million com-

positions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the New York State Bar Association/EASL

The 76,000-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 1976, NYSBA programs and activities have continuously served the public and improved the justice system for more than 125 years.

The more than 1,600 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including headline stories, matters debated in Congress, and issues ruled upon by the courts today. The EASL Section provides substantive case law, forums for discussion, debate and information-sharing, pro bono opportunities, and access to unique resources including its popular publication, the *EASL Journal*.

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In The Arena: A Sports Law Handbook

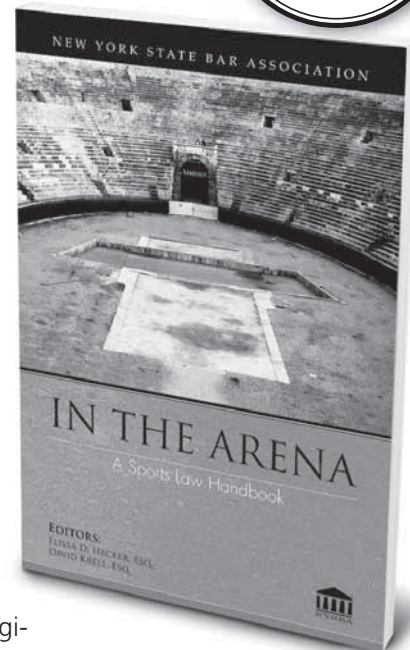
Co-sponsored by the New York State Bar Association and the Entertainment, Arts and Sports Law Section

As the world of professional athletics has become more competitive and the issues more complex, so has the need for more reliable representation in the field of sports law. Written by dozens of sports law attorneys and medical professionals, *In the Arena: A Sports Law Handbook* is a reflection of the multiple issues that face athletes and the attorneys who represent them. Included in this book are chapters on representing professional athletes, NCAA enforcement, advertising, sponsorship, intellectual property rights, doping, concussion-related issues, Title IX and dozens of useful appendices.

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Athlete Concussion-Related Issues

Concussions—From a Neuropsychological and Medical Perspective
In-Arena Giveaways: Sweepstakes Law Basics and Compliance Issues
Navigating the NCAA Enforcement Process
Title IX
Mascots: Handle With Care
An Introduction to European Union Sports Law
Dental and Orofacial Safety



EDITORS

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David Krell, Esq.

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NYSBA Guidelines for Obtaining MCLE Credit for Writing

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

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

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

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

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

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



ENTERTAINMENT, ARTS AND SPORTS LAW SECTION

Visit us on the Web at www.nysba.org/EASL

Check out our Blog at <http://nysbar.com/blogs/EASL>

A Union for Football Players Blitzes Northwestern University

By Paul Burmeister

In a somewhat surprising move, on March 26, 2014 the National Labor Relations Board (NLRB or Board) in Chicago decided that the College Athletes Players Association (CAPA) presented sufficient evidence demonstrating that amateur college athletes at Northwestern University were “employees” under the National Labor Relations Act (Act). This decision allowed the student athletes to vote for union representation. The decision did not create a union, but only allowed the student athletes to hold an election to vote for or against union representation.

The legal position taken by CAPA was very simple. Many student athletes receive compensation for their services in the form of scholarships, and student athletes are subject to the control of Northwestern University in fulfilling the obligations of the scholarships. Northwestern University argued that the players were at the university primarily as students and not as football players, and, therefore, could not be employees. Ultimately, the NLRB sided with CAPA and stated that under the facts presented in the case, the players were employees under the Act.¹

This case is interesting for a number of reasons. The sports world and media are attracted to this story because it is the first time that a group of student athletes have not only asked to unionize, but also voiced their opinions as a group about the downsides of being student athletes at a major university. Less remarked upon is how the NLRB’s decision could impact the game and the relationship among student athletes, the universities and the National College Athletic Association (NCAA). This decision may be limited in scope to Northwestern University or similar football programs. However, if the union succeeds, it will effect recruitment of student athletes who can choose between union and non-union universities. Other sports would also likely be affected by this decision, leaving it up to the NCAA to respond to new adversity.

What Happened at the NLRB in Chicago?

Regional Director Peter Sung Ohr agreed with CAPA that scholarship money, valued up to \$76,000 annually, received by Northwestern University football players amounted to a transfer of economic benefit and compensation.² Second, the NLRB found that the players were subject to the control of Northwestern University through a significant portion of their college life, resulting in an employee-employer relationship under the Act.³ Accordingly, the student athletes were common law employees (as is the test under the Act), and eligible to vote on union representation by CAPA.

Northwestern University subsequently appealed the Regional Director’s ruling to the full NLRB in Washington D.C. During the appeal process, on April 25, 2014, the players voted on representation. As expected, the ballots were impounded until the NLRB in Washington ruled on the appeal. At the time of this writing, there was some chance that this issue would be moot if the players rejected the union at the ballot box. However, if the union won, and perhaps even in defeat, it would nonetheless open the door to future union representation petitions and elections.

How Did We Get Here? A Brief History of Unionizing Student Employees

This is the first time that a college sports team has sought to be unionized. Of course, there is no precedent to rely on in this specific instance to support either CAPA or Northwestern University. However, as interesting as the story line for unionized college athletes has been for the past few months, the bottom line remains the same: Do college athletes meet the definition of employees under the Act and accordingly are empowered with the right to unionize? For the moment, this question has been answered affirmatively, but the issue is far from settled.

The purpose of the Act is to regulate the relationships among an employer, its employees, and a union representative of the employees. The Act does not directly address the issue of whether student employees have the right to form a union, and the definition of employee, contained in §2(3) of the Act, is purposefully broad.⁴ Recent rulings by the NLRB caused most observers to opine that it was unlikely that the Board would find the Northwestern University student athletes to be employees able to vote on union representation.

Throughout the country, however, there are student employees who are members of a union. For example, graduate student assistants at the University of Connecticut recently won the right to be represented by a union.⁵ However, as the University of Connecticut is a public university, and under the jurisdiction of Connecticut state law, the state labor relations board determined that the teaching assistants are employees and eligible to vote for a union and bargain with their employer. In fact, there are over 60 public sector bargaining units of graduate student employees throughout the country.⁶ The difference between the University of Connecticut student employees and the Northwestern University football team is that the University of Connecticut is a public university and Northwestern University is a private university.

The most recent NLRB rulings led many to expect that the football players would not be “employees” under the

Act. In 2004, graduate student assistants at Brown University, a private institution, sought union representation and collective bargaining rights. The graduate students received approximately \$12,800 per year in pay for their work as teaching or research assistants.⁷ However, despite the fact that they were paid a stipend and perform services as employees, the NLRB held that graduate student assistants were not employees under the guidelines of the Act.⁸ Accordingly, the Brown University graduate student assistants were denied their request to hold a vote for unionization.

In *Brown University*, the Board held that the fundamental purpose of these student employees was to receive an education and not to provide economic value to the university. In other words, while the Board similarly accepted that graduate student assistants may be employees under a common law definition, an exception was created for student employees working as graduate or research assistants. The Board stated that:

The rationale...is a relatively simple and straightforward one. Since the individuals are rendering services which are directly related to—and indeed constitute an integral part of—their educational program, they are serving primarily as students and not primarily as employees. In our view this is a very fundamental distinction for it means that the mutual interests of the students and the educational institution in the services being rendered are predominantly academic rather than economic in nature. Such interests are completely foreign to the normal employment relationship and, in our judgment, are not readily adaptable to the collective-bargaining process. It is for this reason that the Board has determined that the national labor policy does not require—and in fact precludes—the extension of collective-bargaining rights and obligations to situations such as the one now before us.⁹

Upon review of the *Brown University* decision, Regional Director Ohr concluded that the student athletes' football related duties are unrelated to their academic pursuits.¹⁰ Thus, these student athletes were allowed the opportunity to vote for CAPA as their union representative with Northwestern University.

It Is About the Control...and the Money

This decision boils down to control of the players. Interestingly, the decision by the Chicago office of the NLRB appears to be narrowly tailored for Northwestern University and its football team. That is, if another university does not have the same set of rules as Northwestern University does for its football team, the outcome may be

different. Some examples of Northwestern University-specific rules identified by the NLRB include:

1. Limiting underclassmen to living in the dorms;
2. Process for determining whether a player may have his scholarship revoked;
3. Differing team and athletic department rules contained in the Team Handbook;
4. Rules for disclosure of detailed information regarding vehicles;
5. Rules for using social media;
6. Rules regarding swearing and embarrassing the football program;
7. Dress requirements; and
8. Time commitment requirements to both athletics and academics.¹¹

These are just a sampling of some of the Northwestern University team rules the Board analyzed. Presumably, each school has some rules that are different from those used by Northwestern. In such cases, those universities can distinguish themselves from the facts used in making the ruling that Northwestern University football players are 'employees' under the Act. In other words, while this ruling fits for Northwestern University, there is no guarantee it fits for another university.

The decision does not say whether any particular factor was weighed more heavily than any other, but the bulk of the decision focused on the amount of time the players had to spend to pursue their football duties. The NLRB noted that:

While the football coaches, and the Employer as a whole, appear to value the players' academic education, it is clear that the players are controlled to such a degree that it does impact their academic pursuits to a certain extent.¹²

Player testimony to the Board revealed that football at times interfered with academic pursuits in the classroom. By lessening that academic impact, other universities may be able to avoid the fate of Northwestern University at the NLRB. If another school has different disciplinary schedules or rules regarding the terms of the scholarship, the result may likewise be different.¹³

The NLRB failed to create any particular test for a university with a football team to clarify whether or not it has an 'employee' under the Act. If a school limits football related activities to 20 hours per week during the academic year, as opposed to the 40 to 50 hours the evidence established in this case, maybe the players are no longer employees. Each issue the Board examined was specific to

the situation only at Northwestern University (albeit with some NCAA rules each school must follow).

Money was certainly a focus of the NLRB's discussion as well. The Board addressed the issue of revenue created by the Northwestern University football program. Northwestern University reported to the Department of Education that its football program generated \$235 million from 2003 to 2012, and during the same time period, expenses were \$159 million.¹⁴ In all of the NCAA's Football Bowl Subdivision, the 2013 revenue from ticket sales, donations and lucrative television contracts together totaled about \$8 billion.¹⁵ Despite the fact that much of that money is purportedly plowed back into athletics to support the non-revenue generating sports, clearly, these student athletes are a source of revenue for Northwestern University.

In other words, the Board reasoned that football creates revenue for the university and is unrelated to academics. The work of a teaching or research assistant is not related to producing revenue for the university and is typically an integral part of the graduate student earning a graduate degree. Therefore, the *Brown University* exception did not apply. Furthermore, because of the amount of control that Northwestern University has over its players' day-to-day lives, along with the fact that the players receive compensation for their athletic work, the Board deemed them employees.

What Does the NLRB's Ruling Mean for the Future of College Athletics?

At this point, there is not much to be gained from a legal perspective with regard to this decision. What we know is that the NLRB used a garden variety analysis to determine whether this potential bargaining unit was comprised of statutorily recognized employees, and determined that it was. It next considered the exceptions applicable to student employees under the *Brown University* ruling, and determined that the exception did not apply. Despite all the media coverage this case has received, if it had not involved a college football team, it probably would be viewed as a fairly routine NLRB matter.

The interesting discussions really stem from how a union for college athletes could change the landscape of college athletics. A small sampling of questions to consider includes:

1. Public vs. Private Universities and Union Organizing

As discussed previously, Northwestern University, as a private sector entity, falls under federal labor law jurisdiction. The vast majority of major Division I football programs, however, are at public institutions. This ruling would only affect a limited number of private universities with athletic teams. The rest of the universities in the public sector are subject to their state laws.

The states are already reacting. Ohio has introduced a bill to limit the ability of its college athletes in public

universities from organizing. Perhaps the state is protecting the \$123 million in revenue the Ohio State University football team produced last year.¹⁶ Connecticut might follow suit. However, there are many other states, particularly in the northern part of the country, that have collective bargaining rights for public employees. Will the Northwestern University union effort spur public university teams to unionize under various state laws allowing public sector employees to organize? It has never happened to date, but it could. Clearly, this is on the mind of the Ohio state legislature.

There are even more interesting possible results. Compare states with public sector collective bargaining rights with those states that do not. Suppose a public university or private university like Northwestern University has a unionized football team. Could either program use the fact that it does or does not have a union as a recruiting tool? Would high school athletes choosing a school want to have some protections potentially offered by an enforceable union contract when choosing between two programs? The NCAA is going to have to promulgate rules regarding the use of a union contract in recruiting.

These are interesting questions which for now do not have any answers. However, if Northwestern University ends up on the losing end of this union organizing effort, it makes sense to try to turn it into a positive and a recruiting tool for the coach. Northwestern University can spin this story into one where it is the only university to make a contractual commitment to its players.

2. Non-revenue Sports

The NLRB addressed two sports in its decision, football and basketball, both of which generate income for the university.¹⁷ What about non-revenue generating sports? Presumably, the swim team receives a scholarship and is subject to the control of the university as well. Under this analysis, perhaps even scholarship college speech and debate team students can be unionized.

On the surface, it looks like the NLRB may have opened the proverbial can of worms with this ruling. Yet, as discussed, the Northwestern University ruling seems to be very specific to Northwestern University, and specifically, to football (and maybe basketball). For example, if the coaches for non-revenue teams do not require their athletes to abide by certain rules that could be considered intrusive into their private lives, or there is no training prior to the beginning of the school year, or athletes are not required to commit 50 to 60 hours a week during their seasons to their sports, then perhaps they do not qualify under this decision. Certainly, one of the weaknesses of this decision is the lack of clarity it provides to universities as to who can and who cannot be in a union. It gives virtually no guidance as to how a university can change its policies to legally avoid unionization efforts.

Maybe when the next effort to unionize is made, the NLRB will issue additional guidance as to what factors are taken into account when determining whether college athletes are employees.¹⁸ As it stands now, while the door has been cracked open for college athletes to seek union representation, the matter is far from settled.

3. The NCAA's Reaction to the Unionization Effort

Ultimately, the athletes in this case, win or lose, have drawn attention to their plight. They have concerns of injuries, academics and life after football, which they believe are not addressed by the school or NCAA.¹⁹ It is not necessarily wrong for them to get a seat at the table, particularly when the student-athletes are producing millions of dollars in revenue to the school annually for their efforts.

In some ways, the players have already won. On April 15th, the NCAA approved allowing athletes to have unlimited food provided by their university.²⁰ Prior to that change, the NCAA allowed athletes only one university provided meal per day. The NCAA also altered its policy on athlete transfers, allowing athletes to add an extra year of eligibility instead of losing a year.²¹ The timing of these changes makes it look like it was the work of the unionization effort that likely was the cause to this effect.

The NCAA will have to look long and hard in the mirror to avoid future issues related to unionization. It publicly denounced student-athlete unions, most famously when NCAA President Mark Emmert used the recent Final Four platform to express his displeasure.²² It may be too little, too late, but the effort of the Northwestern University football players appears to have the NCAA's attention.

Conclusion

So far, no additional universities have announced that their teams are seeking a vote for union representation. Regardless of whether the Northwestern University football players win their case at the NLRB, the efforts of the team are a very interesting development in labor relations. The NLRB decision has a far more sweeping effect than the question of whether these players are allowed to have a union. It is not only a question of whether a student athlete is an employee under federal labor law, but addresses the relationship of colleges and universities and their student athletes.

Will institutions of higher education now make changes to their approaches to student athletes to avoid possible unionization or other collective action again? Perhaps we will see more collective action, not necessarily union action, brought on by the actions of the Northwestern University football team. Even if the unionization effort fails, colleges and universities will have to address

the working conditions of their student athletes to avoid potential collective action by them.

Endnotes

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6. *Id.*
7. Brown University, 342 NLRB 42 (2004).
8. *Id.*
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3D Printing, Secondary Liability, and Staying Ahead of *Grokster*

By Britton Payne

Introduction

The possibilities of 3D printing seem magical. You need a red triangular bracelet to go with tonight's outfit? Find one online and print it out in your den. Your plastic child-proof cabinet lock broke? Print a better one before the babysitter arrives. Your daughter cannot calm down after accidentally flushing her Princess Leia action figure down the toilet? Print a new one and get out the door.

Yet magic does not win the day when it comes to copyright law. Creativity, originality, and a technical understanding of where and how copies are made are the touchstones of copyright law and emerging technologies. Although the effect of emerging technology can feel like an entirely unprecedented new frontier, courts typically rely on precedent, after drilling down into an understanding of how that technology actually works and finding the right metaphor for applying existing copyright law. Recently, a legal battle over the viability of re-selling "used" digital music files was decided on a very technical understanding of the physical copy of a digital file and what happens when it is "moved" from one location to another through the Internet (spoilers: a copy is made, taking it out of the 17 U.S.C. § 109 first sale doctrine exception to the 17 U.S.C. § 106 distribution right).¹

The 3D printing community has not had many opportunities to have courts explore the technology as it relates to copyright, but it has already set in place standard practices based on previous technologies' interactions with copyright law. We can be sure that copyright analysis of 3D printing in the courts will come soon enough. In order to have an understanding of copyright infringement and secondary liability concerns in the 3D printing world, an understanding of the technology is a necessary base.

I. The Facts: What Is 3D Printing?

A. History of 3D Printing

3D printing is the process of using a machine to turn a digital file into a three-dimensional physical object, in the same way a home inkjet takes a digital PDF file and turns it into print on a piece of paper. In the early 1980s as the technology was created, it was too expensive and impractical to have much impact on the general market.² Yet in recent years, costs have come down and entrepreneurs like MakerBot and Shapeways have moved 3D printing more into the mainstream. The printers require plastic filament or other materials to be loaded in as the raw material for printing, in the same way that a 2D printer needs ink.³ There are many different techniques for actually printing the digital files, one of the more common is a nozzle that

dispenses the printing material like squirting icing onto a cake, layering it and building it up until it has its own three-dimensional shape.⁴

Amazing new uses for 3D printing technology seem to pop into the news every day. The Smithsonian Institute is taking 3D image scans of fossils and turning them into 3D printable files.⁵ A boy with heart defects had a replica model of his heart created in a 3D printer based on 2D CT scans to aid in corrective surgery.⁶ One can even print a wearable bikini with a 3D printer.⁷

B. Creating 3D Printable Files

Common software like AutoCAD and Maya, and newer entrants in the field like Sketchup and the open source Blender project, can be used to create 3D printable files from scratch, or modify templates. For only a few thousand dollars, machines sold by companies like MakerBot and NextEngine can be used to scan real world objects and convert them into digital 3D files that can be modified and printed. Even desktop publishing staple program Adobe Photoshop has recently added 3D printing features.⁸ Websites such as Shapeways offer services that will print one's files and mail them,⁹ or one can purchase a 3D printer and print it at home.¹⁰ The new Zeus printer can scan, print, and send, all in one.¹¹

Files exist in modeling software in many different editable forms. Once they are completed and ready for printing, they are converted into standard print-ready formats. Both kinds of files are exchanged in digital marketplaces like Thingiverse¹² and directly among 3D printing enthusiasts online. Some of the most common 3D file formats are OBJ, STL, AMF, Collada, and DAE. These are comparable to common file types like .xls, .doc, .pdf, .eps, .psd, .jpeg, and .gif, in that each extension tells the nature of the file, and gives clues as to compatibility.

C. 3D File Sharing

Once a 3D printable file has been created, it may be treated as any other digital file. The designer may make the editable or finished printable exported file available online, in the same way a person who makes a recording of a song might share it with others through the Internet. The files can be small enough to email directly to another person, but more typically, such a file would be shared in an online repository. SketchFab functions like YouTube, in that it allows the creator of a digital file, whether scanned, created from scratch, or adapted from a pre-existing file, to upload and display it as a 3D model. SketchFab checks the uploaded file for compatibility, automatically converts the file into its proprietary 3D display format, and puts

it in a searchable repository for Internet users to see, but otherwise does not generally review the thousands of files uploaded each day. Since 2009, Shapeways has hosted “an Etsy-like online marketplace of more than 13,500 online storefronts where designers showcase countless products, from figurines and credit card holders to jewelry and kitchenware.”¹³ It allows users to review a similar repository of files and have them printed and sent to them or to others. As Shapeways puts it, “[y]ou choose your markup and Shapeways will take care of the manufacturing, shipping, and customer service aspects for you.”¹⁴ Shapeways sold 1.2 million pieces in 2013, and expects to sell triple that in 2014.¹⁵ Shapeways also offers less technically savvy users easy to use tools to create their own 3D items, like a drawing converted into a 3D object, or a customized ring set based on an existing template.¹⁶

Makerbot’s Thingiverse is the largest and most popular repository of 3D printable and related files that can be uploaded and downloaded by users without much supervision by the ISP, or exchange of money.¹⁷ Others include Cubehero, YouMagine, Yeggi, and an unauthorized mirroring of Thingiverse called DEFCAD.¹⁸ When a user downloads a file, depending on what kind of file it is, it can be downloaded directly to a printer, opened in a 3D editing program and modified, or taken to a third party printer and have it printed out, the way one might take a file to FedEx Kinkos for printing. These files are sometimes shared freely, and sometimes shared subject to licenses such as Creative Commons Attribution – Share Alike.¹⁹

D. Liability Under Copyright Law

To seasoned followers of copyright law in emerging technologies, this is beginning to sound an awful lot like services that arose around authorized and unauthorized digital distribution of music in the late 1990s. As one might imagine, many of these 3D printable files include unauthorized incorporation of copyrighted works of unrelated intellectual property (IP) owners, or of the original creators of models from which new files have been derived without authorization. Although 3D printing is a potentially revolutionary technology, copyright law is equipped to answer the questions that arise with its use.

II. Primary Infringement

A. Can a 3D Printing File Be Infringing?

There is some discussion in the 3D printing world questioning whether a 3D printable file can be infringing at all. Robert Schouwenburg, the co-founder of Shapeways, has written that, “copyright is not really applicable to 3D models, and 3D printed items.... When the 3D model is not a one-to-one copy of the original 3D model file, copyright does not play a role in 3D printing.”²⁰ Creators often hold that there is a “fan-art” fair use exception in copyright law that applies to the one-off nature of 3D printing.²¹ Thomas Valenty created 3D printable files of figurines to be used in the game Warhammer, 40,000 that

were subsequently taken down through a Digital Millennium Copyright Act (DMCA) request issued by Games Workshop, owner of the Warhammer game.²² Valenty objected to the takedown, stating that “[t]he models are mine. I created them from scratch... This was ‘fan-art’.”²³ Comments from readers to stories like these suggest that there is a widespread perception in the 3D printing community that the work that goes into the creation of unauthorized 3D models and the limited practical use of such files takes this community outside of copyright law.

This should be a relatively short discussion. There is nothing inherent in the 3D printing process that makes the files allowing for the recreation of copyrighted works through the use of a 3D printer any different from a recording of a song to be played on a phonograph or a digital copy of a photograph to be displayed on a computer.²⁴ The perception that copyright does not apply to 3D fan art (for example, amateur depictions of copyrighted characters) or other such works is fed in part by the proliferation of works on 3D file display and distribution sites that incorporate or copy well-known characters or properties. But the presence of fan art does not indicate an absence of copyright, or the ability of a copyright owner to bring a future action (within the statute of limitations).

It is hardly incumbent on copyright owners...to challenge each and every actionable infringement. And there is nothing untoward about waiting to see whether an infringer’s exploitation undercuts the value of the copyrighted work, has no effect on the original work, or even complements it. Fan sites prompted by a book or film, for example, may benefit the copyright owner. Even if an infringement is harmful, the harm may be too small to justify the cost of litigation.²⁵

The question of whether or not a particular 3D printing file infringes requires the same kind of consideration as any other copy. In particular, there are arguments that scans of objects are just representations of things in the real world, and it is unfair for the real world to be locked up by copyright. If a person has a piece of copyrighted sculpture on his or her desk in the real world, some believe that he or she ought to be able to scan it, as a record of the things that are in his or her office. However, that position does not find much support in the law, and even less support in business practice. If a 3D printable file incorporates unauthorized copyrightable materials, it is infringing (subject to standard defenses).

B. What Kinds of 3D Printable Files May Infringe?

There are several ways to create 3D printable files, each of which could comprise unauthorized copyrightable content.

- **Scanned:** Files that are unauthorized derivatives of existing physical pictorial, graphic, or sculptural (PGS) works,²⁶ created by scanning. For example, a copyrightable My Little Pony doll that is scanned by a special device which converts the shape of the doll into a 3D printable file.
- **Created:** Files that are unauthorized derivatives of existing works, created from scratch by the infringer. For example, an infringer creates a 3D printable file from scratch that looks like Mickey Mouse.
- **Copied:** Files that are unauthorized copies of authorized 3D printable files of copyrightable content. For example, an infringer purchases an authorized 3D printable file of a Hunger Games Mockingjay, removes any digital rights management protections, and redistributes that file without restriction.
- **Derived:** Files that are unauthorized derivatives of authorized 3D printable files of copyrightable content. For example, an infringer purchases an authorized 3D printable file of a Superman action figure, and modifies the head to look like Mr. Spock.

Any number of these scenarios are also subject to standard defenses to infringement. A scan of an object in the public domain,²⁷ or a useful object subject to separability analysis,²⁸ does not infringe. A 3D printable file that incorporates copyrighted material in a form that is parodic or offers commentary on the underlying work may constitute a fair use.²⁹ When considering whether a 3D printable file infringes, it is the same analysis as with any PGS work.

C. Are 3D Printable Scanned Files Copyrightable as Software?

There is some question as to whether 3D printable files themselves can be copyrightable apart from the content embodied in the real world output they create, or from which they are derived. This question is particularly active when it comes to files that were originally created as scans, or of objects without copyright protection, such as useful objects (a socket wrench) or works in the public domain (Michelangelo's *David*). Generally, the intention of a scan (and perhaps a created file) is to slavishly gather information describing an object such that a computer or 3D printer can recreate the original as closely as possible. In that sense, the copyrightability of a scanned 3D printable file fits the logic of the *Meshwerks* and *Bridgeman Art Library* cases, which teach that an unauthorized copy of a slavish copy may infringe the rights embodied in the underlying work, but not of the slavish copy itself.³⁰

This is not to say that there is no room for originality in the creation of 3D printable files. Scans can be set to render a variation of reality, unusual lighting can be applied to the scanned object that is captured in the skinning process (capturing the image of the surface of the object, rather than the shape of the object itself, like the fabric pattern on a sofa), or other creative choices can be made

that embody sufficiently original and thus copyrightable content.³¹ Yet by and large, there will be little in the way of originality in a scanned 3D printable file. This cannot truly be known, as “the determination of a work’s originality is a factual one,”³² and we know nothing until a court tells us so. The rule of thumb for the originality of 3D printable files is that the more creative a file is apart from the object it embodies, the more likely it is to be copyrightable. The more slavishly a 3D printable file embodies an object (without creative decisions about lighting, for example), the less likely it is to be copyrightable.³³ Although there is undoubtedly creativity in the creation of the method for scanning an object, such as proper lighting, the algorithm and resolution for gathering special data, and the photographic information gathered to “skin” the object, such creativity is in the creation of the program, not of the file generated by the program.³⁴

Issues concerning direct infringement by the creators of 3D printable files implicate the potentially larger issues of secondary liability for the display, distribution, and printing of these files.

III. Secondary Liability

A. Copyright Law and 3D Printing File Distribution

This is obviously not the first time when the law has considered the responsibility of companies that have created “enabling technologies” that allow for the creation or distribution of potentially infringing works. As of the writing of this article, no published cases have looked into secondary liability for distributing 3D printing files. This is probably for three reasons: (1) the use of the technology to infringe is not yet widespread enough to merit the high expense/limited benefit of a copyright lawsuit; (2) current players seem content with the broad contours of “notice and takedown,” whether or not the DMCA requirements and procedures are strictly followed (this seems to be largely true for alleged trademark infringement as well, which is not covered by the DMCA or this article); and (3) current players are being careful to follow the contours of caselaw: *Aimster* and *Napster, Grokster, YouTube v. Viacom, Universal v. Lenz*, and *Limewire* among others.³⁵ Of course, this string of cases starts with the seminal case concerning secondary liability for distributing an infringement enabling technology, *Sony Corp. v. Universal City Studios, Inc.*³⁶

1. Sony: Providing Enabling Technology Does Not Necessarily Confer Liability for Infringement

Sony tackled the issue of whether the distributor of videocassette recorders was liable for the infringing uses of its customers, and to a certain extent, whether those customers were infringing at all.³⁷ The relevant holding of *Sony* is that distributing a technology that has a “substantial noninfringing use” does not in itself rise to conferring secondary copyright liability on the distributor.³⁸ This decision set the tone not only for the law, but for business

as well. As long as there is some meaningful way a device can be used in a non-infringing manner, the fact that it can be used to infringe will not itself create liability. In practice, 3D printing technologies from printers to file distributors nurture non-infringing uses of their technologies, whether consciously because of *Sony*, or because the logic of *Sony* has become so ingrained in the new technology world.

Additionally, *Sony* established for all practical purposes that once content comes into a consumer's home lawfully, a customer's copying for the purpose of private home use is considered a fair use.³⁹ This is not the exact holding, but it is basically how it has been followed by courts and business practices.⁴⁰ The personal use at issue in *Sony* was making video tape recorded copies for future viewing (known as "time-shifting") and for keeping such a copy for repeat viewing (known as "librarying").⁴¹ The court based its reasoning in part on the natural limitations of the recording technology, in particular the notion that the size and expense of the videocassette technology of the era would naturally limit a normal consumer to a relatively small and ephemeral library, subject to rerecording new content over old content.⁴² Accordingly, with no primary infringement, there can be no secondary liability.⁴³ Although the logic underpinning this decision is based on an outdated technology, it remains presumed by both businesses and courts that consumers have the expectation and right under copyright law to make personal use of content in a manner that may include copying and storage.

The precedent set into place by *Sony* concerning secondary liability for the distribution of goods that enable infringement has been ported to the virtual world as well, as seen early on in the life of the Internet in *Religious Tech. Center v. Netcom*.⁴⁴

2. *Netcom*: An Operator of a Computer Bulletin Board Service Is Not Liable for Copyright Infringement for the Infringing Postings by Its Subscribers

The Religious Technology Center (RTC) sued Internet service provider Netcom because one of its subscribers posted copies of RTC's Scientology-related works without authorization.⁴⁵ On summary judgment, the court found that Netcom was not directly liable for infringement because it merely provided the facilities for copying, and did not take any causal or volitional action in making these copies.⁴⁶ This logic persists today, particularly as the finding of the volitional actor becomes more and more nuanced within new and expanded Internet services.⁴⁷ The court found that Netcom did not vicariously infringe, as it only received a fixed fee for services, not a direct financial benefit from the infringement, and that the value of the services was not enhanced by the infringement.⁴⁸ However, the court found there was an issue of fact as to Netcom's knowledge of the infringement, precluding summary judgment, and kept the contributory liability claim alive.⁴⁹ The court further noted that Netcom could take

simple measures to prevent further infringement concerning the specific post at issue once it was given notification by the copyright owner,⁵⁰ foreshadowing changes in the law that were to come.

Decisions like *Netcom* paved the way for the further development of the Internet as a medium of communication, giving room for the (now) long-held understanding that individual users are primarily responsible for the content of their Internet postings, and not the owners of the service or website providing the means of communication. The development of 3D printing technology depends on this understanding, so the files can move freely between developers looking to build upon each others' works, as is common in the 3D printing community. However, because *Netcom* left the door open on contributory liability, Internet service providers still faced uncertainty that was shortly addressed by the DMCA.

3. DMCA: Procedures for Internet Service Providers to Have Safe Harbor from the Infringing Acts of Their Users

Through the mid-1990s, as the Internet grew, service providers like AOL and CompuServe were concerned that they could be held liable for copyright infringement engaged in by unsupervised and otherwise unrelated users of their services.⁵¹ The DMCA was passed in late 1998, as a revision to the Copyright Act.⁵² There were several important parts of the DMCA, including the establishment of procedures granting "safe harbor" to compliant online service providers (OSPs) on Internet Service Providers, (ISPs) against claims concerning the infringements of their users.⁵³ This safe harbor is broadly available to entities that provide services over the Internet, from the big access providers like Comcast and TimeWarner Cable, to a person who runs a simple message board through such a provider.⁵⁴ The websites and services that traffic in 3D printable files rely on the protections of the DMCA safe harbor.

The DMCA has a few baseline requirements for eligibility for safe harbor. The OSP must have a policy for dealing with repeat offenders, must designate an agent who can be contacted with copyright complaints, and must comply with standard technical measures used by copyright owners to identify or protect copyrighted works.⁵⁵ When an OSP is notified that content in its control that is posted by a user (user-generated content) allegedly infringes the owner's copyright, the OSP must take it down, and notify the alleged infringer of the takedown.⁵⁶ The alleged infringer can then submit a counter-notification, and the OSP may restore the content unless the copyright owner files a lawsuit.⁵⁷ Basically, this back and forth keeps the OSP out of the conflict, and pushes any remaining conflict to the courts. The DMCA does not require any policing by the OSP, and does not remove safe harbor even when the OSP knows generally of infringement by its users, which certainly could be the case with 3D printable file exchange sites.⁵⁸ However only when the OSP has actual knowledge

of a particular infringement (or really good “red flag” awareness) is safe harbor no longer available.⁵⁹

In practice, the DMCA safe harbor provision has been followed largely in its broadest strokes. Content owners want something taken down, the OSP takes it down, and either a fight between the owner and the alleged infringer ensues or it does not. OSPs that trade in user-generated content typically include in their terms of use a clause that allows them to take down content for any reason or for no reason at all. Further, this understanding among OSPs, owners, and users extends beyond copyright to trademark, rights of publicity and other intellectual property-related rights. There is general acceptance that OSPs are not liable for ordinary user-generated content, and will take down infringing works if so asked. This is not the case universally, of course, but by and large this keeps the wheels turning on the Internet without participants thinking very hard about the law that set the standard. Companies with international origins may follow the principles of notice and takedown separately from the DMCA. Alban Denoyel, Founder and CEO of Sketchfab, notes that, “We already had like 15,000 uploads, and I didn’t even know what the DMCA was.”⁶⁰ Additionally, larger sites like YouTube and Facebook set up their own takedown procedures that are administered by a webform suited to their own internal procedures rather than the standard letter notification envisioned by the DMCA, and may extend beyond copyright to any number of reasons for takedown.⁶¹ All of these procedures effectively implement the principles of notice and takedown, which has become as standard in business as the notion that copyright is not implicated by personal use of authorized content established by *Sony*.

3D file exchanges like Thingiverse and Sketchfab rely heavily on this practice in their business models. At present, relatively few takedown requests come in for these sites. “I think we only had one, by a big animation studio,” said Denoyel. “We get around 500 uploads a day.”⁶² Thingiverse has received DMCA takedown notices,⁶³ but not many relative to the more than 100,000 files uploaded to its library.⁶⁴ Newer websites and services have many concerns from funding to user development, and strict DMCA compliance is often not very high on the list, especially when there are few complaints about user generated content. However, the DMCA remains the standard for protecting an OSP from the infringing activities of its users. There is also a history of Internet users quickly and repeatedly using emerging technologies to find new modes of infringement, such as file “sharing.”

4. Napster: File Sharing Is Infringement

In the late 1990s, the expanded use of the Internet led to the rise of “file sharing,” the unauthorized exchange of digital files online. New technologies such as Napster enabled the widespread distribution of low resolution digital copies of popular songs through the Internet. At the time, many users of such technologies reasoned (perhaps

disingenuously) that the exchange of such files did not constitute theft or infringement any more than lending a vinyl album to a friend would, a common and widely accepted practice in the previous generation. However, as file sharing decisions were rendered, that position became untenable. In *A&M Records, Inc. v. Napster, Inc.*, one of the more prominent file sharing cases, the court found that such unauthorized file sharing was copyright infringement, and benefitting from such infringement while failing to take steps to prevent it constituted contributory infringement.⁶⁵ This notion persists to this day, and there is little question that the distribution of copyrighted 3D printable files through the Internet constitutes primary infringement, and the providers of facilitating technologies for such distribution can be held secondarily liable. Of course, this secondary liability is subject to other copyright principles such as the safe harbors of the DMCA.

5. CoStar Group v. LoopNet: cursory Review of Uploaded Content Does Not Remove an ISP from DMCA Safe Harbor

Providers of 3D printable file services that want the protections of the DMCA safe harbors are faced with a quandary. They may want to review the materials passing through their services, either manually or automatically, but do not want to have such knowledge of these files that would render them ineligible for safe harbors. There are any number of reasons to review that have nothing to do with an infringement review: inappropriate content, such as pornography or hate speech, technical review for proper format, and tagging content for indexing purposes, among other things. *CoStar Group, Inc. v. LoopNet, Inc.* established the widely followed principle that an Internet service provider’s cursory review of content (in that case photographs) uploaded by users to its site does not remove it from the safe harbor protections of the DMCA in the absence of indicia of copyright infringement in the images screened.⁶⁶

In the case of 3D printable file display sites, this offers some comfort that specific knowledge of infringement is not triggered by cursory review, but what if an infringing file (say, an unauthorized 3D rendering of Darth Vader from Star Wars) is reviewed and featured as a staff favorite? At present, very few complaints are fielded by 3D file-related Internet service providers, but in the long-term, this should not be seen as tacit approval by IP owners of the practice. Such providers should be very careful about what tips featuring a work that happens to infringe into actionable inducement that puts at risk the entire venture.

6. Grokster: Inducing Others to Infringe Confers Copyright Liability

In *MGM Studios, Inc. v. Grokster, Ltd.*, the Supreme Court held that distributors of peer-to-peer file-sharing software can be liable for copyright infringement under inducement theory of secondary liability where there are “affirmative steps taken to foster infringement.”⁶⁷ In doing

so, the court essentially created “inducement infringement” which has been brought as a claim separate from vicarious liability and contributory infringement.⁶⁸ Such inducement forecloses the availability of DMCA safe harbors.⁶⁹

The practical legacy of *Grokster* is that ISPs and startups are very careful to discourage their users from anything that feels like stealing. *Grokster* and subsequent cases are predicated on evidence supporting infringement that is sometimes not particularly blatant. Inducement has been found based on evidence that has included internal communications, advertising, lack of filtering, lack of attempts to limit infringement (failure to mitigate), reliance on infringing activity for success and enabling and assisting user infringement in specific instances.⁷⁰ In practice, this sensitivity to any inducing message or indication of intent has encouraged ISPs and startups to moderate their language, and act openly in the direction of discouragement of infringement (even if users ignore it and use the technology without particular regard for IP rights). For example, the Thingiverse marketing materials pitches itself as a place to create, not to copy:

Get on a 3D modeling program and/or 3D scanner and start to create, construct, and innovate! Build something cool, useful, or just fun. Then upload the file to Thingiverse and tell us all about it. The Thingiverse community has uploaded over 100,000 3D models, and that number is growing every day. Check out all the incredible objects people have created, and get inspired to make your own!⁷¹

Companies are probably not thinking about the *Grokster* ruling when they develop their products and marketing materials, but the message has been ingrained in the way the Internet works. 3D printable file websites that accept user-generated content make sure their terms of use include messages disclaiming liability for any infringement and forbidding users from uploading infringing content, as do most websites.⁷² *Grokster* does not require active discouragement, but it does lay out the expectation that ISPs behave as good citizens, and that message has been delivered through many cases and business practices to include it.

7. DMCA Procedures: CCBill, Lenz, UMG and Viacom

For all the reliance that 3D printable files (and the Internet in general) place on the DMCA, there has been relatively little caselaw interpreting it. However, some broader principles of application have been articulated by courts and generally followed, which largely keep the burdens on ISPs to a minimum and keep safe harbor robust. The DMCA places the burden of policing copyright infringement on copyright owners, not OSPs.⁷³ Knowledge of specific infringement is the touchstone for action required from an ISP.⁷⁴ However it is not entirely clear that

such specificity is required for “red flag” awareness under the DMCA when the ISP has been notified of infringement of other works.⁷⁵ On the whole, these cases indicate that absent inducement, startups engaging in the exchange and display of 3D printable files can rely on the protections of the DMCA.

Some infringement questions in 3D printable file exchanges play out predictably under existing copyright law, while others require more consideration.

B. Secondary Liability for Printing Services

Secondary liability for enabling the printing of 3D files will likely hinge on the same analysis as seen in the Internet context. In the future, one may be able to go to a local FedEx Kinkos and have a 3D file printed, and perhaps even downloaded directly from the Internet to the printer. This service should be no different than current services offering to duplicate CDs, or duplicate text files or artwork on a 2D printer. The volitional actor is the end user, the party requesting the copy. Typical printing services will have terms of use that indemnify them from liability and forbid the end user from requesting unauthorized prints of copyrighted content. For example, Shapeways offers end users the opportunity to upload a 3D printable file (referred to as “User Generated Content”), and have Shapeways print it out and mail it to the end user. In its Terms, Shapeways provides that:

All User Generated Content should not... be likely to infringe or infringing on any intellectual property right.... By uploading your 3D design, you warrant that it is your original creation and not copied from any third party and/or entity. You warrant that your User Generated Content will not infringe the intellectual property rights of third parties. Should your User Generated Content nevertheless be found to be infringing and/or in violation of any law, you will defend Shapeways against third party claims, and be held liable for all (direct and indirect) damages and costs incurred by Shapeways with respect to such claims.⁷⁶

Terms of use clauses offer a certain protection for a 3D printing service provider in the event that it is caught in litigation for secondary liability for the infringement of its users.

However, it is not so clear that the offering of printing services performed at the volition of the end user inoculates the service provider from liability. Many cases have found liability for photocopying services done at the volition of another party.⁷⁷ The protections of the DMCA would apply to the online marketplace offered by a compliant 3D printing services company. Yet as to the actual printing and delivery of an object, even the expansive defi-

dition of the DMCA “online service provider” might not be able to reach so far. Questions of the volition of service providers in a copyright context were being considered as this article was written in the *ABC v. Aereo* case.⁷⁸ Prudent 3D printing services will follow the liability precautions and procedures of 2D printing services until some plaintiff successfully tests the notion that there is a substantive difference between the two under copyright law.

IV. Conclusion

3D printing is an exciting new medium that is perhaps more discussed than practiced at the moment. Once practitioners understand the process and players involved in 3D printing, established copyright precedents largely point the way toward best practices and infringement analysis. That is not to say that there will be no conflict, nor that resolving conflict will be simple. The subtlety and nuance of copyright law will persist in 3D printing as it does everywhere else, particularly as it does with decisions concerning new technologies. Yet the resolution to most copyright issues should be found in legal precedent and responsible practices of the 3D printing community as it seeks success in cooperation with IP owners, and not in new legislation.

