

Entertainment, Arts and Sports Law Journal

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

Remarks From the Chair/Editor's Note



Elissa D. Hecker

I start my last Remarks as Chair of the EASL Section with a heartfelt expression of gratitude to Alan Barson, Steve Rodner, Judith Prowda, Ken Swezey, and the entire EASL Executive Committee. In addition, mention must be made of Brad Carr, Juli Turner, Pat Wood, Cynthia Feathers, Barbara Beauchamp, and Kristin O'Brien, among others, whose invaluable support during these past two years helped to turn our aspirations into realities.

This two-year term has vanished in the blink of an eye, and yet when I look back to what has been accomplished, I am extremely proud. We have solidified the Executive Committee, so that every Committee Chair has a proven commitment to nothing less than frequent and outstanding programming for EASL members. Inactive committees have been rejuvenated, and it is amazing to witness not only the brain trust among the Executive Committee members, but the cooperative nature, openness and honest enjoyment of working together.

New pro bono programs were established through our Pro Bono Committee, and its success was highlighted when its Chair, Elisabeth Wolfe, was acknowledged

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WWW.NYSBA.ORG/EASL



as she was awarded one of the highly respected President's Pro Bono Awards.

Thanks to former Section Chair Judith Bresler and Fine Arts Committee Chair/EASL Secretary Judith Prowda, the Section launched an ADR Committee. This Committee has already held several successful programs, and I look forward to watching it grow into a formidable group that can prove to be a bar association leader in pro bono efforts.

Our website (<http://www.nysba.org/easl>) has improved tenfold, with more pertinent information made available and presented in a user-friendly format. Our goal is to provide EASL members with an easy to navigate resource of Section-wide and committee programs, events and functions, important issues in the law, searchable back issues of the *EASL Journal*, CLE opportunities, and NYSBA benefits, among other things.

We have also increased the visibility of the EASL Section by working on branding our own mark, increasing our members' profiles in the press, and establishing ourselves as a "go-to" point for all issues concerning entertainment, art and sports law.

As I mentioned earlier, none of this would have been possible without the outstanding work of our Officers, Committee Chairs and Executive Committee mem-

bers. I look forward to working with these colleagues, and to their continued excellence.

Alan Barson, EASL's incoming Chair, has been gracious enough to grant me my request to join Elisabeth Wolfe as Co-Chair of the Pro Bono Committee. I will serve in that capacity in addition to continuing my job as Editor of this *Journal*. Alan's vision for 2006-2008 is tremendous, and I know that he will continue to be a very strong, effective and inspiring leader.

NEXT EASL JOURNAL DEADLINE: JANUARY 13, 2006

Elissa D. Hecker of the Law Office of Elissa D. Hecker, located at 90 Quail Close, Irvington, NY 10533, practices in the fields of copyright, trademark and business law. Her clients encompass a large spectrum of the entertainment world, including music publishers, composers, artists, producers, photographers, and authors. Elissa also acts as intellectual property and corporate counsel to various companies. In addition to her private practice and EASL activities, she is a frequent author, lecturer and panelist, a member of the Copyright Society of the U.S.A (CSUSA) and a member of the Board of Editors for the *Journal of the CSUSA*. Elissa is the recipient of the New York State Bar Association's 2005 Outstanding Young Lawyer Award. She can be reached at (914) 478-0457 or via e-mail at: EHeckerEsq@yahoo.com.

Save the Dates

New York State Bar Association

ANNUAL MEETING

**January 23-28, 2006
New York Marriott Marquis**

**Entertainment, Arts and Sports Law Section
Annual Meeting**

Monday, January 23, 2006

***"Videogaming and Wagering: Legal Issues Impacting
the Video Game and Online Gambling Industries"***

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 non-lawyer audiences do not qualify for credit;
- only writings published or accepted for publication after January 1, 1998 can be used to earn credits;
- credit (a maximum of 12) can be earned for updates and revisions of materials previously granted credit within any one reporting cycle;
- no credit can be earned for editing such writings;
- allocation of credit for jointly authorized publications shall be divided between or among the joint authors to reflect the proportional effort devoted to the research or writing of the publication;
- only attorneys admitted more than 24 months may earn credits for writing.

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

**Catch Us on the Web at
WWW.NYSBA.ORG/EASL**



Congratulations to the Law Student Initiative Winning Author:

Julie M. Chelico of St. John's University School of Law, for
"The Use of Intellectual Property Protection
in the Jewelry Industry"

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

The Entertainment, Arts and Sports Law (EASL) Section of the New York State Bar Association has 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.

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

Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form:** Include complete contact information; name, mailing address, law school, law school club/organization (if applicable), phone num-

ber and e-mail address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author's blurb must also be included.

- **Deadline:** Submissions must be received by **Friday, January 13, 2006.**
- **Submissions:** Articles must be submitted via a Word e-mail attachment to echeckeresq@yahoo.com or via mail to:

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

Topics

Each student may write on the subject matter of his/her choice, so long as it is unique to the entertainment, 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, and all winners will be announced at the EASL Section Annual Meeting.