Endnotes

1. Capitol Records, LLC v. ReDigi Inc., 934 F. Supp. 2d 640 (S.D.N.Y. 2013).
2. See Pagan Kennedy, *Who Made That 3-D Printer*, N.Y. TIMES MAGAZINE (Nov. 22, 2013).
3. Adrian Covert, *3-D printing ‘ink’ is way too expensive*, CNN MONEY, (Feb. 20, 2014), available at <http://money.cnn.com/2014/02/20/technology/innovation/3d-printer-filament/>.
4. See *What is 3D Printing*, available at <http://3dprinting.com/what-is-3d-printing/>.
5. *Cerro Ballena: 3D*, available at <http://cerroballena.si.edu/content/3d>.
6. TJ McCue, *About A Boy: 3D Printed Heart Model Saves a Young Life*, (Feb. 26, 2014), available at <http://www.forbes.com/sites/tjmccue/2014/02/26/about-a-boy-3d-printed-heart-model-saves-young-life/>.
7. “The N12 bikini is the world’s first ready-to-wear, completely 3D-printed article of clothing. All of the pieces, closures included, are made directly by 3D printing and snap together without any sewing.” ContinuumFashion.com, available at <http://continuumfashion.com/N12.php>.
8. Jacob Kastrenakes, *Photoshop adds 3D-printing support, with MakerBot and Shapeways integration* (Jan. 16, 2014), available at <http://www.theverge.com/2014/1/16/5312790/photoshop-cc-adds-3d-printing-support-makerbot-shapeways>.
9. See *Shapeways: Upload*, available at <http://www.shapeways.com/create?li=nav>.
10. See *Makerbot: Products*, available at <http://store.makerbot.com/>.
11. John Biggs, *The Zeus Is A 3D Printer, Scanner, And Teleportation Machine All In One* (May 17, 2014), available at <http://techcrunch.com/2014/05/16/the-zeus-is-a-3d-printer-scanner-and-teleportation-machine-all-in-one/>.
12. See *Makerbot Thingiverse: Customizable*, available at <http://www.thingiverse.com/thingiverse/collections/customizable/>.
13. Alex Halperin, *A manufacturing future that hums (rattles, hisses) along* (Apr. 14, 2014), available at <http://tech.fortune.cnn.com/2014/04/14/a-manufacturing-future-that-hums-rattles-hisses-along/>.
14. Shapeways, *Run Your Business on Shapeways with 3D Printing* (Feb. 22, 2014), available at <https://www.shapeways.com/shop?li=nav>.
15. See *id.*
16. See *id.*
17. See, e.g., Brian Benchoff, *3D Printing: The Problem of Thingiverse*, (Oct. 2, 2013), available at <http://hackaday.com/2013/10/02/3d-printing-the-problem-of-thingiverse/>.
18. See *id.*
19. See, e.g., “frozen elsa’s regalia,” available at <http://www.thingiverse.com/thing:336116> (“frozen elsa’s regalia by elsa_of_arrendell is licensed under the Creative Commons - Attribution - Share Alike license.”). To find out more about Creative Commons licenses, see *Creative Commons: About the Licenses*, available at <http://creativecommons.org/licenses/>.
20. Robert Schouwenburg, *Fan Art & 3D printing*, (Aug. 19, 2011), available at <http://www.schouwenburg.com/fan-art-3d-printing/>.
21. See, e.g., *What is the difference between ‘Fan Art’ and ‘Copyrighted’?*, available at <http://www.avvo.com/legal-answers/what-is-the-difference-between--fan-art--and--copy-1464211.html> (One commenter posits that “[f]an art at large is not going to be actionable because it typically amounts to fair use and at best de minimus.”).
22. See Matthew Rimmer, *Inventing the Future: Intellectual Property and 3D Printing* (Oct. 18, 2012), available at <http://elgarblog.wordpress.com/2012/10/18/inventing-the-future-intellectual-property-and-3d-printing-by-matthew-rimmer/>.
23. *Id.*
24. See, e.g., 17 U.S.C. § 101 (defining a “copy” as a “material object...in which a work is fixed...and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device”).
25. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 12-1315, 2014 WL 2011574 (U.S. May 19, 2014) (internal citation omitted) (holding that “[l]aches... cannot be invoked to preclude adjudication of a claim for damages brought within the three-year [statute of limitations] window”).
26. See 17 U.S.C. § 101.
27. See, e.g., *Bridgeman Art Library, Ltd. v. Corel Corp.*, 25 F. Supp. 2d 421, 428 (S.D.N.Y. 1998) on reconsideration, 36 F. Supp. 2d 191 (S.D.N.Y. 1999) (noting that “by definition, public domain works are not subjects of copyright”).
28. See 17 U.S.C. § 101 (“[T]he design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”).
29. See, e.g., *Mattel, Inc. v. Pitt*, 229 F. Supp. 2d 315, 321–24 (S.D.N.Y. 2002) (denying Mattel’s summary judgment motion against an artist who used a copyrighted “SuperStar Barbie” doll head in a repainted and recostumed sadomasochistic “Dungeon Doll,” noting that “in [its] statements about artistic expression and parody...Defendant raised the affirmative defense of fair use” and finding that its inquiry “appears to weigh against a finding of infringement”).
30. *Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc.*, 528 F.3d 1258, 1259 (2008) (“Meshwerks’ models owe their designs and origins to Toyota and deliberately do not include anything original of their own; accordingly, we hold that Meshwerks’ models are not protected by copyright...”); *Bridgeman Art Library*, 36 F. Supp. 2d at 197 (“[T]he point of the exercise was to reproduce the underlying works with absolute fidelity. Copyright is not available in these circumstances.”). See also *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 765 (9th Cir. 2003) (finding that an accurate portrayal of an unadorned bottle could not be copyrighted); *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 910 (2d Cir. 1980) (holding that “the

- mere reproduction of the Disney characters in plastic...does not constitute originality as this Court has defined the term”).
31. See, e.g., *Osment Models, Inc. v. Mike’s Train House, Inc.*, 2010 WL 5423740 (W.D. Mo. Dec. 27, 2010) (Noting that “Plaintiffs’ modelers engaged in ‘selective compression’ as opposed to merely scaling down measurements of the actual building” and finding that there was a question of fact as to the copyrightability of the model train buildings at issue and denying defendant’s motion for summary judgment).
 32. *FragranceNet.com, Inc. v. FragranceX.com, Inc.*, 679 F. Supp. 2d 312, 322 n.2 (E.D.N.Y. 2010).
 33. See *Meshwerks*, 528 F.3d at 1269-70 (“just as photographs can be, but are not *per se*, copyrightable, the same holds true for digital models.”).
 34. See *id.* at 1268 (“in assessing the originality of a work for which copyright protection is sought, we look only at the final product, not the process, and the fact that intensive, skillful, and even creative labor is invested in the process of creating a product does not guarantee its copyrightability”).
 35. *Matter of Aimster Copyright Litig.*, 334 F.3d 643, 655 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 27 (2d Cir. 2012); *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150, 1153 (N.D. Cal. 2008); and *Arista Records LLC v. Lime Group LLC*, 784 F. Supp. 2d 398 (S.D.N.Y. 2011).
 36. 464 U.S. 417 (1984).
 37. *Id.*
 38. *Id.* at 442.
 39. *Id.* at 449-56.
 40. See, e.g., *Fox Broad. Co. Inc. v. Dish Network, L.L.C.*, 905 F. Supp. 2d 1088, 1098 (C.D. Cal. 2012), *aff’d sub nom.*, *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 723 F.3d 1067 (9th Cir. 2013) and *aff’d sub nom.*, *Fox Broad. Co., Inc. v. Dish Network L.L.C.*, 12-57048, 2014 WL 260572 (9th Cir. Jan. 24, 2014); *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 780 F. Supp. 1283, 1293 (N.D. Cal. 1991), *aff’d*, 964 F.2d 965 (9th Cir. 1992) (finding that “a family’s use of a Game Genie for private home enjoyment must be characterized as a non-commercial, nonprofit activity. The game owner is simply playing the game purchased for personal enjoyment, not exploiting the game in some commercial venture. The first factor therefore establishes a presumption of fair use...”).
 41. Space-shifting was not explicitly mentioned in *Sony*, but courts interpreting *Sony* have found that the modern notion of space-shifting is presumed in the *Sony* decision’s analysis, although limited to space-shifting for personal use. See, e.g., *Napster*, 239 F.3d at 1019.
 42. *Sony*, 464 U.S. at 424 n.4 (“When plaintiffs asked interviewees how many cassettes were in their library, 55.8% said there were 10 or fewer.”).
 43. See *Matter of Celco P’ship*, 663 F. Supp. 2d 363, 376 (S.D.N.Y. 2009) (noting that “secondary liability depends on a finding that there has been a direct or primary infringement of the rights established under the Copyright Act”).
 44. 907 F. Supp. 1361 (N.D. Cal. 1995).
 45. *Id.* at 1365-66.
 46. *Id.* at 1372-73.
 47. See, e.g., *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008). (“When there is a dispute as to the author of an allegedly infringing instance of reproduction, *Netcom* and its progeny direct our attention to the volitional conduct that causes the copy to be made.”). Note that this very issue was considered by the court in *Am. Broad. Cos. v. Aereo, Inc.*, 134 S. Ct. 896 (2014) (granting cert), decided 6/25/14.
 48. *Netcom*, 907 F. Supp. at 1377.
 49. *Id.* at 1381.
 50. *Id.* at 1375.
 51. *Aimster*, 334 F.3d at 655.
 52. 17 U.S.C. § 512 et al.
 53. See, e.g., *Viacom*, 676 F.3d at 27. This part of the DMCA is called the Online Copyright Infringement Liability Limitation Act (OCILLA), a term that is sometimes used in court cases, but generally unused in practice, in favor of “DMCA safe harbor” or “DMCA takedown notice.”
 54. See Britton Payne, *Super-Grokster: Untangling Secondary Liability, Comic Book Heroes and the DMCA, and A Filtering Solution for Infringing Digital Creations*, 16 *Fordham Intell. Prop. Media & Ent. L.J.* 939, 961-62 (2006).
 55. See 17 U.S.C. § 512(i).
 56. See 17 U.S.C. § 512(g).
 57. *Id.*
 58. See, e.g., Steve Henn, “As 3-D Printing Becomes More Accessible, Copyright Questions Arise,” *NPR* (Feb. 19, 2013) (“It turns out a lot of the items people are designing, copying and printing on Thingiverse—like *Star Wars* action figures or Pixar’s famous lamp—are actually protected by copyright.”).
 59. See, e.g., *Capitol Records, Inc. v. MP3tunes, LLC*, 821 F. Supp. 2d 627, 643 (S.D.N.Y. 2011), *on reconsideration in part*, 07 CIV. 9931 WHP, 2013 WL 1987225 (S.D.N.Y. May 14, 2013).
 60. Interview with the author, Apr. 10, 2014.
 61. See YouTube Copyright Infringement Notification Webform, available at https://www.youtube.com/copyright_complaint_form (listing takedown request reasons including inappropriate content, abuse/harassment, privacy, trademark infringement, copyright infringement, and circumvention of technological measures); “Reporting a Violation or Infringement of Your Rights,” Facebook.com, available at <https://www.facebook.com/help/contact/208282075858952> (listing infringement notification reasons including copyright, trademark, privacy, imposter accounts, abuse and harassment).
 62. Interview with the author, Apr. 10, 2014.
 63. See, e.g., Cory Doctorow, *3D printing’s first copyright complaint goes away, but things are just getting started*, <http://boingboing.net/2011/02/21/3d-printings-first-c.html>.
 64. See *Thingiverse: About*, available at <http://www.thingiverse.com/about>.
 65. 239 F.3d 1004. See also *Aimster*, 334 F.3d at 643.
 66. 373 F.3d 544 (4th Cir. 2004); see also *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1012 (9th Cir. 2013) (*withdrawing and superseding* *UMG Recordings, Inc. v. Veoh Networks Inc.*, 665 F. Supp. 2d 1099 (C.D. Cal. 2009), *aff’d sub nom.* *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 667 F.3d 1022 (9th Cir. 2011)) (noting that “Veoh employees do monitor already accessible videos for pornography, which is removed, using a ‘porn tool’ to review thumbnail images of uploaded videos tagged as ‘sexy’” and finding DMCA safe harbors available to Veoh).
 67. 545 U.S. 913 (2005).
 68. See, e.g., *Arista Records LLC v. Lime Group LLC*, 784 F. Supp. 2d 398 (S.D.N.Y. 2011) (Applying *Grokster* and identifying the inducement theory as a discrete form of secondary liability, holding that LimeWire is liable for copyright infringement based on overwhelming evidence of its purposeful conduct to encourage infringement).
 69. See, e.g., *UMG Recordings*, 718 F.3d at 1006.
 70. *Grokster*, 545 U.S. at 923-24; *Lime Group*, 784 F. Supp. 2d at 426-31.
 71. *MakerBot Thingiverse: About*, available at <http://www.thingiverse.com/about>.
 72. See, e.g., *MakerBot Terms of Use: Section 3.3 Acceptable Use Policy*, available at <http://www.thingiverse.com/legal> (“You agree not to use the Site or Services to collect, upload, transmit, display, or distribute any User Content (i) that violates any third-party right,

including any copyright, trademark, patent, trade secret, moral right, privacy right, right of publicity, or any other intellectual property or proprietary right); Sketchfab Terms and Conditions: Section 11 User's Obligations, available at <https://sketchfab.com/terms> ("The User is solely responsible for the Files he or she uploads on the Website and their content.... He or she guarantees Sketchfab that he or she has all required rights and authorizations for the diffusion of these Files and their Content....The User is then forbidden from uploading on the Website any File with Content that [is]...likely to infringe third party rights or to be prejudicial to a third party, in any way and under any form.").

73. Perfect 10 v. CCBill LLC, 488 F.3d 1102 (9th Cir. 2007).
74. *Viacom*, 676 F.3d at 19 (finding that Viacom presented evidence of specific knowledge of infringement, which could take YouTube out of the DMCA safe harbor, meriting a trial).
75. *UMG*, 718 F.3d at 1025 n.14 ("We therefore do not consider whether Veoh's awareness of apparent infringement of Disney's copyrights over movies and television shows would affect the availability of the § 512(c) safe harbor with regard to UMG's claims that Veoh hosted unauthorized UMG music videos.").
76. Shapeways Terms & Conditions, available at http://www.shapeways.com/terms_and_conditions.

77. See, e.g., *Princeton Univ. Press v. Michigan Document Servs., Inc.*, 99 F.3d 1381 (6th Cir. 1996); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991) (holding that a Kinko's copyshop had violated the copyright statute by creating and selling coursepacks without permission from the publishing houses that held the copyrights).
78. *Am. Broad. Cos. v. Aereo, Inc.*, 134 S. Ct. 896 (2014) (granting cert., decided 6/25/14).

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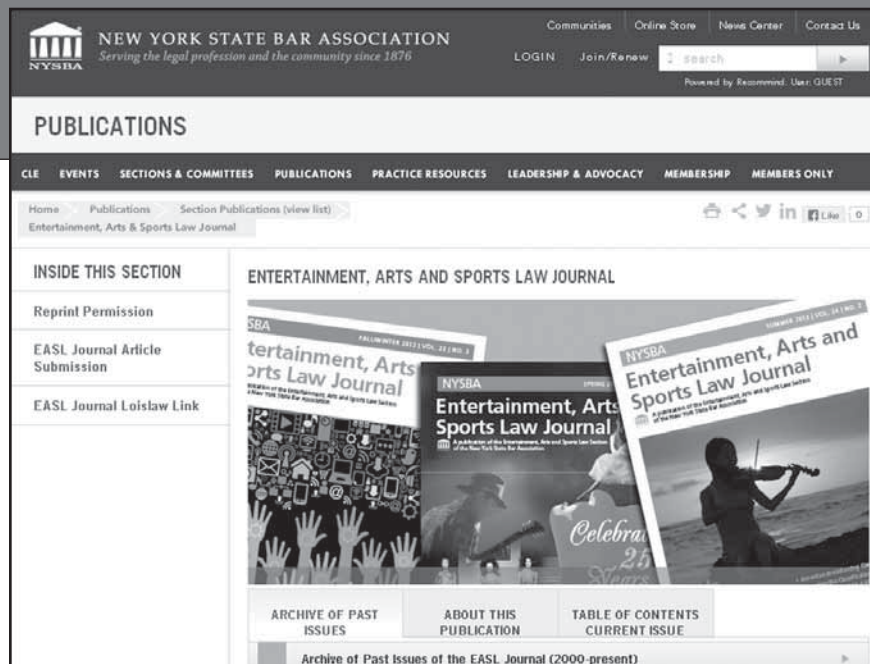
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Has Idaho Dealt the Baseball Rule Its Third Strike?

By Michael Crowley

On August 13, 2008, the Boise Hawks of the Class A Northwest League defeated the Spokane Indians 12-4 before 3,112 fans at Boise's Memorial Stadium.¹ The short news article published two days after the game, however, belied the far-reaching impact the game would have.² In fact, the article went far beyond burying the lede and instead omitted it completely. In the brief piece about the game, the author summarized the events on the field, none of which would be notable to anyone beyond a few baseball junkies. The author can be excused for his omission, however, as the significant impact of that game could not be realized until almost five years later.

Instead, the most notable moment of the game occurred off the field, when Boise season ticket holder Bud Rountree turned toward the field just as a foul ball screamed into the Executive Club lounge where he was standing. The ball hit Mr. Rountree directly in his eye, which he would eventually lose. Two years after the incident, he sued the team and the stadium, among others, claiming that their negligence in failing to better protect the lounge caused his injury. In making such a claim, Mr. Rountree confronted a century of jurisprudence that had almost unanimously concluded that stadium owners are not liable for injuries caused by baseballs unintentionally hit or thrown into spectator areas.

Every year, about 200 lawsuits are filed by baseball spectators injured by bats, balls and other projectiles.³ Though wide-ranging in scope, the overarching theme in their disposition is that, barring extraordinary circumstances, baseball clubs are not liable for such injuries. This so-called "Baseball Rule," (or the Rule) spawned from a combination of the ballpark owner's limited duty to construct protective netting around the stadium and the spectator's assumption of the risk of being hit, has consistently prevented spectator lawsuits from advancing beyond the summary judgment stage.

Despite these harrowing odds, Mr. Rountree's case progressed to the Idaho Supreme Court where, regardless of the national consensus to the contrary, the court unanimously ruled that the Baseball Rule does not apply in Idaho and that Mr. Rountree was free to sue the ballpark. This decision is historic because courts have consistently upheld the Baseball Rule, barring extenuating circumstances. Though there has been a growing chorus of critics, very few courts have even gone so far as to limit the Baseball Rule's application, and none have outright refused to apply it. What remains to be seen is whether this decision indicates a turning of the tide in the law regarding spectator torts, or a temporary blip on the radar before the Idaho legislature follows the path created by

other state legislatures and supersedes this decision by codifying the Baseball Rule.

This article reviews the history of litigation arising from baseball spectator injuries in light of the recent *Rountree* decision. In particular, it will examine the history of the Rule and why the *Rountree* decision could have far-reaching impacts on spectator torts in general and baseball in particular. In Part I, it will explain the history of spectator litigation going back over a century, and how courts established the Baseball Rule. In Part II, it will discuss the universally-held exclusions to the Rule for extrinsic aspects of the game, including when injuries are the result of increased stadium distractions or intentional conduct. In Part III, it will discuss some of the exceptions carved into the Baseball Rule based on the time the injury occurred as well as based on the location of the players and spectators involved. Finally, in Part IV, it will give the final analysis of the impact of the *Rountree* decision, and how the reasoning that the court employed differs from other decisions that have found exceptions to the Baseball Rule.

I. The History of the Baseball Rule

Catching a baseball hit into the stands remains one of the highlights for any fan attending a professional baseball game. With one study concluding that 36% of swings result in a foul ball, there are numerous chances for a fan to make this catch.⁴ It is one of the few opportunities in any sport for a spectator to become involved in the game. Despite the enthusiasm with which most fans view them, foul balls can often become the source of injury for a spectator. Balls are leaving bats at ever-increasing speeds, and a fan might not react quickly enough to either catch it or get out of its path. In 2002, *Sports Illustrated* baseball writer Tom Verducci wrote an article criticizing owners for building ballparks that increased the risk of spectator injury.⁵ He argued that owners of newer ballparks place seats even closer to the playing field than they used to, and this closer proximity increases the chances of injury:

The ballpark building boom of the past decade has brought fans closer to the action. That also means they are closer to being in harm's way. Spectators sitting behind home plate are protected by netting; those near the dugouts get no such protection, though their seats are not much farther from the plate. Dangerously broken and inadvertently thrown bats also tend to alight in that area. It is no coincidence that virtually every major league team puts its players family sec-

tion directly behind home plate, seats that are protected by the backstop.⁶

He proceeded to note that babies, children and the elderly are unable to either protect themselves or focus on the action closely enough to remain aware of foul balls.⁷ The risk at a baseball game is not limited to these foul balls. Bats that slip out of a batter's hands, pieces of broken bats and errant throws by infielders can all enter the stands and hit unsuspecting fans during a game, and litigation is the inevitable result.

According to S.L. Price's 2009 article "Hit in the Head," there are 52 spectators known to have been killed by foul balls since 1887.⁸ Two of these deaths have occurred in professional games, in 1960 and 1970.⁹ Despite this, American ballparks, unlike their Japanese counterparts, do not have screens that extend down the foul lines.¹⁰ Furthermore, according to Price, Major League Baseball does not see this changing in the near future:

"It's about balancing the need to protect the fans with maintaining the baseball atmosphere we traditionally enjoy," says Dan Halem, senior vice president and general counsel of labor for Major League Baseball and a member of the game's Safety and Health Advisory Committee. "Netting in the ball fields would certainly change the experience of the game." What fan, after all, doesn't like to take home a foul ball? "Fans demand seats with no netting in front," Halem says. "That's the reality."¹¹

As a result of, or possibly in spite of this reality, most ballpark owners are protected from liability by the Baseball Rule. Developed through a century of litigation, the Rule almost completely eliminates the liability of stadium owners for spectator injuries, provided they screen some of the more dangerous areas of the stands.¹² As stated by the New Jersey Supreme Court, the Rule consists of a two-pronged test:

[F]irst, the operator must provide protected seating "sufficient for those spectators who may be reasonably anticipated to desire protected seats on an ordinary occasion," and second, the operator must provide protection for spectators in "the most dangerous section" of the stands. The second component of this limited duty ordinarily may be satisfied by the operator providing screened seats behind home plate in baseball and behind the goals in hockey.¹³

Assuming the owner follows these two guidelines, he or she is essentially immune from liability from balls, bats, pucks, and other objects that accidentally fly into the

stands during games, with a few exceptions discussed later.

Though, until *Rountree*, courts have consistently ruled that stadium owners are not liable for these spectator injuries, they have been inconsistent in their analysis thereof. Some have focused on the ballpark owner's limited duty to protect spectators, whereas others have focused more on the spectator's assumption of risk by choosing a seat that is not covered by protective netting, or simply by attending the game itself. As demonstrated below, many courts have conflated the analysis and focused on both of these aspects when determining owner liability.

Despite baseball's founding in the middle of the nineteenth century, published appellate opinions concerning foul ball cases did not emerge until 1913.¹⁴ Though no clear explanation exists as to why it took so long for a case to arrive given the lack of spectator protections in nineteenth century ballparks, one legal historian has suggested cultural attitudes as a potential cause.¹⁵ He stated, "baseball fans of the Gilded Age and Progressive Era may have felt reluctant to blame their injuries on the ballpark owner. Instead, they may have attributed their misfortune to either bad luck, their own bad judgment, or fate."¹⁶

In the first case, decided by a Missouri appellate court, a foul ball hit a man while he attended a baseball game in Kansas City.¹⁷ The owners of the ballpark had screened off a portion of the grandstand behind home plate and near the infield, however, they left some portions further down the foul lines unprotected.¹⁸ Spectators were given the option of sitting in the protected seats behind the netting, or in one of the unprotected seats down the line where there were no viewing obstructions. The plaintiff chose one of the unobstructed seats, "doubtless for the purpose of avoiding the annoyance of the slight obstruction to vision offered by the netting."¹⁹ After being hit by a foul ball, the plaintiff claimed that the ballpark owners were negligent in not protecting the entire grandstand.²⁰ The court rejected this claim, which could have required all stadium owners to either completely net their stadiums or risk being liable for any foul ball injury, and stated that the owners did not have a duty to cover the entire grandstand in protective netting and were instead only required to protect a portion of the stadium and to give patrons the option to sit within this protected area.²¹ The court stated, "defendants were not insurers of the safety of spectators; but, being engaged in the business of providing a public entertainment for profit, they were bound to exercise reasonable care, i.e....providing seats protected by screening from wildly thrown or foul balls, for the use of patrons who desired such protection."²² The court found that the owners had not breached the duties they owed to the spectators, and that by choosing to sit in an unprotected section of the grandstand, the plaintiff had assumed the risk of being hit by a foul ball.²³ Though the court analyzed the case by reviewing both the owners' breach of duty and the spectator's assumption of risk, the

spectator's assumption risk was dispositive in the court's decision.²⁴

The Supreme Court of Minnesota also became involved in foul ball litigation in 1913 when it decided *Wells v. Minneapolis Baseball Athletic Association*.²⁵ In this case, a woman claimed that a foul ball curved around the protective screen behind which she sat and hit her, breaking her collarbone.²⁶ Though the court did not find her claim that she was sitting behind the protective netting to be credible, it still addressed whether the defendant could be held liable for not protecting the entire grandstand.²⁷ The court cited to the *Crane* decision, but it stated that the simple construction of a protective fence in front of some sections of the grandstand was not enough.²⁸ In response to the *Crane* court's stipulation that the dangers of attending a baseball game are common knowledge, the Minnesota court stated:

but we do not think that all who attend baseball games would, or should, enter such a stipulation...[w]omen and others not acquainted with the game are invited...What precaution the ordinarily prudent person, furnishing a public amusement of this kind, should take to warn and protect the spectators from the attendant dangers of which they may be ignorant, we think a question for the jury.²⁹

Thus, the idea that every attendee is aware of and assumes the risk of being hit by a foul ball was dismissed, and the case was remanded for a jury to determine whether assumption of risk applied to the plaintiff in the case.³⁰

A second Missouri appellate court further applied the *Crane* analysis of foul ball litigation in 1914.³¹ In this case, a man sat in a protected seat behind home plate when a foul ball went through a hole in the screen and hit him in the face, breaking his nose.³² Here, though the defendant-stadium owner attempted to convince the court that it should follow in *Crane's* assumption of risk analysis by holding that the plaintiff had assumed the risk of being hit when he sat behind a section of the net that had a hole, the court countered that the defendant was at fault under a breach of duty analysis.³³ The court stated that "[i]t was the duty of defendant to exercise reasonable care to keep the screen free from defects, and, if it allowed it to become old, rotten, and perforated with holes larger than a ball, the jury were entitled to infer that it did not properly perform that duty, but was guilty of negligence."³⁴ Further, by constructing the net, the court held that the defendant impliedly assured the safety of those seated behind it.³⁵ Unlike in *Crane*, the court in *Edling* declined to discuss the plaintiff's assumption of risk and instead focused on

the owner's breach of duty. Nonetheless, had the court utilized an assumption of risk analysis, it would be difficult to imagine that it would have found that the plaintiff assumed the risk of being hit by a foul ball when he chose a seat behind the protective netting.

Though baseballs are the most common projectile shot into the grandstand during baseball games, they are not the only risk to spectators in the stands. In 1938, a California appellate court decided a case in which a bat hit a young woman during a professional baseball game.³⁶ According to the plaintiff, she had reserved a seat in the protected section behind home plate, and was walking along a passageway to her seat before the game started.³⁷ The passageway ran parallel to the first base line, and a portion of it was protected by a wire screen.³⁸ While the plaintiff was walking, a batter taking batting practice lost control of his bat, sending it flying into the unprotected section of the passageway where it hit and injured the plaintiff.³⁹ The plaintiff was estimated to have been standing about 80 feet from home plate when the bat hit her, and only a few feet from the edge of the protective wire screen.⁴⁰ In analyzing the facts, the court cited to some of the aforementioned cases on foul balls, stating that the same rules should apply to lost bats: the owner has a duty to build a protective fence in the area behind home plate in order to protect the spectators, but that this duty does not require protecting the entire stadium.⁴¹ The defendants argued that bats rarely flew into the stands, so it was impossible to predict where they would land and to construct the protective netting accordingly, and that the netting they constructed was therefore sufficient.⁴² The court, however, agreed with the plaintiff, citing testimony from numerous baseball players who asserted that they had repeatedly seen bats fly into this unprotected area of the stands.⁴³ The court stated that there was enough evidence for a jury to decide that the owner breached his duty to construct an adequate safety fence, and it affirmed the jury's verdict for the plaintiff.⁴⁴ Notably, the court did not address the fact that the injury occurred during batting practice and not during the game itself, an issue that would arise in later court decisions.

These cases from the early twentieth century demonstrate that baseball spectators have pursued litigation in response to their injuries for over a century, and that most courts follow the same basic principle: ballpark owners must construct protective fencing behind home plate and certain distances down the base lines, and they must allow all spectators who desire it the opportunity to select these protected seats. As long as the stadium owners follow these guidelines, plaintiffs likely did not succeed in their litigation. Though these courts disagreed as to whether the case should be decided under a limited duty analysis, an assumption of risk analysis, or both, their conclusions were essentially the same.

II. Extrinsic Aspects of the Game as Exceptions to the Baseball Rule

Though before *Rountree*, courts have almost unanimously applied the Baseball Rule, they also have uniformly applied particular exceptions to the Rule. In particular, they have held that the Baseball Rule does not apply to extrinsic aspects of the game, including situations in which the spectators' injuries arise from either non-integral aspects of the game that unnecessarily increase the spectator's risk or from a player's intentional conduct.

First, courts have found the owner of the ballpark liable when non-game action in the ballpark condoned by the owner increases the risk to the spectator, specifically when it distracts the victim from the game and results in the injury. In addition to owners placing more seats closer to the action, and, thus, giving fans less time to react to batted balls, Tom Verducci lamented the distractions typical at a baseball game in his aforementioned *Sports Illustrated* article.⁴⁵ He stated "[b]allparks typically post signs alerting fans to the danger of foul balls. But they also present a sensory overload of distractions, from vendors hawking food to scoreboards full of information and video diversions. It's all done in the name of harmless fun—until that one foul ball comes screaming at the wrong time and in the wrong place."⁴⁶ When presented with these situations, courts have stated that these distractions unnecessarily increase the risk of spectator injury and, thus, breach the owner's duty to the spectator. The baseball park owner does not have a duty to protect all spectators from foul balls, but he or she does owe a duty not to increase the inherent risks of attending a game.

In one of the first cases to parse the Baseball Rule using this increased-risk exception, the Supreme Court of Minnesota refused to bar the plaintiff's recovery when one of the defendant's employees moved his seat closer to home plate.⁴⁷ In *Aldes*, the plaintiff purchased a ticket for a seat in the unprotected grandstands.⁴⁸ Late in the game, an employee of the defendant with whom the plaintiff was friends approached the plaintiff and offered to move him to a box seat closer to first base.⁴⁹ Notably, neither the seat the plaintiff purchased nor the box seat where he moved was protected by a screen.⁵⁰ While seated in his new seat, a ball thrown by an infielder struck and injured the plaintiff.⁵¹ Though it acknowledged the Baseball Rule, the court refused to apply it in this situation and held that the defendant, through its employee, increased the plaintiff's risk of injury by moving him closer to the field.⁵² It stated "[t]hat the likelihood of being struck by a misdirected baseball was greater in the unprotected box seat than in the unprotected grandstand seat which plaintiff initially occupied is undisputed. The invitation therefore did expose him to a greater risk than he had accepted when he purchased his ticket."⁵³

In *Lowe*, a California appellate decision, a spectator was injured after the mascot of a minor league team

entered the stands and began "performing his antics," thus distracting him.⁵⁴ The mascot, a giant dinosaur, repeatedly bumped into the plaintiff with its tail, prompting the plaintiff to turn away from the field and towards the dinosaur.⁵⁵ While turned, a foul ball hit the plaintiff in the face, and he suffered serious injuries.⁵⁶ The district court granted the motion for summary judgment to the defendants, referencing the Baseball Rule and stating that an owner cannot be held liable for injuries to a fan caused by a foul ball.⁵⁷ The appellate court reversed, however, stating that the owners could be held liable in this situation due to the "distraction theory."⁵⁸ The court framed its analysis around which aspects of a baseball game prove unavoidable or inevitable, and are thus integral and necessary risks to the game.⁵⁹ The court found that it would be impossible to play a baseball game without foul balls, and as such, they constitute an inherent risk for spectators.⁶⁰ The court also found that, despite the defendants' claims otherwise, players can play a baseball game without a giant dinosaur dancing in the stands.⁶¹ The court viewed a mascot as a marketing effort and a way to generate revenue from fans as opposed to an essential element of the game itself.⁶² As the court stated, the addition of risks not inherent to the game violated the owners' duty to spectators, and, thus, made them liable for damages caused by the foul ball as a result of these extrinsic risks.⁶³ The owners have a duty to not add to the inherent dangers of the ballpark experience, and any non-integral additions constitute a breach of this duty.⁶⁴

The Supreme Court of New Mexico had a similar view of increased risk when it decided *Edward C. v. City of Albuquerque*.⁶⁵ There, a Little League team was eating in a picnic area beyond the left field wall when a batting practice home run hit a child and fractured his skull.⁶⁶ The defendants asked the court, which had never addressed the issue, to follow the lead of other states and adopt the Baseball Rule for New Mexico. Instead, though it adopted the Rule for most situations, the court did not apply it to this scenario. Citing to a number of other Baseball Rule cases, the court stated, "[i]t is clear that the baseball rule, rigid as it may be for injuries arising from necessary and inherent aspects of the game, historically has not been applied to preclude recovery for spectators injured in extraordinary circumstances, where conduct or situations...leading to injury were beyond the norm."⁶⁷ Holding that "an owner/occupant of a commercial baseball stadium owes a duty that is symmetrical to the duty of the spectator," and that allowing the Little Leaguers to hold a picnic in the outfield may not be an inherent risk of the game, the court refused to apply the Baseball Rule and remanded the case.⁶⁸

Finally, a Missouri appellate court in 2013 reached an analogous conclusion in *Coomer v. Kansas City Royals Baseball Corp.*, when it determined that a mascot throwing hot dogs into the stands is not an integral aspect of a baseball game.⁶⁹ In *Coomer*, the plaintiff and his father

had sat six rows behind the dugout at a Royals game.⁷⁰ Between innings, the mascot began throwing hot dogs into the stands as part of a “Hotdog Launch.”⁷¹ One of these hot dogs hit the plaintiff, who had been looking away, and caused a detached retina and an eventual cataract.⁷² Though the defendant argued that the activity was “customary” and that the plaintiff assumed the risk, the appellate court disagreed, stating that “‘everyone who participates in or attends a baseball game assumes the risk of being hit by a ball’ because ‘the risk of being hit by a baseball is a risk inherent to the game. However, the risk of being hit in the face by a hot dog is not a well-known incidental risk of attending a baseball game.”⁷³

In line with the bar on increased risk is the rule that intentional actions by baseball players will not be protected under the Baseball Rule. Occasionally, spectators will name the player who hit or threw the ball into the stands as a defendant. When the act was unintentional, joining the player as a defendant is to little avail.⁷⁴ In the rare cases in which a player intentionally injures a fan, however, courts will find that the players could be held liable. On September 13, 2004, a season ticket holder for the Oakland Athletics heckled members of the visiting Texas Rangers bullpen until one of the Rangers’ pitchers tried to charge into the stands after him.⁷⁵ During the ensuing scum, Texas reliever Frank Francisco picked up a chair and hurled it at the fan.⁷⁶ Though the fan ducked, the chair hit his wife and broke her nose.⁷⁷ She sued Francisco for the injury and two other pitchers for aiding and abetting his attack, and another fan joined the lawsuit claiming that he injured his back diving out of the way of the chair.⁷⁸ The trial court allowed all of the claims to proceed, and the parties eventually settled for an undisclosed sum.⁷⁹ The court did not even discuss the potential application of the Baseball Rule, as it has only been applied when objects go into the stands as an incidental and accidental part of the game.

This intentional acts exception has even been codified by most of the states that have a statutory Baseball Rule. This list includes Arizona (“An owner is not liable for injuries to spectators who are struck by baseballs, baseball bats or other equipment used by players during a baseball game unless...[he] [i]ntentionally injures a spectator.”),⁸⁰ Colorado (“an owner shall not be liable for an injury to a spectator resulting from the inherent risks of attending a professional baseball game...[except when someone] [i]ntentionally injures a spectator”),⁸¹ and Illinois (“The owner or operator of a baseball facility shall not be liable for any injury to the person or property of any person as a result of that person being hit by a ball or bat unless... the injury is caused by willful and wanton conduct, in connection with the game of baseball, of the owner or operator or any baseball player, coach or manager employed by the owner or operator”).⁸² Though New Jersey, the other state that has codified the Baseball Rule, does not explicitly except intentional acts from the Rule’s protec-

tion, it does protect owners only for “the inherent risks of attending a professional baseball game[,]” leaving open for interpretation whether an intentional act would be included.⁸³

III. Space and Time as Limitations on the Rule’s Applicability

In addition to the issues of increased spectator risk and intentional acts, courts have had to address other exceptions to the Baseball Rule. Though an incident with a foul ball easily could be described as “wrong place, wrong time,”⁸⁴ courts that have further developed the Baseball Rule have disagreed as to whether those factors play a role in determining the liability of a stadium owner. Though the fact patterns in some could be considered a subset of the increased risk exceptions, the courts in these cases have focused more on the time and place of the injury.

A. Location

The location of the spectator at the time of the injury has an obvious impact on such a determination. As discussed in Part I *supra*, the decisions from earlier in the century have determined that a spectator seated in a location of the stands where there is a high risk of projectiles entering the stands may sue if he or she is injured and it is later determined that the area was not adequately protected.⁸⁵ More recent court decisions have reviewed situations in which fans were injured by baseballs while standing or walking in areas of the stadium other than the stands, with mixed results. In *Jones v. Three Rivers Management Corp.*, the Supreme Court of Pennsylvania was presented with a spectator who was hit with a baseball while walking through a stadium concourse during batting practice.⁸⁶ Though the court acknowledged the existence of the Baseball Rule, it held that the Rule would only be applied when “the occurrence causing injury was ‘a common, frequent and expected part of the game of baseball’” and only when the spectator could “properly be charged with anticipating as inherent to baseball the risk of being struck by a baseball while [in this location].”⁸⁷ It further held that the set of openings beyond the right field wall that exposed this interior concourse to the baseball was an architectural feature of Three Rivers Stadium that was not “an inherent feature of the spectator sport of baseball.”⁸⁸ Finally, the court determined that safely navigating the concourse required the spectator to turn his or her attention away from the activity on the field, increasing the chance of injury.⁸⁹ Thus, the court refused to apply the Baseball Rule and instead applied the normal business invitee standard under which it upheld the jury’s verdict that the stadium owner was negligent and awarding damages to the plaintiff.⁹⁰

Twenty-five years after *Jones* and in a case similar in facts but not in disposition, a Minnesota appellate court held that a fan’s location at the time of impact does not affect the court’s analysis of whether the individual as-

sumed the risk of being hit by a ball.⁹¹ In *Alwin*, a spectator was passing through a concession area on the third base line while returning from the restroom.⁹² While he was walking and, as in *Jones*, unable to see the batter, he was hit by a foul ball and injured.⁹³ He sued the club and referenced the *Jones* decision, claiming that the Baseball Rule does not apply to individuals walking through a concourse, as they cannot see the game and cannot assume the risks of being hit by a ball they never see.⁹⁴ The court distinguished the *Jones* decision by saying that the Three Rivers concourse was a “distinct architectural feature,” whereas there was nothing unique about the concourse in which the ball hit the plaintiff here.⁹⁵ As such, the court refused to draw a distinction between injuries that occur in the stands and those that occur in the concourse or other areas of the stadium.⁹⁶ It held that “[a]s a spectator, [the plaintiff] primarily assumes the risk inherent to the game, which includes being hit by a foul ball.”⁹⁷

The final decision in this Concourse Triumvirate further muddied the waters regarding whether a spectator injured outside the stands has a claim against the stadium owners. In *Maisonave*, a foul ball struck the plaintiff in the face while he stood at a mobile concession stand in the concourse.⁹⁸ The owners of the ballpark were still constructing new concession areas in the stadium and decided to place mobile vending carts near the entrances to the seating areas so that patrons could continue watching the game while buying refreshments.⁹⁹ The court unsurprisingly focused its analysis on the fact that the carts were located outside the stands and in the concourse.¹⁰⁰ It ignored the district court’s reasoning that there were two concession carts in screened-in areas of the ballpark available to the plaintiff and instead focused on whether the Baseball Rule applied outside the stands.¹⁰¹ Stating, albeit incorrectly, that Pennsylvania was the only other jurisdiction to address the issue of an injury to a plaintiff outside the stands, the court followed the *Jones* decision and held that “the validity of the baseball rule diminishes in the context of injuries that occur in stadium areas other than the stands. Fans foreseeably and understandably let down their guard when they are in other areas of the stadium.”¹⁰² Unlike the Minnesota court in *Alwin*, the New Jersey Supreme Court did not hold that *Jones* was limited to its facts based on the distinct architectural design of the stadium. Though *Maisonave* would be superseded by a New Jersey statute codifying the Baseball Rule, its holding opened the door for additional courts to follow the path set in *Jones*, a path available to and ignored by the Idaho Supreme Court in *Rountree*.

In addition to the location of the spectator, courts have ruled that the location of the player or players who unintentionally caused the spectator injury affects the application of the Baseball Rule as well. In the oft-cited *Cincinnati Baseball Club Co. v. Eno*, a spectator presented the Ohio Supreme Court with an injury that occurred

during the intermission between the two games of a double-header, during which some players were taking batting practice away from home plate and out near the grandstand.¹⁰³ While standing a mere 15 to 25 feet from the stands, the batter hit a ball that struck the plaintiff.¹⁰⁴ Decided only 12 years after *Crane*, these facts presented the court with two novel wrinkles to the usual Baseball Rule fact pattern: (i) the injury occurred between games, as opposed to during the game; and (ii) the batter was not standing at the plate, where the nearest seats were protected, but was out near the unprotected grandstand.¹⁰⁵ The court first acknowledged the Baseball Rule, stating “[t]he consensus of the [earlier] opinions is to the effect that it is common knowledge that in baseball games hard balls are thrown and batted with great swiftness, that they are liable to be thrown or batted outside the lines of the diamond, and that spectators in positions which may be reached by such balls assume the risk thereof.”¹⁰⁶ It proceeded, however, to deny the defendant’s Baseball Rule defense, stating that: (i) “[w]hen several balls are simultaneously in play upon the field, it is impossible for the spectator to protect himself by watching the ball, for more than one ball is being thrown or batted at once”; and (ii) the previous cases that established the Baseball Rule only established that spectators assumed the risk of injury from balls hit from a far-away home plate, not from directly in front of them.¹⁰⁷ Holding that the facts presented “differ so essentially” from the cases establishing the Baseball Rule, the court refused to grant the defendant a directed verdict.¹⁰⁸

An Illinois appellate court was faced with a similar situation when a spectator sued after being hit by a wild pitch thrown from the bullpen during a game.¹⁰⁹ Unlike with the facts presented in *Eno*, the spectator injury in *Maytnier* occurred while the game was in progress.¹¹⁰ The court, however, likened the *Maytnier* situation to that in *Eno* and held “a spectator at a baseball park does not assume the risk of being hit by a baseball he does not see, when more than one ball is being used, regardless of whether the game is in progress or not.”¹¹¹ As such, the court affirmed the lower court’s judgment against the defendant.¹¹² In doing so, it established that the offending player’s location alone is enough for a plaintiff to avoid the Baseball Rule.

B. Timing

Courts have also been forced to consider whether the time of the spectator injury impacts the application of the Baseball Rule. In the aforementioned *Eno* decision, the Ohio Supreme Court held that the defendant was liable for the spectator injuries because the injury happened between games of a double-header and because the players were playing too close to the grandstand.¹¹³ Nonetheless, later court decisions have limited the *Eno* and *Maytnier* holdings to allowing ballpark liability for injuries in which players are out of their normal location, while ignoring the “multiple balls in play” rationale.

In one of the earliest decisions regarding the timing of a spectator injury, a New York court refused to adopt *Eno* and instead held that a defendant could not be held liable for a spectator injury that occurred during warm-ups.¹¹⁴ In *Zeitz*, a woman attended a college baseball game and arrived early.¹¹⁵ While watching the players warm up, she noticed that one of the players was having trouble controlling the trajectory of his throws.¹¹⁶ She and her party, considering themselves in danger of being hit, decided to switch seats.¹¹⁷ While switching, the plaintiff was hit by a wild throw,¹¹⁸ and she sustained injuries.¹¹⁹ Citing to *Eno*, the plaintiff asserted that she assumed only the risks necessary to the game, which do not include pre-game warm-ups.¹²⁰ The court, however, found that preliminary practice “is a necessary part of every ball game” and that the holding in *Eno* did not control because it was from another jurisdiction and involved players batting too closely to the grandstand.¹²¹

As in *Zeitz*, a Washington appellate court addressed the question of whether it should apply the Baseball Rule to injuries that occurred during pre-game warm-ups in *Taylor v. Baseball Club of Seattle, LP*.¹²² In the case, the plaintiff arrived an hour early for the game in order to watch the players warm up and attempt to get autographs.¹²³ While sitting along the foul line in right field, an errant throw by one of Seattle’s pitchers hit her in the face.¹²⁴ The plaintiff sued the ballclub, claiming that the Baseball Rule only applies during the game itself, and that she could not have assumed the risk of being hit by a ball before it began.¹²⁵ The court disagreed, holding that “it is undisputed that the warm-up is part of the sport, that spectators such as [the plaintiff] purposely attend the portion of the event, and that Mariners permit ticket-holders to view the warm-up.”¹²⁶ Further, it distinguished the decisions in *Eno* and *Maytnier* by stating that they simply stand for the proposition that the Baseball Rule might not be applied when the circumstances causing the injury are “unusual,” which did not apply in this situation.¹²⁷

The reasoning exemplified in *Zeitz* and *Taylor* has become commonplace. Though the *Eno* court discussed both the time and the location surrounding the plaintiff’s injury in holding the defendant liable, subsequent decisions have ignored the timing analysis and limited the decisions to their spacial holdings. In fact, in a post-*Rountree* decision out of Texas in which a batting practice home run injured the plaintiff, the court did not even note any significance to the fact that the injury occurred during the pre-game warm-ups in its analysis.¹²⁸

An analogous holding was handed down by the Georgia Court of Appeals in *Dalton v. Jones* when it addressed an injury that occurred between innings after the spectator sued the player himself.¹²⁹ There, an outfielder threw a ball into the stands between innings¹³⁰ and hit the plaintiff as she stood to leave her seat.¹³¹ The court, as with *Zeitz* and *Taylor*, refused to draw a distinction based on the time of the injury, stating “[w]hether the ball was

thrown or tossed during an inning of play or between innings lacks legal significance because, as the trial court noted, ‘this throw occurred during a time which was necessary to the playing of the game, during which time the Plaintiff had assumed the risk of injury from bats, balls, and other missiles.’”¹³² By doing so, it extended the application of the previous decisions that dealt with pre-game incidents to incidents that occurred between innings.

Finally, in a non-baseball case that touched on these same issues, the New Jersey Supreme Court held that the defendant could not be found liable for a spectator injury that occurred during a pre-game hockey warm-up, despite the fact that there could be up to 50 pucks being shot simultaneously.¹³³ In *Sciarrotta*, the plaintiff attended a professional hockey game in Trenton, New Jersey, and was hit by a puck that ricocheted off the goalpost during warm-ups.¹³⁴ She claimed that the Baseball Rule, which has been consistently applied to stadium and arena owners in other sports, only applied to in-game action, and the owners had a increased duty to either erect netting or warn spectators of the risks during warm-ups.¹³⁵ She referenced the fact that, during warm-ups, each team has up to 25 pucks on the ice at any given time, and claimed it is impossible for a spectator to remain aware of all of them as he or she might do during a game.¹³⁶ Based on this increased risk, the plaintiff argued that the Baseball Rule should not apply to injuries occurring during warm-ups.¹³⁷ As part of her argument, she also cited to *Maisonaive*, claiming that the spacial distinction drawn by the New Jersey Supreme Court there should be applied to create a temporal distinction here.¹³⁸ The court disagreed, holding that the number of pucks on the ice or the number of balls in the field have no impact on the limited duty rule.¹³⁹ The court proceeded to state:

There is no reason at law to create differing duties in respect of the same physical location based solely on the entirely arbitrary notion of how many pucks are on the ice at any given time or, for that reason, how many different baseballs are in use on the playing field at any given time. The permutations are both endless and senseless. Are fifty pucks at a time too many, but forty-nine are not? Are five baseballs at a time too many, but four are not? Where that line is to be drawn simply begs the question.¹⁴⁰

The fact that the teams were conducting warm-ups and arguably had increased the risk to the spectators by increasing the number of potential pucks for the spectators to track did not factor in to the court’s decision.

IV. Criticisms of the Baseball Rule and *Rountree*

A mere decade after the establishment of the Baseball Rule, the court in *Eno* began the process of limiting its ap-

plicability. In addition to limitations created by increased risks and intentional acts, as well as the location of the players and fans, there have been a myriad of condemnations of the Rule itself. In one particularly critical article, the author refers to the Baseball Rule as “hopelessly anachronistic.”¹⁴¹ Most notably, the author states that:

In baseball and hockey, new training techniques and technologies have made play faster and players stronger. Professional sports have become a lucrative business, presented in a different manner and watched by a different demographic than in the era in which the baseball rule had its genesis. In torts, the recognition of strict product liability has greatly expanded the class of defendants who owe others a legal obligation. In many jurisdictions, complex duty rules have been changed to a single standard of reasonable care under all the circumstances, signaling a movement toward fact-specific determinations made by juries rather than bright-line, judge-made denials of liability such as the baseball rule. Moreover, the doctrine of assumption of risk, condemned for years as unnecessary and confusing, has been vastly modified. Contributory negligence, a similar all-or-nothing approach to liability, has largely been replaced by comparative fault, which allocates damages in proportion to the parties’ respective responsibilities. In light of this change, the extent to which assumption of risk remains viable has become one of the most unsettled issues in tort law.¹⁴²

In fact, the New Jersey Supreme Court referenced this article in its *Maisonaive* decision when it noted that owners have no incentive to increase fan safety as long as they are insulated by the Baseball Rule.¹⁴³ These criticisms fall in line with those of Tom Verducci from 2002, in which he stated that changes to the game have increased spectator risk beyond the point of acceptability.¹⁴⁴

Additionally, two divisions of the Illinois appellate court attacked the Baseball Rule in two separate rulings within a one-month span in 1992. In *Yates v. Chicago National League Ball Club, Inc.*, a minor and his father sued the Cubs after being hit by a foul ball behind home plate.¹⁴⁵ Though citing to the Baseball Rule, the court stated that the district court did not err in allowing the jury to determine whether the Cubs had adequately screened the most dangerous area of the ballpark, as required under the Rule.¹⁴⁶ The jury, after hearing the plaintiffs’ expert witness opine that the screens should have been extended further down the base lines, found the defendant liable.¹⁴⁷

In *Coronel v. Chicago White Sox, Ltd.*, another appellate court similarly held that the issues of whether the screen was of an adequate size as well as whether the owners properly warned spectators of the dangers of foul balls were questions to be submitted to the jury.¹⁴⁸ Though the court also acknowledged the Baseball Rule, it nonetheless held that a property owner “owes a duty of reasonable care to business invitees...[and w]e find no exception in favor of sports facilities from this requirement.”¹⁴⁹ Essentially, both courts announced that they would no longer defer to the stadium owners’ interpretations of adequate seating and would begin placing such spectator injury cases before juries. Though neither of these decisions appears to be a particularly egregious interpretation of the owners’ limited duty under the Baseball Rule, and frankly both follow the lead set in *Ratcliff* in sending the case to a jury, they were the rare situations in which a court did not dismiss the plaintiffs’ claims outright.

Nonetheless, both of these decisions were rendered moot within six months. After the decisions, the Illinois General Assembly passed the “Baseball Act” which held that “The owner or operator of a baseball facility shall not be liable for any injury to the person or property of any person as a result of that person being hit by a ball or bat” absent willful or wanton conduct.¹⁵⁰ Notably absent from the statute is any requirement that the owner construct “adequate” screening for the area behind home plate. Though passed in immediate response to adverse rulings against Illinois’ two professional baseball teams, the rule does not limit its applicability to professional stadiums. After the Illinois courts appeared to attack the Rule directly, interpretations of the Rule returned to the status quo and courts continued to defer to the owners’ interpretations of adequate protected seating.

Then, exactly a century after the advent of the Baseball Rule, the myriad of criticisms that had recently arisen found a platform in *Rountree*. The most notable aspect of the *Rountree* decision is not that the court unanimously determined that the defendants could be found liable by a jury, but instead the method by which it reached such a holding. As no Idaho courts had previously applied or interpreted the Baseball Rule, the court could have framed its analysis using any of the aforementioned exceptions and upheld the Rule without denying the jury’s verdict in favor of the plaintiff.

First, the plaintiff was in the Executive Club when he was hit, a lounge at the end of the third base line.¹⁵¹ As such, the court could have followed the precedent set by the Pennsylvania Supreme Court in *Jones* and held that a distinct architectural feature of the stadium (the lounge being open to and unprotected from incoming balls from the field of play) prevented the application of the Baseball Rule. In fact, the court specifically notes that the lounge “is one of the only areas in the whole stadium not covered by vertical netting.”¹⁵²

Second, the court could have followed the lead of the New Jersey Supreme Court in *Maisonave* and held that a spectator only assumes the risk of injury while in his or her seat, and not while in a concourse or lounge provided by the stadium owners. In fact, Mr. Rountree makes this argument himself, according to the court: “[Mr. Rountree’s] primary contention is that, while the Baseball Rule might limit the duty of stadium operators with regard to spectators in bleachers, modern jurisdictions have found that for multi-purpose areas, such as the Executive Club, the duty should not be limited.”¹⁵³ According to that statement, the plaintiff apparently conceded the applicability of Baseball Rule itself, and requested that the court instead find that his case was subject to one of the exceptions. Later, the court referenced that other jurisdictions have limited the Rule when the injured spectator is in “multi-purposes areas” like the lounge.¹⁵⁴ Nonetheless, rather than simply accepting or rejecting this exception to the Rule, the court chose to attack the entire Rule itself.

The court even could have applied a liberal interpretation of some of the “increased risk” cases and held that, by allowing its ticket-holders into this less-protected area of the ballpark while the game was in progress, the owners unnecessarily increased the risk of spectator injury. The court referenced the dearth of spectator injuries at Memorial Stadium and could have determined that such a rarity, when combined with Mr. Rountree’s injury, was proof of the increased risk of allowing spectators into this location.¹⁵⁵

Finally, the trial court in *Rountree* gave the Idaho Supreme Court a last chance to rule for the plaintiff while simultaneously avoiding taking down the entire Rule when it held that only the state legislature in Idaho could adopt the Baseball Rule, and that courts were powerless to hold otherwise.¹⁵⁶ Rather than refusing to grant certiorari and allowing the jury’s verdict in favor of the plaintiff to stand, the court again avoided this opportunity and instead opted to address the Rule directly:

Despite the district court’s conclusion that only the Legislature could adopt the Baseball Rule, it is also within this Court’s power to do so. The Court has established duties of care where none previously existed...However, even though the court may have the power to adopt a rule, such as the Baseball Rule, which limits the duty of a business owner, we decline to do so here. We find no compelling public policy requiring us to do so.¹⁵⁷

In doing so, the court held that it was not obligated to follow the precedent set by other jurisdictions, even if “all courts that have examined the issue [of foul-ball injuries] have come to the conclusion that owners of baseball stadiums owe a limited duty to patrons with respect to the risk of being hit by a foul ball.”¹⁵⁸

Interestingly, the chorus of criticisms of the Baseball Rule in recent years focused on the increased risk of spectator injuries today compared to a century ago: smaller ballparks, faster pitchers, stronger hitters and more in-stadium distractions.¹⁵⁹ The court in *Rountree*, on the other hand, actually referenced the lack of spectator injuries as part of its reasoning in denying summary judgment:

No similar [fundamental] link between baseball and spectator injuries has been shown. In fact, Boise Baseball admits that at least for “seven seasons[], Mr. Rountree’s] accident is the only time a spectator has suffered a ‘major’ injury because of a foul ball” at Memorial Stadium. The rarity of these incidents weighs against crafting a special rule. There is no history of accidents that we can look to, and draw from, to sensibly create a rule. Furthermore, Boise Baseball has not provided any broader statistical evidence regarding the prevalence of foul ball injuries in general, and—assuming they are so prevalent—how varying stadium designs might prevent them. Without this information, drawing lines as to where a stadium owner’s duty begins, where netting should be placed, and so on, becomes guesswork.¹⁶⁰

With that assertion, the Idaho Supreme Court dismissed a century’s worth of jurisprudence and opened a Pandora’s Box regarding spectator litigation.

V. Conclusion

Despite the Idaho Supreme Court’s punt in its direction, the Idaho state legislature has not followed Illinois’ lead and codified the Baseball Rule. In fact, over a year has passed since the *Rountree* decision, six months more than Illinois needed to reestablish the Rule. For the first time, it appears the Baseball Rule will not apply nationally, and courts will no longer be able to cite to the unanimity of jurisdictions when deciding spectator injury cases. The Baseball Rule has protected both players and owners from litigation caused by unintentional spectator injuries for over a century. Though the *Rountree* decision is only the law in one state, courts may no longer reference the unanimous nationwide acceptance of the Baseball Rule when determining its applicability. It remains to be seen whether other courts might soon follow suit and question whether stadium owners should continue to be held to a special standard of care. In Indiana, for example, the Supreme Court is currently reviewing a previously-dismissed case of a foul ball injury in light of the *Rountree* decision.¹⁶¹ Based on the level of criticism pointed at the Baseball Rule in recent years, a continued push to limit and refuse its applicability would not be surprising. If courts continue to revisit and reject the Rule, owners will

be left with the choice of either screening their entire ball-parks or risking hefty litigation and settlement costs, and the idea of a fan catching a foul ball could become just another relic in baseball's storied history.

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95. *Id.* at 573.
96. *Id.* at 574.
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98. *Maisonaive* at 700.
99. *Id.*
100. *Id.* at 708.
101. *Id.*
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103. 147 N.E. 86 (Ohio 1925).
104. *Id.* at 88.
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110. *Id.*
111. *Id.* at 91.
112. *Id.*
113. See *supra* note 103 and accompanying text.
114. *Zeitv v. Cooperstown Baseball Centennial*, 31 Misc.2d 142 (N.Y. Sup. Ct. 1941).
115. *Id.* at 143.
116. *Id.*
117. *Id.*
118. Disappointingly, the court does not clarify if the offending baseball was thrown by the player whose throws the plaintiff had moved to avoid.
119. *Zeitv* at 143.
120. *Id.* at 144.
121. *Id.* at 144-145.
122. 131 Wash. App. 1049 (Wash. App. 2006).
123. *Id.* at *1.
124. *Id.*
125. *Id.* at *3.
126. *Id.*
127. *Id.* at *4.
128. *Martinez v. Houston McLane Co., LLC*, 414 S.W.3d 219 (Tx. App. 2013).
129. 581 S.E.2d 360 (Ga. App. 2003).
130. The court recognized that there were conflicting accounts of the incident including: (i) the player intentionally throwing the ball he had used to warm up into the stands when the inning began; (ii) the player accidentally throwing the ball into the stands while warming up and (iii) the player catching the third and final out of the inning and throwing the ball into the stands. The court nonetheless proceeded with its analysis as if the player had not acted intentionally.
131. *Dalton* at 362.
132. *Id.*
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Calculating Wagering Gains and Losses: A Statutory Interpretation of I.R.C. § 165(d)

By Ning Yu Wu

I. Introduction

Gaming, conventionally known as “gambling,” can be quite entertaining and exciting for some people, especially when the player wins and receives a large amount of payout from the casino. Although the tax implications of such winning would not necessarily be the first thing a player considers, at some point the player must wonder how much of the winning he or she can keep, and how much he or she has to share with the Internal Revenue Service (IRS or the Service).

“Given the nature of gambling...the house usually wins.”¹ Nevertheless, on rare occasions, a few players do hit the jackpots. When the amount of a winning payout is \$1,200 or more from a slot machine, or \$1,500 from keno, and certain gaming winnings of at least \$600, the casino must issue the player a W-2G Form.² Such payments received during a tax year will be reported by the taxpayer on the “Other Income” line of the Form 1040 when the personal income tax is filed.³ Although a casual player’s gaming losses can be deducted on Schedule A, Itemized Deductions in the Form 1040, the deductibility is limited to the extent of his or her winnings pursuant to § 165(d) of the Internal Revenue Code (the Code or IRC).⁴ More specifically, the Service requires that all of the gaming winnings must be reported as income on the player’s federal income tax return.⁵

Whereas what constitutes gaming winnings is not clearly defined, calculating the gaming winnings (or losses) could be troublesome for some taxpayers. More specifically, a question arises as to what extent the player can use his or her gains against the losses to determine what should be the amount of the taxable income?

The description provided by the Service to casual players is that gaming income “includes, but is not limited to, winnings from lotteries, raffles, horse races, and casinos. It includes cash winnings and also the fair market value of prizes such as cars and trips.”⁶ From the above description, the Service seems to ask players to report all gross receipts received from casinos as incomes. This requirement, however, appears to be inconsistent with § 165(b) of the Code that accounts for the bases of players’ gains.

If the Service defines the winnings as the gross receipts, the players may incur tax liabilities even if they suffer major losses during the taxable year. Consequently, two questions arise as to (1) what constitutes gaming winnings, and (2) whether the Service’s interpretation of § 165(d) to disallow players netting the winnings and

losses and only report the gains from the gaming winnings is within the Congressional intent.

II. Background and Court Rulings

The popularity of gaming activities have increased substantially in recent years. Two of the largest gaming markets in the United States are Las Vegas, Nevada, and Atlantic City, New Jersey. During 2012, Clark County in Las Vegas reported \$9.4 billion in revenue.⁷ The Nevada State Gaming Control Board reported \$955.2 million in revenue in August 2013, and the state collected \$51.3 million in taxes.⁸ In the same month, Atlantic City’s 12 casinos⁹ reported \$298.1 million in revenue, including \$78.6 million from table games, and \$219.5 million from slot machines.¹⁰

In addition to the two major gaming markets, there have been an increased number of casinos being established in a number of states, like Maryland, Pennsylvania, New York, and Delaware.¹¹ The Indian Gaming Regulatory Act of 1988 established the authority to allow Native American tribes to operate casinos on the tribe owned reservations. Those casinos operated by 421 tribes represented total annual revenue of \$27 billion in 2011.¹² Moreover, in November 2013, the voters in the State of New York approved a constitutional amendment in favor of allowing the state to establish as many as seven new full-scale casinos, in addition to the existing five Native American-operated casinos and nine race tracks with slot machine parlors.¹³

In order to preserve its market share and compete with the neighboring states, the State of New Jersey became the third state to legalize virtual (online) gaming, and projects a generation of \$250 million to \$500 million in revenues during its first year.¹⁴ All of these states, including New York and New Jersey, see the establishments of those new casinos and gaming activities as an opportunity to improve the economy, increase tax revenue, provide employment, and reduce property tax.¹⁵

For those players enjoying going to casinos, § 61(a) of the Code provides that the calculation of taxable income starts with a determination of “gross income,” which is defined as “all income from whatever source derived.”¹⁶ A gain constitutes taxable income when the recipient has such control over it, and derives readily realizable economic value from it.¹⁷ Accordingly, pursuant to IRC § 61(a), gaming winnings received are fully taxable and must be included in the taxpayer’s gross income in the year received.¹⁸

To arrive at an individual's taxable income, the gross income first subtracts certain deductions such as business expenses, alimony, losses from the sale or exchange of property, retirement saving, and moving expenses, among others (known as "above-the-line" deductions), to arrive at the "adjusted gross income."¹⁹ Taxpayers can then subtract "itemized deductions" (also known as "below-the-line" deductions), or take the standard deduction, as well as personal exemptions prescribed under § 151 of the Code.²⁰

All gaming winnings must be reported on the "Other income" line of Form 1040, U.S. Federal Income Tax Return.²¹ Taxpayers then can claim gaming losses up to the amount of the winnings on "Schedule A, Itemized Deductions," under "Other Miscellaneous Deductions."²² As the Service requires taxpayers to report all "winnings," it perhaps causes some confusion among players regarding the definitions of winnings and transactions.

Without unambiguous directives to taxpayers, one must assume that the Service's asking players to report "all winnings" means the gross receipts of the payouts from the casino. Accordingly, a player is still required to report the winning, even if he or she suffers from a greater loss showing on the casino win/loss statement during a taxable year. Although there a number of cases decided based on gaming losses claimed as a deduction, such cases directly addressed whether the Service's interpretations of § 165(d) have been limited. Many of the cases were due to taxpayers reporting lower amounts of payouts than the W-2G Form claimed, perhaps because they believed that they did not have reportable winnings.

First, in *Helvering v. Midland Mut. Life Ins. Co.*, the United States Supreme Court established the framework of the deductions allowed by the Code, and held that "[w]here the legal effect of a transaction fits the plain letter of the statute, the tax is held payable, unless there is clearly revealed in the Act itself or in its history a definite intention to exclude such transactions from the operation of its applicable language."²³ The case of *Helvering* provides that no deductions should be allowed unless the statutory directives provide otherwise. In *Chevron, U.S.A., Inc. v. NRDC, Inc.*, the Supreme Court provided that courts should not interfere with an agency's construction of a statute if the Congress has given the agency the authority to administer the law, "unless it appears from the statute or its legislative history that the accommodation is not one that Congress would have sanctioned."²⁴ Based on the framework of *Chevron*, in *Remos v. Commissioner*, the Tax Court ruled that the taxpayer must "prove that the amount of wagering losses claimed as a deduction exceeds the amount of the taxpayer's gains from wagering transactions."²⁵

Subsequently, in *LaPlante v. Commissioner*, although the Tax Court had an opportunity to address the issue on point, it deliberately avoided the question of "income

recognition from recreational slot machine play" and focused on whether the taxpayer had kept adequate records to substantiate her claims of net winning and losses.²⁶ Not until later in the same year, in *Shollenberger v. Commissioner*, did the Tax Court consider the issue, and agreed with the Commissioner's interpretation that although the plural term "transactions" was used in the statute to imply that "gain or loss may be calculated over a series of separate plays or wagers," a casual slot machine player recognized a gaming gain or loss at the time the player "redeemed the tokens," i.e., cashed the winning ticket vouchers. Therefore, although the taxpayers incurred losses throughout the taxable year, the court denied their offsetting of the net winnings.²⁷

In *Remos*, the taxpayer did not report any income other than wages on the Form 1040, U.S. Individual Income Tax Return, for taxable year 1999, although he received gaming winnings of \$50,000 by playing blackjack and was issued a Form W-2G.²⁸ The taxpayer subsequently received a notice of deficiency stating that he had unreported income of \$50,000, and therefore was liable for a \$14,339 tax deficiency. The taxpayer alleged that his gaming losses had offset any gaming income during the same taxable year. The court did not rule on whether netting the winnings and losses was allowable; instead, it focused on the taxpayer's burden of substantiation. The court found that the amount of the losses on the basis of the record could not be determined, and therefore, the taxpayers' gaming losses deductions were disallowed.²⁹

In *LaPlante*, the taxpayer traveled 25 to 30 times to Foxwoods in Connecticut in 2004 and on each visit spent between eight hours and two or more days at the casino. During the taxable year, the taxpayer received 26 Forms W-2G with a total amount of \$56,200. She reported an adjusted gross income of \$36,111 during the year, including the \$4,000 in gaming winnings, and deducted \$4,000 for gaming losses. The Service determined that the correct amount of the taxpayer's winnings should have been \$30,170 according to the Form W-2G amounts. The taxpayer contested the amount of the winnings, because the Service failed to consider the basis of her gains, i.e., the amounts that she brought to the casino. Moreover, she claimed that there was only one occasion that she left the casino with more money than she initially brought in, which was the \$4,000 she reported. Regrettably, because the taxpayer did not produce any reliable documents to substantiate her claims, the court did not address whether the taxpayer's netting the winnings and losses was proper.

Finally, in *Shollenberger*, the taxpayers, a married couple who were casual players, did not report any gaming winnings on their joint 2005 Form 1040A, although they hit a \$2,000 jackpot on a dollar slot machine at a casino.³⁰ The Service determined that the taxpayers had \$2,000 in unreported income from their gaming winnings. The taxpayers stated that they withdrew \$500 from

the joint checking account to play at the casino. Upon receiving \$2,000 winnings, they also took out \$400 for additional slot machine play, and they left the casino with \$1,600. The court first ruled that the winnings should exclude the amount the taxpayers originally brought to the casino, as this amount that was the basis of the winning and, therefore, should have been treated as the recovery of capital. As the taxpayers brought \$500 to the casino, and left the casino with \$1,600, the amount of winnings should have been \$1,100, rather than \$2,000 as stated in the notice of deficiency. The court further agreed with the Commissioner's view that although "the statute uses the plural term "transactions" implying that gain or loss may be calculated over a series of separate plays or wagers," permitting a casual player to net all winnings and losses "throughout the year would intrude upon, if not defeat or render superfluous, the careful statutory arrangement that allows deduction of casual gaming losses, if at all, only as itemized deductions, subject to the limitations of §165(d)." ³¹

III. Analysis of the Cases

The arguments in *Shollenberger* appear to be difficult to reconcile, because if gains or losses may be calculated over a series of separate plays (or wagers) as cited in the case, disallowing the taxpayers to net the winnings and losses appears to be arbitrary. Consider the following two scenarios: First, assume that a player only visits a casino twice a year, and one visit produces a gain but the other visit produces a loss, and he or she redeems the gaming vouchers each time he or she leaves the casino. The player will then be required to report the gain and take the below the line deduction for the loss on the Schedule A of the Form 1040. On the contrary, if a player is a frequent visitor of a casino (and assume that the player also holds onto the gaming ticket vouchers for several months), as long as he or she redeems them before they are expired, upon redeeming the vouchers for cash after several visits, the taxpayer seems to be allowed to calculate his or her basis as the sum of the money that he or she puts in over the entire period of time and recognizes a gain or loss at the time the tokens (vouchers) are redeemed, as *Shollenberger* held. In such a case, the player indeed would be able to report the gains after the losses have been netted out throughout the entire time while he or she has the gaming vouchers in his or her possession. As such, the player's reportable winning will be the amount that constitutes the net gains.

A. Excluding the Capital from Winnings as Return of Capital

Under § 165(b) of the Code, Amount of Deduction, "[f]or purposes of subsection (a), the basis for determining the amount of the deduction for any loss shall be the adjusted basis provided in section 1011 for determining the loss from the sale or other disposition of property." Section 165 (b) refers to § 1011 (a), General rule, which

states "[t]he adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis (determined under section 1012 or other applicable sections of this subchapter and subchapters C (relating to corporate distributions and adjustments), K (relating to partners and partnerships), and P (relating to capital gains and losses)), adjusted as provided in section 1016." In applying the statutes, the relevant provisions above provide that any gains or losses are determined above or below the adjustment basis from the disposition of the property.

According to the Chief Counsel Advice cited in *Shollenberger*, the amount of winnings is not realized until taxpayers "can definitively calculate the amount above or below basis (the wager) realized." The statement admittedly provides that gains or losses should be calculated above or below the taxpayer's basis, and therefore, the amount of the basis should be excluded from a taxpayer's winnings. In *Hochman*, the Tax Court offered a convincing analysis on why the recovery of capital should be excluded from the gains:

To the extent that the cost of his winning ticket is included in the payoff which petitioner receives at the cashier's window on a winning race, therefore, petitioner has only recovered his capital, and is entitled to exclude the amount of that winning ticket from his gross receipts in order to arrive at gross income within the meaning of section 61. Such recovery of capital, however, would clearly not include the cost of tickets, which did not win. The latter items were separate wagers, made without reference to the winning wager, and are allowable only as permitted by section 165(d). ³²

If a player was able to recover basis, e.g., the capital, and produces a surplus, the amount equal to the costs of placing the bets should be deemed return of capital and not losses, and only the amount of surplus should be treated as gains, which is deemed the accessions to wealth clearly realized. ³³ This view is also consistent with *Glenshaw Glass Co.*, which states that income is realized when a taxpayer has undeniable accessions to wealth clearly realized, and over which the taxpayers have complete dominion. ³⁴ If a player merely recovers his or her capital, there should be no gains produced due to the absence of "undeniable accessions to wealth" under *Glenshaw Glass*.

Although the Chief Counsel Advice cited in *Shollenberger* agreed that the return of capital should be excluded from the amount of winnings, this position, however, has not been communicated unambiguously to taxpayers, and therefore creates some potential confusion concerning the treatment of the basis. Indeed, the Service instructs the taxpayers that: "You must report all your

gambling winnings as income on your federal income tax return,” and: “You may deduct your gambling losses on Schedule A, Itemized Deductions.”³⁵ This gives taxpayers the impression that they cannot exclude the bases of their casino payouts, and appears to contradict the fundamental notion of “gain,” which should be differentiated from principal or capital that is not the subject of taxation.³⁶

B. Should Netting All the Gains and Losses in a Taxable Year Be Allowed?

Other than the treatment of recovery of capital stated above, a more controversial and complicated question perhaps is whether it is within the plain meaning of the statute to disallow players to net the winnings and losses during a taxable year and only to report the net gains to the Service.

As Congress has delegated the authority to promulgate “all needful rules and regulations for the enforcement of [the Internal Revenue Code]” to the Commissioner pursuant to I.R.C. § 7805(a), the regulatory interpretations of the Code by the Service should be respected as long as they are reasonable.³⁷

When an agency is given the authority to administer the law enacted by Congress, the weight of the agency’s construction of the statute should be based on whether Congress has expressed its intent unambiguously through the statutory language or legislative history. If Congress’ intent is unambiguously clear, the judiciary should respect the agency’s interpretation and not impose its own interpretation on the statute. On the contrary, if the statute is silent or ambiguous concerning a specific term in the statute, the judiciary must examine the appropriateness of the agency’s construction of the statute.³⁸ In any event, the executive branch’s construction of a statute will be given considerable weight when agency’s interpretations have “involved reconciling conflicting policies, and a full understanding of the force of the statutory policy in the given situation has depended upon more than ordinary knowledge respecting the matters subjected to agency regulations.”³⁹ Thus, the judiciary should not interfere with the agency’s construction to the extent the agency’s construction is reasonably accommodating the conflicting policies and the interpretation is consistent with the legislative history.⁴⁰

A regulation is deemed reasonable “if it harmonizes with the plain language, origin, and purpose of the statute it purports to implement.”⁴¹ To give deference to an agency’s interpretation, courts examine “the degree of the agency’s care, its consistency, formality, and relative expertness, and to the persuasiveness of the agency’s position.”⁴² To determine if the Service’s interpretation is reasonable pursuant to *Robinson*, the relevant inquiry is whether the interpretation harmonizes with the plain meaning, the origin, and the purpose that the Code purports to implement.

i. The Plain Meaning

Any statutory construction analysis should begin with the language of the statute.⁴³ Section 165 (d), Wagering losses, states the following: “Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions.” Congress does not define the term “transactions” in the context of the Code.

In the absence of statutory interpretation from the Code, the Tax Court cited the Chief Counsel Advice⁴⁴ in *Shollenberger*, and provided the following:

A key question in interpreting section 165(d) is the significance of the term “transactions.” The statute refers to gains and losses in terms of wagering transactions. Some would contend that transaction means every single play in a game of chance or every wager made. Under that reading, a taxpayer would have to calculate the gain or loss on every transaction separately and treat every play or wager as a taxable event. The gambler would also have to trace and re-compute the basis through all transactions to calculate the result of each play or wager. Courts considering that reading have found it unduly burdensome and unreasonable. See *Green v. Commissioner*, 66 T.C. 538 (1976); *Szkircsak [sic] v. Commissioner*, T.C. Memo. 1980-129. Moreover, the statute uses the plural term “transactions” implying that gain or loss may be calculated over a series of separate plays or wagers.

The better view is that a casual gambler, such as the taxpayer who plays the slot machines, recognizes a wagering gain or loss at the time she redeems her tokens. We think that the fluctuating wins and losses left in play are not accessions to wealth until the taxpayer redeems her tokens and can definitively calculate the amount above or below basis (the wager) realized. See *Commissioner v. Glenshaw Glass Co.*, 348 U.S. 426, 75 S. Ct. 473, 99 L. Ed. 483, 1955-1 C.B. 207 (1955). For example, a casual gambler who enters a casino with \$ 100 and redeems his or her tokens for \$ 300 after playing the slot machines has a wagering gain of \$200 (\$300-\$100). This is true even though the taxpayer may have had \$1,000 in winning spins and \$700 in losing spins during the course of play. Likewise, a casual gambler who enters a casino with \$100 and loses the entire amount after playing the slot machines has a wagering loss of \$100,

even though the casual gambler may have had winning spins of \$1,000 and losing spins of \$1,100 during the course of play.⁴⁵

The Chief Counsel cited *Commissioner v. Glenshaw Glass Co.*, and stated that “the fluctuating wins and losses left in play are not accessions to wealth until the taxpayer redeems her tokens and can definitively calculate the amount above or below basis (the wager) realized.” The realization of such gains is treated as one transaction, not a series of transactions. Such treatment, i.e., treating it as one transaction as opposed to multiple transactions, appears to be inconsistent with its position stated above, that the “statute uses the plural term “transactions” implying that gain or loss may be calculated over a series of separate plays or wagers.”

The Chief Counsel Advice above recognizes that the winnings and losses during a player’s play sessions are not deemed accessions to wealth. Accordingly, until the point at which a player redeems the tickets or tokens at the cashier window, he or she cannot be said to have undeniable accessions to wealth clearly realized, and over which he or she has complete dominion. Therefore, if a player recognizes a gain or loss at the time when he or she redeems the tokens, and such event is deemed a single transaction, the plain meaning of the statute using the plural form should have signified that multiple transactions are allowed under § 165(d). Therefore, as the plain meaning of the text in its plural form implies multiple occasions, it seems reasonable to conclude that a taxpayer should be allowed to calculate his or her winnings and losses throughout a series of play over time and report the net gains.

ii. The Origin and Purpose of the Code

The statute refers to “transactions” in its plural form. Presumably, it suggests that Congress has intended to allow players to calculate the wins or losses based on a series of occasions over a period of time. Although the Chief Counsel conceded that the plural term “transactions” is used in the statute to imply that gain or loss may be calculated over a period of time, which is generally favorable to a taxpayer’s position to allow him or her to calculate the winnings and losses over time, the relevant question becomes whether the legislative history reveals its intent unambiguously with respect to the issue presented here; if not, the Service’s construction of § 165(d) shall be respected if its construction is deemed reasonable.

When interpreting a statute, the terminologies expressed by Congress should be respected, and the ordinary meanings of the statutory language are presumed to accurately express the intent of the Congress which enacted the legislation.⁴⁶ To the extent possible, the construction of the statute should give effect to every word and clause in a statute,⁴⁷ and assume that “every word has some operative effect.”⁴⁸ Overall, the statutory

language should be read based on the context of the law, its object, and policy.⁴⁹ In the event that the legislative history is silent, the presumption of statutory consistency arises and interpretation of an ambiguous provision of a statute often relies on the remainder of the statutory language because “the same terminology is used elsewhere in a context that makes its meaning clear.”⁵⁰ More specifically, the use of singular or plural form to construct a statute should be read with the legislative intent that supports it.⁵¹ Accordingly, to determine whether the Chief Counsel’s construction gives the words operative effect intended by Congress, it is important to examine the same terminologies used in the same section of the statute in the context that will make the meanings clear in other provisions.

Section 165—Losses, provides the following:

(a) General rule

There shall be allowed as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise.

(b) Amount of deduction

For purposes of subsection (a), the basis for determining the amount of the deduction for any loss shall be the adjusted basis provided in section 1011 for determining the loss from the sale or other disposition of property.

(c) Limitation on losses of individuals

In the case of an individual, the deduction under subsection (a) shall be limited to—

- (1) losses incurred in a trade or business;
- (2) losses incurred in any transaction entered into for profit, though not connected with a trade or business; and
- (3) except as provided in subsection (h), losses of property not connected with a trade or business or a transaction entered into for profit, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft.

(d) Wagering losses

Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions.

(e) Theft losses

For purposes of subsection (a), any loss arising from theft shall be treated as sustained during the taxable year in which the taxpayer discovers such loss.

(f) Capital losses

Losses from sales or exchanges of capital assets shall be allowed only to the extent allowed in sections 1211 and 1212.

As noted above, §165(d) Wagering losses states: “Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions,” and §165(f) Capital losses states: “Losses from sales or exchanges of capital assets shall be allowed only to the extent allowed in sections 1211 and 1212” (emphasis added). The two provisions share similar terminologies and the structure, e.g., “losses from...shall be allowed only to the extent”; it must be presumed that Congress not only has expressed its intent to speak on the issue, but also has intended to give these two sections in the statute the same operative effect, and therefore, the Service should respect the statutory structure and treat these two sections reasonably consistently.

The Service also requires taxpayers to report all the winnings, but does not provide unambiguous instructions concerning of what the “winnings” consist. On the contrary, pursuant to § 165(f), the Service provides Schedule D to taxpayers calculating capital gains and losses that are far clearer than the treatment of § 165(d), which requires taxpayers to report the gains or claim losses up to the amount of the winnings on “Schedule A, Itemized Deductions,” under “Other Miscellaneous Deductions.” Should the taxpayer elect to take the standard deduction, he or she cannot itemize the losses.

Unlike Schedule D, which allows taxpayers to calculate the gains and losses that exceed their bases, Schedule A does not provide such instructions on the calculation. A taxpayer can take the deduction from the capital gains or losses, regardless of whether he or she takes a standard deduction or itemized deduction. However, a taxpayer must deduct his or her losses under Other Miscellaneous Deductions on Schedule A. Consequently, if he or she elects to take the standard deduction, the gaming losses cannot be deducted. Although capital gains historically enjoy preferential treatments, the similarities of the structures of the statutory terminologies signify that the Congress intended to treat these two sections with some degree of consistency. One possible explanation for such inconsistent views, perhaps, is to discriminate against incomes from gaming activities and discourage taxpayers from engaging in such. If that were the case, it begs the question as to whether such conflicting views are consistent with the context of the Code, its object, and policy, and gives the word “transactions” sufficient operative effect.

In *Commissioner v. Tellier*, the Supreme Court answered the question that in the absence of congressional directives, could certain deductions based on the incomes generated from less desirable or legitimate sources to be disallowed?⁵² The Court rejected the view, and disallowed

the use of tax law as a means to discriminate against the sources of income that were deemed to be less desirable or legitimate in society. As such, even though gaming activities may not be seen as legitimate to some people, the tax law certainly should not be the proper channel to condemn such activities and impose harsher treatments on such incomes than other sources. A similar point of view was ratified in *Commissioner v. Groetzinger*, which provided that Congress acknowledges that legitimate gaming losses do exist and such losses do have some effect on taxpayers’ incomes.⁵³

More importantly, in *Tellier*, the Supreme Court cited the legislative history of the first modern income tax bill during the 1913 Senate debate, in which various amendments proposing the deductions for losses to be limited to only the “legitimate” or “lawful” trade or business were rejected. Senator Williams, the sponsor of the bill, stated on the Senate floor that:

The object of this bill is to tax a man’s net income; that is to say, what he has at the end of the year after deducting from his receipts his expenditures or losses. It is not to reform men’s moral characters; that is not the object of the bill at all. The tax is not levied for the purpose of restraining people from betting on horse races or upon “futures,” but the tax is framed for the purpose of making a man pay upon his net income, his actual profit during the year. The law does not care where he got it from, so far as the tax is concerned...⁵⁴

Senator Williams’ view has been reflected in several Supreme Court’s decisions; for example, in *Tellier*, the Court cited several other decisions to support Senator Williams’ view that the tax law does not concern the source of income, as long as appropriate tax is paid on the income. It also cited *Commissioner v. Sullivan*, holding that even illegal enterprises operating under the state law should be allowed to deduct their expenses.⁵⁵ Although it would be tempting for the Court to rule that only legitimate businesses under the state laws are allowed to deduct their business expenses, and those operating illegally should be taxed on the gross receipts, it should be Congress that makes such a decision, and not the courts.⁵⁶

The Court’s ruling in *Tellier* addressed three important concepts concerning the origin and the purpose of the Code: (1) the tax should be paid based on the actual gains, i.e., the net income, during the year, according to Senator Williams’ view, (2) the tax law does not discriminate against the source of income, and (3) if Congress intends to treat gaming losses differently, the legislation should reflect that intent unambiguously. Furthermore, one interpretation of the *Tellier*’s holding perhaps is that if Congress had delineated what activities were deduct-

ible, then those activities should be treated consistently. Accordingly, § 165(d) should not be treated less favorably than other allowable deductions.

IV. Conclusion

Section 165(d) states that “[l]osses from wagering transactions shall be allowed only to the extent of the gains from such transactions.” The Service has instructed taxpayers who do not engage in the trade or business of gaming to report all gaming winnings on the “Other Income” line of Form 1040, U.S. Federal Income Tax Return, and claim gaming losses up to the amount of the winnings on “Schedule A, Itemized Deductions,” under “Other Miscellaneous Deductions.” By doing so, taxpayers must report the full amount for the payouts as income, and claim allowable losses separately.

The Service’s view presents two issues here: First, without the Service’s clear instructions, taxpayers must assume that the winnings include all gross receipts from the casino. Such a position, however, neglects the treatment of recovery of the capital, i.e., the amount of money players place on the bets, which should have been excluded from the players’ winnings. Second, the disallowance of netting the winnings and losses throughout the taxable year does not appear to be consistent with the legislative intent to tax only on the gains that represent the accessions to wealth clearly realized. Whereas the Chief Counsel conceded that “the fluctuating wins and losses left in play are not accessions to wealth until the taxpayer redeems his or her tokens and can definitively calculate the amount above or below basis (the wager) realized,” the plain meaning of the plural form “transactions” should refer to the aggregate of multiple occasions.

If netting the winnings and losses were allowed, one perhaps would argue that there would be no winnings to deduct under Itemized Deductions when a player subtracts the losses from his or her winnings. Although this argument sounds rational, it does not consider that a player may engage in various gaming activities, including lotteries, raffles, horse races, and casinos, among others, and therefore, has different winnings or losses generated from different categories of gaming activities that taxpayer maintains in separate accounts. Accordingly, he or she may still have a surplus from one category of gaming to be deducted from another category of gaming that produces losses. This perhaps explains that why Congress allows the gaming losses to be deducted to the extent of the gains from such transactions. To be consistent with other provisions of the Code, and not to discriminate against gaming incomes as a less legitimate income source, a possible solution is perhaps to provide worksheets to players for the purpose of calculating the winnings, losses, and potential deductions.

Endnotes

1. *LaPlante v. Comm’r*, 2009 Tax Ct. Memo LEXIS 228, 18 (T.C. 2009).

2. IRS Publication 505 (2013), available at http://www.irs.gov/publications/p505/ch01.html#en_US_2013_publink1000194506.
3. *Id.*
4. Six Tips on Gambling Income and Losses, IRS Summertime Tax Tip 2013-09, July 22, 2013, available at <http://www.irs.gov/uac/Newsroom/Six-Tips-on-Gambling-Income-and-Losses>; also see I.R.C. §165—Losses (year?).
5. *See id.*
6. IRS Topic 419 - Gambling Income and Losses, available at <http://www.irs.gov/taxtopics/tc419.html>.
7. Vegas FAQs, <http://www.lvcva.com/includes/content/images/MEDIA/docs/2012-Vegas-FAQs1.pdf>.
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9. Jennifer Bogdan, Press of Atlantic City, January 11, 2014, After the Atlantic Club closed in January 2014, 11 casinos remain in operation. *Also see* Atlantic Club closing signals new strategy in shrinking casino market at http://www.pressofatlanticcity.com/business/atlantic-club-closing-signals-new-strategy-in-shrinking-casino-market/article_e3d2a37a-7b43-11e3-9225-001a4bcf887a.html.
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12. NIGC Tribal Gaming Revenues, <http://www.nigc.gov/Portals/0/NIGC%20Uploads/Tribal%20Data/GamingRevenues20072011.pdf>.
13. Thomas Kaplan, The New York Times, November 5, 2013, Expansion of gambling in New York is approved, available at <http://www.nytimes.com/2013/11/06/nyregion/referendum-to-expand-casino-gambling-in-new-york-is-approved.html?adxnln=1&adxnlnx=1386449946-1JfFRw5sogWTV1YA9VwgsQ>.
14. Niraj Chokshi, The Washington Post, December 2, 2013, Online gambling is good for New Jersey’s credit rating, available at <http://www.washingtonpost.com/blogs/govbeat/wp/2013/12/02/online-gambling-is-good-for-new-jerseys-credit-rating/>.
15. Seth Perlman/Associated Press, The New York Times, October 9, 2013, Are Casinos Too Much of a Gamble?, available at <http://www.nytimes.com/roomfordebate/2013/10/09/are-casinos-too-much-of-a-gamble>.
16. I.R.C. § 61(a) (date?).
17. *James v. United States*, 366 U.S. 213, 219 (U.S. 1961).
18. *See Petty v. Commissioner*, T.C. Memo. 2004-144; *see also Lutz v. Commissioner*, T.C. Memo. 2002-89; *Sadlier v. Commissioner*, T.C. Memo. 1997-45.
19. I.R.C. § 62(a) (date?).
20. *Knight v. Comm’r*, 552 U.S. 181, 184 (U.S. 2008); also see I.R.C. § 62(a) and § 63(d).
21. Six Tips on Gambling Income and Losses, <http://www.irs.gov/uac/Newsroom/Six-Tips-on-Gambling-Income-and-Losses>.
22. *Id.*
23. *Helvering v. Midland Mut. Life Ins. Co.*, 300 U.S. 216, 224 (U.S. 1937).
24. *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 845 (U.S. 1984), quoting *United States v. Shimer*, 367 U.S. 374, 382, 383 (1961).