Entertainment, Arts and Sports Law Section and BMI Offer Law School Scholarship

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

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

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

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

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

Law School Scholarships

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

The scholarship fund is also pleased to accept donations, which are tax-deductible. Donation checks should

be made payable to The New York Bar Foundation, designating that the money is to be used for the Phil Cowan Memorial/BMI Scholarship, and sent to Kristin O’Brien, Director of Finance, New York State Bar Foundation, One Elk St., Albany, N.Y. 12207.

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

About BMI

BMI is an American performing rights organization that represents approximately 300,000 songwriters, composers and music publishers in all genres of music. The non-profit-making company, founded in 1940, collects license fees on behalf of the American creators it represents, as well as thousands of creators from around the world who chose BMI for representation in the United States. The license fees collected for the “public performances” of its repertoire of approximately 4.5 million compositions are then distributed as royalties to BMI-member writers, composers and copyright holders.

About the EASL Section

The more than 1,700 members of the Entertainment, Arts and Sports Law Section of the NYSBA represent varied interests, including issues making headlines, being debated in Congress and heard by the courts today. The EASL Section provides substantive case law, forums for discussion, debate and information-sharing, pro bono opportunities, and access to unique resources including its popular publication that is published three times a year, the *EASL Journal*.

About the NYSBA

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

Pro Bono Update

By Elisabeth Wolfe

As a Section, we strive to create programs that fulfill the NYSBA's new definition of Pro Bono service and we hope you will join us for one or more of the following volunteer opportunities. If you are interested in any of these matters, or require further information, please e-mail elkwolfe@aol.com.

1. EASL to Co-Sponsor Volunteer Lawyers for the Arts' Boot Camp

The EASL Section is pleased to co-sponsor a new VLA program called the Legal and Business Boot Camp for Arts Professionals, that is being presented in venues around the country.

Led by veteran arts and entertainment attorneys, this program covers essential legal and business issues in addition to behind-the-scenes information as only the presenting industry insiders can provide.

As we are co-sponsors of the program, EASL Section attorneys may attend at the discounted VLA member rate of \$200 for two days of intensive programming. This price also includes lunch, networking opportunities and a wine and cheese reception.

Sessions will include:

- Ask the Lawyer Panels
- The Essentials of Intellectual Property
- Contract Basics
- Business Structures for Creative Endeavors
- Special Considerations for Musicians
- Special Considerations for Visual Artists
- Special Considerations in Film/Video

The Boot Camp is designed for arts students, individual artists, and individuals in arts or cultural institutions, and can be helpful for practitioners interested in these fields. The program will present information important for people at all stages of their professional development, from those just starting out to those who have been working in the arts for many years. Space is limited, so those who are interested should contact VLA and register before the programs at their various locations are closed. For additional information about the program and to register, please visit <http://www.vlany.org/bootcamp>.

VLA developed this original program with the support of the National Endowment for the Arts.

2. Take a Case from VLA's Caselist

The Pro Bono Committee is looking for volunteers who would like to help take on pro bono cases through VLA. Volunteers must be covered under a Professional Liability Insurance policy. Below are a few highlighted cases.

(7244)—Nonprofit Startup

Client is an arts organization dedicated to ensuring the physical and mental well being of youth. It will be providing an outlet for artistic individual expression that empowers young people to become prolific adults. Client seeks the assistance of an attorney to help it incorporate a new New York not-for-profit organization, draft bylaws, obtain exemption from federal, state, and local franchise taxes, and make the necessary filings with the New York Attorney General's Office.

(8019)—Copyright

Client is an independent filmmaker who seeks contractual, corporate, and intellectual property advice regarding her independent film. Client is currently touring her film and is about to begin negotiations regarding production. Client's film deals with Israeli youth as they prepare to enlist in the Israeli Defense Force.

(7987)—Labor/Employment (Employer-side)

Client is a non-profit arts council who provides services to Brooklyn artists and arts organizations. Client recently received a penalty notice in the amount of \$10,000 for failure to have Workers' Compensation Insurance coverage for the period of July 1989 through July 1991. The notice indicates that the original total was \$18,000 and a payment of \$7,000 was made. Client's old records were destroyed in a flood, so Client has no history of the penalty. In addition, Client's auditors have no records as well. Client seeks to discuss the matter with an attorney and possibly engage in discussions with Workers' Compensation.

3. Volunteer for the EASL Speakers Bureau

EASL has launched a new Speakers Bureau! This program provides public speaking and educational opportunities for lawyers. The Pro Bono Committee responds to requests from groups, organizations and schools for speakers to serve on panels and talk about

issues related to the entertainment, art and sports law fields.

Volunteers who participate in the Speakers Bureau address a variety of charitable groups. The speaking engagements vary in length and attendance, depending on the nature of the request.

4. Volunteer to Become a Mentor/Mentee

The purpose of the EASL Mentor/Mentee Program is to provide volunteer professional guidance to less experienced attorneys who take on cases with VLA. Any practitioner with five or more years of experience in the entertainment, art or sports law fields may volunteer to serve as a mentor. Mentors are asked to provide advice, ideas, suggestions, and/or general information. Both mentors and mentees must be covered by liability

insurance. Our volunteer mentors are serving the profession and public by helping less experienced attorneys provide better quality legal services to their clients.