25. *Remos v. Commissioner*, T.C. Summary Opinion 2005-98, 2005 Tax Ct. Summary Lexis 140, 11 (T.C. 2005).
26. ("We do not have to decide and we explicitly do not decide the propriety of petitioner's theory of income recognition from recreational slot machine play because, as discussed below, we agree with respondent that with respect to 2004, petitioners did not maintain adequate records to substantiate her claims of net gambling winnings and losses. Thus, in its essence this case is solely one of substantiation.") *LaPlante v. Comm'r*, 2009 Tax Ct. Memo LEXIS 228, 13 (T.C. 2009).
27. *Shollenberger v. Commissioner*, 2009 Tax Ct. Memo LEXIS 310, 3-4 (T.C. 2009).
28. *Remos*, 2005 Tax Ct. Summary LEXIS 140, 2-3 (T.C. 2005).
29. ("The taxpayer must also prove that the amount of wagering losses claimed as a deduction exceeds the amount of the taxpayer's gains from wagering transactions. Sec. 165(d). Implicitly, this requires the taxpayer to prove both the amount of losses and the amount of winnings. *Schooler v. Commissioner*, 68 T.C. 867, 869 (1977); *Donovan v. Commissioner*, T.C. Memo. 1965-247, affd. per curiam 359 F.2d 64 (1st Cir. 1966). Otherwise, there would be no way of knowing whether the sum of the losses deducted on the return is greater or less than the taxpayer's winnings. *Schooler v. Commissioner*, supra at 869." *Remos*, 2005 Tax Ct. Summary LEXIS 140, at 8.
30. *Shollenberger*, 2009 Tax Ct. Memo LEXIS 310 (T.C. 2009).
31. *Id.*
32. *Hochman v. Commissioner*, T.C. Memo 1986-24, 1986 Tax Ct. Memo LEXIS 580, 9, 51 T.C.M. (CCH) 311, T.C.M. (RIA) 86024 (T.C. 1986).
33. See *Doyle v. Mitchell Bros. Co.*, 247 U.S. 179, 184-185 (U.S. 1918), ("As was said in *Stratton's Independence v. Howbert*, 231 U.S. 399, 415: "Income may be defined as the gain derived from capital, from labor, or from both combined"...Understanding the term in this natural and obvious sense, it cannot be said that a conversion of capital assets invariably produces income. If sold at less than cost, it produces rather loss or outgo. Nevertheless, in many if not in most cases there results a gain that properly may be accounted as a part of the "gross income" received "from all sources"; and by applying to this the authorized deductions we arrive at "net income." In order to determine whether there has been gain or loss, and the amount of the gain, if any, we must withdraw from the gross proceeds an amount sufficient to restore the capital value that existed at the commencement of the period under consideration.").
34. *Glenshaw Glass Co.*, 348 U.S. 426 (1955).
35. Six Tips on Gambling Income and Losses, IRS Summertime Tax Tip 2013-09, July 22, 2013, available at <http://www.irs.gov/uac/Newsroom/Six-Tips-on-Gambling-Income-and-Losses>.
36. *Doyle*, 247 U.S. 179, 185.
37. See *National Muffler Dealers Assn., Inc. v. United States*, 440 U.S. 472, 476-477 (1979); *Cottage Sav. Ass'n v. Comm'r*, 499 U.S. 554, 560-561 (U.S. 1991).
38. See *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 842-843 (U.S. 1984); *United States v. Dauray*, 215 F.3d 257, 260 (2d Cir. 2000).
39. See *National Broadcasting Co. v. United States*, 319 U.S. 190; *Labor Board v. Hearst Publications, Inc.*, 322 U.S. 111; *Republic Aviation Corp. v. Labor Board*, 324 U.S. 793; *Securities & Exchange Comm'n v. Chenery Corp.*, 332 U.S. 194; *Labor Board v. Seven-Up Bottling Co.*, 344 U.S. 344.
40. *United States v. Shimer*, 367 U.S. 374, 382, 383 (1961); *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 844-845 (U.S. 1984).
41. *Robinson v. Comm'r*, 119 T.C. 44, 70 (T.C. 2002) (citing *United States v. Vogel Fertilizer Co.*, 455 U.S. at 25-26; *National Muffler Dealers Assn. v. United States*, 440 U.S. at 477.(a))Section 1.163-8T, Temporary Income Tax Regs., 52 Fed. Reg. 24999 (July 2, 1987).
42. See *United States v. Mead Corp.*, 533 U.S. 218, 228 (U.S. 2001).
43. *Hughes Aircraft Co. v. Jacobson*, 525 U.S. 432, 438, 119 S. Ct. 755, 142 L. Ed. 2d 881 (1999); *In re Kaiser Aluminum Corp.*, 456 F.3d 328, 334 (3d Cir. Del. 2006).
44. Chief Counsel Advice 2008-011 (Dec. 5, 2008) (the Chief Counsel Advice).
45. *Shollenberger v. Commoner*, 2009 Tax Ct. Memo LEXIS 310, 3-4 (T.C. 2009).
46. See *United States v. Kozeny*, 541 F.3d 166, 171 (2d Cir. 2008) (interpreting 18 U.S.C. § 3292) (quoting *United States v. Albertini*, 472 U.S. 675, 680, 105 S. Ct. 2897, 86 L. Ed. 2d 536 (1985)).
47. *Duncan v. Walker*, 533 U.S. 167, 174, 121 S. Ct. 2120, 150 L. Ed. 2d 251 (2001) (quoting *United States v. Menasche*, 348 U.S. 528, 538-39, 75 S. Ct. 513, 99 L. Ed. 615 (1955)).
48. *United States v. Nordic Vill., Inc.*, 503 U.S. 30, 36, 112 S. Ct. 1011, 117 L. Ed. 2d 181 (1992).
49. *United States v. Pacheco*, 225 F.3d 148, 154 (2d Cir. 2000) (quoting *Richards v. United States*, 369 U.S. 1, 11, 82 S. Ct. 585, 7 L. Ed. 2d 492 (1962)).
50. *United Savings Ass'n of Texas v. Timbers of Inwoods Forest Assocs.*, 484 U.S. 365, 371 (1988).
51. Words in a statute used in the singular may apply to the plural as well:

In determining the meaning of any Act of Congress, words importing the singular include and apply to several persons, parties, or things; words importing the plural include the singular...the Supreme Court stated: "this rule is not one to be applied except where it is necessary to carry out the evident intent of the statute." *Pope & Talbot, Inc. v. Commissioner*, 104 T.C. 574, 581-582 (T.C. 1995).
52. *Comm'r v. Tellier*, 383 U.S. 687, 691-694 (U.S. 1966).
53. ("[T]he confinement of gambling-loss deductions to the amount of gambling gains, a provision brought into the income tax law as § 23(g) of the Revenue Act of 1934, 48 Stat. 689, and carried forward into § 165(d) of the 1954 Code, closed the door on suspected abuses, see H. R. Rep. No. 704, 73d Cong., 2d Sess., 22 (1934); S. Rep. No. 558, 73d Cong., 2d Sess., 25 (1934), but served partially to differentiate genuine gambling losses from many other types of adverse financial consequences sustained during the tax year. Gambling winnings, however, have not been isolated from gambling losses. The Congress has been realistic enough to recognize that such losses do exist and do have some effect on income, which is the primary focus of the federal income tax.) *Comm'r v. Groetzinger*, 480 U.S. 23, 32-33 (U.S. 1987).
54. *Comm'r v. Tellier*, 383 U.S. 687, 691-694 (U.S. 1966) (quoting 50 Cong. Rec. 3849).
55. *Comm'r v. Sullivan*, 356 U.S. 27.
56. *Comm'r v. Tellier*, 383 U.S. at 694.

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Internet Piracy Developments: Recent Case Law, Voluntary Collaborative Solutions, and Proposals for Additional Remedies

By Edward McCoyd

I. Introduction

Like other content industries, the U.S. book and journals publishing industry is seeing very significant volumes of online piracy of its copyrighted works. Major sources of the infringing files include host sites; sites which systematically link to the hosts; blogs or forums where infringing links are also posted; and sites facilitating file-sharing via peer-to-peer networks, especially the BitTorrent network. This article provides an overview of legislative provisions, case law, and voluntary antipiracy initiatives as they relate to online piracy of copyrighted works in a variety of media, as well as proposals by the U.S. book and journals publishing industry for enhanced tools to help combat the problem of illegal file-sharing.

II. Secondary Liability for Online Sites and Services

With respect to liability for the infringing activity, direct infringement would typically pertain to individual users of file-sharing services who trade infringing content.¹ As for potential liability for sites and services that these direct infringers are using, while liability for direct infringement is often not found, there are three doctrines pursuant to which a defendant may be held secondarily liable.

A. Contributory Infringement

Contributory infringement liability exists where, with knowledge of the infringing activity, the defendant induces, causes, or materially contributes to the infringing conduct of another.² The requisite knowledge may be actual or constructive, and “turning a blind eye” can also be the equivalent of knowledge (known as “willful blindness”).³

It has been held that there is no contributory infringement liability for the mere distribution of a copying device/technology if it is capable of substantial non-infringing uses. This was the U.S. Supreme Court’s ruling in 1984 in the case of *Sony Corp. of America v. Universal City Studios, Inc.* (*Sony*).⁴

B. Inducement

However, pursuant to the Supreme Court’s subsequent decision in 2005 in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.* (*Grokster*),⁵ “[O]ne who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirma-

tive steps taken to foster infringement, is liable for the resulting acts of infringement by third parties.”⁶

Therefore, the *Sony* decision from 1984 does not provide a complete shield against secondary liability to distributors of technology, such as the operators of online file-sharing services, for the infringing activities of users of these sites if this inducement-based liability is found to exist.

It is worth noting that while contributory infringement as defined by a number of court decisions includes situations where a defendant, with knowledge of the infringing activity, “induces” (or causes or materially contributes to) the infringing conduct of another, the “inducement” doctrine defined by the Supreme Court in *Grokster* is a separate secondary liability doctrine, distinct from contributory infringement (despite the fact that the word “induces” also appears in courts’ definitions of contributory infringement).⁷

C. Vicarious Liability

Next, there is vicarious liability where a defendant has a right and ability to supervise the infringing activity, and has a direct financial interest in such activities.⁸ There is no requirement, however, that there be either knowledge of the infringement or an intent for it to occur.⁹

The traditional example would be the vicarious liability of the owner or operator of a dance hall or other entertainment venue, who may not have direct knowledge of infringing performances of music at the venue, but can nevertheless be held liable for it.¹⁰

III. DMCA Safe Harbors

Despite the above doctrines, service providers may be shielded against monetary liability for direct or secondary infringement, if they qualify for one of the applicable safe harbors provided for under §512 of the Digital Millennium Copyright Act (DMCA),¹¹ embodied in §512 of Title 17 of the United States Code.¹²

A. Categories of Service Providers Eligible for Protection

There are four general categories of service providers eligible for safe harbor protection. While subsections (a)¹³ and (b)¹⁴ of §512 cover “mere conduit” and caching services, respectively, the two categories most relevant for this article are contained in §512 subsections (c)¹⁵ and (d).¹⁶

Section 512(c) covers providers of storage of “Information Residing on Systems or Networks At [the] Direction of Users.” This group would include, for example, a provider of server space for the hosting of a website, or a “user-generated content” (UGC) site, like YouTube, which stores content files uploaded by individual users.

Section 512(d), titled “Information Location Tools,” covers service providers which refer or link users to on-line locations using information location tools, “including a directory, index, reference, pointer, or hypertext link.” This definition includes search engines like Google and Bing, and the “linking” sites mentioned earlier.

B. Additional Criteria

In addition to meeting the definition of the type of service covered by subsection (c) or (d), however, a service provider still needs to satisfy a number of additional criteria in order to qualify for the safe harbor against damages for liability provided by either of those subsections. These include:

- The service provider does not have either actual knowledge or “red flag” awareness about the specific infringement involved; actual knowledge is subjective belief that the material is infringing, and red flag awareness is awareness of facts or circumstances from which infringing activity would be apparent to an objective, reasonable person.¹⁷

or

- Upon obtaining such knowledge or awareness, “acts expeditiously to remove, or disable access to, the material.”¹⁸
- The service provider does not “receive a financial benefit directly attributable to infringing activity, in a case in which the service provider has the right and ability to control such activity.”¹⁹ While these factors resemble the common law criteria for vicarious infringement liability, courts have interpreted “right and ability to control” more narrowly in the context of the §512 safe harbor requirements than in vicarious liability analyses. For the purposes of taking away the safe harbor, proof of “right and ability to control” requires a showing of what the courts have referred to as “something more” than the mere ability to remove or block access to the materials on a service provider’s website.

In *Viacom v. YouTube*, the Second Circuit pointed to facts in the case of *Perfect 10 v. Cybernet Ventures*²⁰ as an example of what would satisfy the “something more” requirement for removing the §512 safe harbor when combined with direct financial benefit.²¹ The defendant Cybernet ran a service called “Adult Check,” which conducted age verification of users on behalf of more than 300,000 adult content websites. The Adult Check policies included that “Each Adult Check site must con-

tain unique, quality, and adequate content. The quality, uniqueness and adequacy of the content is solely within the discretion of Adult Check, but generally means at least 30 pictures of sufficient quality to provide value to the Adult Check customer...All sites are monitored and reviewed for continued compliance.”²² The evidence presented also indicated that CyberNet reviewed sites before accepting them into the AdultCheck system, and that this included screening for “overuse of celebrity images.”²³ CyberNet also engaged in spot checking of sites,²⁴ and directed the affiliated webmasters on the layout, appearance, and content of their sites.²⁵

Grokster-style inducement has also been held to amount to “right and ability to control” under §512,²⁶ as discussed later in this article.

- Upon receipt of a “notification of claimed infringement” from the copyright holder (commonly referred to as a “takedown notice”) as defined in §512, the service provider must respond “expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of the infringing activity.”²⁷
- In the case of §512(c) service providers, the service must have a designated agent to receive §512 notifications of claimed infringement. The service provider must include “on its website in a location accessible to the public,” as well as file with the U.S. Copyright Office the name and contact information of the agent.²⁸

Pursuant to §512(i), to be eligible for safe harbor protection, the service provider must also:

- Adopt and reasonably implement, and inform subscribers and account holders of, “a policy that provides for the termination in appropriate circumstances of subscribers and account holders...who are repeat infringers;”²⁹ and
- Accommodate and not interfere with standard technical measures.³⁰ “Standard technical measures” are defined by the subsection as technical measures “that are used by copyright owners to identify or protect copyrighted works” and which, among other things,³¹ “have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process...”³²

A 1998 report of the U.S. House of Representatives’ Judiciary Committee confirmed that with its inclusion of the “standard technical measures” provision, it was “expected” by Congress “that all of the affected parties will expeditiously commence voluntary, inter-industry discussions to agree upon and implement the best technological solutions available to achieve these goals” of identifying and protecting copyrighted works.³³ The

Association of American Publishers (AAP) has pointed to §512(i) and this expectation of Congress in a submission of comments made in March to the House Judiciary Committee regarding §512,³⁴ as the Committee is currently engaged in a series of hearings as part of a wholesale review it is conducting of the U.S. Copyright Act and whether amendments may be needed.³⁵ In its comments, the AAP urged that the multi-stakeholder process now be convened, given the continuing need and the advances which have occurred both in the availability of potentially suitable technological solutions and the likelihood that website operators may be more receptive to implementing them in light of the positive experiences reported regarding their uses.³⁶

AAP notes further in its comments that significant technological strides have been made to enable content hosting and UGC sites to implement filters preventing the making available of files which contain verbatim or significant matches to content flagged by copyright owners as not authorized for distribution on a site.³⁷ With respect to audiovisual content, YouTube's "Content ID" system is the most prominent example currently.³⁸ As for text-based works, such as books and journals, the document-hosting site Scribd.com has had a filter in place for several years,³⁹ which has achieved a sharp reduction in infringements without harm to the site's legitimate functionality. The reference file databases used by both the YouTube and the Scribd filters implement a system called "digital fingerprinting," which takes pieces of data specific to a work to create a unique "fingerprint" of that work, against which all new file uploads to the service are compared. YouTube also includes a commercialization component, so that while copyright owners can opt to have videos containing their works blocked, one of the other alternatives is for them to allow the videos to be up, but to also share in YouTube's advertising revenues associated with such videos.

AAP has recommended the creation of a multi-industry body led by the National Institute of Standards and Technologies (NIST),⁴⁰ or some other government agency with the relevant expertise, to devise or identify a wide range of generic technical measures that service providers could implement to reduce infringement.⁴¹

It is also important to note that pursuant to §512(m), nothing in §512 "shall be construed" to condition any of the safe harbors on "a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i)."⁴²

Finally, in addition to the above requirements, subsection 512(g) provides service providers with a safe harbor against liability for *taking down* the material.⁴³ To enjoy the §512(g) safe harbor, §512(c) service providers must:

- (A) promptly notify the subscriber that the material has been removed or blocked; and
- (B) upon receipt of a valid "counter notification" from the subscriber as defined by the statute, put back the material between 10 and 14 days following the service provider's receipt of the counter-notice, unless the service provider is first notified by the rights holder that it has filed an action seeking a court order against the subscriber.⁴⁴

IV. Recent Case Law

In 2013, courts in a number of major cases involving copyright infringement claims against service providers rendered decisions interpreting and applying the provisions of §512. These decisions are summarized below.

A. *Columbia Pictures Indus., Inc. v. Fung*⁴⁵

1. Inducement Liability

In a case brought by Columbia Pictures and several other film studios against Gary Fung and his company IsoHunt Web Technologies, a three-judge panel of the Ninth Circuit held the defendants secondarily liable for copyright infringement on the basis of inducement as laid out by the Supreme Court in *Grokster*. The defendants operated three torrent sites, as well as an additional site helping users to access files via the eDonkey peer-to-peer network. The Ninth Circuit panel pointed to numerous pieces of evidence of intent to promote the use of the services for copyright infringement, including the following direct evidence:

- For a time, IsoHunt, Fung's flagship site, prominently featured a list of "Box Office Movies," containing the 20 highest-grossing movies then playing in U.S. theaters. When a user clicked on a listed title, he or she would be invited to "upload [a] torrent file" for that movie.⁴⁶
- Fung also posted numerous messages to a forum on IsoHunt, requesting that users upload torrents for specific copyrighted films; in other posts, he provided links to torrent files for copyrighted movies, urging users to download them.⁴⁷
- The record was replete with instances where Fung responded personally to queries for assistance in uploading torrent files corresponding to obviously copyrighted material, finding particular copies of movies and television shows, getting pirated material to play properly, and burning the infringing content onto DVDs for playback on televisions.⁴⁸

Corroborating evidence of inducement, which was comparable to evidence deemed corroborating in the *Grokster* case, included:

- Fung took no steps to develop filtering tools or other mechanisms to diminish the infringing activity;⁴⁹ and
- Fung generated revenue almost exclusively by selling advertising space on his websites. The more users who visited Fung’s websites and viewed the advertisements there, the greater the revenues to Fung.⁵⁰

It is important to note, though, that these latter pieces of evidence would not on their own be deemed sufficient to establish inducement. Instead, they amounted to corroborating evidence in light of the more direct evidence mentioned above, such as Fung’s communications and interactions with users.⁵¹

2. DMCA Safe Harbor Analysis

Despite its finding of inducement, the Ninth Circuit said that it still needed to be considered whether the defendants qualified for any of the DMCA safe harbors. It must be kept in mind that secondary liability for damages can only be imposed if the service provider does not qualify for DMCA safe harbor protection. Indeed, the Ninth Circuit panel rejected the plaintiffs’ argument that inducement liability is inherently incompatible with §512 safe harbor protection.⁵²

The judges evaluated the defendants’ invoking of the safe harbors under §512(d) (“Information Location Tools”) and §512(c) (“Information Residing on Systems or Networks at Direction of Users”). While §512(c) is typically associated with sites or services hosting the actual content files which infringe copyrighted works, the panel held that Fung’s torrent sites were also §512(c) sites, because they contained the torrent files which are used to find and assemble the content from the BitTorrent network. A torrent file contains pieces of information about the target content file which the BitTorrent software uses to retrieve and assemble the content for the user from the peers on the network who are sharing it.⁵³ Section 512(c) makes reference to “material or an activity using the material” (emphasis added) which “is infringing”; here, the torrents were held to constitute the “material” “used” to carry out the infringing activity.⁵⁴ Section 512(d) was also evaluated, since by providing searchable indexes of torrents, the torrent sites were also “information location tools.”⁵⁵

The Ninth Circuit panel held the defendants ineligible for safe harbor protection under either §512(c) or (d), however. The defendants failed to satisfy the requirement that they did “not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.” This requirement is contained in §512(c) (1) (B), as well as in §512(d) (2).

As noted by the Second Circuit in *Viacom v. YouTube*,⁵⁶ while §512 “right and ability to control” requires “some-

thing more” than merely having the general ability to locate infringing material and terminate the users’ access, purposeful conduct such as *Grokster*-style inducement may support a finding of such control. Here, the Ninth Circuit panel found that the defendants’ inducement demonstrated Fung’s “substantial influence” over the activities of the sites’ users.

The “financial benefit” prong was also satisfied on the basis that the defendants made revenue from the sale of advertising space on their sites, that the ad revenue depended on the number of users who viewed and then clicked on the advertisements,⁵⁷ and that Fung had failed to rebut that his services were widely used to infringe copyrights. Columbia’s expert averred that between 90 and 96% of the content associated with the torrent files available on Fung’s websites was “confirmed or highly likely copyright infringing” material.⁵⁸

B. *Viacom Int’l, Inc. v. YouTube, Inc.*⁵⁹

1. Background

Considering the *Grokster* and *Fung* decisions, one might be surprised at the judicial outcomes of the lawsuit brought by Viacom against YouTube, prior to an out-of-court settlement of the case in March of this year.⁶⁰ The global media company Viacom, along with other plaintiffs, sued YouTube and its current owner Google in 2007. The basis of the action was 79,000 videos posted by users onto YouTube beginning in 2005.⁶¹ YouTube had been founded in February of 2005 by the individuals Chad Hurley, Steve Chen, and Jawed Karim.⁶²

In 2010, the U.S. District Court for the Southern District of New York granted summary judgment to YouTube, finding that the plaintiffs had failed to prove that YouTube had either actual or red-flag knowledge of the specific infringements on which the plaintiffs were suing, and that YouTube in all other respects qualified for the DMCA safe harbors against damages for secondary liability for the posting of infringing materials by YouTube’s users.⁶³

In 2012, the Second Circuit affirmed the District Court’s holding that knowledge of specific infringements-in-suit is required for a finding that a defendant has failed to satisfy the requirement under §512(c) (1) (A) that the defendant not have knowledge or awareness of infringing material on its system, or when it becomes aware of such material, acts expeditiously to remove or disable access to it. YouTube did routinely respond to notifications from copyright holders by taking the material down, and the District Court stated in its 2010 decision that it was “uncontroverted that all of the clips in suit [were] off the YouTube website, most having been removed in response to DMCA takedown notices.”⁶⁴

The Second Circuit in 2012 did remand the case for further review by the Southern District, instructing it to

address, in light of the Second Circuit's own analysis, whether YouTube:

- 1) Had knowledge or awareness of any of the specific infringements-in-suit (video "clips in suit");
- 2) Willfully blinded itself to specific infringements-in-suit; and
- 3) Had a right and ability to control infringing activity. However, the Second Circuit held that §512 "right and ability to control" does not need to pertain to the specific infringements which are the subject of the suit.⁶⁵

2. District Court's Remand Decision

On remand last year, the Southern District answered all of these questions in the negative. In light of the onus on copyright holders to notify service providers of specific infringements and their URL locations, the "no duty to monitor" provision in §512(m), and the ability of a service provider to avail itself of the §512 safe harbors by more passively complying with takedown notices, the Court went so far as to say that "knowledge of the prevalence of infringing activity, and welcoming it, does not itself forfeit the safe harbor."⁶⁶

3. Courts' Treatment of Evidence Regarding Statements by YouTube's Founders

Although the case is over due to the settlement, one could continue to take issue with the "and welcoming it" portion of that statement, as the word "welcoming" quite arguably indicates intent. The plaintiffs had put forth a variety of evidence suggesting that in YouTube's early days, the site's founders intended that the service be used for copyright infringement—in other words, engaged in "inducement" rising to the level of "control" which should have been held to disqualify YouTube for DMCA safe-harbor protection due to the "right and ability to control" provision in §512(c) (1) (B). The evidence, at least as conveyed by the plaintiffs, featured a number of internal e-mails among the founders, including:

- Statements indicating a desire to avoid looking "like a dumping ground for copyright stuff" or "Bittorrent," at the same time without risking drops in "site traffic and virality."⁶⁷
- The decision to proactively take down whole movies and television shows, but to leave up "music videos," "news programs," "sports" and "comedy clips."⁶⁸
- Chen's explanations that: "That way, the perception is that we are concerned about this type of material and we're actively monitoring it" but the "actual removal of this content will be in varying degrees. That way...you can find...truckloads of...copyrighted content...[if] you [are] actively searching for it."⁶⁹

- E-mails evidencing that the founders themselves uploaded infringing videos. One e-mail noted that founder "Jawed [was] putting stolen videos on the site." Chen warned, "We're going to have a tough time defending the fact that we're not liable for the copyrighted material on the site...when one of the co-founders is blatantly stealing content from other sites and trying to get everyone to see it."⁷⁰ In another instance, Chen e-mailed about a video, saying "steal it!" When Hurley expressed concern about "steal[ing] the movies," Chen countered: "[W]e need to attract traffic...[T]he only reason why our traffic surged was due to a video of this type."⁷¹
- Chen twice wrote that 80% of user traffic depended on pirated videos. He opposed removing infringing videos on the ground that "if you remove the potential copyright infringements...site traffic and virality will drop to maybe 20% of what it is."⁷² When Karim proposed that they "just remove the obviously copyright infringing stuff," Chen again insisted that even if they removed only such obviously infringing clips, site traffic would drop at least 80%.⁷³

The plaintiffs also alleged that YouTube emphasized the popularity of known infringing videos to potential investors. They contended that "Lazy Sunday" from NBC's "Saturday Night Live" was enormously popular on YouTube, and that even after YouTube received takedown notices from NBC for this video, YouTube highlighted the video's success to potential investors and its own board of directors to show how YouTube was using infringing professional content to draw viewers.⁷⁴

Both the Second Circuit and the District Court, however, placed little emphasis on this evidence in their respective decisions as it pertained to the plaintiffs' inducement claim, and instead rather narrowly focused on it with regard to the question of whether any of these communications indicated knowledge of specific instances of infringement of the plaintiffs' copyrighted works which were the clips-in-suit.

This author's view is that both courts' decisions were significantly influenced by the fact that after Google acquired YouTube in 2006, the site emerged into a relatively responsible actor. In its decision on remand last year, the District Court noted that in 2007, Viacom gave notice to YouTube regarding infringements contained in approximately 100,000 videos, and that YouTube took all of them down by the next business day.⁷⁵ Furthermore, YouTube has introduced its Content ID system described earlier.

C. *UMG Recordings, Inc. v. Shelter Capital Partners*⁷⁶

This case, like *Viacom*, involved an action against the providers of a UGC site featuring videos, Veoh.com. The Ninth Circuit's decision in the case last year bore close resemblance to the Second Circuit and the Southern District

of New York's 2012 and 2013 decisions in *Viacom*. Veoh was found by the Ninth Circuit to have satisfied all of the requirements for §512(c) safe harbor protection.

Interestingly, the Court was not persuaded by the plaintiffs' argument that Veoh should lose safe harbor protection because it purchased search terms through Google AdWords identifying popular UMG recording artists, such as 50 Cent, Avril Lavigne, and Britney Spears. The Court noted that another recording company besides UMG held the copyrights to some of these artists' songs, but said furthermore that even if Veoh had not had licenses to include some of these artists' songs, the search terms purchases would be insufficient to demonstrate that Veoh knew it hosted infringements of these artists' works. The Court's reasoning was that companies sometimes purchase search terms they believe will lead potential customers to their websites, even though the terms do not describe goods or services the company actually provides.⁷⁷

D. *Capitol Records, LLC v. Vimeo, LLC*⁷⁸

1. September 2013 Decision

Capitol Records v. Vimeo involved yet another action against a UGC video site. The plaintiff recording companies sued for infringement of their musical recordings in 199 videos. In its initial decision in the case in September of last year, the U.S. District Court for the Southern District of New York found that the plaintiffs had proven interaction by the defendant's employees with 55 of the 199 videos-in-suit, including making comments on video pages, clicking the "Like" button on videos, and other forms of interaction.⁷⁹

As the videos included music by well-known recording artists, the court held that these interactions created a triable issue of fact as to whether Vimeo had knowledge (either actual or red flag) of the infringing content in these 55 videos. In so holding, the court rejected Vimeo's argument that employees would not know for sure that the uses of the copyrighted music were not either licensed or fair use. The court cited the Ninth Circuit's decision in *Columbia Pictures v. Fung*, that the material in that case was "sufficiently current and well-known that it would have been objectively obvious to a reasonable person that the material...was both copyrighted and not licensed to random members of the public."⁸⁰

With respect to the remaining 144 videos, the Court granted summary judgment in favor of the defendants, finding no evidence that Vimeo acquired knowledge of the infringements, and also finding that the remaining criteria for the §512 safe harbor were satisfied.

The plaintiffs had further argued that Vimeo had been willfully blind to infringing activity on its site. Examples of evidence put forward by the plaintiffs to support this contention included:

- In response to a user inquiry about third-party copyrighted material being included, a Vimeo employee wrote back, "Don't ask, don't tell."⁸¹
- In an internal e-mail thread, the vice president of product and development wrote, "we ignore music and say that legality doesn't matter when it comes to the uploading rules..."⁸²
- Another employee, having received a message from a user providing a link to a video game and stating, "I have noticed several people using copyrighted music on Vimeo. What do you do about this?," forwarded the e-mail internally with the comment "Ignoring, but sharing."⁸³

The court called these examples "disconcerting" but insufficient to establish willful blindness of specific instances of infringement at issue in the litigation. So, the same as with actual or red flag knowledge, proof of willful blindness must be with respect to specific instances of infringement which are the subject matter of the litigation in order to establish "knowledge or awareness" under §512.⁸⁴

The Court distinguished the case *In re: Aimster Copyright Litigation*⁸⁵ from a decade earlier, in which the U.S. Court of Appeals for the Seventh Circuit upheld a preliminary injunction against the file-sharing service Aimster. The Seventh Circuit found that the recording industry plaintiffs in that case were likely to succeed on their contributory infringement claim, on the basis that Aimster had been willfully blind to infringements. Aimster encrypted all files shared directly between users via its peer-to-peer system, rendering it impossible for Aimster to review content being distributed to determine whether it might be copyright infringing. Thus in *Aimster*, the willful blindness found by the Seventh Circuit was not specifically with regard to infringements on which the plaintiffs were suing, but was instead a generalized willful blindness to infringement on the service.⁸⁶ The *Vimeo* Court distinguished the *Aimster* holding, because Aimster had failed to provide *any* evidence of non-infringing use of its service, thereby disqualifying it for *Sony* protection, and because of the sheer breadth of the willful blindness flowing from the blanket encryption of the traded files.⁸⁷ The §512 safe harbor was also lost by Aimster, because its encryption of all files precluded it from having a repeat infringer policy.⁸⁸

The *Vimeo* plaintiffs further contended that Vimeo should lose §512 safe harbor protection on the grounds that through the aforementioned employee interactions with 55 of the videos-in-suit, the defendant engaged in the "something more" required to find "right and ability to control" under §512(c) (1) (B). The court disagreed, essentially finding the employees' interactions to be inconsequential to the "right and ability to control" analysis, since as of the year 2012, there were only 74 staff people,

compared with approximately 12.3 million registered users uploading 43,000 new videos each day.⁸⁹

Furthermore, while “troubled” by Vimeo employees’ aforementioned responses to certain user questions about possible infringement, the court concluded that: “The scattered examples of communication with users simply do not demonstrate a substantial influence over users’ activities.”⁹⁰

The court applied similar reasoning in addressing the plaintiffs’ claim that Vimeo engaged in “something more” through inducement of infringement. Certain instances had been shown of Vimeo employees themselves directly uploading some infringing videos, and Vimeo had also encouraged, and in some instances itself developed, what were called “lip dubs,” that is, posting a video where a person moves his or her lips in sync with the lyrics to a musical recording incorporated into the video.⁹¹ Furthermore, Vimeo was shown to have offered technical support as to how users could incorporate music—including infringing music—into videos,⁹² and as discussed earlier, several employees’ responses to questions about copyright indicated tacit and even explicit acceptance of infringing uploads. The court said, however, that these facts did not amount to “substantial influence” over users’ activities, and that to establish “right and ability to control,” the influence needed to be “significantly more widespread and comprehensive.”⁹³

Finally, the court found Vimeo’s responsiveness to takedown notices which were sent by the plaintiffs on three occasions to be sufficiently expeditious. On two of the takedown notices Vimeo removed the videos within one day, but on the third takedown notice, involving 170 videos which infringed EMI works, Vimeo took three and a half weeks to remove the videos. The court deemed three and a half weeks “expeditious,” however, given the number of videos.⁹⁴

2. Order Upon Motion for Reconsideration⁹⁵

In its Order Upon Motion for Reconsideration in December, the Southern District determined that 15 of the videos previously thought to have been interacted with by Vimeo’s employees had not actually been viewed by the employees. However, the court rejected the defendants’ argument with respect to 18 other videos that the infringing nature of the videos should be held “not objectively obvious to a reasonable person” because in addition to third-party copyrighted music, the videos contained some original elements and therefore could potentially have made fair uses of the music. The court pointed out that 17 of the videos played all or virtually all of the copyrighted song, and that the 18th video, which lasted 48 seconds, had the song playing the entire time while the lyrics were displayed. Furthermore, almost all of the videos or the pages on which they were contained displayed the artist and the song title, and all of the videos played,

in the court’s words, “what a reasonable jury could deem recognizable songs by well-known artists.”⁹⁶

E. *Disney Enters. v. Hotfile Corp.*⁹⁷

1. Parties

Film studios scored what was on the whole a significant win last year in the case of *Disney v. Hotfile*. This case was brought by Disney Enterprises and four other major film studios against the sharehosting site Hotfile.com and its founder, Anton Titov.

2. No Safe Harbor

The U.S. District Court for the Southern District of Florida held that Hotfile was ineligible for the §512(c) safe harbor because it failed to implement a repeat infringer policy until sometime after the litigation had been commenced. Prior to the action, Hotfile had received takedown notices on more than eight million infringements posted by five million of its users.⁹⁸ Hotfile had terminated only 43 of these users,⁹⁹ and only as a result of litigation and threatened litigation, not because of any repeat infringer policy.¹⁰⁰ In fact, Hotfile had not even kept records associating takedown notices with the specific users who had posted the infringements,¹⁰¹ even though Titov testified that Hotfile knew the user identity for every upload and that it would have been a “trivial task” to pinpoint user identities from infringement notices.¹⁰² Strikingly, it turned out that by the time of the complaint, 24,790 users had accumulated more than three notices, 1,217 of these individuals each had 100 notices, and 61 users had more than 300 infringement notices.¹⁰³

Immediately after the film studios brought their litigation against Hotfile, the site adopted and began enforcing a “three strikes” repeat infringer policy, leading within a few months to the termination of more than 22,000 users’ accounts.¹⁰⁴ Hotfile also implemented a filter based on video fingerprinting as well as file hashes, to prevent the re-upload of infringed works and of files completely identical to infringing files previously posted.¹⁰⁵ In light of these and other changes, Hotfile sought partial summary judgment in its favor on the applicability of the DMCA to its conduct *after* the litigation was initiated.¹⁰⁶ However, the court responded that the studios had made clear that they had brought the suit based on Hotfile’s system and business model “as they existed pre-Complaint” and that post-Complaint damages were not part of the dispute.¹⁰⁷

The court also held that Hotfile, which began its operations in February of 2009,¹⁰⁸ failed to enjoy safe harbor protection at least through May 2010 because Hotfile did not fulfill §512(c)’s requirement that it register an agent for receiving DMCA notices with the U.S. Copyright Office until December 2009, or the requirement that it identify an agent on its own website until May 2010.¹⁰⁹

3. Knowledge a Triable Issue

The court also addressed the question of whether Hotfile had actual, red flag, or “willful blindness” knowledge of specific infringements on the service without expeditiously removing them. The court concluded that this would have been a triable issue of fact if Hotfile had not already been disqualified for safe harbor protection on the grounds previously mentioned.

One fact¹¹⁰ that the court pointed to as being relevant to such an analysis regarding knowledge was Hotfile’s “master copy policy.”¹¹¹ When Hotfile received a claim of infringement, it disabled any offending links but did not actually remove the file from the server, thus leaving it accessible for download with a different link.¹¹² As explained further by the plaintiffs’ Complaint, Hotfile permitted registered users to upload a single copy of a work once, but then make five additional, separate copies of the work on Hotfile’s servers, each with a different URL link. The plaintiffs contended that the purpose of this feature was to frustrate takedown notices; when the link was discovered by the copyright owner and deactivated by Hotfile, the user could immediately post one of the additional links to the same content, without even having to re-upload the content.¹¹³

4. Liability

The court held Hotfile liable as a vicarious infringer,¹¹⁴ granting summary judgment to the plaintiffs on this issue.¹¹⁵ The court found that Hotfile profited from the widespread infringement on its site, because this activity constituted a “draw” for users to purchase \$9.00-per-month premium subscriptions to the service.¹¹⁶ Among other things, the Court pointed to what it called a “dramatic” drop in Hotfile’s income after the complaint was filed and Hotfile introduced its three-strikes policy and filter.¹¹⁷ The court also found that the second prong of vicarious liability—the right to control users’ infringing conduct and failure to do so—was satisfied since, among other things, Hotfile provided the hosting facilities and had the ability to prevent infringements.¹¹⁸

Anton Titov was held liable as well, for his leading and ubiquitous role in the activities of the service, and the financial benefit that he obtained from it.¹¹⁹

5. Judgment and Stipulation

The court ultimately entered a judgment against the defendants, in favor of the plaintiffs on their claim of vicarious liability, in the amount of \$80 million.¹²⁰ Hotfile was also ordered, if it continued to operate its site, to implement “state-of-the-art” content identification and filtering technology, from reliable third-party technology providers, which would prevent infringement of any of the plaintiffs’ works to the greatest extent allowable by available technology.¹²¹ Hotfile instead has shut down.¹²²

Pursuant to a stipulation between the parties, Hotfile dropped a counterclaim it had made against Warner

Bros.¹²³ for some erroneous file takedowns which Warner had triggered. Prior to the stipulation, the court had held that Hotfile could proceed with its counterclaim on the basis of §512(f), which provides that knowingly making a material misrepresentation in either a takedown notice or a counter-notification under 512 exposes a party to liability for damages, including costs and attorney’s fees, incurred by an injured party.¹²⁴

V. Voluntary Initiatives

Looking ahead, as mentioned earlier, the publishing community is particularly interested in seeing much more widespread implementation of filters or other technical tools to make the process of keeping infringements off Internet sites significantly more effective than is currently the case with the notice and takedown system. AAP believes that commencing a process to identify or develop “standard technical measures” as defined by § 512(i) is critical. In addition, the publishing industry welcomes a variety of voluntary efforts either under way or which have already occurred to foster improvements in a number of areas.

- For instance, the *Principles for User Generated Content Services* (UGC Principles) developed by content companies and service providers in 2007 encourages service providers to implement content identification technology filters using reference data supplied by copyright owners.¹²⁵ More recently, the *Fair Use Principles for User Generated Video Content*, endorsed by the Electronic Frontier Foundation and other organizations including educational institutions, recommends how to apply automated filtering in a manner that provides technological safeguards against blocking fair uses.¹²⁶
- The Copyright Alert System is a collaborative initiative of the film, television, and music industries and Internet access providers in the U.S. to send notices to the service provider’s subscribers who are found to be using peer-to-peer networks to trade infringing files, with potential service restrictions to follow against the worst repeat infringers.¹²⁷
- There is also a Payment Processor Portal being made available by the International AntiCounterfeiting Coalition (IACC) to help copyright and brand owners submit reports to credit card companies and other payment processors upon finding sites and services which are trafficking in pirated content and to which the payment processors are providing service.¹²⁸
- Last summer, advertising placement services including Google, Yahoo!, AOL, Microsoft, Condé Nast, Adtegrity, and others, with the support of the Interactive Advertising Bureau (IAB), committed to a set of Best Practices intended to reduce the flow of

ad revenue to operators of piracy and counterfeiting sites.¹²⁹

- The U.S. Department of Commerce is establishing a multi-stakeholder dialogue on improving the operation of the notice-and-takedown system, including the development of best practices, in terms of implementation of the current provisions relating to notice-and-takedown in §512 of the DMCA. This effort was one of the proposals of the Department of Commerce's Internet Policy Task Force (Task Force) in its "Green Paper" on *Copyright Policy, Creativity, and Innovation in the Digital Economy* published last summer.¹³⁰

AAP's submitted comments to the Task Force have recommended that, among other things, the best practices include a baseline for what actions should characterize a user as a "repeat infringer" for the purposes of service providers' repeat infringer policies; provide for greater transparency as to what the service provider's repeat infringer policy is, as well as protocols for copyright holders to be notified about repeat infringing activity; define what constitutes "expeditious" removal of infringing material in response to a takedown notice; create commonly accepted takedown notice templates; provide that service providers will avoid requirements, such as the use of CAPTCHAs,¹³¹ in a way that thwarts the automated sending of takedown notices; and establish criteria for the provision of "information *reasonably sufficient* to permit the service to locate the" infringing material in accordance with §512.¹³²

AAP has also asked Congress in AAP's comments on §512 to encourage search engines to work with copyright owners on issues such as autocomplete suggestions with terms like "free download" appearing when the user types in the title of a popular copyrighted work, and avoiding directing users to results on sites like The Pirate Bay, which are dedicated to infringement.¹³³

VI. Further Comments from the Publishing Community to the House Judiciary Committee

In addition to supporting the establishment and implementation of "standard technical measures," voluntary solutions, and notice-and-takedown best practices, AAP advocated in its March 2014 comments to the House Judiciary Committee for the ability of copyright owners to obtain special types of judicial intervention with respect to two categories of sites.

A. Sites with Business Models and Behaviors That Attract Infringement

The first would be what AAP's comments submission refers to as "Sites with Business Models and Behaviors that Attract Infringement."¹³⁴ Publishers have encountered a number of sites which are rife with infringements

of their copyrighted works but which may qualify for the DMCA's safe harbors as the sites comply with takedown notices, despite having business models that attract high volumes of infringement. AAP has urged that U.S. federal courts have discretion—notwithstanding the DMCA safe harbor protections—to order limited injunctive relief, including requiring the site to adopt commercially reasonable and effective technical measures to decrease infringement on the site.