5. Volunteer for the Pro Bono Committee

The Pro Bono Committee will soon be launching the Section's new entertainment, art and sports law-related pro bono projects, and Committee members can be prepared to take on leadership roles. In addition, the Committee coordinates the selection and recognition of candidates for the Section's annual Outstanding Achievement Pro Bono Award. To sign up for the Committee online, visit <http://www.nysba.org/EASL> or e-mail elkwolfe@aol.com.

Pro Bono Opportunities Guide Now Online

www.nysba.org/volunteer

Looking to volunteer?
This easy-to-use guide will help you find
the right opportunity.
You can search by county, by subject area,
and by population served.



Questions about pro bono service?
Visit the Pro Bono Dept. Web site for more information.
www.nysba.org/probono
(518) 487-5641
probono@nysba.org

How Much Is Enough? Using Circumstantial Evidence to Prosecute Olympic-Sport Athletes for Anti-Doping Rule Violations

By Cameron A. Myler

The landscape of sport has been altered irrevocably by the federal government's investigation of the Bay Area Laboratory Cooperative ("BALCO"), which has focused the attention of this nation, and perhaps the world, on the use of steroids and other performance-enhancing substances by some of America's best athletes. As a result, athletes around the globe who aspire to compete in the Olympic Games face a brave new world of anti-doping efforts.

Until very recently, anti-doping organizations have relied on drug testing as the primary means of determining whether an athlete has used performance-enhancing substances. However, several recent cases, including one involving an athlete allegedly associated with BALCO, highlight an alternative and arguably necessary means of policing athletes: the "non-analytical positive." The decisions in *USADA v. Michelle Collins*,¹ *Comitato Olimpico Nazionale Italiano (CONI) Advisory Opinion*,² and *Mark French v. Australian Sports Commission and Cycling Australia*,³ confirm that anti-doping organizations can prosecute athletes using evidence other than a positive test, but raise a number of procedural and legal issues of which athletes and their attorneys should be aware.

"Until very recently, anti-doping organizations have relied on drug testing as the primary means of determining whether an athlete has used performance-enhancing substances. However, several recent cases, including one involving an athlete allegedly associated with BALCO, highlight an alternative and arguably necessary means of policing athletes: the 'non-analytical positive.'"

The Rules Governing Anti-Doping Efforts in Olympic Sport

The authority of anti-doping organizations to conduct drug testing (both in-competition and out-of-com-

petition) and to prosecute athletes for violations of anti-doping rules is not unfettered, but is derived from and limited by the rules of a variety of national and international organizations. The rights and responsibilities of athletes who are required to participate in the programs of these anti-doping organizations are similarly defined.

The organization forming the umbrella under which all anti-doping efforts are conducted in Olympic sport is the World Anti-Doping Agency ("WADA"), which was created in 1999 under the initiative of the International Olympic Committee ("IOC") with the support and participation of intergovernmental organizations, governments, public authorities and other public and private entities. Its stated purposes are twofold: first, to protect the fundamental right of athletes to participate in doping-free sport and thus promote health, fairness and equality for athletes worldwide; and second, to ensure harmonized, coordinated and effective anti-doping programs at both the international and national levels with regard to the detection, deterrence and prevention of doping.⁴

WADA's anti-doping program consists of three core elements: 1) the World Anti-Doping Code ("Code"); 2) International Standards; and 3) Models of Best Practice.⁵ The Code "is the fundamental and universal document upon which the World Anti-Doping Program in sport is based."⁶ The IOC and International Paralympic Committee ("IPC"), as well as each National Olympic Committee ("NOC"), International Federation of sport ("IF") and National Anti-Doping Agency ("NADO"), were required to "adopt and implement anti-doping policies and rules which conform to the Code," including, *inter alia*, the definition of "doping," the burdens and standards of proof and the types of evidence that may be used to prosecute athletes.⁷

The Code works in conjunction with four International Standards that are intended to harmonize the practices of the signatories to the WADA Code: International Standards for Testing, Laboratories and Therapeutic Use Exemptions, as well as the Prohibited List.⁸ The Prohibited List sets forth the substances (*e.g.*, steroids, stimulants) and methods (*e.g.*, blood doping) that are prohibited in-competition, out-of-competition, and in particular sports. Finally, WADA's Models of Best Practice (which are not mandatory) are meant to

provide guidance to signatories of WADA regarding matters such as results management, out-of-competition testing, sample collection and education programs.

In this country, the United States Olympic Committee (“USOC”) has engaged the United States Anti-Doping Agency (“USADA”) to conduct drug testing, manage results and adjudicate disputes of elite athletes who compete in Olympic, Paralympic and Pan American sports. The USADA Protocol for Olympic Movement Testing (“Protocol”) sets forth the procedures by which USADA executes these responsibilities, as well as the dispute resolution process available to athletes if charged with a doping offense. The USOC’s National Anti-Doping Policies and the rules of an athlete’s IF round out the panoply of regulations pursuant to which athletes are tested and disputes are adjudicated.

Definition of a “Non-Analytical Positive”

The WADA Code, USADA Protocol and rules of an athlete’s IF specify the circumstances and conduct that constitute violations of anti-doping rules. These violations can be divided into two broad categories: “analytical positives”⁹ and “non-analytical positives.”

The first category of violations is fairly straightforward. A typical “analytical positive” case involves “[t]he presence of a prohibited substance or its metabolites or markers in an athlete’s bodily specimen.”¹⁰ This situation generally arises when an athlete provides a urine or blood sample either in-competition or out-of-competition, the sample is found to be positive for a prohibited substance when tested and the anti-doping organization brings charges against the athlete based on the results of the positive test.

The second category, on the other hand, encompasses a variety of different violations. The term “non-analytical positive” generally refers to anti-doping rule violations that are not based on a positive drug test—refusing to submit to drug testing,¹¹ admitting to the use of a prohibited substance,¹² tampering with any part of doping control,¹³ missing three drug tests within any eighteen-month period,¹⁴ possession of prohibited substances,¹⁵ trafficking in any prohibited substance,¹⁶ administering a prohibited substance to an athlete¹⁷ or assisting, encouraging, aiding, abetting, covering up or any other type of complicity involving an anti-doping rule violation.¹⁸ However, after the cases arising from the events at BALCO, “non-analytical positive” has taken on an additional meaning—prosecuting an athlete for *using* prohibited substances when the anti-doping organization has no positive test for the athlete, but only circumstantial evidence.

Standards for Burden of Proof and Evidence in Non-Analytical Positive Cases

Whether an athlete has been charged with an “analytical positive” or “non-analytical positive,” the WADA Code specifies that “the anti-doping organization shall have the burden of establishing that an anti-doping rule violation has occurred.” Prior to adopting and implementing the Code, many IFs required an anti-doping organization to prove “beyond a reasonable doubt” that the athlete had violated an anti-doping rule.¹⁹ Now, all signatories to the WADA Code are required to use the same standard: “to the comfortable satisfaction of the hearing body bearing in mind the seriousness of the allegation that is made.”²⁰ While this may not be a familiar standard to legal practitioners in the United States, the Code clarifies that “[t]his standard of proof in all cases is greater than a mere balance of probability but less than proof beyond a reasonable doubt.”²¹ The Code offers this additional guidance:

[t]his standard of proof required to be met by the anti-doping organization is comparable to the standard which is applied in most countries to cases involving professional misconduct. It has also been widely applied by courts and tribunals in doping cases. See, for example, the CAS decision in *N., J., W. v FINA*, CAS 98/208, 22 December 1998.²²

As the seriousness of the allegations (and the potential sanctions) increases, so too should the burden of the anti-doping organization to prove its case.

In the event of a positive drug test, WADA-accredited laboratories are presumed to have conducted their testing in accordance with WADA’s International Standards for Laboratories.²³ The athlete can rebut this presumption by showing, by a preponderance of the evidence, that there was a departure from the International Standards. If the athlete is able to do so, then the burden shifts back to the anti-doping organization to prove to the comfortable satisfaction of the hearing body that the departure did not change the test result. However, in cases where there is no positive test, the burden never shifts to the athlete and the anti-doping organization must prove each element of its case.

There is little guidance regarding what type of evidence may be used or how much is enough to convict an athlete of a doping offense. The WADA Code merely states that, “facts relating to anti-doping rule violations may be established by any reliable means, including admissions.”²⁴ Given the broad nature of the rule, it is likely that arbitration panels deciding cases that involve “non-analytical positives” will be required on a case-by-

case basis to determine whether the evidence presented by the anti-doping organization is sufficiently reliable and enough to meet the anti-doping organization's burden of proof.

The Non-Analytical Cases

Several cases decided in the past year involved charges of "non-analytical positives" and highlighted certain issues: the use of longitudinal studies by the anti-doping organization to prove the use of "designer steroids"; the burden faced by the anti-doping organization in proving its charges in a "non-analytical" case; as well as the sufficiency and reliability of circumstantial evidence.

USADA v. Michelle Collins

Just months before the Olympic Games in Athens, Greece, last summer, USADA brought charges against a number of athletes in the sport of track and field, including Michelle Collins. USADA had no positive test for Collins, but instead brought charges against her based on information in documents that were seized by the federal government at BALCO, subsequently subpoenaed by Congress and ultimately turned over to USADA. Collins was one of only three athletes to request a hearing and is the only athlete of those three whose case has been fully adjudicated by an arbitration panel.²⁵ Her case was heard before a panel of three AAA/CAS arbitrators in November 2004.²⁶

In the first paragraph of its decision, the panel acknowledged that the case before them was not the usual "analytical positive" case: "[i]n this case, USADA seeks for the first time to sanction an athlete who has not tested positive in any of her in-competition or out-of-competition drug tests."²⁷ The panel noted that while the case involved issues that had not previously been addressed by an arbitration panel, "the straightforward application of legal principles to essentially undisputed facts leads to a clear resolution." In concluding that USADA proved its case against Collins beyond a reasonable doubt, the panel relied principally on two sets of documents: 1) e-mails obtained from BALCO in which Collins admitted to using prohibited substances; and 2) a longitudinal study of undisputed blood and urine test results "that together provided solid evidence of a pattern of doping."²⁸