AAP has suggested a number of non-exclusive factors that a court could take into account in determining whether a site has a business model that attracts infringement. These considerations include:

- Whether the site rewards users for uploading content that is likely infringing, such as monetary rewards programs for files downloaded a substantial number of times;¹³⁵
- how much infringing content appears on the site, as compared with the amount of non-infringing material;
- whether the site allows unlimited downloading of uploaders' files by anonymous third parties; and
- a service provider's failure to implement technical measures, such as a filter where appropriate, to prevent infringement.

It is noted in AAP's comments that §512(j) of Title 17 already provides that courts can grant injunctive relief even if monetary relief is precluded by a §512 safe harbor.¹³⁶ Although there is a lack of case law to date shedding light on the scope of requirements that a §512(j) injunction can impose, the language of the provision arguably enables the type of injunction envisioned by the publishing community.

It is also noteworthy that in Germany, this type of court order is quite common. As affirmed by the German Supreme Court last summer in a case brought by the publishers Walter de Gruyter and Campus Verlag against the sharehosting site RapidShare.com,¹³⁷ a site or service that has an increased risk for infringement¹³⁸ has an increased obligation to take measures to prevent infringement.¹³⁹ RapidShare was ultimately required to adopt a range of preventive measures, including technical filters.

B. Non-Compliant Sites

Secondly, there is the issue of service providers which are simply not compliant with the DMCA—for example, they ignore takedown notices—but which operate in jurisdictions outside of the U.S. With respect to these types of sites, AAP urges that copyright owners have the ability to obtain court orders requiring U.S.-based services on which the site may be relying for the operation of its business—including advertising placement services, payment processors, search engines, domain name registrars, and

hosting server providers—to withdraw service from the site.¹⁴⁰

Again pointing to Europe, it is noteworthy that court orders mandating actual site blocking have been granted for some time in civil actions in the European Union (EU). It was reported in March that the European Court of Justice, in its review of an order by Austria's highest court requiring a telecommunications company to block the movie-streaming site Kino.to, ruled that EU states do have the right to order internet service providers to block copyright-infringing websites.¹⁴¹ In the U.K., London's High Court has issued orders during the past several years requiring a number of the major Internet Access Providers to block access within the U.K. to a range of piracy sites, pursuant to §97A of the U.K.'s Copyrights, Designs, and Patents Act.¹⁴² A new regulation went into effect in Italy earlier this year allowing the Italian communications authority AGCOM to order internet service providers to block infringing sites,¹⁴³ and orders by courts or regulatory agencies requiring ISPs to block the notorious torrent site The Pirate Bay have been issued in Belgium, Denmark, Finland, Germany, Ireland, Italy, and the U.K.¹⁴⁴

Domain name re-direction has also taken place extensively in the U.S. under Operation In Our Sites, an initiative in which criminal seizure provisions of the U.S. Code have been applied by courts to issue website seizure orders executed by Federal law enforcement agencies.¹⁴⁵

VII. Conclusion

When it enacted the DMCA in 1998, Congress sought to strike an appropriate balance between protecting responsible internet service providers against liability for the infringing activities of Internet users, and ensuring the ability of copyright owners to protect their works against unfettered infringement online. Unfortunately, subsequently emerging types of services, including cyberlockers, torrent sites, and other sites facilitating systematic and large-scale infringement, combined with §512's safe harbor provisions as expansively interpreted by federal courts, have led to an unsatisfactory result. In an often futile effort to prevent infringements of their works from being made available online, rights holders are having to engage either in costly litigation against the sites themselves, with highly uncertain prospects for success, or more routinely in a burdensome and largely ineffective game of notice-and-takedown "whack-a-mole."

By way of illustration, Paul Doda, global litigation counsel for the science publisher Elsevier, testified to the House Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Internet in March that his company was having to send hundreds of recurring takedown notices to the same file-hosting sites, regarding the same titles repeatedly uploaded by users of the services.

Examples of these repeated uploads and takedown notices included:

- a Genetics book 571 times on www.4shared.com;
- a Human Anatomy book 384 times on www.4shared.com;
- an Ophthalmology book 298 times on www.4shared.com;
- a Physiology book 281 times on www.4shared.com;
- an Embryology book 245 times on www.4shared.com;
- a Psychiatry book 231 times on www.uploaded.net;
- a Neurology book 112 times on www.uploaded.net;
- a Psychiatry book 373 times on www.share-online.biz; and
- six other book titles removed over 100 times each from many other sites.¹⁴⁶

This problem of having to send notices again and again on the same titles is one echoed throughout the rights holder community, not only by content companies, but also by individual creators.¹⁴⁷

Current and new dialogues and efforts among rights holders, service providers, user communities, and policy makers to effectively remove copyright infringements from the online environment are critical, and vigorous pursuit of them should continue.

Endnotes

1. A&M Records v. Napster, Inc., 239 F.3d 1004, 1013-14 (9th Cir. 2001).
2. Arista Records LLC v. Usenet.com, Inc., 633 F. Supp. 2d 124, 154 (S.D.N.Y. 2009).
3. *Id.*; see also Matter of Aimster Copyright Litig., 334 F.3d 643, 650 (7th Cir. 2003).
4. Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 442 (1984) (holding that "...the sale of copying equipment...does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses").
5. Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913 (2005).
6. *Id.* at 919.
7. See, e.g., *Arista Records LLC*, 633 F. Supp. 2d at 124, 129, 149 (addressing the plaintiffs' "claims for" (1) direct infringement, "(2) inducement of copyright infringement, (3) contributory copyright infringement and (4) vicarious copyright infringement," with the Court stating further that "For all three theories of secondary copyright infringement, there must be the direct infringement of a third party."); *Disney Enters. v. Hotfile Corp.*, LEXIS 172339, *105 (S.D. Fla. Aug. 28, 2013) (pointing out that in *Arista Records v. Lime Group*, 784 F. Supp. 2d 398, 432 (S.D.N.Y. 2011), the U.S. District Court for the Southern District of New York "made a distinction between inducement liability, which requires *Grokster*-type evidence of intent, and contributory infringement liability,

- which does not so long as a defendant's contribution to infringing activities is 'material.'").
8. *Arista Records LLC*, 633 F. Supp. 2d at 156.
 9. *Id.*
 10. *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (7th Cir. 1929).
 11. DIGITAL MILLENNIUM COPYRIGHT ACT, 17 U.S.C. § 512 (1998).
 12. 17 U.S.C. § 512.
 13. 17 U.S.C. § 512(a).
 14. 17 U.S.C. § 512(b).
 15. 17 U.S.C. § 512(c).
 16. 17 U.S.C. § 512(d).
 17. *See, e.g., Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 31 (2d Cir. 2012) (interpreting Title 17 § 512(c)(1)(A)(i) and (ii)) (hereinafter "*Viacom II*").
 18. 17 U.S.C. § 512(c)(1)(A)(iii); 17 U.S.C. § 512(d)(1)(C).
 19. 17 U.S.C. § 512(c)(1)(B); § 512(d)(2).
 20. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002).
 21. *Viacom II*, 676 F.3d at 38.
 22. *Perfect 10, Inc.*, 213 F. Supp. 2d at 1160.
 23. *Id.* at 1164.
 24. *Id.*
 25. *Id.* at 1173.
 26. *Columbia Pictures Indus. v. Fung*, 710 F.3d 1020, 1045-46 (9th Cir. 2013).
 27. 17 U.S.C. § 512(c)(1)(C); 17 U.S.C. § 512(d)(3).
 28. 17 U.S.C. § 512(c)(2).
 29. 17 U.S.C. § 512(i)(1)(A).
 30. 17 U.S.C. § 512(i)(1)(B).
 31. The definition of "standard technical measures" also provides that they "(B) are available to any person on reasonable and nondiscriminatory terms;" and "(C) do not impose substantial costs on service providers or substantial burdens on their systems or networks." 17 U.S.C. § 512(i)(2)(B) & (C).
 32. 17 U.S.C. § 512(i)(2)(A).
 33. Committee on Judiciary, 105th CONG. REP. ON H.R. 2281 at 37 (Comm. Print 1998).
 34. *Section 512 of Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property & the Internet of the H. Comm. on the Judiciary*, 113th Cong. (2014) http://www.publishers.org/_attachments/docs/copyright_policy/aapdmcaphs32814.pdf (Comments of the Association of American Publishers) ("*AAP 512 Comments*").
 35. *Press Release*, Rep. Bob Goodlatte, *Chairman Goodlatte Announces Comprehensive Review of Copyright Law* (Apr. 24, 2013), <http://judiciary.house.gov/index.cfm/2013/4/hairmangoodlatteannouncescomprehensivereviewofcopyrightlaw>.
 36. *AAP 512 Comments*, at 4-9.
 37. *Id.* at 6-7.
 38. *How Content ID Works*, YOUTUBE, <https://support.google.com/youtube/answer/2797370?hl=en> (last visited Apr. 30, 2014).
 39. *How does Scribd help protect the rights of authors?*, SCRIBD (Feb. 26, 2009) <http://support.scribd.com/entries/25057-How-does-Scribd-help-protect-the-rights-of-authors>.
 40. A non-regulatory agency of the Department of Commerce, NIST promotes U.S. innovation and industrial competitiveness, including by advancing standards and technology. It published this year, for example, a framework for organizations and regulators to use in ensuring better cybersecurity of financial, energy, health care, and other critical systems (*Framework for Improving Critical Infrastructure Cybersecurity*, NIST (Feb. 12, 2014), <http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>).
 41. *AAP 512 Comments* at 8-9. *See also* Department of Commerce, Request for Comment on Green Paper, Copyright Policy, Creativity, and Innovation in the Internet Economy, 78 Fed. Reg. 61,337 (Oct. 3, 2013), http://www.publishers.org/_attachments/docs/copyright_policy/aapgreenpaperc111313.pdf (Comments of the Association of American Publishers) (hereinafter "*AAP Green Paper Comments*"); Department of Commerce, Request for Comment on Green Paper, Copyright Policy, Creativity, and Innovation in the Internet Economy, 78 Fed. Reg. 61,337 (Oct. 3, 2013), http://www.publishers.org/_attachments/docs/copyright_policy/aapgreenpaperreplyc11714.pdf (Reply Comments of the Association of American Publishers).
 42. 17 U.S.C. § 512(m)(1).
 43. 17 U.S.C. § 512(g)(1).
 44. 17 U.S.C. § 512(g)(2)-(3).
 45. *Fung*, 710 F.3d at 1020.
 46. *Id.* at 1036.
 47. *Id.*
 48. *Id.*
 49. *Id.*
 50. *Fung*, 710 F.3d at 1036-37.
 51. *Id.*
 52. *Id.* at 1039-40.
 53. Information contained in a torrent file includes the size of the actual content file being shared; the number of pieces the content file is broken into; a cryptographic hash that peers will use to authenticate the downloaded file as a true and complete copy of the original; and the address of one or more "trackers," i.e., "torrent sites," which collect, organize, index, and host torrent files. The "publisher" of the torrent file makes it available by uploading it to one or more torrent sites. *Id.* at 1027.
 54. *Id.* at 1042-43.
 55. *Fung*, 710 F.3d at 1046-47.
 56. *Viacom II*, 676 F.3d at 38.
 57. *Fung* marketed to one advertiser by pointing to the "TV and movies...at the top of the most frequently searched [files] by our viewers," and provided another with a list of typical user search queries, including popular movies and TV shows. *Fung*, 710 F.3d at 1045.
 58. Although *Fung* took issue with certain aspects of the expert's methodology, the panel said he did not attempt to rebut the factual assertion that his services were widely used to infringe copyrights. *Id.* at 1034.
 59. *Viacom Int'l, Inc. v. YouTube, Inc.*, 940 F. Supp. 2d 110 (S.D.N.Y. 2013) (hereinafter "*Viacom Remand*").
 60. Eriq Gardner, *Viacom, Google Settle Long-Running YouTube Copyright Lawsuit*, THE HOLLYWOOD REPORTER (Mar. 18, 2014), <http://www.hollywoodreporter.com/thr-esq/viacom-google-settle-long-running-689291>.
 61. *Viacom II*, 676 F.3d at 26.
 62. *Id.* at 28.
 63. *Viacom Int'l, Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514 (S.D.N.Y. 2010).
 64. *Id.* at 519.
 65. *Viacom II*, 676 F.3d at 36.
 66. *Viacom Remand*, 940 F. Supp. 2d at 118.

67. *Id.* at 119.
68. *Id.*
69. Memorandum of Law in Support of Viacom’s Motion for Partial Summary Judgment on Liability and Inapplicability of the Digital Millennium Copyright Act Safe Harbor defense at 6-7, *Viacom Int’l, Inc. v. YouTube, Inc.* (S.D.N.Y. 2010) (No. 1:07-cv-02103).
70. *Id.* at 7.
71. *Id.*
72. *Id.* at 8.
73. *Id.*
74. *Id.* at 11.
75. *Viacom Remand*, 940 F. Supp. 2d at 115.
76. *UMG Recordings, Inc. v. Shelter Capital Partners, LLC*, 718 F.3d 1006 (9th Cir. 2013).
77. *Id.* at 1023.
78. *Capitol Records, LLC v. Vimeo, LLC*, LEXIS 133655 at *1 (S.D.N.Y. Sept. 18, 2013).
79. *Id.* at *51.
80. *Id.* at *58.
81. *Id.* at *61.
82. *Id.* at *61-62.
83. *Capitol Records*, at *62.
84. *Id.* at *62-63.
85. *Matter of Aimster Copyright Litig.*, 334 F.3d at 643.
86. *Id.* at 650-51.
87. *Capitol Records*, at *64.
88. *Aimster*, 334 F.3d at 655.
89. *Capitol Records*, at *78-79.
90. *Id.* at *79.
91. *Id.* at *83-85.
92. *See, e.g., id.* at *87-88 (noting how Vimeo co-founder Jacob Lodwick advised in a forum that uploaders who had posted a video with music in it should “tag the clip with music: The Beatles or music: Beck or whatever.”).
93. *Id.* at *90.
94. *Id.* at *94-96.
95. *Capitol Records, LLC v. Vimeo, LLC*, LEXIS 181882 at *1 (S.D.N.Y. Dec. 31, 2013).
96. *Id.* at *17-18.
97. *Disney Enters. v. Hotfile Corp.*, LEXIS 172339 (S.D. Fla. Aug. 28, 2013).
98. *Id.* at *69.
99. *Id.*
100. *Id.* at *77.
101. *Id.* at *29-30.
102. *Hotfile Corp.*, at *30.
103. *Id.* at *33.
104. *Id.* at *36.
105. *Id.* at *39-40.
106. *Id.* at *79.
107. *Hotfile Corp.*, at *80.
108. *Id.* at *6.
109. *Id.* at *83-84.
110. *Id.* at *23, *89-90 (explaining that Hotfile might have had red-flag knowledge based on its individual communications with users, such as in one sample instance where Hotfile helped a user with technical issues involving downloading a file via a link that included the term “Despicable Me,” the title of a popular copyrighted movie).
111. *Id.* at *89.
112. *Hotfile Corp.*, at *40.
113. *Complaint for Copyright Infringement at 12, Disney Enters. v. Hotfile Corp.* (S.D. Fla. Aug. 28, 2013) (No. 1:11-cv-20427-UU).
114. *Hotfile Corp.*, at *117, *123 (holding that inducement would be a triable issue, but noting some possible evidence of intent to foster infringement, including Hotfile’s payments of cash to users when files they had uploaded resulted in high volumes of downloads. Contributory infringement was also held to be a triable issue).
115. *Id.* at *134.
116. *Id.* at *10-11 (reporting that premium subscriptions provided advantages such as faster downloading speeds and longer file retention).
117. *Id.* at *129.
118. *Id.* at *133-134.
119. *Hotfile Corp.*, at *134-35 (noting that in its Circuit (the Eleventh Circuit), “a corporate officer who directs, controls, ratifies, participates in, or is the moving force behind the infringing activity, is personally liable for such infringement.” Alternatively, a person could be liable under a vicarious liability theory of he was responsible for supervising the infringing activity and benefitted from it, even if he was ignorant of the infringement).
120. *Order Adopting Stipulation and Entering Judgment and Permanent Injunction at 2, Disney Enters. v. Hotfile Corp.* (S.D. Fla. Aug. 28, 2013) (No. 11-20427).
121. *Id.*
122. Todd Spangler, *Hotfile Shuts Down After \$80 Mil MPAA Piracy Settlement*, VARIETY, (Dec. 4, 2013), <http://variety.com/2013/digital/news/hotfile-shuts-down-after-80-mil-mpaa-piracy-settlement-1200918378/>.
123. *Order Adopting Stipulation and Entering Judgment and Permanent Injunction at 2, Disney Enters. v. Hotfile Corp.* (S.D. Fla. Aug. 28, 2013) (No. 11-20427) (dismissing the counterclaim in its entirety, with prejudice).
124. 17 U.S.C. § 512(f).
125. *Principles for User Generated Content Services*, <http://www.ugcprinciples.com/> (last visited Apr. 30, 2014).
126. *Fair Use Principles for User Generated Video Content*, ELECTRONIC FRONTIER FOUNDATION, <https://www.eff.org/pages/fair-use-principles-user-generated-video-content> (last visited Apr. 30, 2014).
127. *The Copyright Alert System*, CENTER FOR COPYRIGHT INFORMATION <http://www.copyrightinformation.org/the-copyright-alert-system/> (last visited Apr. 30, 2014).
128. *IACC Payment Processor Initiative (RogueBlock™)*, INTERNATIONAL ANTI-COUNTERFEITING COALITION, <http://www.iacc.org/payment-processor-portal.html> (last visited Apr. 30, 2014).
129. Press Release, Victoria Espinel, U.S. Intellectual Property Enforcement Coordinator, *Coming Together to Combat Online Piracy and Counterfeiting* (July 15, 2013), <http://www.whitehouse.gov/blog/2013/07/15/coming-together-combat-online-piracy-and-counterfeiting>.
130. *Copyright Policy, Creativity, and Innovation in the Digital Economy*, U.S. DEPARTMENT OF COMMERCE INTERNET POLICY TASK FORCE (July 2013), <http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf>.

131. A CAPTCHA is a program that protects websites against bots by generating and grading tests that humans can pass but current computer programs cannot.
132. *AAP Green Paper Comments* at 13-18.
133. *AAP 512 Comments*, at 11-12.
134. *Id.* at 12-14.
135. Financial rewards for uploaders of heavily-downloaded files were a feature of Hotfile's service, as well as of Megaupload.com, which was shuttered in 2012 following a U.S. indictment of the site's owners and operators. This year, the same five film studios which sued Hotfile, joined by the additional plaintiff Paramount Pictures, filed a civil action against several Megaupload defendants in the U.S. District Court for the Eastern District of Virginia. (Complaint for Paramount Pictures Corp., Twentieth Century Fox Film Corp. v. Megaupload Ltd., No. 1:2014cv00362 [E.D. Va. filed Apr. 7, 2014].)
136. 17 U.S.C. § 512(j).
137. Translation, Bundesgerichtshof [BGH] [Federal Court of Justice] Aug. 15, 2013, I ZR 79/12 (Ger.) (on file with author) (hereinafter "*RapidShare*").
138. Special risk factors found with RapidShare included that advertising statements by RapidShare made clear that the operators intended for uploaded files to be downloaded by people other than the uploaders; that at the time the infringements in the case were committed, RapidShare had a "Rapidpoints" bonus system awarding "premium points" to uploaders whose files were downloaded extensively by third parties (thereby encouraging the posting of infringing content); that there was massive infringing activity on the site, and that this fact would be important even if the percentage of infringing versus non-infringing activity on the site were relatively low (even as low as 1%, considering the amount of traffic on the site); uploaders enjoyed anonymity; and RapidShare stood to benefit from the infringing activity, since the greater the numbers of users, the more advertising and premium subscription revenue RapidShare would receive.
139. Once the site is on notice that specific works have been infringed via its service, it must take reasonable steps appropriate to prevent further infringements of those works via the service. The substantiality of the preventive measures which can be required of the service increases relative to how much its structure encourages infringement, the volume of infringing activity on its site, and the level of financial gain to the service due to the infringing activity. *See* Translation, Oberlandesgericht Hamburg [OLG] [Higher Regional Court of Hamburg] Mar. 14, 2012, 5 U 41/11 (Ger.) at 56-57 (on file with author).
140. *AAP 512 Comments*, at 14-15.
141. Emma Woollacott, *ISPs Can Be Forced to Block Piracy Sites, EU Court Rules*, FORBES (Mar. 27, 2014), <http://www.forbes.com/sites/emmawoollacott/2014/03/27/isps-can-be-forced-to-block-piracy-sites-eu-court-rules/>.
142. Paul Joseph and Adam Cusworth, *You've been framed – High Court issues ISP blocking order*, RPC (Jan. 7, 2014), http://www.rpc.co.uk/index.php?option=com_easyblog&view=entry&id=966&Itemid=141.
143. *New Italian online copyright regulation enters into force*, TELECOMPAPER (Apr. 1, 2014), <http://www.telecompaper.com/news/new-italian-online-copyright-regulation-enters-into-force--1005407>.
144. *Countries blocking access to The Pirate Bay*, WIKIPEDIA, http://en.wikipedia.org/wiki/Countries_blocking_access_to_The_Pirate_Bay (last visited Apr. 30, 2014).
145. *Operation In Our Sites*, NATIONAL INTELLECTUAL PROPERTY RIGHTS COORDINATION CENTER, <http://www.iprcenter.gov/reports/factsheets/operation-in-our-sites/view> (last visited Apr. 30, 2014).
146. *Section 512 of Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary, 113th Cong.* (2014), <http://judiciary.house.gov/index.cfm/hearings?ID=3A1D170D-D431-486F-AEFA-3724B0D95AE9> (written testimony of Paul Doda at 2-3).
147. *Section 512 of Title 17: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary, 113th Cong.* (2014), <http://judiciary.house.gov/index.cfm/hearings?ID=3A1D170D-D431-486F-AEFA-3724B0D95AE9> (written testimony of Maria Schneider).

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Future of Fair Use Is Present: *Lois Greenfield v. Jill Pankey*

By Irina Tarsis

Derivative or Transformative

Between May 8 and June 14, 2014, Gagosian Gallery on Madison Avenue in New York City displayed Richard Prince's works from the "Canal Zone" series.¹ So much for the Twitter message attributed to Prince about these works:



The suit referenced therein is *Cariou v. Prince*,² which made a splash in the fair use pool when the famous American appropriation artist Richard Prince failed to seek a permission to reproduce black and white photographs from French photographer Patrick Cariou's book *Yes Rasta* in his own collage works.³ While the district court ruled against Prince, on appeal, the majority of the allegedly infringing works were deemed fair use as a matter of law.⁴ Reportedly, *Cariou* is now settled⁵ but the ripples the case set off continue to spiral out, not in the least because there is no certainty about the parameters of the fair use exception under the copyright law; specifically what kinds of transformation of an original work of art are permissible and constitute a solid defense from litigation that may be initiated by an artist in Cariou's position whose work is appropriated. Indeed, the terminology itself is loaded; whether something is labeled as "transformative," "appropriated," or "derivative," is similar to the ongoing Elgin Marbles versus the Parthenon Marbles debate, where effectively the choice of the descriptor places the narrator in one camp or another (whether the Greek friezes should be return to Athens or remain in London).⁶

Article 106 of the Copyright Act indicates that one of the exclusive rights of the owner of copyright is to "prepare derivative works based upon the copyrighted work."⁷ It is subject to some limitations, including a "fair use." According to its legislative history, the codification of fair use in the United States Copyright Act in 1976 intentionally did not restate nor change, narrow nor enlarge the common law doctrine of fair use."⁸ Thus fair use determination remains "an open-ended and context-sensitive inquiry" and consequently, all fair use rulings have answered the question "is this fair use?" in hindsight.⁹

The term 'transformative,' coined by Judge Leval in 1989-1990, appears nowhere in the Copyright Act, yet it is now frequently associated with the fair use analysis.¹⁰ However, applying Leval's reasoning for transformative work in the context of visual arts is a dangerous undertaking because Leval was contemplating primarily literary works in his analysis.¹¹

Given that the Supreme Court denied certiorari to review *Cariou* and thus settle the perennial debate of how the four-factor test in the fair use analysis ought to be applied across the circuits, the effect of *Cariou* on the legal landscape and the fair use debate will surely create more confusion. For example, in finding that Prince's unauthorized use of Cariou's originals as raw material was defensible under the fair use exception, the Second Circuit debated and defended transformativeness of the would-be-infringing art. The Court noted, "for a use to be fair, it "must be productive and must employ the quoted matter in a different manner or for a different purpose from the original.""¹²

Enter a test case for the *Cariou* logic.

Plaintiff-Photographer: Lois Greenfield

On December 20, 2013, dance photographer Lois Greenfield brought a copyright infringement case in the Southern District of New York, alleging violation of her copyright by a Texas-based painter, Jill Pankey. The latter copied compositions from the plaintiff's black and white photographs and colorized them according to her own imagination.¹³ Even though many of the Pankey paintings combine individual photographs in unique groupings, the total number of paintings Pankey made using Greenfield's photographs and the dozens of individual registered photographs she used are noteworthy.

The plaintiff, author of *Breaking Bounds: The Dance Photography of Lois Greenfield* and *Airborne: The New Dance Photographs of Lois Greenfield*, pled that the defendant's works were unauthorized copies, mimicking not only the overall compositions but also lighting, shadows, facial expressions, and textile folds. Just to review, in the famous nineteenth century case involving a photograph of Oscar Wilde, these factors—composition, lighting, face expression—were deemed important enough to provide copyright protection to photographs for the first time.¹⁴

A. *Cling*



Cling



Ocellus Pilobolus

Attorneys representing Greenfield, a legal team from Tannenbaum Helpert Syracuse & Hirschtritt LLP, have referred to their client as “one of the foremost dance photographers” in the United States. Greenfield is seeking actual damages or statutory damages totaling \$750,000, as well as her costs and attorney’s fees. Greenfield accuses Pankey of willfully appropriating 33 of Greenfield’s images and creating at least 21 paintings with unauthorized reproductions of Greenfield’s works. According to the complaint, for over 30 years Greenfield has not simply photographed dancers; she “direct[ed] and compos[ed] unique imagery in her studio instantly recognizable as her own.”¹⁵



Red Ribbon



Brown Solo

According to Pankey’s website, she “was a faculty member in the Art Department at Texas State University-San Marcos from 2002 to 2012. In 2013 Jill disengaged from academia to pursue painting full time and be with family.”¹⁶ In addition, Pankey’s website describes her as a transformative artist—with a link to the Philadelphia Volunteer Lawyers for the Arts primer on what is transformative work, and some images containing foundational photographs and resulting paintings Pankey created based on the photographs.

In 2012, when Greenfield learned of Pankey’s paintings, she contacted the defendant, asking Pankey to stop using her images. Pankey allegedly responded that she would like to have Greenfield’s permission to study her black and white images for future alterations. Greenfield declined, and later Pankey apologized for her actions, which were “harming another.” While Pankey indicated that she would stop using Greenfield’s images, Greenfield claims that Pankey continued to display and promote her paintings on various websites. According to the complaint, Pankey admitted to using Greenfield’s photographs, “because it is simply impossible to get people to pose in space or flight, frozen in time” without copying from another source. The complaint specifically lists websites and videos where the offensive paintings appear, including YouTube videos still available for viewing as of May 15, 2014.



As the Second Circuit stated in *Blanch v. Koons* “[c]opyright law thus must address the inevitable tension between the property rights it establishes in creative works, which must be protected up to a point, and the ability of authors, artists, and the rest of us to express them- or ourselves by reference to the works of others, which must be protected up to a point. The fair-use doctrine mediates between the two sets of interests, determining where each set of interests ceases to control.”¹⁷ Applying the four-factor analysis in *Greenfield*, the court would need to review (a) the purpose and character of the defendant’s use of the copyright protected work; (b) the nature of the copyrighted work; (c) the amount and substantiality of the amount used against the entirety of the copyrighted work, and (d) the effect of the new use on the potential market for or the value of the original work.¹⁸ “The ultimate test of fair use is whether the copyright law’s goal of promoting the Progress of Science and useful Arts would be better served by allowing the use than by preventing it.”¹⁹

Tracy J. Willi, counsel for Pankey, describes her client’s works as free-hand colorful and expressive paintings that incorporate cowboy boots, as a memento for the artist’s late brother. Pankey apparently does not use “photorealism” when she creates surreal scenarios that are not present in Greenfield’s photographs. Willi wrote that her client “expresses an entirely unique message that transcends dance as compared to stark, bare, reality created by Greenfield’s photographs of dancers.” What else could have Pankey said in her defense? Other than try to dismiss the case for forum non conveniens (Pankey is from San Marcos, Texas) or for lack of jurisdiction, Pankey is likely to argue that her work was transformative of Greenfield’s photographs and thus protected under the fair use exception to the Copyright Act.

To preview how the fair use four factor analysis may play out in this case, Pankey’s reasons for copying Greenfield’s images stem from the basic fact that she was inspired by the compositions, was unable to produce the compositions on her own, and thus she needed Greenfield to provide raw material. Pankey has yet to explain why she used Greenfield’s photographs as “raw material” in

creation of her own aesthetic. However, she is now spared the need to explain how her work comments on the original or on the photographer who created the originals because, thanks to *Cariou*, “a secondary work may constitute a fair use even if it serves some purpose other than those (criticism, comment, news reporting, teaching, scholarship, and research) identified in the preamble to the statute.”²⁰

Regarding the second factor of the nature of Greenfield’s works, they are highly creative, despite the fact that they are photographs. Pankey herself admitted as much when she indicated that these were unusual images and it was very hard to capture the twists and turns that Greenfield was able to choreograph before her camera.

The third factor is likely to be resolved in favor of the plaintiff because Pankey used over 20 copyright protected photographs and copied their content—figures and compositions—faithfully, despite fanciful colorization applied to the forms and backgrounds.

As for the art market factor, discovery will surely help determine how the market for Greenfield’s works was or could have been affected. Unlike Richard Prince, Jill Pankey is a little-known artist who is not represented by a gallery of the Gagosian caliber; her works are priced probably in the same ballpark as the original works of the plaintiff, and Pankey’s collectors are probably less illustrious than those of Richard Prince.²¹

In February 2014, attorneys for the two sides submitted letters to the District Judge assigned to the case, Honorable Paul G. Gardephe, regarding jurisdiction and venue selection. While Greenfield is a New York resident and Pankey resides in Texas, Pankey is accused of doing business in New York. The point of contact identified by the plaintiff’s counsel is her submission of an allegedly infringing work, *Into the Light*, into a competition on New York, a juried art contest organized by a New York based gallery, Manhattan Arts International Gallery. Pankey was seeking exposure, and her work was one of the top three award winners, thus *Into the Light* and other supposedly infringing works were exhibited on the gallery’s website for six months. It has been reported that the images of Pankey’s works were viewed more than 70,000 times. However, Pankey’s counsel indicates that Pankey has only visited New York one time and that all of her sales and advertising have been done in Texas.

Even if *Greenfield* were to be heard in Texas, there seem to be no Fifth Circuit court decisions on point addressing fair use debate. Thus, a de novo review there is likely to rely on the New York or California precedent and apply *Cariou* as a guiding principle.

Presuming that Greenfield’s claim may proceed in New York State, who would be qualified and tasked in deciding whether Pankey’s exploitation of Greenfield’s photographs was permissible or infringing under copyright law? As Justice Oliver Wendell Holmes wrote in his 1903 decision, “it is a dangerous undertaking for persons trained

only to the law to constitute themselves final judges of the worth of pictorial illustrations.”²² According to the case management plan in *Greenfield v. Pankey*, the case will be tried by a jury. The parties intend to serve interrogatories in July, and complete depositions of fact witnesses and fact discovery by August 15.²³ Counsel for both parties anticipate that the trial would take less than a week, by the end of which, if not in general, the world will know whether Pankey was trying to sail under the flag of piracy²⁴ when she made unauthorized use of Greenfield’s photographs or whether her colorized renditions of Greenfield’s photographs were transformative²⁵ enough to constitute fair use and thus better serve the copyright law’s goal of promoting the “Progress of Science and useful Arts.”²⁶

Endnotes

1. Gagosian Gallery, “Richard Prince: Canal Zone,” available at <http://www.gagosian.com/exhibitions/richard-prince--may-08-2014>.
2. *Cariou v. Prince*, 714 F. 3d 694 (2d Cir. 2013), *aff’ing in part and remanding in part* 784 F. Supp. 2d (S.D.N.Y. Mar. 18, 2011).
3. Patrick Cariou, Perry Henzell *Yes Rasta* (2000).
4. 17 U.S.C. § 107, four non-exclusive factors that must be considered in determining fair use including the preamble:

[T]he fair use of a copyrighted work...for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

 - (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
 - (2) the nature of the copyrighted work;
 - (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
 - (4) the effect of the use upon the potential market for or value of the copyrighted work.
5. Julia Halperin, “Prince versus Cariou copyright case settled,” THE ART NEWSPAPER (Mar. 18, 2014) available at <http://www.theartnewspaper.com/articles/Prince-versus-Cariou-copyright-case-settled/32076>.
6. The British Museum, “What are the ‘the Elgin Marbles?’” available at http://www.britishmuseum.org/explore/highlights/articles/w/what_are_the_elgin_marbles.aspx; National Geographic, Parthenon Marbles Battle, available at <http://video.nationalgeographic.com/video/treasure-wars/elgin-marbles-tw>.
7. 17 U.S.C. § 106 (2).
8. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994).
9. See *supra* note 2.
10. See, e.g., *Seltzer v. Green Day, Inc.*, 725 F.3d 1170 (9th Cir. 2013); *Mattel Inc. v. Walking Mt. Prods.*, 353 F.3d 792 (9th Cir. 2003).
11. Irina Tarsis, “Copyright and Fair Use,” EASL Annual Meeting, New York City (Jan. 26, 2014); P. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105 (1990).
12. *Cariou*, 714 F.3d, at 706.
13. *Greenfield v. Pankey*, 13-cv-09025-PGG (S.D.N.Y. Dec. 2013).
14. *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884).
15. Complaint, 13 Civ. 9025 (2013), p 1.
16. Jill Pankey, <http://www.jillpankey.com/>.
17. *Blanch v. Koons*, 467 F.3d 244, 250 (2d Cir. 2006).

18. 17 U.S.C. § 107.
19. *Africa Institute, Inc. v. Palmer*, 970 F.2d 1067 (Second Cir. 1992).
20. *Cariou*, 714 F.3d at 707.
21. In *Cariou*, the court weighed the market effect factor in favor of the would be infringing artist because “Prince’s work appeals to an entirely different sort of collector than Cariou’s. Certain of the Canal Zone artworks have sold for \$2 million or more dollars. The invitation list for a dinner that Gagosian hosted in conjunction with the opening of the Canal Zone show included a number of the wealthy and famous, such as the musicians Jay-Z and Beyoncé Knowles, artists Damien Hirst and Jeff Koons, professional football player Tom Brady, model Gisele Bündchen, *Vanity Fair* editor Graydon Carter, *Vogue* editor Anna Wintour, authors Jonathan Franzen and Candace Bushnell, and actors Robert DeNiro, Angelina Jolie, and Brad Pitt. Prince sold eight artworks for a total of \$10,480,000, and exchanged seven others for works by painter Larry Rivers and by sculptor Richard Serra. Cariou on the other hand has not actively marketed his work or sold anything for significant sums, and nothing in the record suggests that anyone will now purchase Cariou’s work, or derivative non-transformative works (whether Cariou’s own or licensed by him) as a result of the market space that Prince’s work has taken up. This fair use factor therefore weighs in Prince’s favor.” *Cariou*, 714 F.3d at 709.
22. *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).
23. *Civil Case Management Plan and Scheduling Order*, *Greenfield v. Pankey*, 1:13-cv-09025-PGG (S.D.N.Y. Apr. 8, 2014).
24. *Rogers v. Koons*, 960 F.2d 301 (2d Cir. 1992).
25. *Cariou*, 714 F.3d at 694.
26. *Blanch v. Koons*, 467 F.3d 244, 259 (2d Cir. 2006).

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Automating Music Similarity Analysis in “Sound-Alike” Copyright Infringement Cases

By Charlotte A. Tschider

I. Introduction

“You probably don’t feel guilty for liking ‘Blurred Lines.’ Maybe that’s because it was originally a Marvin Gaye song...and Marvin Gaye is...awesome.”¹

– *Vice Magazine* music critic Paul Cantor

On August 15, 2013, amid allegations of illegally copying Marvin Gaye’s “Got to Give It Up,” Pharrell Williams, Robin Thicke, and Clifford Harris, Jr. sued for a declaratory judgment in the Central District of California, Western Division, to legally conclude that the song “Blurred Lines” did not infringe copyrights owned by the Marvin Gaye family and Bridgeport Music.² Almost anyone listening to Thicke’s portfolio would notice the throwback sound evoking a different time,³ but just “sounding like” another song rarely constitutes improper appropriation and, ultimately, legal liability.⁴

There are several types of copyright infringement, including infringement of musical works and sound recordings.⁵ As with the “Blurred Lines” case, this article focuses on “sound-alike” music cases,⁶ an infringement of the right of reproduction. Part II describes the history of copyright infringement actions, including contemporary tests. Part III describes existing analytical issues for courts across circuits and uses an empirical study to unveil discrepancies across and within circuits. Part IV proposes the use of federally accredited musicologists and a semi-automated process to replace existing expert testimony in probative similarity analysis. This solution aims to drive consistency across circuits, improve judicial efficiency, and promote predictability for litigants. With objective procedures and repeatable process, courts may eventually become less skeptical of the expert witness’ role in substantial similarity analysis and consider enhanced usage across probative and substantial similarity tests.

II. History of Music Protection

The last major revision to copyright law in the United States, the Copyright Act of 1976, included exclusive rights: “(1) to reproduce...copyrighted work in copies or phonorecords and 2) to prepare derivative works based upon the copyrighted work.”⁷ The right to reproduce further developed through caselaw. Courts eventually adopted a methodology for determining if infringement had “cop[ied]...constituent parts that are original,” through analyses of substantial similarity.⁸

In practice, infringement of the right of reproduction is evaluated using a two-step test, with limited analytical variations depending on the Circuit.⁹ To meet the prima facie case requirement, the plaintiff first proves access to his or her copyright-protected material and then must demonstrate that the defendant’s material is substantially similar to the protected material.¹⁰ The dominant versions of how courts analyze these steps are the *Arnstein v. Porter*¹¹ and *Sid & Marty Krofft Television Prods., Inc. v. McDonald’s Corp*¹² tests, variations of which are used by most circuits.

In the first step of infringement analysis, the plaintiff must show that the defendant factually copied from the plaintiff’s work. In the absence of direct evidence, the plaintiff may show this through evidence of access to the plaintiff’s work. The defendant may admit access, or the plaintiff may show the defendant’s access circumstantially,¹³ based on availability of the plaintiff’s work broadly, such as a social networking site, or interactions between the plaintiff and the defendant through a common third party.¹⁴ Absent factual copying or equivalent circumstantial evidence, courts engage in similarity analysis as a substitute,¹⁵ reasoning that a level of music similarity could circumstantially show access as a substitute for more direct evidence. Alan Latman calls this similarity “probative similarity” for purposes of clarity, as does this author.¹⁶ Generally, courts allow expert testimony for probative similarity analysis.¹⁷

In the second step of infringement analysis, the plaintiff must prove that the material allegedly copied is protected by law. First, the copied material must be protected by copyright law,¹⁸ instead of being independently created or in the public domain.¹⁹ Courts then ask whether the allegedly “copied” material is substantially similar to the plaintiff’s protected material from a layperson’s perspective.²⁰ Last, courts determine if the defendant’s copying “went so far as to constitute improper appropriation,”²¹ and whether the amount of protected material copied is so significant to warrant enforcement.²² Courts typically do not allow expert testimony as part of substantial similarity analysis.²³

Second Circuit courts analyze similarity from the perspective of a “lay listener.”²⁴ To accomplish this, courts first engage in analytical inquiry and dissection to identify and separate the protectable and unprotectable musical elements,²⁵ then evaluate the remaining protectable material from the perspective of the lay listener to determine substantial similarity.²⁶

In the Ninth Circuit, courts employ an extrinsic/intrinsic test. The extrinsic portion of the test requires that courts filter out the *idea*, then compare the protected elements between the two songs, limiting analysis to each idea's *expression*.²⁷ Courts use expert testimony for the extrinsic portion of the test, and the intrinsic portion of the test is typically left to the jury.²⁸ The Ninth Circuit employs the "Inverse Ratio Rule," employing a sliding scale where more factual access requires less similarity, and vice-versa.²⁹ Similarly, the Sixth Circuit uses an abstraction-filtration-comparison test (a variation from the Tenth Circuit), separating the ideas from the expression and filtering out any non-protectable elements to compare the protected expression.³⁰ Courts then analyze whether the defendant's remaining material is substantially similar to the plaintiff's remaining material.

III. Challenges in Similarity Analysis

1. Court Challenges in Similarity Analyses

Both probative and substantial similarity inquiries pose challenges for courts. Courts and experts examine a variety of factors³¹ in similarity analyses, analyzing everything from lyrics to tempo, genre, themes, and specific note sequences, depending on each court or expert's analytical aptitude for music analysis. In probative similarity analysis, expert testimony is often used to determine whether factual copying has occurred, and includes "filtering" of the music itself, to determine what is protectable and what is not.³² Even in the first step of analysis, the use of experts has created much skepticism, likely because they are employed by litigants and result in a "battle of the experts."³³ Courts eventually conduct analyses of their own, as methods and technology used by experts often result in more subjective evaluation.³⁴

In substantial similarity analysis, courts generally do not adopt expert testimony, though this does not seem to improve objectivity. Due to the complexity of similarity analysis, limited or no musicological training of courts, and the wide range and the highly specialized nature of musicological factors,³⁵ court analyses are even inconsistent within circuits.³⁶ Cases often "force judges and juries to act as music critics and music historians to reach their decisions," yet offer no repeatable criteria for future analysis.³⁷ Courts often struggle to separate non-protected elements, such as 'scènes à faire'³⁸ and generic stylistic sequences, common to particular music genres.³⁹ Often, even after removing unprotectable elements, with little music remaining to analyze, courts gravitate to common musical factors.⁴⁰

2. Empirical Evidence of Court Challenges

Recent cases bear out courts' predisposition to less complex musicological factors in both similarity analyses. Between April 2010 and March 2013,⁴¹ circuits dominantly focused their analysis on accessible criteria. The Second Circuit focused primarily on lyrics, the Sixth Circuit

focused on the conduct of the parties rather than musical features, and the Ninth Circuit discussed general similarities of the music as a whole.

Across all circuits, courts used linguistic verbiage the most with 33% linguistic and 23% thematic references (associated with linguistic expression), for a total of 55% of all references (see *Exhibit 6*).⁴² The terms "lyrics," "phrase," and "chorus" combined for a total of 21% of all musical terminology alone. In all circuits, there was a conspicuous lack of other common musicological terminology, such as rhythm, beat, and tempo, and general instrumentation references comprised only 18% of all references. This data seems to suggest that courts are uncomfortable evaluating most musical features, and fail to recognize the multi-layered nature of music.

Of course, rigor in the analytical process matters might matter less if courts can reach a fair result. Unfortunately, most cases never make it to a layperson jury. In all actions between April 2010 and March 2013, plaintiffs prevailed just 28% of the time on all actions, including defeating a motion to dismiss or summary judgment, and fewer than 19% on summary judgment actions.⁴³ Furthermore, between 2010 and 2013, no cases made it to a jury trial.⁴⁴ This means that courts indeed will complete probative and substantial similarity tests without a jury, employing limited musical inquiry, and consuming a large amount of court time.

Many academics have identified potential solutions for these similarity analysis challenges, though most proposals aim to change existing copyright infringement analysis. Academics have proposed total concept and feel as the primary analytical process,⁴⁵ a more thorough musical factor analysis,⁴⁶ enhanced usage of musicologists as expert witnesses,⁴⁷ and even an expert jury.⁴⁸ Though these proposals all have merit, it is unlikely that courts will dramatically change the rules of similarity analysis in the near future.