The conclusion that Collins violated an anti-doping rule based on what the panel determined was an "admission" in e-mails obtained from BALCO is not surprising or unexpected. As explained *supra*, an admission of use constitutes an anti-doping rule violation.²⁹ However, the determination that the results of Collins' blood and urine tests independently constituted a doping offense is more problematic. None of the results

from the urine tests was positive, so the panel relied on inferences that USADA drew from the longitudinal study of those test results.³⁰ However, neither the WADA Code nor any of WADA's technical documents contemplate using a longitudinal study of an athlete's urine samples to conclude that the athlete has used "designer steroids." Furthermore, the panel determined that fluctuations in Collins' hematocrit levels alone proved "beyond a reasonable doubt" that Collins had used EPO.³¹ This determination completely ignored the EPO Testing Protocol of the IAAF, which requires additional evaluation if the results of an athlete's blood test show an elevated level of any of the following parameters: hematocrit, hemoglobin or percent reticulocytes. Pursuant to the IAAF EPO Testing Protocol, an athlete could not be found guilty based solely on an elevated hematocrit level.

Based on these conclusions, the panel determined that Collins should be banned from the sport of track and field for eight years and that her results from February 1, 2002, to the date of the hearing should be nullified. Collins appealed the decision to CAS and subsequently accepted a reduced sanction (four years) in exchange for withdrawing her appeal.

Comitato Olimpico Nazionale Italiano (CONI) Advisory Opinion

In April of this year, the Italian Olympic Committee (Comitato Olimpico Nazionale Italiano) ("CONI") requested that CAS provide an advisory opinion on two issues: 1) whether the use by athletes of pharmaceutical substances not prohibited in sport could be sanctioned; and 2) what methods could be used by sports organizations to investigate use of pharmaceutical substances not prohibited in sport.³² The panel expanded the scope of CONI's second question to include substances that were on the prohibited list in sport.

First, the three-arbitrator panel affirmed several provisions of the WADA Code:

for cases when there is no "adverse analytical finding," proving the "presence of a prohibited substance or its metabolites or markers in an athlete's bodily specimen" (*i.e.*, when there is no positive testing), the use or attempted use of a prohibited substance or a prohibited method can be proved by any means of proof ("for example, through admissions, third party testimony or other evidence", according to the comment to Article 2.2 of the Code). The same obviously applies to "possession" and "trafficking" doping offences.³³

The panel also opined that:

sports authorities [should] not content themselves with waiting for adverse analytical finding, and [should] instead open immediately a disciplinary proceeding whenever they receive any *notitia criminis*, i.e., whenever they happen to know of possible violations of anti-doping rules from whatever source, be it a court decision, a police report, the confession of an implicated person or the testimony of a direct witness. Delays in opening disciplinary proceedings cannot be justified. Once the disciplinary proceedings start, it will be a matter of evidence (sufficient or insufficient) to be evaluated case by case by the adjudicating disciplinary bodies or courts in accordance with the applicable standards of proof.³⁴

However, the panel also observed that “in anti-doping proceedings other than those deriving from positive testing, sports authorities do not have an easy task in discharging the burden of proving that an anti-doping rule violation has occurred, as no presumption applies.”³⁵

Mark French v. Australian Sports Commission and Cycling Australia

The most recent decision to address a “non-analytical positive” was the appeal by Australian cyclist, Mark French, of a decision finding him guilty of having committed numerous doping offenses. French never tested positive, but was charged by the Australian Sports Commission and Cycling Australia (collectively “Claimants”) with a number of different anti-doping rule violations, including using the prohibited substances equine growth hormone (“eGH”) and corticosteroid, admitting to the use of prohibited substances, as well as trafficking, aiding and abetting. The evidence relied on by the Claimants included a bucket containing syringes and needles (in which prohibited substances were found) located in a room that had been occupied by French.

The CAS panel first dismissed the Claimants’ allegation that French used corticosteroids by injecting Testicomp because there was no scientific evidence that Testicomp contained corticosteroid. The panel concluded that “[a]n admission to use of Testicomp does not amount to an admission that there has been use of a prohibited substance unless the product used is shown by chemical analysis to contain that which it purports to contain by its product leaflet.”³⁶ The panel then dismissed Claimant’s allegation that French used and trafficked in eGH after Claimants conceded that “there was

no direct evidence that Mr. French used the [prohibited substance] in the sense that no-one saw him use it and he has consistently denied that he did use it. It becomes a matter of inference.”³⁷ The decision of the initial arbitration was reversed in its entirety and the two-year suspension that had been imposed on French as a sanction was terminated.

“As anti-doping organizations face increased scrutiny from the public and pressure from funding sources to catch athletes who are violating anti-doping rules, the number of “non-analytical positive” cases are bound to increase.”