IV. Objective Analysis and Measurement for Similarity

1. Music Complexity and Analysis

In comparison to the limited musical factors analyzed in court cases, the musicology field is trained to identify and categorize all constituent features of music. Music's foundation includes five dimensions of sound, including pitch, duration, timbre, dynamics, and spatialization.⁴⁹ These are reflected as sound and silence, each of which can be represented not only by various musicological symbols, notation, and language, but also by sound recognition. Pitch is often represented by the key and the note value, while duration is represented by the overall period of time of sound or silence. Duration is combined with dynamics: a short sound may be louder than other surrounding sounds in the music, punctuating the sound and combining with a pattern of lower and smoother

notes.⁵⁰ Timbre reflects the expression of the sound, namely which instrument or person produced it, or its unique signature.⁵¹

Composers and musicians arrange varying pitches and timbres, alternating melody and harmony, with major and minor keys, intervals, inversions, and other methods of creating sound contrast and interest, generally described as “idea-execution-elaboration.”⁵² Notes can be combined in multiples, such as triads, inversions, and chords to be consonant or dissonant.⁵³ These concepts are only the building blocks for music, and hundreds of discrete features can extend from common frameworks in one musical work. Certainly some composers may have a mastery of all features and use them purposefully, while other musicians may combine varying layers of vocals and instruments to create the right “sound” or “feel.” Regardless of how composers and musicians choose to create and fix their musical formats (sheet music or demo tape), the level of musical mastery is very high.

Musicians and composers combine similar musical features over time, resulting in semi-predictable, dominant forms for music,⁵⁴ eventually becoming taxonomies or genres.⁵⁵ Genres today include global categories, like “jazz,” and sub-genres, like “acid jazz,” amounting to as many as 378 or more sub-genres.⁵⁶ Trained music analysts are able to trace the roots of music genres over time and understand which conventions are common in specific styles of music, enabling effective identification of non-protectable musical factors.⁵⁷

Although music in general is created for an audience of non-musicians, the method and artistry of music production is highly specialized and requires a great deal of skill. Similarly, an equivalent amount of specialized music analytical skills are required to effectively dissect and analyze musical works within their respective contexts.⁵⁸ Even though many have dispelled the notion of a “golden ear,” music analysts are trained to notice aspects of sound recordings that a non-trained listener may hear but not identify, even if it is original.⁵⁹

2. The Forensic Musicology Process

The field of forensic musicology emerged in the 1980s, coined by Earl Spielman,⁶⁰ who is best known for his expert opinion in *Fantasy v. Fogerty*.⁶¹ In copyright cases, musicological “experts” rely mostly on subjective process, rather than repeatable process and analytical rigor, resulting in little objectivity, reproducibility, or predictability,⁶² potentially because most expert witnesses are music experts, but not trained music analysts. Expert testimony varies greatly from case to case, including dramatically different musicological analyses and toolsets, depending on the expert. While repeatable criteria and technology have been leveraged in musical categorization efforts, they have not yet been used for legal analysis, and to date, no academics have advanced repeatable analytical criteria for the field of forensic musicology.⁶³

The digital nature of existing music production and manipulation has presented many partially automated options⁶⁴ both for similarity analysis⁶⁵ and for storage.⁶⁶ The Music Genome Project (MGP), the engine for Internet radio giant Pandora,⁶⁷ is one example of an effort to categorize, store, and predict musical similarity.⁶⁸ In order to input music, a trained music analyst rates 400 genre-specific⁶⁹ attributes weighted as “vectors”⁷⁰ and enters them in the MGP database for peer review.⁷¹ Pandora’s approach illustrates the possibility for music analysts to use a common methodology to analyze similarity.⁷²

3. An Objective Solution for Probative Similarity Analysis⁷³

Federal courts can apply a similar common analysis for copyright infringement suits by creating an accreditation certification, a common analytical process, and technology automation toolset. In order to provide an effective option for legal analysis of probative similarity, the solution should overall provide more repeatability in legal rule application, yet support existing legal rules. Overall, the solution should also create consistency in the analytical process and provide reliable and verifiable results, all while reducing cost and effort.

A. The Accreditation Process

The United States Copyright Office (Copyright Office) could create and maintain an analyst accreditation process. Formal training programs already exist today in the United States Patent Trademark Office (USPTO): Patent law examiners are employed, trained,⁷⁴ and then the USPTO charges limited fees to review and issue patents.⁷⁵ The Copyright Office could similarly commission a program to create processes and procedures for specially trained and federal court-certified musicologists⁷⁶ to provide objective musical analysis wherever expert testimony has previously been used.⁷⁷ Of course, the overall nature of expert testimony could change with a centralized government function. For example, three music analysts could work independently to analyze both musical works for a case, and provide a combined similarity assessment as a service to the court, and the cost of this assessment could be evenly divided between the parties⁷⁸ or waived with demonstrated financial need.⁷⁹ At a minimum, the Copyright Office could require all music analysts providing expert testimony to complete an accreditation process through common training in process, methodology, and toolset, then passing an examination.⁸⁰

B. Common Analytical Process

In order to drive consistency in analysis, the Copyright Office should drive common process and technology usage for expert similarity analysis. A common analytical process could include: a common tangible format for comparison, list of musical factor taxonomy (feature) and list for review,⁸¹ factor review order, contextual reference length,⁸² and numerical rating scheme. With these com-

mon process-oriented steps, music analysis should prove increasingly consistent.

Musical factors could hold equivalent weight to start, and the Copyright Office would run a number of representative cases through the music analysis process to tune the system and reduce subjective output. Once tuned, systematic “values” or sets of values (for example, similarity values per factor or set of factors) would create a positive output to support probative similarity analysis. For example, a high-level probative analysis output could be: “this analysis results in 28.75% similarity: 10% similarity in pitch, 30% similarity in duration, 20% similarity in dynamics, 40% similarity in timbre (lyrics and tempo are 50% similar).”⁸³ Courts could then determine whether the listed similarity is enough to imply access and proceed to a substantial similarity analysis.⁸⁴

C. Common Technology, Automation, and Storage

Common technology would also create repeatability and consistency in analysis. Much research has been done on the best methods to couple automated computerized similarity analysis with manual analysis, and research has recently illustrated the most accurate similarity analysis to date through automated acoustic analysis and open source technology.⁸⁵

In order to fully automate analysis, litigants would need to provide audio files for comparison. If audio files are not available,⁸⁶ an analyst can automate using sheet music playback software and hand code additional features.⁸⁷ The audio file would automatically separate into foreground and background sounds,⁸⁸ convert into numerical values,⁸⁹ and analysts would follow by manually entering or correcting values, based on their analyses. Once both audio files are entered, the algorithms would calculate the difference between values, returning similarity calculations for the analyst⁹⁰ by calculating the difference in values between each factor and group of factors (e.g. “tempo” would break down to tens of factors).

Using basic scripting language, the music analysis application could effectively group factors together through levels of taxonomy, making it far easier to automate music similarity analysis. Scripts could compare factor values, such as the overall sound of the lead vocalist, then group factors in each of the families, for example the “timbre” of each song. After each song’s factors are calculated then grouped, another script in the music analysis application would compare the songs, both by sound dimensions at the highest level, such as timbre, and by individual factor values, all with a similarity percentage.

When using this information in a court of law, the analysis process should validate correct data using independent testing and data verification. In order to balance independent testing and verification, three analysts should analyze both songs independently, especially

to identify non-protectable elements and to hand-code factors. After three analysts conduct the same evaluation of the two “sound-alike” songs, an additional script can match the three values for each factor, eliminate any outliers, and find the median value.⁹¹ These results could easily provide a list of similarity percentages between two songs, including the percentage and identity of non-protectable elements, balanced and tuned for any district court.

Finally, analysts can record all three full analyses and factor values as metadata⁹² with the deposited audio recording in the Copyright Office’s music database serving as a historical record. This common technical framework, once created, will reduce analysis time and provide the numerical degree of musical similarity while simultaneously providing an income-generating stream for the U.S. Copyright Office.

V. Conclusion

Sound-alike copyright infringement cases have for some time eluded courts, resulting in highly unpredictable and inconsistent results. The Copyright Office can easily create more efficiency and consistency for courts, while maximizing predictability for litigants simply by centralizing expert analysis, leveraging modern processes, and investing in automating technologies. This standardization provides numerous benefits: it streamlines probative similarity analysis, reduces expert witness costs for litigants, and drives objectivity in copyright infringement suits. At a minimum, a common accreditation exam, process, and toolset for expert witnesses should minimize subjective evaluation, create a higher threshold of “expertise” admissible testimony, and improve consistency of testimony between cases.

Though analytical issues persist for copyright infringement analysis, the Copyright Office has the opportunity to take one step forward to modernize courts’ music analysis. By evolving expert testimony in “sound-alike” music cases and using verifiable data on actual music similarity, courts may eventually see the benefit of using similarity data for both prongs of substantial similarity analysis.

VI. Exhibits

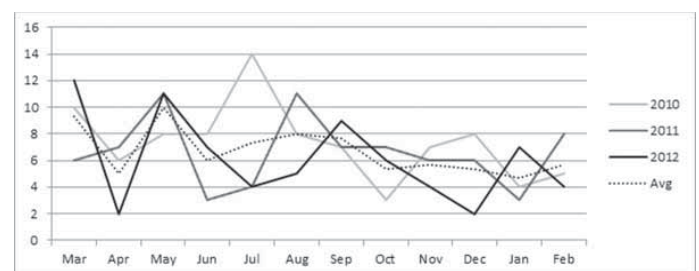


Exhibit 1: Infringement Suits March 2010–February 2013

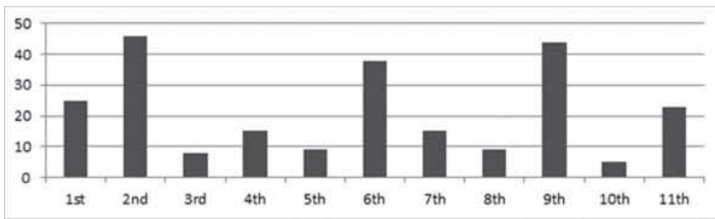


Exhibit 2: Infringement Suits by Circuit (March 2010–Feb. 2013)

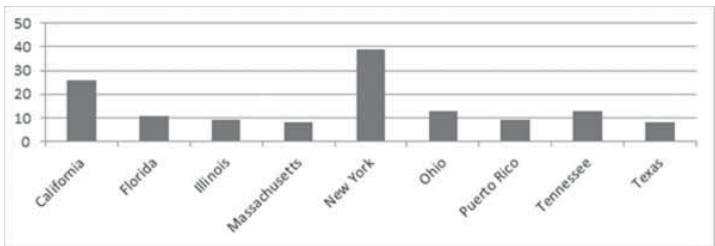


Exhibit 3: Infringement Suits by District (March 2010–Feb. 2013)

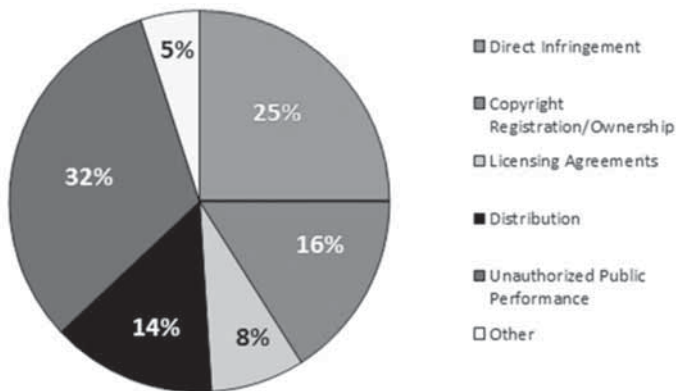


Exhibit 4: Legal Action by Type

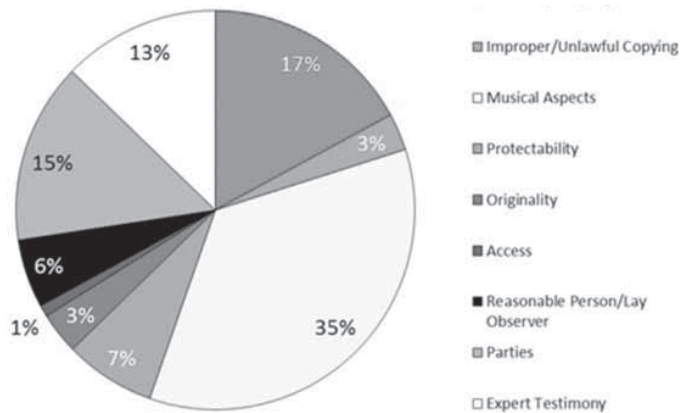


Exhibit 5: Word Frequency, Similarity Analysis and Reasoning

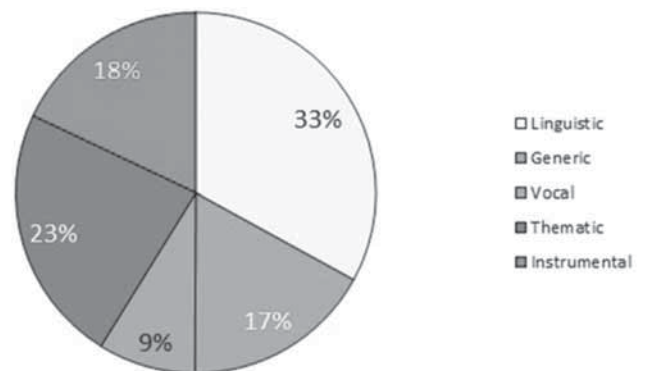


Exhibit 6: Musical Dissection in Similarity Analysis

Endnotes

1. Paul Cantor, *Why Don't We Have a Song of the Summer Yet?* Vice Magazine, Jul. 29, 2013, available at <http://noisey.vice.com/blog/why-dont-we-have-a-song-of-the-summer-yet>.
2. *Pharrell Williams et al. v. Bridgeport Music et al.*, No. CV13-06004-JAK (C.D. Cal. filed Aug. 15, 2013). U.S. District Court Central California, Western Division. After filing in August, the Gaye family and Marvin Gaye III separately counterclaimed for infringement, including more songs in Thicke's portfolio. Thicke answered these complaints in December 2013.
3. Jon Caramanica, *Yesterday's Style, Today's Hits*. The New York Times, Aug. 2, 2013, available at http://www.nytimes.com/2013/08/03/arts/music/blurred-lines-makes-robin-thicke-white-souls-leader.html?_r=0. "With its full-band soul arrangements that hark back to disco and before, 'Blurred Lines' is a loud reminder of the fundamental conservatism of white soul. Nostalgia is a frequent hallmark of white participation in black genres, a way of signaling respect and knowledge without presuming to reshape the art form's present." See Also, Ken Tucker, *Robin Thicke: Smirky But Sincere On 'Blurred Lines'*, NPR, Aug. 22, 2013, available at <http://www.npr.org/2013/08/22/214469438/robin-thicke-smirky-but-sincere-on-blurred-lines>. "[Robin Thicke] makes music that hearkens back to the quiet-storm soul and disco of the '70s and '80s. He's a smirky but sincere curator of the old sounds he loves."
4. See generally, That Sounds Like Web Site, *10 One Direction Songs That Sounds Like Other Songs*. That Song Sounds Like Web Site (Dec. 7, 2013), <http://www.thatssoundslike.com/>. Several other websites exist like this one.
5. *Bright Tunes Music Corp. v. Harrisongs Music, Ltd., et al.*, 420 F.Supp. 177 (S.D.N.Y. 1976). See also, *Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000). Parties have tackled many "sound-alike" copyright infringement controversies since 1970. The "Blurred Lines" case is certainly not the first modern suit for popular music. Today, the vast majority of high-profile infringement cases between parties are settled after filing and often before summary judgment, and most cases do not qualify for the relatively rare fair use exception.
6. "Sound-alike" music cases are separate from sound infringement cases. Here, the music created is unique, but overall, the song seems similar to music before it.
7. 17 U.S.C. § 102 (1976). The sound recording provision in particular, while still subject to interpretation, illustrated the legislature's desire to consider a changing technical landscape, especially for availability of music and other sound recordings.
8. Austin Padgett, *The Rhetoric of Predictability: Reclaiming the Lay Ear in Music Copyright Infringement Litigation*, 7 Pierce L. Rev. 125, 127 (2008). Under *Feist*, the plaintiff must prove the defendant copied her work "as a model, template, or even inspiration," and the plaintiff must also prove that the copying is "actionable" because of the copying.
9. Some circuits receive dramatically more music cases, including the Second, Sixth, and Ninth Circuits (see Exhibit 2). This Article focuses on the circuits with the highest number of music infringement cases.

10. 2 Pat. L. Fundamentals § 6:70 (2d ed. 2013). Unauthorized copying on its own does not per se rise to the level of illegality. It must be enough copying of protected material that the use was not *de minimis* (or so small that the courts would not seek to find for the plaintiff).
11. *Arnstein v. Porter*, 154 F.2d 464, 469 (2d Cir. 1946). In *Arnstein*, the court adopted a similarity test as a substitute for direct access to protected material. To do this, the court analyzed if the protected content was “similar enough” to justify an inference of access. Ira Arnstein was able to proceed to a jury trial because “double-purpose evidence is not required; that is, if copying is otherwise shown, proof of improper appropriation need not consist of similarities, which, standing alone, would support an inference of copying.” In *Arnstein*, the lay listener test was also applied, illustrating the two-prong test. The first is a threshold requirement to substitute direct evidence of access to the protected content. The second seeks to determine whether similarity of protected content is high enough to prove infringement. Courts at times may combine these analyses together.
12. *Sid & Marty Krofft Television Prods., Inc. v. McDonald’s Corp.*, 562 F.2d 1157 (9th Cir. 1977). See also B. MacPaul Stanfield, *Finding the Fact of Familiarity: Assessing Judicial Similarity Tests in Copyright Infringement Actions*, 49 Drake L. Rev. 489, 502 (2001). The purpose of the abstraction served to remove non-protectable elements from the material reviewed. The *Krofft* court created its own standard in 1977, the intrinsic/extrinsic standard, which asked the courts to “abstract” the idea from the expression of the idea, evaluate extrinsically the idea and employ “analytic dissection and expert testimony” to determine whether the defendant had copied material from the plaintiff. After extrinsic analysis, the intrinsic test would evaluate the experience from the perspective of an “ordinary reasonable person.”
13. Frank G. Hausman, *Protecting Intellectual Property in the Digital Age*, in *Copyrights: The Future of Intellectual Property in the Information Age 206* (Wayne Crews and Adam Thierer eds., 2002). The “always on” nature of the Internet means that artists will try to get their music to potential fans and recording companies by making it available via websites, promotional music sites, and social networking sites like Facebook. The broad availability of music and access to it has advanced our analysis of “access” to increasingly include circumstantial evidence.
14. Karen Bevell, *Copyright Infringement and Access: Has the Access Requirement Lost Its Probative Value?* 52 Rutgers L. Rev. 311 (1999). Often, the access requirement cannot be proven on its own using factual knowledge of relationships in the music business.
15. Alan Latman, *Probative Similarity as Proof of Copying: Toward Dispelling Some Myths in Copyright Infringement*, 90 Colum. L. Rev. 1187, 1194-5 (1990).
16. *Id.* “A common form of indirect proof of copying... is a showing of defendant’s opportunity to come into contact with plaintiff’s work and such similarities between the works which... make independent creation unlikely. Such similarities may or may not be substantial... They are offered as probative of the act of copying and may accordingly for the sake of clarity conveniently be called ‘probative similarity.’” Typically this analysis is called “substantial similarity” analysis as well, causing confusion and conflation of analysis. Latman’s terminology helps to differentiate between analysis in the first step to substitute for factual access and similarity analysis in step two.
17. Generally expert testimony is allowed for probative similarity analysis.
18. To receive statutory damages and attorneys fees, the material must have been registered with the Copyright Office before the lawsuit commenced, and the material must be protected—not in the public sphere, <http://www.copyright.gov/circs/circ01.pdf>.
19. This of course makes sense, as music of a specific type or genre may have a similar sound and feel, yet most of the similar elements are traditionally used in this type of music. Examples include swung notes or heavy use of improvisation in jazz music, or a hook and a bridge in pop music.
20. 18 Am. Jur. 2d *Copyright and Literary Property* § 229 (2013). See also, Michael L. Sharb, “Total Concept and Feel” of Copyright Infringement, 64 U. Colo. L. Rev. 903, 915 (1993). Alternatively, “Total Concept and Feel” is often the back-up position when most of the copied material includes musical elements from the public domain, yet the total combination of elements is substantially similar. Courts include the Second and Ninth Circuits.
21. See *supra* note 15, p. 1192.
22. William C. Holmes, *Elements of an Infringement Claim; ‘Substantial Similarity’ Test*, Intellectual Property and Antitrust Law Database, § 4:15 (2013). A party may infringe content, but the question is whether it is so similar that the court will protect the plaintiff in the action. Often, use may be “de minimis” after all non-protectable portions of the content are stripped away.
23. This is because of the foundation of the lay listener and lay observer tests; these seek to capture the effect on the actual intended market, versus a musicological expert.
24. Jamie Lund, *An Empirical Examination of the Lay Listener Test in Music Composition Copyright Infringement*, 11 Va. Sports & Ent. L.J. 137, 150 (2011). As music is consumed by the general public, and the tort of copyright infringement ultimately is an appropriation of someone’s protected material without compensation, Second Circuit courts seek to emulate effect on the market or intended audience.
25. This activity is commonly considered probative similarity analysis.
26. Striking Similarity Analysis is also used in the Second Circuit when similarity is so substantial that independent creation is precluded (and satisfies the access requirement).
27. Model Civ. Jury Instr. 9th Cir. 17.17 (2007). Ideas are rarely protected, but the expression of those ideas can be. This is often called the idea/expression dichotomy.
28. Nicole K. Roodhuyzen, *Do We Even Need a Test? A Reevaluation of Assessing Substantial Similarity in a Copyright Infringement Case*. 15 J.L. & Pol’y 1375, 1400 (2007). Expert testimony may be used to illustrate common “conventions” of a genre, for example. However, the judge must assume the role of the jury in most cases.
29. David Aronoff, *Exploding the ‘Inverse Ratio Rule’*, 55 J. Copyright Soc’y U.S.A. 125, 129 (2008). In the Ninth Circuit, if you have more evidence of access, you need less similarity (and vice-versa). The high access/low similarity combination has concerned some academics, since at times the courts may cut corners and actually find copyright infringement when the copied material includes non-protectable elements, such as overall idea versus expression of an idea. This issue is because the courts are combining probative similarity and substantial similarity—assuming that increased access satisfies both probative similarity and substantial similarity, though it may only satisfy the probative similarity aspect but still requires a lay observer or intrinsic similarity test. This is typically used by the Ninth Circuit.
30. See *supra* note 28, p. 1409. Courts may accept expert testimony on analysis of the non-protectable elements.
31. See *supra* note 8, pp. 130-132. Also called the “audience test,” Judge Learned Hand specified at the time that this was supposed to be analyzed from the perspective of spectator and without expert testimony, though this was never adopted.
32. Mark A. Lemley, *Our Bizarre System for Proving Copyright Infringement*, 57 J. Copyright Soc’y U.S.A. 719, 736 (2010). Lemley criticizes this approach, arguing that filtering in this stage is not tremendously helpful for a finding of “copying,” as copying, regardless of protectability, can still imply access to the work.
33. E. Scott Fruehwald, *Copyright Infringement of Musical Compositions: A Systematic Approach*, 26 Akron L. Rev. 15, 30 (1992). Some courts have barred expert testimony as highly subjective.
34. Durand R. Begault, Heather D. Heise, and Christopher A. Peltier, *Analysis criteria for forensic musicology*, Vol. 19: Proceedings of Meetings on Acoustics, 1, 3 (2013).

35. Sergiu Gherman, *Harmony and Its Functionality: A Gloss on the Substantial Similarity Test in Music Copyrights*, 19 Fordham Intell. Prop. Media & Ent. L.J. 483, 505 (2009).
36. *Swirsky v. Carey*, 376 F.3d 841, 849 (9th Cir. 2004). "In analyzing musical compositions under the extrinsic test, we have never announced a uniform set of factors to be used. We will not do so now. Music...is comprised of a large array of elements, some combination of which is protectable by copyright." A combination of probative and substantial similarity analyses only further complicate the analysis of similarity for each step. Probative similarity, for example, often requires a lower standard of similarity than that of substantial similarity amounting to unlawful appropriation that a court will enforce. See also, Shafter in Robert C. Osterberg and Eric C. Osterberg, *Music* § 9:1.2 in *Substantial Similarity in Copyright Law* (2007).
37. Timetra Burress, *BMS Entertainment/Heat Music LLC v. Bridges: How the Court Got It Wrong...Just Like That*, 16 DePaul-LCA J. Art & Ent. L. 311, 325 (2006).
38. 4-13 Nimmer on Copyright § 13.03 (2005).
39. Hon. Leon R. Yankwich, *Originality in the Law of Intellectual Property (its Meaning from Legal and Literary Standpoint)*, 11 F.R.D. 457, 484 (1951). As Justice Yankwich observed in the 1950s: "It is, at best, difficult to lay down a distinct formula by which to judge originality in music. Some music of marked originality was thought to be revolutionary when it was written, because it employed devices and techniques which had apparently not been used before...[but] this music...is now understood to be an evolutionary...extension of principles previously explored."
40. See *supra* note 32, p. 721. Lemley refers to *Steinberg v. Columbia Pictures* where the court focused heavily on the font style of the poster, a result of focusing on the "easy" question in the case, if the defendant copied, rather than whether what was copied was "protectable expression."
41. In order to better pinpoint challenges for courts in similarity tests, this author investigated the proportion of music infringement cases: cases topically grouped in a 36-month survey from March 2010 to April 2013, a total corpus of 235 cases. After categorizing the corpus, this author counted word frequency for direct infringement case analysis sections to determine the courts' focus on specific musicological terms and factors. If words and phrases are not often used, their relative importance can be less, whereas strong frequency can indicate a focus area for the courts. As courts often intertwined probative and substantial similarity analyses, these two analytical activities were combined rather than separated.
42. Comparatively, thematic references and instrumental references came in at 23% and 18%, respectively.
43. Plaintiffs proceeding pro se only had positive outcomes on all motions 18%. See Steven T. Lowe, *Death of Copyright: Copyright Infringement May be the Only Remaining Area of Law in Which Courts Seem Increasingly Willing to Decide Material Facts on Summary Judgment*, 33-NOV L.A. Law. 32, 33 (2010). Lowe mentions that only two publicly available cases made it to jury trial against high-powered defendants. This author does not take any position on the outcomes of these cases, other than to illustrate that a connection may exist between the lack of repeatable analysis and a very low favorable result for plaintiffs of any kind in this empirical analysis.
44. This is based on categorization of the direct infringement suits in 2010 and 2013—even those that eventually made it to circuits on appeal were not jury trials for district courts.
45. Michael L. Sharb, Comment, *Getting a "Total Concept and Feel" of Copyright Infringement*, 64 U. Colo. L. Rev. 903, 929 (1993). See also, *supra* note 33, pp. 39-40. Sharb proposes a more robust analytical approach to substantial similarity analysis, including analysis of artists' previous works, within the stylistic approach of the genres.
46. Sergiu Gherman, *Harmony and Its Functionality: A Gloss on the Substantial Similarity Test in Music Copyrights*, 19 Fordham Intell. Prop. Media & Ent. L.J. 483, 516 (2009).
47. See *supra* note 32. See also, Alice J. Kim, *Expert Testimony and Substantial Similarity: Facing the Music in (Music) Copyright Infringement Cases*, 19 Colum.-VLA J.L. & Arts 109, 122 (1994). Kim proposes that expert testimony should be expanded to full requirement one and two analysis, since today these analyses are not easily sequestered during the analysis process; M. Baker, *A Note to Follow So: Have We Forgotten the Federal Rules of Evidence in Music Plagiarism Cases?* 65 S. Cal. L. Rev. 1583, 1588 (1992).
48. Eric Leventhal, *Would You Want William Hung as Your Trier of Fact? The Case for a Specialized Musicology Tribunal*, 90 Tex. L. Rev. 1557, 1588 (2012).
49. Stockhausen in Oscar van Dillen, *Outline of Basic Music Theory*, http://www.oscarvandillen.com/outline_of_basic_music_theory/sound_and_hearing/.
50. *Id.* Duration in classical music is typically called tempo, for example, *grave*, *andante*, *vivace*, or *meno mosso*. Jazz calls its own tempo measurements *ballad*, *waltz*, *fast*, and *up*. In comparison, dynamic can be loudness or softness, for example *piano* or *forte*. Even changes in dynamic have their own names, *crecendo* or *diminuendo*.
51. Sylvain Le Groux and Paul F.M.J. Verschure, *Emotional Responses to the Perceptual Dimensions of Timbre: A Pilot Study Using Physically Informed Sound Synthesis*, Proceedings of the 7th International Symposium on Computer Music Modeling and Retrieval, CMMR 235 (2010).
52. Bent in M. Fletcher Reynolds, *Music Analysis for Expert Testimony in Copyright Infringement Litigation* (1991) (unpublished Ph.D. dissertation, University of Kansas), available at <http://www.musicanalyst.com/dissertation/>.
53. James Tenney, *A History of 'Consonance' and 'Dissonance'* (1988). Consonant sound is typically related to mathematical similarity, though this has evolved over time. Today, consonance typically relates to the harmonic root as a prime, third or fifth, would be considered consonant. Dissonant sound is anything not in that combination.
54. Margit Livingston and Joseph Urbinato, *Copyright Infringement of Music: Determining Whether What Sounds Alike Is Alike*, 15 Vand. J. Ent. & Tech. 227, 239-242 (2013). "The greater one's knowledge, the greater one's ability to distinguish between commonplace—that is, conventional—practice and the seemingly new or original application of long-established musical conventions of tonality." The heavy foundation of contemporary music makes today's music accessible to those trained.
55. Francois Pachet and Daniel Cazaly, *A Taxonomy of Musical Genres, Content-Based Multimedia Information Access Conference RIAO proceedings* (2000), <http://www.csl.sony.fr/downloads/papers/2000/pachet-riao2000.pdf>.
56. *Id.*
57. Musicologists often can spot reuse of cross-generic features as well, as is very common in pop music today, borrowing everything from tribal chants to blending big band and swing with rap. The hybridization of music can make a song seem original, when much of it is actually generic, just of a different genre.
58. See *supra* note 52. The skills of a composer or a musician are not the same as a trained analyst, who can effectively dissect and compare musical works, though often in court, attorneys criticize an analyst's musical ability.
59. See *supra* note 34. Musicological best practices specifically reject the notion of a "golden ear," or that a specially trained musicologist would have a different experience than a lay listener. However, the musicologist is able to effectively translate music into its constituent parts by specialized training, making the musicologist specially positioned to offer objective analysis of sensory experience.
60. Jeanne Anne Neujeck, *Song sleuth is on the case: Musicologist tunes ear to sound-alikes*, Cin. Enquirer (Aug 8, 2004), available at http://www.enquirer.com/editions/2004/08/08/biz_biz1song.html.
61. *Fantasy v. Fogerty*, 984 F.2d 1524 (9th Cir. 1994).

62. See *supra* note 34. Forensic musicologists focus on expert testimony for copyright infringement cases, but even in this specialized field, no repeatable process and technology have been identified previously.
63. *Id.*
64. Yvette J. Liebesman, *Using Innovative Technologies to Analyze for Similarity between Copyright Infringement Disputes*, 35 AIPLA Q.J. 331, 352-53 (2007). One study from Columbia measured both human similarity judgments of artistic similarity, as well as expert similarity judgments and automated similarity of a 400 artist sample set. The automated acoustic measures were similar to expert analysis, and the overall result has created an open acoustical feature database. See Also, Paolo Annesi, Roberto Basili, Raffaele Gitto, Alessandro Moschitti, *Audio Feature Engineering for Automatic Music Genre Classification*, RIAO2007 Conference (2007). Due to the inherent subjective nature of music classification, computerized classification cannot provide accurate results alone.
65. *Id.* See also, Markus Schedl and Peter Knees, *Context-Based Music Similarity Estimation*, Learning Semantics of Audio Signals Proceedings. (2009), <http://www.witi.cs.uni-magdeburg.de/~stober/publ/lzas2009proceedings.pdf#page=65>. Systems have been proposed to solve legal issues, such as Musical Information Digital Interface (MIDI) music data, which analyzes sound waves as detected through a computer. Other analyses have cited musical context as strongly influencing musical similarity.
66. Marc Leman, *Foundations of Musicology as Content Processing Science*. *Journal of Music and Meaning* 1:3 (2003). available at <http://www.musicandmeaning.net/issues/showArticle.php?artID=1.3>.
67. Pandora Music, *About The Music Genome Project*, Pandora Website, <http://www.pandora.com/about/mgp>. In 2002, the Music Genome Project was created to expand listeners' preferences by playing music similar to what the listener already chose. This capability includes an algorithm that calculates distances between each song attribute's vector, determining how similar one song is to another.
68. The resulting Internet radio utility then selects music according to an algorithm that calculates distances between factor values on each song.
69. Matthew Laser, *Digging into Pandora's Music Genome with musicologist Nolan Gasser*, *Ars Technica* (Jan. 12, 2011), <http://arstechnica.com/tech-policy/2011/01/digging-into-pandoras-music-genome-with-musicologist-nolan-gasser/>. Four hundred genes are evaluated for classical music, while other genres have fewer "genes."
70. U.S. Patent: No. 7003515. (filed May 16, 2002).
71. *Id.* This methodology also includes redundant analysis (re-analyzing, or analyzing of another) and quality control (spot checking). These verification procedures tend to lend more objectivity to a semi-subjective evaluation process.
72. See *supra* note 69.
73. While this proposal covers existing analysis for probative similarity, where expert analysis is more typically used, this approach could be used for substantial similarity analysis. Furthermore, automated techniques and algorithms could easily detect sound recording reuse, even if a sound recording is changed in pitch or tempo.
74. United State Patent Trademark Office, *USPTO Positions*, United States Patent and Trademark Office Website, <http://careers.uspto.gov/Pages/PEPositions/Training.aspx>.
75. 35 U.S.C. §42 (2013).
76. Acoustical Society of America, *About*, Acoustical Society of America Homepage, <http://acousticalsociety.org/content/introduction-acoustical-society-america>. The Acoustical Society of America could be a strong partner in a certifying process for musicologists.
77. To date, courts allow expert testimony for probative similarity analysis. If concerns about expert testimony subjectivity could be quashed, perhaps federally sponsored expert analysis would be appropriate for some aspects of substantial similarity analysis as well.
78. Carolyn E. Wright, *Diary of a Copyright Infringement Lawsuit – 1a (Costs)*. Photo Attorney Blog (Jan. 27, 2012), <http://www.photoattorney.com/diary-of-a-copyright-infringement-lawsuit-%E2%80%931a-costs/>. Average expert witnesses cost \$250-350 per hour. It is likely that costs could be kept very low for parties if paying a fee back to the federal government for access to court-appointed experts who are salaried.
79. Experts could be centralized and located in Washington D.C. at the U.S. Copyright Office or could be decentralized throughout the United States. Music analysts could be located in specific circuits, arranged by location of highest district demand, reducing travel costs.
80. While individually accredited independent analysts are an option, better options exist. Musicology is an inherently subjective analysis, though scientific processes may be used to drive objectivity, especially multi-person analysis, peer review, and quality "spot checking."
81. Tao Li and Mitsunori Ogihara, *Music Genre Classification with Taxonomy*, Vol. 5 IEEE International Conference, (2005), <http://users.cs.fiu.edu/~taoli/pub/icassp-2005.pdf>. This taxonomy would include the grouping of factors into constituent parts, for example, L1 = Sound dimensions, L2 = Factor groupings, L3 = Individual Factors. Creating a taxonomy is critical for automated music analysis.
82. Blas Payri and José Luis Miralles Bono, *Auditory Scene Analysis and Sound Source Coherence As a Frame for the Perpetual Study of Electroacoustic Music Language*, *Electroacoustic Music Studies Network* (2007), http://www.ems-network.org/IMG/pdf_PayriEMS07.pdf. Contextual distance is the maximum surrounding notes/length of musical time allowed to analyze each factor. It could also include any song's external context, for example, other songs from an artist's catalogue.
83. Music analysts could also identify which aspects are protectable for each of the factors—first, what is the rating and second, is it generic or original. Though this Article does not propose the use of expert testimony in substantial similarity analysis, it is possible to leverage this process.
84. Further, even analysis of protected elements could be determined by the system, if a common catalogue of generic features are entered and crossed-referenced. Over time, common note sequences, tempo, and beats would already be entered in the system and easily identifiable as not protectable, allowing courts to run comparative analyses.
85. Dan Ellis, *Music Similarity: Raw Data and Statistics*, LabRosa (Nov. 16, 2005), <http://www.musicseer.org/projects/musicsim/>. This research was completed with funding from the National Science Foundation.
86. United States Copyright Office, *ECO Online System*, United States Copyright Office Website, <http://www.copyright.gov/> (last accessed Nov. 5, 2013). While a variety of tangible, fixed formats have been used to secure copyright, the recent fixed format of choice has been that of a sound recording to establish copyright, whether physical compact disc or through digital upload on the United States Copyright Offices' Website for only \$35.
87. It is significantly easier to compare two audio versions to one another, and this Author recommends that where possible sheet music deposits should be converted to audio versions for the purpose of similarity analysis. It appears that today it is very rare for artists to deposit sheet music, at least for music at issue in "sound-alike" cases.
88. Rafii, Z.; Pardo, B., *Repeating Pattern Extraction Technique (REPET): A Simple Method for Music/Voice Separation*, IEEE transactions on audio, speech, and language processing Vol 2:1. 73, 84 (2013), available at: doi: 10.1109/TASL.2012.2213249.
89. Beth Logan, Daniel P.W. Ellis, and Adam Berenzweig, *Toward Evaluation Techniques for Music Similarity*, SIGIR 2003: Workshop on the Evaluation of Music Information Retrieval Systems (2003), <http://hdl.handle.net/10022/AC:P:13787>. The coefficient method

of reducing audio to its constituent parts for storage is particularly good, because it is difficult to reassemble audio from its parts—this means security issues for this database are very low, making it more possible to use a cloud provider to computing power and storage costs low. The main requirement is that manual entry must also be possible.

90. *Id.* See also, George V. Karkavitsas and George A. Tsihrintzis, *Intelligent Interactive Multimedia Systems and Services*, in Vol 11: Smart Innovation, Systems and Technologies 323 (2011). Algorithms complete a mathematical process within a computerized environment can be quite dynamic, and are often “tuned” to provide more accurate data. Good examples exist with recommendation systems, such as the algorithms Netflix and Amazon use commercially. More advanced algorithms being proposed now will automatically choose the taxonomic structure in which music should belong for auto-classification.
91. The purpose of this step is to reduce more subjective measurement by eliminating one factor (but not an entire analysis) that appears to be apart from the norm. Over time, the degree of variability allowed can also be tuned (e.g. is it a value of two or a value of eight that triggers dropping one factor’s value from the calculation).
92. Cory McKay and Ichiro Fujinaga, *Expressing Musical Features, Class Labels, Ontologies, and Metadata Using Ace XML 2.0 in Structuring Music through Markup Language: Designs and Architectures* 48-79 (Jacques Steyn, ed., 2013). Metadata is used to provide information

about a primary item. In this example, metadata could be the value for each factor. This could then be saved for any future analysis needs. In the future, it may be possible with enhanced automation to automatically scan and upload factor values for all music upon deposit, making future litigation much easier and less costly.

Charlotte Tschider is completing her Juris Doctorate at the Hamline School of Law in St. Paul, Minnesota in May 2015 and received her BS and MA in Rhetoric and Scientific and Technical Communication from the University of Minnesota. She currently works in the information technology field, leading innovative technology development, and has led technology teams in a variety of academic, corporate, and consulting environments for over 13 years. Tschider’s primary research interests include the intersection of intellectual property practice and new technology. In her creative pursuits, Tschider is a classically trained pianist and abstract painter. Charlotte Tschider would like to thank Professor Sharon Sandeen for her helpful comments and feedback in the writing of this article.

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Counseling Content Providers in the Digital Age

A Handbook for Lawyers

For as long as there have been printing presses, there have been accusations of libel, invasion of privacy, intellectual property infringements and a variety of other torts. Now that much of the content reaching the public is distributed over the Internet, television (including cable and satellite), radio and film as well as in print, the field of pre-publication review has become more complicated and more important. *Counseling Content Providers in the Digital Age* provides an overview of the issues content reviewers face repeatedly.

Counseling Content Providers in the Digital Age was written and edited by experienced media law attorneys from California and New York. This book is invaluable to anyone entering the field of pre-publication review as well as anyone responsible for vetting the content of a client’s or a firm’s Website.

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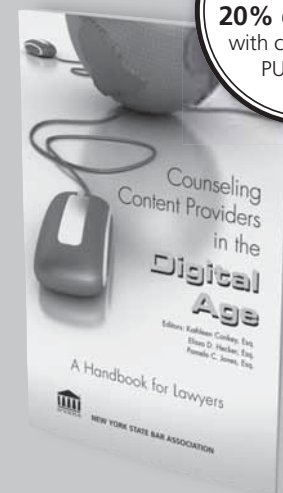
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Fixated on *Garcia*

By Marc Jacobson and Marc Pellegrino

Two Federal courts, one in California and the other in New York, recently decided cases involving the question of whether, in the absence of a contract or work-for-hire agreement, a contributor to a film may receive a separate copyright interest in his or her respective contribution, such that he or she might enjoin the exploitation of the film. The two courts yielded drastically different results: In *16 Casa Duse, LLC v. Merkin*¹ (*Merkin*), the court held that a director's contributions received no copyright protection, while in *Garcia v. Google, Inc.*² (*Garcia*), an extra's five second appearance was held to be worthy of such protection.

In this article, we argue that the New York district court decision was correct, but that the Ninth Circuit's decision was incorrect possibly because the appellate court avoided addressing the issue of "fixation." This appellate decision from a court sitting in California may have a disastrous impact on the motion picture industry. We also address the Ninth Circuit's apparent intention to enjoin the release of an offensive motion picture, by creating bad law.

Shared Facts

In both *Merkin* and *Garcia*, the owner of a screenplay hired cast and crew with the intent to produce a motion picture based on the screenplay, or a derivative work. In both cases, every member of the cast and crew signed a work-for-hire agreement, with two exceptions: Neither the director in *Merkin*, nor the extra in *Garcia* signed one. Both individuals claimed a right to enjoin the use of the film, claiming an exclusive copyright interest in their respective contributions.

I. Motion Pictures as Joint Works

First, the courts disagreed about the impact of considering a motion picture as a "joint work," which the Copyright Act defines as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."³ Both courts agreed that a motion picture *may* be a joint work, with multiple authors. Yet in *Merkin*, the court held that the only time this will arise in motion pictures is in the case of joint *authorship*, where each author retains 100% interest in the motion picture work.⁴ In *Garcia* on the other hand, the court held that a motion picture may be a joint work consisting of multiple authors even where there is no joint authorship.⁵

a) *Merkin's* Analysis

Recognizing that a motion picture "work may have more than one author," the *Merkin* court held that whether the director's contribution rose to the level of "joint authorship" was the only question at hand. The answer to that

question would determine whether he had *any* exclusive interest in the motion picture.⁶ *Merkin* employed the Second Circuit's two-prong test addressing joint authorship, stating that the director must prove that first, he and the producer made independently copyrightable contributions to the work; and second, that both authors fully intended to be co-authors.⁷ *Merkin* held that while the director made an independently copyrightable contribution to the motion picture, having "identified specific camera angles, lighting schemes and focal points," there was nevertheless no evidence on the record to establish that the parties *intended* to be joint authors. Without intent, and thus without joint authorship, *Merkin* held that whoever was the "dominant" author was the sole author in the motion picture work.⁸ While multiple authors may exist in a motion picture, ownership over *any* part of the motion picture in the absence of joint authorship, resides only in one author, the dominant author.

b) *Garcia's* Analysis

The *Garcia* court employed the Ninth Circuit's comparable "intent" test, and quickly held that the actor did not, in fact, qualify as a joint author, since she did not intend to be a joint author nor for her contributions to be part of a joint work.⁹ Nevertheless, and contrary to *Merkin's* above conclusion, the court held that "just because *Garcia* isn't a joint author of "Innocence of Muslims" doesn't mean she doesn't have a copyright interest in her own performance within the film."¹⁰

Garcia's assertion that a motion picture is thus always a joint work where multiple authors are involved led the court to inquire as to instances where an author, whose contribution does not rise to the level of joint *authorship*, may still claim a copyright interest in his or her respective contribution.

II. "...An Independent Copyright Interest"

Garcia used the language of 17 U.S.C. § 102(c)—that copyright protection "subsists in original works of authorship fixed in any tangible medium..."—to bolster the assertion that "nothing in the Copyright Act suggests that a copyright interest in a creative contribution to a work simply disappears because the contributor doesn't qualify as a joint author of the entire work."¹¹ The director in *Merkin* also claimed that absent joint authorship, he still had a separate copyright interest in his contributions, and as such, both courts addressed the elements of copyrightability discussed below. The *Garcia* court, though, overlooked the important element of fixation to support the actor's copyright. On the other hand, the *Merkin* court correctly addressed the issue of fixation. *Garcia's* error, we argue, leads to much uncertainty for the motion picture industry.

a) Originality

First, the *Garcia* court discussed how an actor's performance is copyrightable if it evinces "some minimal degree of creativity," which is true whether the actor "speaks" or is "dubbed over."¹² While the producer in *Garcia* wrote the dialogue the actor spoke, managed all aspects of the production, and later dubbed over a portion of her scene, the court nonetheless found that the actor's performance satisfied that minimum threshold of creativity.¹³

In *Merkin*, the court found the director's contributions to be sufficiently creative but held that he had no copyright interest because of a defect in the other elements.¹⁴

b) Work of Authorship

After finding sufficient originality in the actor's performance, the *Garcia* court then pointed to examples of authorship in individual copyrightable contributions that nevertheless did not rise to the level of *joint* authorship. For example, an author of a single poem in an anthology remains an author in that poem, but not a joint author in the anthology.¹⁵ Yet, as the dissent pointed out, the actor conceded that she had no creative control over the script or her performance and thus was not an *author* of anything sufficiently creative since an "author is the [wo]man who really represents, creates, or gives effect to the idea, fancy, or imagination."¹⁶

In *Merkin*, the court, too, did not object to a finding of a work of authorship in the director's creative contributions. In fact, *Merkin's* discussion of how work-for-hire (WFH) agreements assign authorship provided useful guidance in revealing that an actor's contributions may rise to the level of an original "work of authorship," such that a separate copyright interest in the performance of a screenplay *may* exist.¹⁷

A "work made for hire" is, *inter alia*, "a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work...if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire."¹⁸ By its definition, an author's contribution in a WFH may indeed be a "work." What the WFH agreement does is memorialize the fact that the "employer for hire" is aggregating the works of authorship of the "employees for hire" as a contribution to the "employer's" work, which the "employer for hire" will own entirely. As *Merkin* notes, the WFH provisions in 17 U.S.C. § 201 are "an exception to the rule that copyrights belong in the first instance only to creators," or authors. In WFH situations, "the creator never has a copyright; what the creator has is a claim of authorship, and the WFH agreement assigns that claim to a third party."¹⁹

It seems then that both *Merkin* and *Garcia* agree that in the absence of a WFH agreement, and in the absence of a joint authorship in a work (lack of identical intent), there may exist a separate original work of authorship by a contributor to a motion picture.

The reason *Merkin* nevertheless finds no copyright interest in the director's work of authorship and the heart of why *Garcia's* analysis was incomplete rests in the last element: fixation.

c) Fixation

The *Garcia* court satisfied the requirement of "fixation" by merely recognizing the fact that the actor's performance was ultimately fixed, and quietly sidestepped the question of whether "who does the fixing" matters.²⁰

On the other hand, in responding to the director's claim of a separate copyright in his directing services, the *Merkin* court places emphasis on the director's fundamental misunderstanding of § 102(c)'s "fixation" element.²¹ While *Merkin* found the director's contributions to be a sufficiently creative work of authorship, it is the expression of those contributions "fixed in a tangible medium" that receives copyright protection, and the tangible medium of the director's expression was the film itself, and only that film received copyright protection.²² "[T]here is no separate copyright for the film's direction, production, or cinematography."²³

III. Conclusion

a) Copyright

If there is no WFH agreement, or there is no joint authorship, then the question of whether an individual's creative contribution in a motion picture rises to the level of an original work of authorship, creating a separate copyright interest, may be determined by who owns, controls, and does the fixation. Where the producer of a motion picture controls the fixation of a contributor's original work of authorship, that contributor's work will *not* rise to the level of copyright protection. If the contributor does the fixing, he or she *may* have a copyright claim. In the alternative, an author whose ideas are never fixed may still be an author, but only where there is intent to be joint authors and each author's contributions are sufficiently intertwined and interdependent in the whole work, once completed. As such, only in those situations of joint authorship or where the contributor controls the fixation of his or her original work of authorship will a joint work in a motion picture arise.

As the *Merkin* court recognized that the producer owned, controlled, and created the fixation of a motion picture as a derivative work of his screenplay, the only relevant question was answered in Part I, above: A contributor's work is never separable *when the producer does the fixing*. As such, ownership of any part of a motion picture work that the producer fixes in a tangible medium of expression is either solely or jointly owned.

Since *Garcia* sidestepped the issue of whether fixation mattered, the court was free to hold that the actor, in the absence of being a joint author, may, in fact, have a separable copyrightable interest by satisfying the basic elements of copyright creation. Yet even under *Garcia's* detached analysis of whether an actor had a separate copyright

interest from the motion picture, neither the actor nor the director should retain a copyright interest in that which he or she did not fix. The *Garcia* court dismisses the purpose of WFH agreements in motion pictures—that they aggregate works of authorship that a *producer fixes*—and instead holds that since there was no employee status, it is permissible to proceed with a straightforward copyright analysis and gloss over the fixation element.

b) Public Policy

The *Garcia* decision may have been seeking a way to enjoin distribution of what it felt was an offensive motion picture. According to *Wikipedia*, as of April 29, 2014:

Innocence of Muslims is the title attributed to a controversial anti-Islamic movie “trailer” that was written and produced by Nakoula Basseley Nakoula. Two versions of the 14-minute video were initially uploaded to YouTube in July 2012, under the titles *The Real Life of Muhammad* and *Muhammad Movie Trailer*. Videos dubbed in the Arabic language were uploaded during early September 2012. Anti-Islamic content had been added in post production by dubbing, without the actors’ knowledge.

What was perceived as denigrating of the prophet Muhammad caused demonstrations and violent protests against the video to break out on September 11 in Egypt and spread to other Arab and Muslim nations and to some western countries. The protests have led to hundreds of injuries and over 50 deaths. Fatwas have been issued against the video’s participants and a Pakistani minister has offered a bounty for the killing of the producer Nakoula. The film has sparked debates about freedom of speech and Internet censorship.²⁴

We want to think that the Ninth Circuit was fashioning a remedy to achieve a result, in particular the removal of this video from YouTube, which was what the appellate court ordered on February 26, 2014. While we agree with the result, the means to that end might have been more direct. In particular, Ms. Garcia was told she would be appearing in a film entitled “Desert Warrior,” which was described to her as a “historical desert adventure film” with no indication that anti-Islamic material would be added in post production. Surely, the district court and the appellate court could fashion the same remedy around breach of contract or fraud in the formation of Garcia’s contract, rendering her consent void, and equitable remedies available. Relying on a myopic view of copyright law, as the Ninth Circuit did here, will lead to disastrous results in the motion picture, television, web and other audio-visual industries.

Endnotes

1. *16 Casa Duse, LLC v. Merkin*, 2013 WL 5510770 (S.D.N.Y., 2013).
2. *Garcia v. Google, Inc.*, 743 F.3d 1258 (9th Cir. 2014).
3. 17 U.S.C. § 101.
4. *Merkin* at 8.
5. *Garcia* at 1263 (relying on *Nimmer on Copyright* § 6.05).
6. *Merkin* at 8.
7. *Merkin* at 8 (citing *Thomson v. Larson*, 147 F.3d 195, 200 (2d Cir. 1998)).
8. *Id.* at 9.
9. *Garcia* at 1263 (citing *Aalmuhammed v. Lee*, 202 F.3d 1227, 1231–36 (9th Cir. 2000)).
10. *Id.*
11. *Garcia* at 1263.
12. *Id.*
13. See *Garcia* at 1275 (dissent).
14. *Merkin* at 9.
15. *Garcia* at 1264.
16. *Garcia* at 1274 (citing *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (U.S. 1884)).
17. *Merkin* at 11.
18. 17 U.S.C. § 101 (emphasis added).
19. *Merkin* at 11.
20. *Garcia* at 1263, FN 4 (“Neither party raised the issue of whether the author of a dramatic performance must personally fix his work in a tangible medium. Because the question is not properly before us, we do not decide it. The parties are free to raise it in the district court on remand.”). We suggest that if the issue of copyrightability was before the *Garcia* court, the panel had authority to address all the elements of copyrightability, including fixation, and its refusal to address the issue was error.
21. *Merkin* at 10.
22. *Id.* (emphasis added).
23. *Id.*
24. http://en.wikipedia.org/wiki/Innocence_of_Muslims.

Marc Jacobson practices entertainment law, with a focus on music and film matters. He is the Founding Chairman of the NYSBA Entertainment Arts & Sports Law Section. He has been listed in Chambers USA since 2005 and SuperLawyers since 2008 as one of the top entertainment lawyers in New York City. He is licensed to practice in NY, CA and FL.

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Direct Licensing Controversy: Will Publishers Be Able to License Public Performing Rights to Digital Music Services Directly (Instead of Through the Performing Rights Organizations) and What Are the Consequences for Songwriters?

By Steve Gordon

Definition

“Direct licensing” refers to a license to use music that is secured directly from the owner of that song or music recording. For instance, in order to secure the right to use a song in a movie or TV program, it is necessary to secure a “synch” license directly from the company that owns or controls the copyright in that song, usually a music publisher.

Collection Societies

However, because of the complexity of licensing music to all possible users for all possible uses, over time, copyright owners in the music business all around the world have set up what are referred to as “collection societies.” These groups are authorized to license and collect money on behalf of the music copyright owners for certain purposes.

The PROs

In the U.S., songwriters and music publishers founded ASCAP in 1914 to license and collect money for the public performance of music. BMI was set up by broadcasters to essentially compete against ASCAP in 1940. SESAC was initially created in 1930 to represent contemporary European classical music (SESAC originally stood for “*Society of European Stage Authors and Composers*”). Each of these performing rights organizations (PROs) is authorized by its publisher and songwriter members to license public performance rights for music to radio and TV stations, concert halls, bars, nightclubs, restaurants, stores, amusement parks, bowling allies and anywhere else where music is publicly performed.¹ Although this is a huge job, the PROs historically have not licensed any other rights than the right to publicly perform music. For instance, they are not authorized to issue “synch” licenses; so one cannot call them to acquire permission to use songs in films. Furthermore, they do not represent “mechanical” rights, so one cannot acquire a license from any of them to include a song in a record.

As the public performance of music moved to the Internet, the PROs started to license songs for use on platforms such as Pandora, YouTube and Spotify. At first,

the music publishers were content to let the PROs license the public performance right to these new platforms. Yet starting in 2007,² certain publishers, particularly the major publishers such as Sony, started experimenting with direct licensing of performance rights. These publishers were dissatisfied with the amount of money that the PROs were receiving from digital platforms. They were particularly irritated that their industry cousins, the record companies, were and are doing much better than they were in the digital music space. For instance, Pandora pays approximately 50% of its revenue to record companies and artists, but only approximately 4% to the music publishers and songwriters through licenses with the PROs. According to the *New York Times*, these percentages translate into approximately \$313 million and \$26 million respectively.³

The problem is, from the point of view of the publishers is that both ASCAP and BMI are in a relatively weak bargaining position because they both operate under government-imposed “consent decrees,” which limit their bargaining power. (SESAC, which is much smaller than ASCAP and BMI, is not subject to a consent decree.)

Consent Decrees and the “Rate Court”

In the late 1930s, ASCAP’s general control over most music and its membership requirements were considered to be in restraint of trade and illegal under the Sherman Anti-Trust Act. The Justice Department sued ASCAP in 1941, and the case was settled with a consent decree. BMI also signed a consent decree in 1941. Among the most important points in the decree is that ASCAP and BMI cannot “discriminate” between users of music who have basically the same requirements. For instance, they must treat all bars and restaurants in a similar manner. Furthermore, and even more importantly, ASCAP and BMI cannot deny anyone a public performance license. If the parties cannot agree on a rate, the consent decree provides a mechanism whereby either party may petition the United States District Court for the Southern District of New York (the rate court) for determination of a reasonable fee. The ASCAP and BMI rate courts are each overseen by a federal district court judge. Rate court proceedings are essentially non-jury trials.

Major Publishers Make a Move but the Rate Court Rebuffs Them

To circumvent the consent decrees, some big publishers tried to change their ties with ASCAP and BMI, forcing digital services like Pandora to negotiate directly with them. In 2011, EMI Music Publishing (EMI), which later merged with Sony/ATV Music Publishing (Sony) to become the largest music publisher in the U.S., was the first of the major publishers to pull from both the two major PROs (first ASCAP, and soon after BMI) the right to license its songs to certain “New Media Services” in order to gain leverage in direct license negotiations (i.e., to negotiate higher royalty rates) with services like Pandora. Unlike ASCAP and BMI, copyright owners enjoy exclusive control of their musical works and are not constrained by consent decrees. This means that the publishers can withhold the right to use their songs for any reason.⁴ In late 2012, Sony/ATV—which had followed EMI’s lead and withdrew digital rights from the PROs—successfully negotiated a deal with Pandora for its repertoire at a rate of 5% (pro-rated by the amount of Sony’s songs played on Pandora) of Pandora’s revenue; this rate was 25% higher than the approximate 4% that the PROs were receiving from Pandora at that time. Yet the publishers’ withdrawal strategy appeared to backfire in two separate decisions by the ASCAP and BMI rate court judges in rate proceedings initiated by Pandora around the time of the Sony/ATV-Pandora direct license.

The ASCAP-Pandora Rate Proceeding and Judge Cote’s Summary Judgment Decision (September 2013)

In 2010, before withdrawal from PROs began to occur, Pandora terminated its then-existing license with ASCAP under which it was paying the greater of 1.85% of its gross income and a use-based minimum fee for the right to perform any or all of songs in the ASCAP repertoire. At the behest of its major publisher members, ASCAP modified its rules so that publisher members could negotiate exclusive direct licenses for “New Media Services,” such as Pandora. Prior to such changes, all of ASCAP and BMI’s arrangements with their members (both publishers and songwriters) were non-exclusive, allowing either ASCAP or a publisher to negotiate licenses with music users. As a practical matter, therefore, there had rarely been an incentive for publishers to pursue direct licenses so long as music users could fall back on ASCAP licenses.

As mentioned earlier, the first publisher to withdraw digital rights from ASCAP was EMI in May 2011. Upon learning of EMI’s action, Pandora started negotiating directly with the publisher. During the course of that negotiation, Sony acquired EMI’s music catalogue. Subsequently, other major publishers, including Warner/Chappell Music (Warner/Chappell), Universal Music Publishing Group (Universal) and BMG Music Publishing (BMG), announced their intentions to withdraw their

digital rights from the PROs, and Pandora started negotiations with them as well. In 2012, Pandora, faced with rate hikes demanded by the “withdrawn” majors, filed a Summary Judgment motion in the ASCAP rate court proceeding asking for a determination that ASCAP was required to license all the songs in its repertoire under its consent decree. Pandora complained that it had been put in “absolute gun-to-the-head circumstances” in negotiations with Sony and other big publishers. It also argued that ASCAP was treating digital services differently than other licensees, such as terrestrial broadcasters, by only offering part of its repertoire, and was discriminatory towards New Media services in violation of the consent decree. In its decision rendered on September 18, 2013 the court sided with Pandora. Judge Cote stated in relevant part:

Because the language of the consent decree unambiguously requires ASCAP to provide Pandora with a license to perform all of the works in its repertory, and because ASCAP retains the works of “withdrawing” publishers in its repertory even if it purports to lack the right to license them to a subclass of New Media entities, Pandora’s motion for summary judgment is granted.⁵

The BMI-Pandora Rate Proceedings and Judge Stanton’s Summary Judgment Decision (December 2013)

In a parallel proceeding to Pandora’s action against ASCAP, Pandora also asked for determination that BMI had to license its entire repertoire, even though the big publishers had withdrawn digital rights from BMI, just as they did with ASCAP.

The BMI rate court judge, Louis Stanton, ruled that publishers seeking to withdraw digital rights from BMI had to completely withdraw all songs and all rights—throwing the entire publishing business into a state of confusion. The decision meant that Sony, Universal, Warner/Chappell, BMG, and other big publishers could continue doing direct deals, but only if they did them with ALL users of music, not just digital platforms. For tens of thousands of “general” licenses in effect with stores, bars, hotels and concert halls that are automatically renewed annually, it looked like those blanket licenses would no longer include the repertoire of major publishers—accounting for nearly half the market. In the ASCAP case, Judge Cote found that publishers are “all in” unless they resign from ASCAP completely; conversely, Judge Stanton has decided that publishers are “all out” if they have withdrawn new media rights from BMI.

Universal had announced that it would withdraw digital rights from BMI beginning January 1, 2014. As a result of the BMI decision, Universal entered into a short-

term deal with BMI for its entire catalog to remain a part of the blanket license offered by BMI to all music users. Universal's deal with BMI is short-term because it, like other major publishers, hopes that the Department of Justice will agree to amend the consent decrees so that digital rights can be withdrawn.

The Publishers' New Strategy: Amend the Consent Decrees

Martin Bandier, president of Sony/ATV, which is partly owned by the Michael Jackson estate, is attempting to secure higher rates from digital services than ASCAP and BMI have been able to achieve. Bandier said in a statement, "In the current digital environment, it is critical that we reform the system, which does not fairly compensate songwriters and composers."⁶ Against that backdrop, the large publishers like Universal, as well as Sony, have approached the Justice Department about getting the consent decrees amended to allow for partial rights withdrawal so they can negotiate directly with Internet radio services such as Pandora, Songza, and iHeart radio.

The PROs are "regulated by an antiquated consent decree with the Justice Department that was last amended before the introduction of the iPod," Universal Chairman/CEO Zach Horowitz said in a statement.⁷ "The decree is ill-suited for the changes in the digital marketplace. A recent court ruling would require us to withdraw our repertoire from BMI for all purposes in order to retain the right to directly negotiate with mobile and online music services. We don't believe that the consent decree should work this way."⁸

In cutting short-term deals, publishers now have time to see what rates are set and if the Justice Department is willing to negotiate amendments to the consent decrees. Staying with the PROs in short-term deals "gives us time to reflect—we can look at the rate court decisions and for alternatives if need be, including whether the DOJ can see its way clear to amend the consent decree," Bandier says.

If publishers do not like the rates established by the courts, or if it appears that the Justice Department is dragging its heels on amending the consent decrees, publishers will then have the option of completely withdrawing from the PROs. In the meantime, they have more time to prepare for that day, should it come.⁹

Why Direct Deals May Be Horrible for Songwriters

Songwriters as well as publishers have expressed frustration with the present state of affairs. For instance, in 2012, several very successful songwriters testified at congressional hearings. They reported that hit songs written for stars like Beyoncé and Christina Aguilera that were performed more than 33 million times by Pandora

yielded just \$587.39 in royalties for the songwriters. These reports of huge number of plays equating to very little in songwriter royalties have become very common. For instance, in April 2014, Bette Midler received attention when she complained that she had over 4,175,149 plays on Pandora, but had only received \$144.21.¹⁰

However, these meager payouts come from ASCAP, BMI and SESAC—not Pandora. Pandora pays the PROs, not the publishers or songwriters. The PROs collect all the money for public performances from Pandora. *They* then determine what a play on Pandora is worth. On the other hand, the PROs would argue that they would pay their writers more if they received more from Pandora. Still, the truth is that this point is constantly ignored in the media and spread by the music industry.

Yet whether or not Pandora is paying its fair share for the songs it uses, it is crucial to point out the following facts, which are also often overlooked:

1. Many Writers Are "Unrecouped"

Well-heeled publishers, including the majors, generally offer the songwriters they wish to sign (commercially successful ones who write "hits") "advances" to convince the songwriters to sign with their companies. These advances can range from tens of thousands to millions of dollars. Advances are essentially loans; after receiving the advance, the writers do not receive any royalties unless and until their songs earn enough money to pay back the advances. Many writers never "recoup." After delivering a contractually required number of songs, the publisher generally pays another advance, i.e., another loan. Therefore the songwriter may never receive any royalties. For these writers, the only money they may earn, other than the publishing advance, are their payments from the PROs. This has become what is known as the "ASCAP check," although BMI and SESAC writers depend just as much on their payments as well. Unlike publishers, ASCAP, BMI and SESAC all pay writers and publishers each 50% of the total royalty earned by a song performance. The 50% payable to songwriters, what is known as the "Songwriter's share," is paid directly to the songwriter. In fact, many writers never see another dollar from their publishers except for the checks they receive from ASCAP, BMI, or SESAC. Publishers only pay royalties (generally 50% to 75% for synch and mechanical royalties) after recoupment, that is, after repayment of the advance. (It is worth noting that ASCAP was set up by powerful songwriters such as Irving Berlin, Jerome Kern and John Philip Souza as well as their publishers, so they set up a system that was very favorable to songwriters compared to other parts of the music business.) BMI and SESAC followed the same system of paying writers 50% directly in order to compete against ASCAP in signing up the most successful songwriters.

With a direct license, the publishers receive 100% of the money from a licensee. They are supposed to turn a

portion of those monies over to the writers, UNLESS the writer is unrecouped. If the writers are unrecouped, as many usually are, the publishers do not have to share any of those direct licensing monies with their songwriters.

2. Publishers Generally Do Not Have to Share Advance Monies with Their Songwriters

In 2007, Sony negotiated a direct deal with DMX, the digital background music service. In doing so, it received an advance payment of \$2.7 million. It is doubtful whether Sony's writers received any portion of this money, as individual music publishing contracts vary, depending on the bargaining power of individual writers or the negotiating skills of their lawyers (among other reasons), but almost all agreements have a provision similar to this one:

In no event shall composer be entitled to share in any advance payments, guarantee payments or minimum royalty payments which Publisher may receive in connection with any sub publishing agreement, collection agreement, licensing agreement or other agreements...

The rationale for this clause is that if a publisher secures an advance for its entire catalog, it should not have to share that money with each songwriter. However, the clause did not contemplate direct licenses by publishers for performing rights. Internationally, writers are usually paid performance fees directly by performing rights organizations (for example, PRS in England, JASRAC in Japan, GEMA in Germany, as well as ASCAP, BMI and SESAC in the U.S.). However, if publishers are allowed to enter into direct licenses, this clause would allow the advances to fall into publishers' coffers.

3. Direct Deals Could Hurt Independent Publishers and Songwriters

The above factors could have the most negative impact on writers signed to major publishers. The reason is that major publishers are more likely to pursue direct licenses than the indies. That is so because the majors feel they can get better rates than ASCAP and BMI can. Yet a small publisher will be more hesitant to withdraw digital rights from the PROs. It has much less bargaining power because it is small. It is also more likely to want ASCAP and BMI to negotiate on its behalf, because the publisher will then be negotiating as part of a group, even though the group may not be as powerful without the major publishers. However, even writers signed to indie publishers may suffer if the majors do direct deals. This is why: (a) If the majors do direct deals, it would diminish ASCAP and BMI's bargaining power, which in turn would decrease the amount of money that these organizations could secure from digital services; this would have the effect of diminishing the payouts to the writers of the songs that remained with the PROs; and (b) If the big publishers

secure advances from licensees in exchange for lower royalties, this could have the effect of driving down the rates ASCAP and BMI can negotiate with the same licensees. Indeed, this is exactly what happened with ASCAP and BMI's licenses with DMX after Sony concluded its aforementioned direct deal.

DMX provides background music via digital means to approximately 100,000 locations, including restaurants, bars, clubs, retail stores and chains.¹¹ DMX and BMI failed to agree on the price for a blanket license, and DMX initiated an action in rate court in 2010 asking the court to reduce the amount that BMI sought to charge. BMI sought a blanket license fee of \$41.81 per location. DMX argued that it had secured "direct licenses" from 550 different publishers at the rate of \$25 per location, and that that amount should be used as a "benchmark" for the true market value of BMI's blanket license. The court agreed, and significantly reduced the fee DMX would have otherwise had to pay BMI. The judge held that the blanket license fee for use of BMI songs should be only \$18.91 per location.¹²

BMI's then-President and CEO, Del Bryant, said in a statement, "Our writers and publishers should not be expected to lose more than half of their income from DMX based on the court's erroneous holdings, which substantially reduce the value of their creative efforts."¹³ In a subsequent action against ASCAP (in December 2010), DMX was also successful in significantly reducing ASCAP's per location rate to \$13.74.¹⁴ In 2012 the Second Circuit affirmed both rate court decisions.

BMI had argued that of the 550 "direct licenses," there was only one license with a major publisher, Sony. The court found that the \$25 per location fee was a good benchmark for the real marketplace value of a license for all songs played by DMX. However, the court did not consider it relevant that DMX paid a \$2.7 million advance to Sony. BMI maintained that although the nominal rate Sony agreed to be \$25, it would never have entered into the direct license unless it received the advance, and that DMX used the deal with Sony to persuade many of the 549 other direct licensees to accept the \$25 per location rate. BMI also pointed out that DMX never told the other direct licensee publishers about the advance payment to Sony, and instead assured them "they would be the same as a sophisticated major publisher who had accepted the same deal." Finally and most tellingly, the \$2.7 million represented approximately 150% of all royalties Sony received from both ASCAP and BMI for one year.

This case shows that the major publishers, if freed up to make direct deals, may force licensees to pay advances in exchange for lower royalties and this may negatively affect the songwriters who are represented by indie publishers.

A Proper Solution to Protect the Writers

The president of an indie publisher, who happens to also be a lawyer, understood the above discussion. He told me he revised his deal with songwriters so that if his company did a direct deal for public performance rights, he would pay them 50% of anything the publisher received off the top without deducting any unrecouped advances. If the consent decrees are amended to allow for partial withdrawals from the PROs, hopefully the Department of Justice will require the same level of writer protection.

Final Note: Even if the Consent Decrees Are Amended and Major Publishers Withdraw Digital Rights from ASCAP and BMI, Certain Songs in Their Catalogues, Including Huge Hits, May Be Excluded

A key difference between the relationship between U.S. songwriters and ASCAP and BMI on the one hand, and the relationship between songwriters and PROs in other countries, is that the former is non-exclusive, but the latter is exclusive. That is, outside the U.S., composers and songwriters assign their broadcast and performing rights to their local societies on an exclusive and a global basis. Only their local societies can exercise this right, and worldwide performing rights flow through the collecting society network under reciprocal contracts between and among the PROs. This means that ASCAP acquires rights to license public performance rights from foreign songwriters through its reciprocal agreements with foreign societies that, in turn, secure their rights on an exclusive basis. Even if major U.S. publishers withdrew completely from ASCAP and BMI, they would not be able to license, for example, songs by songwriters signed to foreign societies, including PRS in England. Those include the Beatles songs, written by Lennon and McCartney, and Rolling Stones songs, by Jagger and Richards. Those songs can only be licensed pursuant to PRS' reciprocal deal with BMI. If nothing else, this would add another good reason for the PROs continuing existence, even if the major publishers decided to withdraw completely from ASCAP and BMI.

Endnotes

1. Most commercially successful publishers in the U.S. are members of all three PROs, as they have writers who are members of each of the three PROs. All PROs require that in regard to any particular song, both the writer and the publisher be members of that organization. Therefore, if a writer is with BMI and registers songs there, then the publisher must also. Writers, however, cannot be members of more than one PRO at the same time.
2. Sony's direct license to digital music service DMX, discussed below.
3. *Pandora Suit May Upend Century-Old Royalty Plan* by Ben Sisario, NY Times Feb 13, 2014. Note that ASCAP received 1.85% and BMI received 1.75%. It is not public information what SESAC received, although its standard Internet license requires .6%, so it probably receives a similar amount from Pandora, if not the same.

4. With the exception of the compulsory license, pursuant to §115 of the U.S. Copyright Act.
5. *In re Petition of Pandora Media, Inc. Related to U.S. v. ASCAP* (S.D.N.Y. 2013).
6. *Billboard.com/Biz*, February 14, 2014.
7. *Billboard.com/Biz*, January 30, 2014.
8. *Billboard.com/Biz*, January 30, 2014.
9. In addition to efforts to amend the consent decrees, the three PROs and the National Music Publishers' Association, Inc., which, among other things, manages the legislative and legal agendas for most U.S. music publishers and operates the Harry Fox Agency, Inc., are supporting a piece of legislation entitled the "Songwriter Equity Act" (HR 4079.) Introduced in February 2014 by Congressman Doug Collins (R-GA), the bill would allow the rate court to consider other royalty rates, specifically, what the record companies are receiving, as evidence when establishing digital performance rates for songwriters and composers. Currently Section 114(i) of the Copyright Act forbids the Federal rate courts from considering sound recording royalty rates as a relevant benchmark when setting rates between ASCAP, BMI and their licensees. As discussed previously, the PROs are currently receiving only approximately 4% of gross revenues (subscriptions and advertising) from Pandora and approximately 6 to 7% of gross revenues from interactive digital services such as Spotify. The record companies and artists, on the other hand, are receiving approximately 50% from Pandora and the interactive services. The publishers consider this unfair, although the labels do spend a great deal more than publishers for the production, marketing, promotion, advertising and distribution of the music. In any event, the bill would amend 114(i) to allow ASCAP and BMI to present evidence to the courts of what the labels are receiving.

The bill would also amend the standard by which the Copyright Royalty Board (CRB) determines the statutory rate for the mechanical royalties. It would amend §115 of U.S. Copyright Act to allow the CRB to consider the "fair market value" of songs. The initial rate set by Congress in 1909 was 2 cents per song. Today, the rate is 9.1 cents per song. This is considered too small by the publishing community.
10. Digital Music News, April 6, 2014. Midler's claim should be considered with caution because she does not write all of the songs that she records, and many of her hits are co-written with other composers. The sum stated apparently did not reflect monies paid to those writers and their publishers.
11. *In re Application of THP Capstar Acquisition Corp. (now known as DMX, Inc.) v. ASCAP*, 756 F. Supp. 2d 516 (S.D.N.Y. 2010).
12. *Broadcast Music, Inc. v. DMX, Inc.*, 726 F. Supp. 2d 355 (S.D.N.Y. 2010).
13. *www.BMI.com, News*, August 24, 2010.
14. *In re Application of THP Capstar Acquisition Corp. (now known as DMX, Inc.) v. ASCAP*, 756 F. Supp. 2d 516 (S.D.N.Y. 2010).

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The author wishes to thank Markova Casseus, a student specializing in music industry studies at Syracuse University, for her assistance in writing this article.

Entertainment Immigration: An Introduction to Employment-Based Immigrant Visas

By Michael Cataliotti

In our last installment of Entertainment Immigration, we wrapped up our multi-segmented discussion of non-immigrant classifications; those visas that afford the non-U.S. citizen the opportunity to *temporarily* work or reside within the U.S. Those consisted of E's, L's, H's, O's, and variations of each.¹ Now we move onto those classifications that allow the non-U.S. citizen to live, work, and play in the U.S. without limitation: *immigrant* classifications. While we briefly touched upon the difference between non-immigrant and immigrant classes of visas, it may be useful to clarify once more here. Non-immigrant classes of visas only allow for the foreign national to reside in the U.S. for a temporary period of time under very strict guidelines. Immigrant classes allow the foreign national to have many of the freedoms and burdens (tax liabilities, for instance) of a U.S. citizen.

Officially, these immigrant classifications are referred to as "lawful permanent residence classifications." Colloquially, however, whenever someone speaks of a "green card" or the like, it is in reference to these lawful permanent residence classifications." You may hear of someone "having a green card," "being a green card holder," or "looking to get a green card." The term *green card* is antiquated as the identification card(s) issued are no longer green. Regardless, that is how the vast majority refer to it and in keeping with presently held tradition, it continues. Worth noting, though, is that throughout this article I will refer to lawful permanent residence and green cards, sometimes interchangeably though not always, as there are slightly nuanced differences between the two.

Immigrant visa classifications are divided up into two realms: Family-Based Immigration and Employment-Based Immigration. Each refers to how or why the applicant/beneficiary² qualifies for lawful permanent residence. For our purposes, the only type of green card that we are concerned with is employment-based.

Within the Employment-Based system, there exist five primary groupings, properly referred to as *preferences*. This means that there is Employment-Based Immigration: First Preference (EB-1), Employment Based Immigration: Second Preference (EB-2), and so on and so forth to the Fifth Preference (EB-5).

Within each preference, there exist various *categories of preference*, all of which aid to further narrow the field of immigrant classifications and attempt to more precisely define the applicant/beneficiary's qualifications. In order through each preference, they exist as follows:

- EB-1...
 - A—Person with Extraordinary Ability in the arts, sciences, business, education, or athletics;
 - B—Outstanding Professors and Researchers; and
 - C—Multinational Manager or Executive.³
- EB-2...
 - Advanced Degree Holders;
 - Exceptional Ability in the sciences, arts, or business; and
 - National Interest Waiver.⁴
- EB-3...
 - Skilled Workers;
 - Professionals with a Bachelor's Degree (or equivalent); and
 - Other Workers.⁵
- EB-4...

This is not likely to arise, though I include here the two types of qualifying individuals that may be of use with a more detailed list below.⁶

 - Broadcasters; and
 - Physicians.⁷
- EB-5...
 - Investor.⁸

Not all of these preferences will make sense for the arts/entertainment attorney to be aware of, and so we will avoid them in order to concentrate on the more applicable areas.

It should be noted, however, that under EB-2, while there are three bullet-points, in practice, there are only two categories with a third overlay. Under EB-2, there are those Advanced Degree Holders and those with Exceptional Abilities (not to be confused with extraordinary abilities). The National Interest Waiver designation is an add-on, so to speak, that elevates the beneficiary's abilities to be so necessary, unique, or valuable that it is in America's national interest to grant the individual a permanent residence.

Now that we have listed each of the preferences, we can easily point to the First Preference and see that this is likely to be encountered by the arts/entertainment practitioner.

Beginning with the EB-1A, we have what looks to be similar to the O-1 visa for individuals with extraordinary ability. The two categories are incredibly similar to one another and in practice, for the artist or entertainer under O-1B classification, the EB-1A is the logical trajectory as the O-1B holder reaches the point at which he/she decides to plant roots affirmatively in the U.S. and has amassed the necessary credentials for EB-1 success. Based on this, an understandable question would be, "Why not simply go straight for the EB-1A?" The most straightforward answer would be that most individuals will not qualify for the EB-1A, because the bar for receipt is incredibly high, though certainly attainable.

Moving now to the EB-1C for a brief moment, we recognize that this category is incredibly similar to the L-1A visa for business executives or managers. As with the EB-1A and O-1 relationship, the EB-1C is the logical trajectory for the L-1A holder who decides to plant roots in the U.S. for the long-term and most individuals either will not qualify for or will not want the EB-1C at the outset of their journey to the U.S.

Additionally, both EB-2 and EB-3 categories may arise from time to time, if not quite frequently, with the rise of the tech community and manufacturing throughout New York. Both of those preferences generally require what is known as PERM, Program Electronic Review Management, labor certification.⁹ Many individuals in finance, advertising, marketing, and software development who seek permanent residence will pass through PERM on their way to EB-2 or EB-3 status. The PERM process can be quite difficult and so if or when we take that up, it will be piecemeal and by way of one or more case study.

Lastly, the EB-5 program is growing by leaps and bounds, but will require even more time than the EB-2 and EB-3 PERM process discussion and we will not take it up here, but at a later point.

Having introduced our future friends of immigration, and because of their complexities and nuances, we will continue next time with the EB-1A and, should there be enough space, the EB-1C in our next installment.

Endnotes

1. Michael Cataliotti, *Entertainment Litigation: Skilled Workers and Models*, Volume 25, No. 1 of the NYSBA Entertainment, Arts and Sports Law Journal, (Spring, 2014), 13.

2. It is important to define the difference between an applicant and a beneficiary for these purposes so that there is no confusion. Taking first "an **applicant**," he/she is someone who *on his/her own behalf* submits the paperwork to receive a desired classification (whether non-immigrant or immigrant). "A **beneficiary**" is the recipient of the requested classification (whether non-immigrant or immigrant). Here is an example of each: (1) A globally renowned journalist who has broken stories around the globe through such outlets as CNN, Al Jazeera, BBC, and InTouch, and is frequently referred to as an expert on a variety of matters, wants to live, work, and play freely within the U.S. for an indeterminate amount of time. This journalist may directly apply to the U.S. Citizenship & Immigration Service requesting EB-1A status for his/her own benefit. This is also known as *self-petitioning*. (2) If a corporate entity that operates within the U.S. desires to utilize the services of an extraordinary music producer from France, it will submit a petition to the U.S. Citizenship & Immigration Service requesting that the French music producer receive the benefit of O-1B classification.
3. U.S. Citizenship & Immigration Services, *Employment-Based Immigration: First Preference EB-1*, <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-first-preference-eb-1>.
4. U.S. Citizenship & Immigration Services, *Employment-Based Immigration: Second Preference EB-2*, <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-second-preference-eb-2>.
5. U.S. Citizenship & Immigration Services, *Employment-Based Immigration: Third Preference EB-3*, at <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-third-preference-eb-3>.
6. Additional types of "special immigrants" who may seek EB-4 preference includes: Religious Workers; Iraqi/Afghan Translators; Iraqis who have Assisted the U.S.; International Organization Employees (e.g., employees of the WTO or World Bank); Armed Forces Members; Panama Canal Zone Employees; Retired NATO employees; and Spouses & Children of Deceased NATO employees. U.S. Citizenship & Immigration Services, *Employment-Based Immigration: Fourth Preference EB-4*, <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fourth-preference-eb-4>.
7. U.S. Citizenship & Immigration Services, *Employment-Based Immigration: Fourth Preference EB-4*, <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fourth-preference-eb-4>.
8. U.S. Citizenship & Immigration Services, *EB-5 Immigrant Investor*, <http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/eb-5-immigrant-investor>.
9. United States Department of Labor, *Permanent Labor Certification*, <http://www.foreignlaborcert.doleta.gov/perm.cfm>.

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Leslie S. Klinger v. Conan Doyle Estate, Ltd.¹

By Joseph Perry

On December 23, 2013, Federal District Court Judge Chief Judge Ruben Castillo, partially granted a declaratory judgment for the plaintiff, Leslie Klinger. Chief Judge Castillo ruled that Klinger could freely use story elements from Sir Arthur Conan Doyle's Sherlock Holmes novels and short stories published before 1923. The Court reasoned that Conan Doyle's Sherlock Holmes pre-1923 story elements had entered the public domain. However, Judge Castillo did hold that Klinger would need to obtain a license to use story elements from 10 of Conan Doyle's Sherlock Holmes short stories published after 1923, because those post-1923 elements were subject to copyright protection. Judge Castillo also denied Klinger's motion for a permanent injunction.

Facts

Leslie Klinger, a renowned Sherlock Holmes scholar, and Laurie R. King, a noted detective fiction novelist, are co-editors of two anthologies, *A Study in Sherlock* and *In the Company of Sherlock Holmes*. *A Study in Sherlock* consists of new and original short stories by contemporary authors. Before publication of *A Study in Sherlock*, the Conan Doyle Estate (the Estate) asserted that it owned the copyrights to the characters Sherlock Holmes and Dr. John Watson. The Estate informed Klinger and King's publisher for that anthology, Random House, that the publisher would need to obtain a license in order to use Holmes and Watson. Klinger and King argued they did not need a license to use the characters, because Holmes and Watson were in Conan Doyle's novels that were in the public domain. Nevertheless, to avoid a dispute, Random House obtained a license so it may use them for *A Study in Sherlock*.

Michael Dirda, a contributing author to *In the Company of Sherlock Holmes*, informed the Estate of his intention to use Conan Doyle's character, Langdale Pike, in a new short story for the anthology. Langdale Pike is a character in the 1926 copyrighted short story "The Three Gables," which also contains the characters Holmes and Watson. The Estate was concerned about the use of story elements, such as the Holmes and Watson characters, which appeared in copyrighted short stories published after 1923. Thus, the Estate contacted and informed Pegasus Books, Klinger and King's publisher for that anthology, that it needed to obtain a license to use any characters in *In the Company of Sherlock Holmes*. Klinger and King again believed that they did not need a license to use Holmes and Watson in their anthology. However, Pegasus refused to finalize its contract with King and Klinger without first obtaining a license from the Estate.

Thus, Klinger brought suit against the Estate seeking a declaratory judgment on the copyright status of pre-1923 and post-1923 story elements from Conan Doyle's Sherlock Holmes novels and short stories, including but not limited to, specific characters, character traits, dialogue, and setting. Klinger also sought a permanent injunction barring the Estate from asserting its copyrights against any of the Sherlock Holmes pre-1923 and post-1923 story elements.

Analysis

Issue 1: Pre-1923 Elements

The court held that story elements in Conan Doyle novels and short stories published before 1923 were in the public domain and free for Klinger to use. Klinger argued that pre-1923 story elements from the Sherlock Holmes canon were free for public use since the story elements were first introduced in novels and short stories that had already entered the public domain. The Estate conceded that the pre-1923 works in the Holmes canon were in the public domain. However, it argued that copyright protection should be extended to Holmes and Watson until the final Sherlock Holmes copyrighted short story enters the public domain in 2022, because Holmes and Watson were continuously developed in post-1923 short stories.

In determining whether pre-1923 story elements of Holmes had entered the public domain, the court cited *Silverman v. CBS, Inc.*² and *Pannonia Farms, Inc. v. USA Cable*.³ *Silverman* held that pre-1948 Amos 'n' Andy characters and radio scripts had entered the public domain, but post-1948 Amos 'n' Andy characters and radio scripts were subject to copyright protection. In *Silverman*, Stephen Silverman began writing a script in 1981 for a Broadway musical based on the Amos 'n' Andy characters. However, CBS, the copyright owners of Amos 'n' Andy characters, radio scripts, and television scripts, refused to give Silverman a license to use the Amos 'n' Andy characters. Although the creators of the Amos 'n' Andy characters and radio scripts assigned their copyrights to CBS in 1948, the copyrights for the Amos 'n' Andy characters and radio scripts from March 1928 through March 1948 were not renewed. Thus, the *Silverman* court held that pre-1948 Amos 'n' Andy characters and radio scripts had entered the public domain, but post-1948 Amos 'n' Andy characters and radio scripts were subject to copyright protection.

The *Klinger* court then cited *Pannonia* because *Pannonia* used the *Silverman* rationale in analyzing a public domain issue regarding the Sherlock Holmes characters. The *Pannonia* court granted defendant USA Cable summary judgment and held that USA Cable did not commit copyright

infringement when it broadcast the television film, “Case of Evil,” which was based on Conan Doyle’s Sherlock Holmes characters. In *Pannonia*, USA Cable wished to broadcast “Case of Evil,” which was about a fictional first meeting between Holmes and Watson. Pannonia alleged that it was assigned the copyrights to Sherlock Holmes novels and short stories and demanded that USA Cable pay a fee in order to broadcast “Case of Evil.” USA Cable rejected Pannonia’s demand and broadcast “Case of Evil.” In its analysis, the *Pannonia* court found that only storylines, dialogue, characters and character traits introduced in the 10 short stories published after 1923 were subject to copyright protection. Thus, Pannonia’s infringement claims solely pertained to story elements from novels and short stories in the public domain. Consequently, USA Cable was awarded summary judgment. The *Klinger* court relied on *Silverman and Pannonia* in determining that Conan Doyle’s Sherlock Holmes pre-1923 story elements had entered the public domain and were therefore free for Klinger to use.