Issues Going Forward

While the WADA Code, USADA Protocol and the rules of IFs contemplate athletes being charged with and prosecuted for violations of anti-doping rules using evidence other than a positive test, there are dangers in a liberal interpretation of a “non-analytical positive.” First, the costs associated with defending any of the cases described above are astronomical and likely beyond the means of most athletes. These cases are expensive to prosecute as well—it was reported in January 2005 that USADA had spent \$2.1 million in the previous eighteen months on fifteen cases relating to BALCO.³⁸ The expenditures accounted for 11.4 percent of USADA’s \$18.45 million budget in that eighteen-month period. Money spent on prosecuting these complicated and lengthy cases is money not spent on research and education.

Second, anti-doping organizations generally have relied on their drug testing efforts to uncover doping violations and may not be prepared to conduct extensive investigations of an athlete’s alleged “non-analytical positive.” Additionally, one of the stated goals of having doping disputes adjudicated by arbitration is to resolve the dispute quickly. It is likely that many cases involving “non-analytical positives” will be factually and legally complicated, which will result in protracted litigation. In sports like track and field where meet directors have broad discretion regarding athletes who are invited to compete, an athlete charged with a doping offense may be banned *de facto* from competition while waiting for resolution of the dispute.

As anti-doping organizations face increased scrutiny from the public and pressure from funding sources to catch athletes who are violating anti-doping rules, the number of “non-analytical positive” cases are bound to increase. Let us hope that in the effort to level the playing field in Olympic sport, all parties involved

bear in mind the fundamental rationale for the WADA Code:

Anti-doping programs seek to preserve what is intrinsically valuable about sport. This intrinsic value is often referred to as “the spirit of sport”; it is the essence of Olympism; it is how we play true. The spirit of sport is the celebration of the human spirit, body and mind, and is characterized by the following values: ethics, fair play and honesty . . . respect for rules and laws [and] respect for self and other participants. . .³⁹

Endnotes

1. *USADA v. Michelle Collins*, AAA No. 30 190 00658 04.
2. *Comitato Olimpico Nazionale Italiano (CONI) Advisory Opinion*, CAS 2005/C/841 CONI.
3. *Mark French v. Australian Sports Commission and Cycling Australia*, CAS 2004/A/651.
4. WADA Code, Introduction, p.1.
5. *Id.*
6. *Id.*
7. WADA Code, Article 20. The IOC, IPC, IFs, NOCs and NADOs were required to adopt and implement the Code by August 13, 2004, the date of the Opening Ceremonies at the Olympic Games in Athens, Greece.
8. WADA Code, Introduction, p.2; WADA website at www.wada-ama.org.
9. Also referred to an “adverse analytical finding” which is defined by the WADA Code as “[a] report from a laboratory or other approved testing entity that identifies in a specimen the presence of a prohibited substance . . .” WADA Code, p. 72.
10. WADA Code, Article 2.1.
11. *Id.* at Article 2.3.
12. *Id.* at Article 2.2.1; International Federation of Athletics Associations (“IAAF”) Anti-Doping Rules.
13. WADA Code, Article 2.5.
14. *Id.* at Article 2.4, USOC National Anti-Doping Policies, ¶ 10(b).
15. WADA Code, Article 2.6.
16. *Id.* at Article 2.7.
17. *Id.* at Article 2.8.
18. *Id.*
19. See 2002 IAAF Anti-Doping Rules.
20. WADA Code, Article 3.1.
21. *Id.*
22. WADA Code, comment to Article 3.1.
23. WADA Code, Article 3.2.1.
24. WADA Code, Article 3.2.
25. The other two athletes to challenge USADA’s allegations were Tim Montgomery and Chryste Gaines, both of whom are waiting for a decision from the Court of Arbitration from Sport (“CAS”).
26. Pursuant to the USADA Protocol in effect at the time, athletes had two options for a hearing: they could have their case first heard by the American Arbitration Association (“AAA”) with the right to appeal to CAS or go directly to CAS for a final decision with no right to appeal.
27. *USADA v. Michelle Collins*, AAA No. 30 190 00658 04, ¶ 1.1.
28. *Id.* at 1.3.
29. See WADA Code, Article 2.2.1; IAAF Anti-Doping Rules.
30. Unfortunately, Collins stipulated that all of the tests were conducted appropriately and without error despite the fact that a number of those tests were performed at unaccredited laboratories and there was no way of determining what tests had been performed on the samples in question. Additionally, there were no chain of custody documents for a number of the samples that were tested, so there was no way of determining whether the samples had been tampered with or contaminated.
31. EPO is short for erythropoietin, a hormone that stimulates the production of red blood cells.
32. *Comitato Olimpico Nazionale Italiano (CONI) Advisory Opinion*, CAS 2005/C/841 CONI, ¶ 9. According R60 of the CAS Code, “[t]he IOC, the IFs, the NOCs, WADA, the associations recognized by the IOC and the OCOGs, may request an advisory opinion from the CAS about any legal issue with respect to the practice or development of sport or any activity related to sport.”
33. *Id.* at ¶ 83.
34. *Id.* at ¶ 74.
35. *Id.* at ¶ 84.
36. *Mark French v. Australian Sports Commission and Cycling Australia*, CAS 2004/A/651, ¶ 51.
37. *Id.*
38. Amy Shipley, *BALCO Tab Runs High for Agency: Cases Cost USADA Over \$2.1 Million*, Washington Post, January 11, 2005.
39. WADA Code, Introduction, p.4.

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Tennis Pro Loses Publicity Claims for Use of Nude Photos

By Joel L. Hecker

Questions often arise as to the validity and extent of protection offered publications, photographers and others who obtain a model release from the subject of the image when the subject later disavows the release and sues. A recent New York Federal Court had the opportunity to consider a number of issues raised in these circumstances, ruling in favor of the defendants on all claims. These issues should be of interest to those who practice in the areas of publications, privacy, publicity, photography and art law.

Introduction

The case was brought by Anastasia Myskina, a Russian citizen who won the 2004 French Open Tennis Championship and was the fourth-ranked female professional tennis player at the time the complaint was filed against photographer Mark Seliger, his studio, Mark Seliger Studio (collectively "Seliger"), and Conde Nast Publications, Inc., and its magazine *Gentleman's Quarterly* (collectively "Conde Nast").¹

The claims arose out of dissemination of photographs taken of Myskina by Seliger in connection with an assignment for the October 2002 sports issue of *Gentlemen's Quarterly Magazine* ("GQ") and the subsequent publication of some of the photographs in the July/August 2004 issue of the Russian Magazine *Medved*. The action was brought in Federal Court on the basis of diversity. The plaintiff sued under theories of invasion of privacy under Sections 50 and 51 of the New York State Civil Rights Law, misappropriation, unjust enrichment, negligence, and breach of contract.

The court's ruling was made upon a motion by the defendants to dismiss the complaint pursuant to Fed.R.Civ.P. 12 (b) (6), or alternatively, for summary judgment pursuant to Fed.R.Civ.P. 56. Judge Mukasey decided the motion as one for summary judgment because the parties submitted affidavits and other exhibits.

The Photo Shoot

In July 2002, a Conde Nast editor contacted Myskina's agent to inquire whether she would be interested in being photographed in the nude by Seliger for the cover and interior of GQ's 2002 "Sports" issue, as part of a pictorial and profiling of female tennis players. She expressed interest and her agent instructed a twenty-three year old administrative assistant intern of the

agency to set up the appointment and accompany her on the shoot.

On July 16, 2002, Myskina arrived at the pre-arranged photo shoot with this assistant and her coach (who was also then her boyfriend). There was some confusion as to what was to occur. Myskina testified that she was unaware before the shoot that the cover photo would depict her as "Lady Godiva"—lying nude on a horse. The Conde Nast publisher was not clear whether this information was communicated to Myskina or her agent prior to the shoot date. In any case, she alleged that she expressed concern about being photographed in the nude. According to her agent and boyfriend, the editor explained that Myskina was to wear nude-colored underpants and have long hair taped on appropriate places of her body and that, except for the Lady Godiva photographs to be published in the GQ issue, no other photos would be published anywhere. Myskina claimed that she agreed to be photographed only after receiving this assurance.

The Release

Before the photo shoot began, the editor gave the agent a Conde Nast standard model release form for Myskina to sign, which she did. The release, printed on Conde Nast letterhead, provided for the model's consent to the use of her name and the pictures taken of her on that date by Conde Nast and others it authorized, for editorial purposes. The language of the form release was that the model "hereby irrevocably consent(s) to the use of [her] name and the pictures taken of [her] on [a specified date] by [Conde Nast] . . . and others it may authorize, for editorial purposes" (the "Release").² The Release did not contain a merger clause.

The photo shoot then took place. When Seliger finished the Lady Godiva photographs he, according to Myskina, asked her if he could, as they were already in the studio, take topless photographs of her in blue jeans. She said yes, but only if the resulting photographs would solely be for Seliger, and not be published anywhere. Seliger then created these additional photographs.

Conde Nast eventually published Myskina's profile in GQ with a "Lady Godiva" photo on the cover and an inside two-page spread. She was not paid in connection with this publication.

Myskina's Defenses to the Motion

Myskina raised a number of defenses to the motion of Summary Judgment. These included: 1) that the intern was neither an agent nor a publicist at her publicity agency, and did not represent himself as such to the editor, anyone at *GQ*, or anyone at the photographer's studio at the time of the photo shoot; 2) Myskina did not recall signing or discussing a Release with Conde Nast's editor and that she could not, in any event, understand the terms of the Release because at the time she was not fluent in English; and 3) Myskina claimed that she would have not signed the release had it been explained to her that it would or might authorize *GQ* or the photographer to publish, sell or disseminate photos from the shoot for other purposes.

Agreement Between Seliger and Conde Nast

The master agreement between Seliger and Conde Nast provided that Seliger was authorized to exploit all photographs taken on assignment to Conde Nast, subject to certain restrictions, including an exclusive period for editorial syndication. In addition, he could authorize publication for any commercial, merchandising or advertising purpose only with Conde Nast's express written consent.