Issue 2: Post-1923 Story Elements

The court also held that Conan Doyle’s 10 Sherlock Holmes short stories published after 1923 were protected by copyright, because they were derivative works and consequently contain enough original story elements to pass the court’s “increments of expression” test. The post-1923 story elements at issue consisted of Watson’s second wife, used in a 1924 short story, “The Illustrious Client,” Watson’s athletic background, detailed in the 1924 short story, “The Sussex Vampire,” and Holmes’ retirement, in the 1926 short story, “The Lion’s Mane.” In determining whether the post-1923 story elements were copyrightable, the court analyzed whether the post-1923 short stories were derivative works, and if so, whether they passed the “increments of expression” test in order to be protected by copyright law.

In determining whether the post-1923 short stories constituted derivative works, the court cited *Salinger v. Colting*,⁴ which held that a continuation of story from *Catcher in the Rye* and its protagonist was a derivative work. It also cited Professor Melvin Nimmer, who stated that subsequent works in a series that feature the same character are derivative works.⁵ Although the Seventh Circuit had been silent on whether subsequent works of literary works constituted derivative works, the court analogized Klinger’s case to *Schrock v. Learning Curve Int’l. Inc.*⁶ The *Schrock* court held that the plaintiff, David Schrock, owned a copyright to photographs of toys that were deemed derivative works. In *Schrock*, the defendant, Learning Curve, hired Schrock to take product photographs of its toys, which included toys based on HIT Entertainment’s copyrighted line, “Thomas and Friends.” Schrock took several photographs of the trains and train set accessories. Thereafter, Learning Curve stopped using Schrock’s services but continued to use his photographs in advertisements. Schrock then registered his photos for

**Klinger v. Conan Doyle Estate* Seventh Circuit Holding

On June 16, 2014, the Seventh Circuit affirmed the district court’s motion for summary judgment and declaratory judgment in favor of Klinger. The Estate argued that 1) the district court had no subject matter jurisdiction because there was no actual legal controversy, and 2) the copyrights of round, complex characters like Sherlock Holmes remain protected under copyright law until the last Conan Doyle story falls into the public domain. The Seventh Circuit held that the district court had federal subject matter jurisdiction over Klinger’s lawsuit because the Conan Doyle Estate’s threat to sue Pegasus Books for copyright infringement and to block distribution of *In the Company of Sherlock Holmes* created a sufficient threat to constitute an actual controversy. Moreover, the Seventh Circuit held that the Sherlock Holmes character was in the public domain because the Conan Doyle Estate sought “135 years (1887-2022) of copyright protection for the character of Sherlock Holmes as depicted in the first Sherlock Holmes story,” and the court stated that “we cannot find any basis in statute or case law for extending a copyright beyond its expiration.”

copyright protection and sued HIT Entertainment and Learning Curve for the use of his photos in advertisements. The *Schrock* appellate court relied on the district court’s analysis, which held that Schrock’s photographs were derivative works because they recast, transformed, or adapted three-dimensional toys into two-dimensional photographs. Thus, the *Klinger* court analogized that like the Schrock photos, which were based on material from pre-existing works, the Conan Doyle’s post-1923 short stories were based on material from pre-existing novels and short stories. Thus, the *Klinger* court ultimately held that the post-1923 short stories constituted derivative works.

Since the court held that the 10 short stories published after 1923 were derivative works, it then used the “increments of expression test” to see if the post-1923 short stories contained story elements with “enough expressive variation from public-domain or other existing works to enable the new work to be readily distinguished from its predecessors.”⁷ The court again cited *Pannonia Farms* and found that the increments of expression to be examined consisted of storylines, dialogue, characters, and character traits first introduced in the pre-1923 novels and short stories. Although the Seventh Circuit had not used the “in-

crements of expression” test on literary works, the *Klinger* court was persuaded by the low threshold of originality required for the “increments of expression” test and found the post-1923 story elements copyrightable. Thus, the court held that the post-1923 story elements are copyrightable, since the post-1923 short stories were derivative works and passed the “increments of expression” test.

Conclusion

Chief Judge Castillo ruled in favor of *Klinger* and held that pre-1923 Sherlock Holmes story elements are in the public domain. This ruling may prove to be advantageous for adapters, because they can now forgo expensive license agreements with the Estate in order to create adaptations that contain pre-1923 story elements. However, the case is not a total victory for *Klinger* because Castillo also ruled that post-1923 Sherlock Holmes story elements remain under copyright protection and thus require license agreements for their uses in future Sherlock Holmes adaptations. Furthermore, Castillo denied *Klinger*’s motion for a permanent injunction.

Forecast

In its post-1923 story elements analysis, the court determined that a new character, Watson’s second wife; a new character trait, Watson’s athletic background; and a new storyline, Holmes’ retirement, met the increments of expression test and thus deserved copyright protection. Absent from the list of story elements, however, was the Sherlock Holmes character that appeared in post-1923 short stories. Thus, issues may remain for the parties in *Klinger* as well as future adapters regarding the copyright status of the full, complete Sherlock Holmes character.

For *Klinger* and other adapters, the uncertainty of the copyright status of the full, completed Sherlock Holmes character may prove to be confusing. As a result, future adapters may bring unnecessary, expensive lawsuits against the Estate to determine whether they have taken only the pre-1923 Sherlock Holmes character. Alternatively, they may “seek a license, rather than risk litigation, if they are at all unclear about whether theirs is a use of a ‘completed’ character.”⁸ Consequently, adapters would like a decision rendered on the copyright status of the full, complete Sherlock Holmes character, so that they

can better ascertain whether they have to bring lawsuits against or pay license fees to the Estate for their respective adaptations.

For the Estate, the uncertainty of the copyright status is a blessing in disguise, as it can now potentially obtain revenue from adapters who do not know whether they have taken only the pre-1923 Sherlock Holmes character. However, the Estate’s increased revenue may be offset by expensive litigation that it may encounter. Thus, the Estate may also want to seek a decision on the copyright status of the full, complete Sherlock Holmes character to avoid expensive future litigation costs that may outweigh present licensing revenue it may receive from Sherlock Holmes adapters.

Nevertheless, the Estate’s attorney, Benjamin Allison, appealed the district court’s decision. Thus, the uncertainty about the copyright status of the full, complete Sherlock Holmes character will end at the Seventh Circuit Court of Appeals.*

Endnotes

1. *Klinger v. Conan Doyle Estate, Ltd.*, __ F. Supp. 2d __, 2013 WL 6824923 (N.D. Ill 2013).
2. *Silverman v. CBS, Inc.*, 870 F.2d 40 (2d Cir. 1989).
3. *Pannonia Farms, Inc. v. USA Cable*, No. 03 CIV. 7841, 2004 WL 1276842 (S.D.N.Y. Jun. 8, 2004).
4. *Salinger v. Colting*, 641 F. Supp. 2d 250, 267 (S.D.N.Y. 2009).
5. *Melville Nimmer & David Nimmer*, *Nimmer on Copyright* § 2.12 (1988).
6. *Schrock v. Learning Curve Int’l. Inc.*, 586 F.3d 513 (7th Cir. 2009).
7. *Bucklew v. Hawkins, Ash, Baptie & Co., LLP*, 329 F.3d 923, 929 (7th Cir. 2003).
8. <http://www.publishersweekly.com/pw/by-topic/digital/copyright/article/60503-conan-doyle-estate-says-sherlock-not-free-yet.html>.

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Court of Arbitration for Sports Relevant Practice: An Analysis of the Most Important Swimming-Related Cases

By Sergey Yurlov

This article is devoted to consideration of the two significant swimming related cases emanating from the Court of Arbitration for Sports (CAS). CAS, which is headquartered in Lausanne, dominates in sport disputes resolution proceedings. It renders more than 300 decisions annually.¹ There are about 30 swimming-related CAS decisions. Most of them are connected with doping provisions violations, and some are related to entry, selection and membership matters.

The following analysis concerns, two important CAS decisions related to the sport of swimming.

Arbitration CAS ad hoc Division (O.G. Atlanta) 96/001 U.S. Swimming vs. Federation Internationale de Natation Amateur

On July 22, 1996 CAS awarded a judgment in the case *Arbitration CAS ad hoc Division (O.G. Atlanta) 96/001 U.S. Swimming v. Federation Internationale de Natation Amateur*² (FINA). This case is related to application and other entry requirements for participation in the Olympic Games. The main question was whether an athlete could enter an event after the established deadline. The essence of the case included the following circumstances: One Irish athlete (Sportsman A) was entered for five specific events, not including 400-meters freestyle before the July 5, 1996 entry deadline that had been established by the International Olympic Committee. Later, on July 17th, the Irish National Olympic Committee claimed to substitute Sportsman A in the place of another Irish swimmer who had been entered in the 400-meters freestyle event. On July 18th FINA concluded (in accordance with p.6.3.2 of FINA Rule BL) that such substitution was not admissible, as it came in after the July 5th deadline.

On July 19th, the International Olympic Committee sent a letter to FINA upholding the Irish National Olympic Committee's position, and stating that changing events and entering into additional events were technical matters, which should be settled for the benefit of the athlete. On July 20th, FINA reversed its initial decision and decided to allow Sportsman A to participate in the 400-meters freestyle event.

U.S.A. Swimming disagreed with that decision, and sought to obtain a judgment from the CAS ad hoc Division to the effect of prohibiting the entry of Sportsman A in the 400-meters.

In accordance with Article 6.3.2 of the FINA By-Laws, entries for the Olympic Games must be made by a Na-

tional Olympic Committee on or before the date determined by the International Olympic Committee. The CAS judgment stated that it was not clear whether the entry concept referred to the identification of an athlete's sport, or extended to the specific event. CAS stated that the above-mentioned rule did not address the consequences of a timely identification of an individual, but a failure to identify the relevant event. CAS decided to refer to the International Olympic Committee's practice. Such practice stated that the International Olympic Committee should make exceptions to athletes from countries whose federations were not highly structured. Furthermore, an Irish representative stated that Ireland had acted in good faith in making entry changes. Finally, the CAS ad hoc Division decided that Irish sport management had not violated legal provisions provided by Article 6.3.2 of the FINA By-Laws, and rejected U.S.A. Swimming's claim.

What is the practical importance of this CAS judgment? Generally speaking, it is a significant judgment providing a relevant clarification of a FINA By-Laws provision. CAS has produced an official interpretation of Article 6.3.2, and therefore this judgment may be used in cases of late entries for Olympic Games or World Competitions. Unfortunately, there is an uncertainty as to whether "entry concept" refers to the identification of a particular sport, or extends to the specific event. It appears that legal practitioners may refer to this judgment as a confirmation of their statements with regard to entry deadlines.

Andrew Mewing v. Swimming Australia Limited, partial award of 9 May 2008

On May 9, 2008, CAS awarded a judgment regarding selection proceedings in *CAS 2008/A/1540 Andrew Mewing v. Swimming Australia Limited, partial award of 9 May 2008*.³ The essence of the case includes the following circumstances: On March 23, 2008, Australian swimmer Andrew Mewing competed in the heat and semi-final of the Men's 200-meters freestyle event at the selection trials for the Beijing Olympic Games. Mewing qualified for the final of the event. On March 24, 2008, he competed in the final, finishing in eighth place in an Olympic "A" qualifying time of 1.48.13. All eight finalists in the final posted times comfortably within the Olympic "A" qualifying time. Later, the first seven sportsmen from the Men's 200-meters freestyle final were nominated for selection, but not Mewing, while all eight swimmers in the final of the Women's 200-meters freestyle were nominated for selection. Mewing disagreed with such a decision.

On April 2, 2008, Andrew Mewing lodged his appeal against non-nomination for selection with Swimming Australia Limited (the Australian Federation). The Australian Federation established an Appeals Tribunal in order to hear his appeal. On April 8, 2008, the Appeal Tribunal dismissed the petition and Andrew Mewing filed an appeal to CAS. Mewing asked CAS to set aside the Appeal Tribunal's decision, and to include him as a member of the Men's 4X200 Meters Relay Squad for the 2008 Olympics.

CAS referred to the applicable provisions in order to address the dispute. In accordance with Clause 3 (7)(B) of the Nomination Criteria for selection as a relay swimmer, all individual event athletes selected as part of the 2008 Australian Olympic Team were eligible to participate in relay events where Australia had qualified as a team. Meeting the relay performance requirements did not guarantee nomination for selection; there is a difference between being entitled to consideration and being eligible for nomination.

Mewing pointed to the closeness of the result of the 200-meters final and the fact that his best time was only .05 seconds slower than that of seventh place. The main questions were whether the National Head Coach had implemented the Nomination Criteria properly and whether he had recognized the overall needs of the team.

The National Head Coach stated that there was no need for Mewing to make the cut, because there were four other swimmers who had all qualified faster. They also had significantly superior qualifications for selection.

CAS concluded that the National Head Coach had fulfilled his obligations by carefully paying attention to all of the requirements set out in Nomination Criteria for selection as a relay swimmer. There was no evidence of bad faith. CAS also dismissed Mewing's appeal against the decision of the Australia Federation not to nominate him for selection for the 2008 Olympic Games.

This judgment clarifies several Nomination Criteria provisions. The main idea is that meeting the relay performance requirements does not guarantee nomination for selection. It appears that Nomination Criteria provisions may often arise; therefore, it is very important to keep in mind court practice.

Conclusion

In these two rulings, CAS successfully clarified several legal provisions related to entry and nomination issues. Even though there are still some outstanding issues to be resolved, the rulings contain official clarifications and explanations that should be considered by sport federations' management, sport judges, and other officials and athletes.

Generally speaking, each CAS decision involving individual athletes may become a precedent which will be followed by the lower dispute resolution bodies. Therefore, members of internal jurisdictional bodies, national sport arbitration courts and sport federation officials should consult regularly with recent CAS decisions.

Endnotes

1. See more on: <http://www.tas-cas.org/statistics>.
2. See CAS Database on: <http://jurisprudence.tas-cas.org/sites/caselaw/help/home.aspx>.
3. *Id.*

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By Nima Daivari

When a television network wants to hire a production company to produce a television series for the network, a network commissioning agreement is needed. Networks usually commission a production company by either hiring the production company after the latter pitches an idea for a series to the network, or the network finds a production company it believes can produce a concept that was first generated by the network internally. Either way, a commissioning agreement is needed.

Different networks have different requirements, so there really is no “one size fits all” style of agreement. Furthermore, each network usually has its own template it uses as a starting point, and each network’s template can vary greatly. The saving grace for attorneys new to the practice is that there are several key provisions that turn up time and again. This article will address some of those provisions.

Development/Sizzle/Pilot Step

When a network engages a production company to produce a series, the first step is usually a development step, a presentation (“sizzle”) step, or a pilot step. A development provision is utilized when the network likes the idea, but the concept needs to be fleshed out further. If this is the case, then the network will pay a small amount of money to the production company to further develop the concept. Perhaps the production company needs to do further casting and it needs to shoot a little footage. Whatever the case may be, the idea is interesting to the network, but the network feels that the idea is not fully realized to its liking. A development step might have language like the following:

Network hereby engages Producer to develop the Concept. Producer’s development services shall include: (a) a treatment for the Concept and for the first cycle of the Series (if any), (b) casting researching, (c) budgets for the: (i) casting research, (ii) Pilot (if any), and (iii) Series (if any), (d) delivery to Network of fully executed agreements between Producer and any on-camera talent, (e) Network’s approval of a showrunner, and (f) other creative materials necessary to serve as a basis for the Series (if any).

If the pitched concept does not need further developing, but the network is not quite ready to commit to a full pilot, then there may be a presentation step. A presentation tape, or sizzle tape, is like a mini pilot. Usually somewhere around five to 15 minutes in length, a presentation

tape allows the network to get a taste of what the series would look/sound/feel like. A presentation step might have language like the following:

Network shall have an exclusive, irrevocable option (“Presentation Option”) to engage Producer, on a pay-or-play basis, to provide production services in connection with the Presentation. If Network exercises its Presentation Option, then Producer shall complete all Presentation Services required by Network and Network shall fund the Presentation, not to exceed \$_____ (“Budget”), which shall be subject to Network’s approval on a line item by line item basis.

The last scenario can occur when the production company is able to bring a sizzle to the network along with the pitch. There are numerous reasons as to why there might be a pre-existing sizzle. Perhaps the potential series is a format from another territory (i.e., Europe, Asia, the Middle East), or the sizzle was self-funded by the production company or maybe a sizzle was made at another network and then the other network passed on the project. Since the sizzle exists, the natural next step is usually a pilot. A pilot step might have language like the following:

Network hereby engages Producer to develop and produce a broadcast quality pilot episode of the Series (“Pilot”). Producer acknowledges that Network reserves the right to air or not air the Pilot. The budget for the Pilot shall include a fee for Producer in an amount equal to _____ Percent (____%) of the production budget as full consideration for Producer’s production services. Producer shall be responsible for all costs that exceed the approved production budget unless preapproved by Network in writing.

Ownership

Assuming that the pilot was a success and now the network wants to order the pilot to series, who owns the show? The production company came up with the concept and is producing the series, so one might assume that the production company must own the show and license it to the network. While that may occasionally be the case, the much more likely scenario is that the network owns the show. Why? The network is funding the show! Remember, the production company makes the pitch, but it is the network that is commissioning the production of the series.

As such, the series is simply a work-for-hire, the owning entity being the network. Ownership language might look like the following:

Network shall be the sole owner of any and all rights in and to each episode of the Series, including, but not limited to, all newly created elements thereof, the format, the title, the script, and any other materials created in connection with the Series in all media (whether now known or hereafter devised), throughout the universe, in perpetuity. The Series shall be considered a work made-for-hire under the United States Copyright Act of 1976, as amended. If the Series is not deemed a work made-for-hire then Producer hereby assigns to Network all rights (including copyright) to the Series in all media (whether now known or hereafter devised), throughout the universe, in perpetuity.

Union

The entertainment industry has several prominent unions. The Director's Guild of America (DGA), the Writer's Guild of America (WGA), the Screen Actor's Guild-American Federation of Television and Radio Artists (SAG-AFTRA), the International Alliance of Theatrical Stage Employees (IATSE), as well as others. Since there are so many unions it is imperative to identify to which unions the network is a signatory and which unions, if any, have jurisdiction over the series. Union language might look like the following:

The Series will not be produced under the jurisdiction of any union or guild unless otherwise agreed by Network. To the extent the Series becomes a union production, Network shall be responsible for all associated residuals and Producer shall provide Network will all necessary detail and back up in order to facilitate the appropriate payments by Network. Additionally, Network shall be responsible for remitting performing rights fees due from the public performance of music to the applicable music performance society (i.e., ASCAP, BMI, and/or SESAC) arising out of Network's telecast of the Series.

Minimum Guarantee

The economics of television are pretty similar to other ventures. The reality is that the more one produces, the less it ends up costing. Startup costs can be astronomical, but the more episodes produced, the less the overall per-episode costs can be. In order to make the financials of

a series feasible, a certain minimum number of episodes needs to be produced. This is called a minimum guarantee. Minimum guarantees give the production company assurance that at minimum, a certain number of episodes will be produced. For an unscripted series, the minimum guarantee can be as few as four episodes. For a stripped series that airs each weekday, the minimum guarantee can be as many as 150 or more episodes. Minimum guarantee language might look something like the following:

Network shall have the exclusive option ("Initial Option"), exercisable in writing no later than sixty (60) days after Network's receipt of the Pilot to require Producer to produce a minimum of six (6) and up to eighteen (18) additional Episodes of the Series, each substantially similar in look and format to the Pilot.

Lock

If a production company pitches an idea and produces a television series based on that idea, it would then want to ensure that it is not dismissed from the project after one season, so that the network can take the production in-house (and thereby save money). In order to protect themselves, production companies often require a network to lock a production company to the series so that the series can only be produced by the production company wherein the series originated. That makes sense in theory, but from the network's perspective, what if the production company is awful to work with? What if there are fundamental, insurmountable creative differences? When dealing with a new production company, a network might request that the lock take place after a season or two of the series, instead of locking the production company from day one. Lock language might look something like:

Producer shall be locked, on a pay-or-play basis, to provide Series services on all episodes of the Series for each Cycle produced hereunder for the life of the Series, subject to Producer's default, disability, or a force majeure event. Producer's Series lock shall be contingent on Producer being ready, willing, and available to render all required Series services set forth hereunder.

Approvals

If someone hires a contractor to build a house, the contractor is the expert, but usually the client still dictates what he or she wants. The same applies to television. The network hires the production company because it believes in the production company's ability and vision for the series, but ultimately the network controls. Certain approvals are par for the course with a commissioning

agreement and approval language might look like the following:

Network shall have creative approval with respect to all key elements of the Series including, but not limited to, the Concept, Format, subject matter, treatment, scripts, graphics, sets, music, host, principal performers, narrator, director, showrunner, writer, budget, production schedule, credits, rough cuts, and final cuts of the Series. In the event of a conflict between Network and Producer, Network's decision on creative matters shall be final.

Turnaround Right

A turnaround, or reversion right, is a contractual right that gives the production company the ability to purchase the series back from the network. In the event that the network has expended monies to produce a portion of the series (whether development, presentation, pilot, or actual episodes), the network will give the production company the option to repurchase the rights to the project. Such language might look like the following:

If Network does not order production of the Series within six (6) months of receipt of the Presentation, then Producer shall have the right to repurchase all rights granted to Network with respect to the Series by remitting to Network the total amount of the Budget plus interest at a rate of prime plus one percent (1%) over and above the rate announced by [BANK] as its prime rate for unsecured loans to its preferred corporate customers. Such payment shall be made in full to Network no later than thirty (30) days after Producer commences principal photography on a subsequent production substantially based on the Concept.

Payment Schedules

Television series are long term, ongoing projects that cost tremendous amounts of money to produce. Much like in everyone's day-to-day life, it is not very feasible to pay huge chunks of money in one fell swoop, nor is it wise to pay a large amount of money up front with nothing in return. Payment schedules stipulate how the monies for the series will be paid by the network. Payment language might look like this:

Producer's Series Fees shall be payable as follows: (i) Thirty-Five Percent (35%) within fifteen (15) business days of mutual execution of this Agreement, (ii) Thirty-Five Percent (35%) within fifteen

(15) business days of commencement of principal photography for the Series, (iii) Twenty Percent (20%) within thirty (30) days of Network's receipt of the fine cut of the final episode of the then-current Series cycle, and (iv) Ten Percent (10%) within thirty (30) days of delivery to and acceptance by Network of the Rights Bible*¹ for the then-current Series cycle.

Audit Rights

Networks demand the right to audit a production in order to ensure that the monies expended are actually going towards the costs they purport to go towards in the approved line item budget. Audit language might look something like this:

All sums payable to Producer shall be subject to Network's right to audit. Network shall have the right to audit Producer's books and records relating to the accounting statements rendered hereunder no more than one (1) time in any twelve (12) month period.

Needless to say, a brief article like this barely scratches the surface of network commissioning agreements. In addition to the terms above, some other common provisions include addressing additional cycles of the series, spin-offs/derivative works, profit participation, production related incentives, production services, credits, exclusivity, product placement, international distribution, and publicity/promotion, not to mention provisions like representations and warranties, choice of law, indemnifications, remedies, and the rest of the standard terms and conditions one encounters in agreements of this type. With the astronomical rise in digital and online content, there will inevitably be even more developments to come.

Endnote

1. A Rights Bible is a three-ring binder that evidences the chain of rights for third party materials incorporated into the series (e.g., participant releases, archival materials, among other materials).

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Shipwrecked: A Legal Analysis of *Gilligan's Island*

By David Krell

One of the secrets of entertainment lawyers is that there is no entertainment law, technically speaking. Indeed, it is an amalgam of every area of law pertaining to the entertainment industry. When representing the Screen Actors Guild, one is engaging in labor law. When negotiating a producer's lease for an office, one is with the real estate brethren of the bar. When litigating a dispute concerning an actor's written agreement with a studio, one is in contract law. When protecting a company's content against piracy, one is providing copyright counsel.

Even admiralty law can come into play when a movie or television show scene takes place on a boat, ship, or yacht. To that end, a primer is offered with the platform of a fictional case involving seven castaways. Fifty years ago, they set out from Honolulu Harbor on the S.S. Minnow for a three-hour tour. Unfortunately, the weather starting getting rough, the tiny ship was tossed, and they wound up on an uncharted desert isle approximately 300 miles from Honolulu.¹

Gilligan's Island

On September 26, 1964, *Gilligan's Island* premiered on the Columbia Broadcasting System's television network. The show's theme song detailed how the stranding happened:

Five passengers set sail that day for a three-hour tour. A three-hour tour. The weather started getting rough, the tiny ship was tossed. If not for the courage of the fearless crew, the Minnow would be lost. The Minnow would be lost. The ship struck ground on shore of this uncharted desert isle.²

The crew of the S.S. Minnow consisted of Captain Jonas Grumby (a.k.a. "Skipper") and First Mate Gilligan; they were joined by passengers Professor Roy Hinkley, movie star Ginger Grant, farm girl Mary Ann Summers, and millionaire Thurston Howell III and his wife, Eunice "Lovey" Wentworth Howell.

Navigable Waters and Locality

The first issue to consider in determining whether admiralty law is applicable is navigability of the waters in question. "[J]urisdiction and powers of the admiralty extend to all waters that are *navigable* within or without the territory of a state."³ In the context of *Gilligan's Island*,

the three-hour tour and the violent storm take place after the ship departs from Honolulu Harbor, the locality used in the opening credits. "On Tuesday, November 26 [1963], we finally filmed the sequence in Honolulu Harbor where the S.S. *Minnow* starts on the fateful trip that will strand the Castaways on 'Gilligan's Island.'"⁴

The opening sequence shows Honolulu Harbor to be a port with several ships that can launch voyages around the harbor and farther into the Pacific Ocean. Clearly, the harbor and ocean fall under the category of 'navigable waters' because of the activities conducted by these ships, including transporting cargo and passengers.

Those rivers must be regarded as public navigable rivers in law which are navigable in fact. And they are navigable in fact when they are used, or are susceptible of being used, in their ordinary condition, as highways for commerce, over which trade and travel are or may be conducted in the customary modes of trade and travel on water.⁵

Clearly, the S.S. Minnow uses the harbor and the Pacific Ocean as "highways for commerce" to conduct pleasure cruises, a common tourist attraction in coastal cities.

Once navigability is established, an analysis to prove applicability of admiralty jurisdiction shifts to the issue of locality. In *The Plymouth*, the United States Supreme Court outlined the locality doctrine: "[T]he true meaning of the rule of locality in cases of marine torts, namely, [is] that the wrong and injury complained of must have been committed wholly upon the high seas or "navigable waters" or, at least, the substance and consummation of the same must have taken place upon these waters to be within the admiralty jurisdiction."⁶

The events in the *Gilligan's Island* opening sequence satisfy the locality test. The storm began while the S.S. Minnow was in the Pacific Ocean, a body of water qualifying for the category of "navigable waters." Subsequent actions undertaken by the Skipper and Gilligan to return the passengers and the S.S. Minnow safely to port did not succeed, thereby triggering the crucial blow that eventually stranded the castaways.

As the Minnow neared a reef, the Skipper ordered Gilligan to throw the anchor overboard, which Gilligan did—neglecting to make sure it was securely tied to the ship. The crew and passengers of the Minnow

would have otherwise endured the storm and returned to Honolulu, but instead the Skipper lost control of the ship. Gilligan then threw the blowtorch overboard, and the ship's compass broke. In fact, Gilligan fell overboard, and the Skipper fished him out. After drifting at sea for 3 days [in the Pacific Ocean], the Minnow finally picked up a current and drifted to the shore of an uncharted island that couldn't be found on any of the Skipper's Navy charts.⁷

Maritime Activity

In addition to the requirements of navigable waters and locality, maritime activity must exist for maritime law to be applicable. In *Sisson v. Ruby*, the United States Supreme Court ruled that determination of maritime activity extends to fundamental activity.

Clearly, the storage and maintenance of a vessel at a marina on navigable waters is substantially related to "traditional maritime activity" given the broad perspective demanded by the second aspect of the test. Docking a vessel at a marina on a navigable waterway is a common, if not indispensable, maritime activity. At such a marina, vessels are stored for an extended period, docked to obtain fuel or supplies, and moved into and out of navigation. Indeed, most maritime voyages begin and end with the docking of the craft at a marina.⁸

The S.S. Minnow's purpose of chartering passengers for tours can be defined as a "traditional maritime activity" under *Sisson*. The Skipper and Gilligan agreed to take five passengers out to sea and return them safely within the confines of a three-hour duration. Pleasure cruises and sightseeing tours are common in the maritime industry. Moreover, the S.S. Minnow satisfies the "vessel" requirement for admiralty jurisdiction. The United States Supreme Court cited the definition of "vessel" in 1 U.S.C. § 3 in *Foremost Insurance Co. v. Richardson*. "[A] 'vessel' includes every description of watercraft or other artificial contrivance used, or capable of being used, as a means of transportation on water."⁹ The S.S. Minnow is a boat capable of transporting passengers, as seen in the opening sequence.

For the reasons stated above, admiralty jurisdiction applies to the shipwreck of the S.S. Minnow. After establishing the appropriateness of admiralty jurisdiction governing the S.S. Minnow shipwreck, a legal analysis commences regarding the admiralty law standard in judging blame. In *Kermarec v. Compagnie Generale Transatlantique*, the United States Supreme Court ruled, "It is a settled principle of maritime law that a shipowner owes the duty of exercising reasonable care towards those lawfully aboard the vessel who are not members of the crew."¹⁰

To determine the source of responsibility for the shipwreck, the castaways recreate the storm with a makeshift S.S. Minnow in the *Gilligan's Island* episode *Court Martial*. This, after a radio report details the Maritime Board of Inquiry's decision to blame Skipper for the disappearance of the ship. It uses the phrases "dereliction of duty," "incompetent," and "solely responsible for the disaster."¹¹

In the reenactment, Skipper learns that Gilligan never tied the anchor to the S.S. Minnow after he gave the instruction, "Gilligan, we've got to maintain our position in order to avoid the reef! Heave Ho with the anchor!" Gilligan replied, "Aye aye, sir!" However, when asked if the anchor line was attached to the boat, Gilligan replied, "Anchor line attached? Anchor line? WHAT anchor line?"¹²

Had the anchor line been attached, the S.S. Minnow could have weathered the storm instead of drifting 300 miles from its initial port. Consequently, if the five passengers wanted to make a claim against Skipper, they would have a strong case. Reasonable care requires a ship's crew to conduct a fundamental safety checklist to ensure the ship's safety, including confirming the proper number of adequate life preservers, checking the requisite amount of fuel for the trip, and securing all anchor lines. A First Mate who did not attach an anchor line to a ship did not "exercise reasonable care" because of the basic nature of this responsibility.

Further, under the principle of respondeat superior, Skipper is responsible for Gilligan's actions if they occur in the course of employment. Gilligan performed his duties, though ineptly, while in the employ of Skipper. Arguably, Skipper knew of Gilligan's incompetence before the fateful trip. Indeed, Gilligan's consistent negligence while on the island indicates it is a part of his persona. Therefore, Skipper would have or should have known of Gilligan's proclivity for accidents, clumsiness, and negligence. Supposition based on this theory indicates that Skipper keeps Gilligan as First Mate in his charter business because Gilligan once took Skipper out of harm's way.

The Skipper met Gilligan in the navy, where Gilligan saved his life by pushing him out of the way of a depth charge that had broken loose and was rolling down the deck of their destroyer.

After retiring, the Skipper used his commission to buy the S.S. Minnow and began offering 3 hour tours from Honolulu harbor. Gilligan was his first mate.¹³

To bolster a negligence claim, the five passengers could use examples of Gilligan's incompetence that surfaced throughout the series. Several rescue opportunities occurred, but Gilligan's actions, though unintentionally negligent, prevented them from being realized.

In *Goodnight Sweet Skipper*, the Professor hypnotizes Skipper to recall the process for changing a radio into a transmitter. Skipper learned the process in his Navy career. Gilligan then destroys the transmitter capable of reaching pilots flying overhead.

In *Gilligan Goes Gung Ho*, the castaways create a justice system that includes a jail—a hut with bars. Skipper and Gilligan serve as Sheriff and Deputy, respectively. Gilligan lets the law enforcement power go to his head. He locks up the castaways, including himself, accidentally.

The castaways lose a rescue opportunity when a pilot flying overhead can't see them because of their confinement. "Gilligan almost wrecked the entire community because he didn't know how to interpret or administer the 'official rules' he was given. He became completely dictatorial as he exercised the power of office."¹⁴

In *It's a Bird, It's a Plane, It's Gilligan*, the castaways find an Air Force jet pack in the lagoon after the Air Force determines it is "lost at sea." Gilligan uses the jet pack to "stay aloft for fifteen minutes. That's sufficient if a search plane from the Air Force comes by at the right time. It does. But just then, Gilligan steers into a cloud and the Air Force misses him."¹⁵

Given Gilligan's negligence as the S.S. Minnow's First Mate when he failed to secure the anchor line and supporting evidence of his negligence in various incidents, the castaways would succeed in a claim against Skipper, owner of the S.S. Minnow. Ultimately, Skipper is responsible for the actions of his crew.

Gilligan vs. Skipper

Whether Gilligan could put forth a valid claim of unseaworthiness is questionable. First, Gilligan's position as a "seaman" must be determined. "The inquiry into seaman status is of necessity fact specific; it will depend on the nature of the vessel and the employee's precise relation to it."¹⁶

Gilligan is a First Mate assigned typical responsibilities for a sailor. For example, the show's opening sequence features Gilligan with various gear required for preparing the S.S. Minnow for sail, including rope.

For an unseaworthiness claim, the key issue is whether Skipper's actions in preparing the S.S. Minnow for the three-hour tour amounted to due diligence. In *International Nav. Co. v. Farr & Bailey Mfg. Co.*, the United States Supreme Court defined the seaworthiness burden placed on a shipowner:

We do not think that a shipowner exercises due diligence within the meaning of the act by merely furnishing proper structure and equipment, for the diligence required is diligence to make the ship *in all respects* seaworthy, and that, in our judgment, means due diligence on the

part of all the owners' servants in the use of the equipment, before the commencement of the voyage and until it is actually commenced.¹⁷

Regarding Gilligan, an allegation of unseaworthiness compounded by a lack of due diligence rests on Skipper's knowledge and consequent ignorance of Gilligan's incompetence as a sailor while putting Gilligan in a position of responsibility. Arguably, Skipper's deliberate ignorance stems from Gilligan saving Skipper's life during their military service together.¹⁸ If Skipper knew Gilligan was an incompetent sailor, then he created an unseaworthy vessel.

Skipper acknowledges the responsibility that admiralty law places on a vessel's captain. "We BOTH lost the Minnow. When a captain gives orders, it's his duty to see that they're carried out."¹⁹ Skipper's analysis is correct. In *Boudoin v. Lykes Bros. S.S. Co.*, the United States Supreme Court stated, "We see no reason to draw a line between the ship and the gear on the one hand and the ship's personnel on the other."²⁰ *Boudoin* analyzed whether a district court correctly found that a crew member was "a person of dangerous propensities and proclivities" when he attacked the plaintiff.²¹ The district court found that the crew member in question was "a person of violent character, belligerent disposition, excessive drinking habits, disposed to fighting and making threats and assaults."²²

The Supreme Court upheld the district court, finding the evidence sufficient for an action based on unseaworthiness. "If the seaman has a savage and vicious nature then the ship becomes a perilous place. A vessel bursting at the seams might well be a safer place than one with a homicidal maniac as a crew member."²³ The Court furthered, "[He] crossed the line [and] he had such savage disposition as to endanger the others who worked on the ship."²⁴

The S.S. Minnow arguably became a "perilous place," not because of savagery but because of inability. "Physically, Gilligan as described in the presentation and the "bible" [a comprehensive summary of a television show's major characters and their respective traits] required someone young and smallish, someone guileless and gullible, someone honest and sincere, but irrevocably, hopelessly incompetent."²⁵

Gilligan's claim would extend the doctrine of unseaworthiness and its protection by allowing a seaman to sue the ship's owner if the owner knows of the seaman's negligence and said negligence causes the unseaworthiness. This, of course, is somewhat circular, as Gilligan himself was the negligent actor.

Maintenance and Cure

Whether Gilligan had an employment agreement with Skipper is unknown. An employment agreement may have a clause allowing the ship's owner to avoid giving

maintenance and cure, a mechanism in admiralty law “designed to provide a seaman with food and lodging when he becomes sick or injured in the ship’s service; and it extends during the period when he is incapacitated to do a seaman’s work and continues until he reaches maximum medical recovery.”²⁶

Even if Skipper and Gilligan had an employment agreement, Skipper could not escape payment if a court found him liable. “The duty to provide proper medical treatment and attendance for seamen falling ill or suffering injury in the service of the ship has been imposed upon the shipowners by all maritime nations.”²⁷ Further, it is a “duty that no private agreement is competent to abrogate.”²⁸

If Gilligan sues Skipper for maintenance and cure, he will find that admiralty doctrine favors seamen on these issues because of the nature of their jobs:

Seamen are by the peculiarity of their lives liable to sudden sickness from change of climate, exposure to perils, and exhausting labour. They are generally poor and friendless, and acquire habits of gross indulgence carelessness, and improvidence. If some provision be not made for them in sickness at the expense of the ship, they must often in foreign ports suffer the accumulated evils of disease and poverty, and sometimes perish from the want of suitable nourishment.²⁹

Howard McCormack, an admiralty lawyer with 50 years of experience, leadership positions at various admiralty associations, including the Maritime Law Association, and teaching credentials at Cardozo Law School and Fordham Law School, opines that Gilligan will encounter an obstacle in a maintenance and cure claim. “Gilligan’s problem is the lack of evidence that he is sick or injured,” says McCormack. “Cure depends largely on the union contract and does not hinge on negligence. Basically, it’s for the time that a seaman recovers from an illness until maximum medical cure is achieved. There’s not a lot of money in these cases, but it can be a springboard to other claims.”³⁰

If Gilligan were sick or injured, then his negligence may not wipe out a maintenance and cure claim. Indeed, Gilligan’s neglect to secure the anchor line in addition to various examples of his negligence do not reach the required level of behavior. “The standard prescribed is not negligence but willful misbehavior. In the maritime law it has long been held that while fault of the seaman will forfeit the right to maintenance and cure, it must be ‘some positively vicious conduct—such as gross negligence or willful disobedience of orders.’”³¹

In the aforementioned episode *Court Martial*, the Maritime Board of Inquiry rules that an incorrect weather report provided to the S.S. Minnow triggered the crew’s

failure to weather the storm after initially blaming Skipper for the ship’s fate.

The new testimony indicated that on the day the Minnow set out from Honolulu Harbor, the radio operator issued the weather information from the previous day. No mention was made of the approaching storm, and the captain had no warning of any kind. As a result, the Maritime Board of Inquiry finds the captain and crew of the Minnow completely blameless.³²

“Skipper could recover damages to the S.S. Minnow from his insurance company. The S.S. Minnow would likely be covered by a Hull Policy, comparable to insurance on your car,” says McCormack. “The doctrine of laches does not apply because the castaways are incommunicado, a valid reason for a delay in pursuing a claim till their rescue from the island.

“The Hull Policy would not cover claims of the other passengers, for example, personal injury claims. The insurance company may have a counterclaim against Gilligan because his negligence caused the shipwreck. But Gilligan likely has minimal assets, so a lawsuit would be a worthless attempt.

“Another type of insurance is Protection and Indemnity, also known as P and I. These policies are mostly issued by companies in England called clubs. They were founded in the 19th century. It’s unlikely that Skipper had P and I insurance for the S.S. Minnow. But if he did, the insurance would cover him against claims by the other passengers.”³³

The cast of *Gilligan’s Island* consisted of Bob Denver as Gilligan, Alan Hale, Jr. as Skipper, Russell Johnson as the Professor, Tina Louise as Ginger, Dawn Wells as Mary Ann, Natalie Schafer as Mrs. Howell, and Jim Backus as Mr. Howell. *Gilligan’s Island* spun off three television movies—*Rescue from Gilligan’s Island* in 1978, *The Castaways on Gilligan’s Island* in 1979, and *The Harlem Globetrotters on Gilligan’s Island* in 1981. Tina Louise, however, did not participate in the reunions. Judith Baldwin played Ginger in the first two television movies and Constance Forslund played her in the third television movie.

Surviving Gilligan’s Island is a documentary that aired in 2001. It features Bob Denver, Dawn Wells, and Russell Johnson reminiscing about the show and the reunion television movies in between recreations of their scenes and behind-the-scenes activities featuring actors playing their younger selves.

Endnotes

1. Sherwood Schwartz, *Inside Gilligan’s Island* 78 (1st Paperback ed., St. Martin’s Press 1994) (1988).
2. *The Ballad of Gilligan’s Isle* (CBS television broadcast 1964). The copyright in the theme song is owned by EMI U Catalog Inc. (Publishing) and Warner Bros. Publications U.S. Inc. (print).

3. *Jackson v. The Magnolia*, 61 U.S. 296, 320 (1858).
4. Schwartz at 80.
5. *The Daniel Ball*, 77 U.S. 557, 563 (1870).
6. *The Plymouth*, 70 U.S. 20, 34-35 (1866).
7. Gilligansisle.com is the website for the Gilligan's Island Fan Club. It houses information about the show's episodes, behind-the-scenes stories, cast biographies, current events involving the cast, and the actual island used at the end of the opening credits, <http://www.gilligansisle.com/crew.html>.
8. *Sisson v. Ruby*, 497 U.S. 358, 367 (1989). See, also *The Moses Taylor*, 71 U.S. 411, 427. "The contract for the transportation of the plaintiff was a maritime contract. As stated in the complaint, it related exclusively to a service to be performed on the high seas, and pertained solely to the business of commerce and navigation."
9. *Foremost Insurance Co. v. Richardson*, 457 U.S. 668, 676 (1981), quoting 1 U.S.C. § 3.
10. *Kermarec v. Compagnie Generale Transatlantique*, 358 U.S. 625, 630 (1958) (citing *Leathers v. Blessing*, 105 U. S. 626 (1881); *The Max Morris*, 137 U. S. 1 (1890); *The Admiral Peoples*, 295 U. S. 649 (1935)).
11. *Gilligan's Island: Court Martial* (CBS television broadcast, Jan. 9, 1967).
12. *Id.*
13. <http://www.gilligansisle.com/skip.html>.
14. Schwartz at 192-193.
15. *Id.* at 312.
16. *McDermott Int'l, Inc. v. Wilander*, 498 U.S. 337, 356 (1991).
17. *International Nav. Co. v. Farr & Bailey Mfg. Co.*, 181 U.S. 218, 225 (1900).
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19. *Gilligan's Island: Court Martial* (CBS), broadcast January 9, 1967.
20. *Boudoin v. Lykes Bros. S.S. Co.*, 348 U.S. 336, 339 (1954).
21. *Id.* at 338.
22. *Id.*, quoting *Boudoin v. Lykes Bros. S.S. Co.*, 112 F. Supp. 177 at 179 (E.D. La. 1953), *rev'd*, 221 F.2d 618 (5th Cir. 1954), *cert. Granted*, 348 U.S. 226 (1955).
23. *Id.* at 340.
24. *Id.*
25. Schwartz at 50.
26. *Vaughan v. Atkinson*, 369 U.S. 527, 531 (1961).
27. *The Iroquois*, 194 U.S. 240, 241 (1903).
28. *DeZon v. American President Lines, Ltd.*, 318 U.S. 660, 667 (1942).
29. *Harden v. Gordon*, 11 F.Cas. 480, 483 (1823).
30. Telephone Interview with Howard McCormack (April 27, 2014).
31. *Warren v. United States*, 340 U.S. 523, 528 (1951), quoting *The Chandos*, 6 Sawy. 544, 549-550, *The City of Carlisle*, 39 F. 807, 813 (D. Or. 1889); *The Ben Flint*, 1 Biss. 562, 566 (1867).
32. *Gilligan's Island: Court Martial* (CBS television broadcast, January 9, 1967).
33. Telephone Interview with Howard McCormack (April 27, 2014).

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