After the embargo period expired on November 23, 2003, Seliger gave images from the shoot to his editorial stock photo agency for potential licensing in the editorial market. The stock agency placed the images on its website and licensed five of the images to the Russian magazine *Medved* for use in connection with an article entitled *Nastya Myskina: The Champion's Private Life*, which appeared in the July/August 2004 issue of *Medved* and soon afterward on its website. Three of the photos used, including the cover shot, depicted frontal nudity and two appeared to be versions of the Lady Godiva photographs. The article included excerpts from an interview Myskina gave to *Medved*, which covered her thoughts on her French Open victory, a biography of Myskina, press reports on her romantic life, and life on the professional tennis tour. According to Myskina, *Medved* never notified her that it had acquired and intended to use Seliger's photos in the article.

Myskina then brought this action.

New York Civil Rights Law

Section 50 of the New York Civil Rights Law provides:

"A person, firm or corporation that uses for advertising purposes, or for the purposes of trade, the name, portrait or picture of any living person without having first obtained the written con-

sent of such person, . . . is guilty of a misdemeanor."

Section 51 of the New York Civil Rights Law provides:

"Any person whose name, portrait, picture or voice is used within this state for advertising purposes or for the purposes of trade without the written consent first obtained as above provided may maintain an equitable action in the supreme court of this state"

The Defendant's Contentions

The defendants claimed that Summary Judgment should be granted dismissing the complaint because Myskina had consented in writing to the unrestricted editorial use of the photographs, including the ones which appeared in *Medved*; that the *Medved* photographs fall within the "newsworthy" or "public interest" exception to Sections 50 and 51 of the Civil Rights Act; and that the *Medved* photos did not constitute a use within New York State.

The Court's Determination

The court found that, absent allegations of fraud, duress or some other wrongdoing, Myskina's claimed misunderstanding of the terms of the release did not excuse her from being bound by it since she signed it. The legal principle cited was that a party to a written contract is bound by the terms whether or not the party reads it, absent a valid excuse for failing to read it. Ignorance through negligence or inexcusable trustfulness will not release a party from contracted obligations, nor will, held the court, illiteracy in the English language automatically excuse someone from compliance with the terms.

The court also found that there was no dispute that Myskina was represented by her agency throughout the process. The fact that only an intern appeared at the photo shoot was simply irrelevant, no matter how unwise sending an inexperienced person may have been.

Oral Agreement—Parole Evidence Rulings

The court then went on to discuss when parole evidence (oral testimony) can be used to expand upon or contradict a written release, in connection with Myskina's claim that her oral agreement limited her consent to publication of the *GQ* photos.

In sum, the court ruled that, where there is binding written agreement, parole evidence is not admissible to contradict or modify the terms of the written agree-

ment. Application of the parole evidence rule, explained the court, involves a three-step inquiry: First, determine if the written contract is an integrated agreement. If it is, then determine whether its language is clear or ambiguous; if clear, apply the clear language. The final step in determining whether an agreement is integrated is by looking for a merger clause within it. Absent such a clause (as in this case) the court reads the written agreement to determine whether the oral component would ordinarily be expected to be included in the writing. In this case the court, although finding no explicit merger or integration clause, concluded that the language irrevocably consenting to the use indicated an intention to be bound by the Release. Moreover, held the court, since Myskina claimed that oral understanding contradicted the plain language of the Release (by limiting its effectiveness) and was therefore a fundamental condition to her consent, it was not admissible. It therefore could not be considered.

Claim of Extrinsic Oral Agreement

The court then went on to explain that, despite the fact that the Release was plainly integrated, evidence of an *extrinsic* oral agreement to limit Myskina's consent could nevertheless be considered if it was a collateral agreement, did not contradict express or implied provisions of the written contract, and was not one which would ordinarily be expected to be in writing

Having stated the legal principle, the court ruled against Myskina on all three conditions, finding that the purported oral agreement was central to the consent (not collateral), contradictory to the plain language of the Release, and finally, the restriction on publication was Myskina's main, if not only, condition to participating in the photo shoot. Accordingly it was clearly a term which would be expected to be included in the written agreement.

The Use Was Editorial

Myskina's final argument was that the use was not for editorial purposes as required by the Release. The court rejected this argument as well. It analyzed the concepts of "newsworthiness" and "public interest" in the context of Sections 50 and 51 as applied by New York courts, and concluded that the concepts encompass all types of factual, educational and historical data, or even entertainment and amusement, concerning interesting phases of human activity in general.

The law in New York is that, where a person's picture is used to illustrate an article or a matter of public interest or newsworthiness, there is no liability for invasion of privacy under Sections 50 and 51 unless the pic-

ture has no real relationship to the article, or where the article is in reality an advertisement in disguise.

The court then concluded that the use of the photos in the *Medved* article was in fact newsworthy, in the public interest, and therefore editorial in nature, having been published within one month of Myskina's French Open tennis victory. As a result, such use neither violated Myskina's publicity or privacy rights under New York law, nor violated the terms of the Release (the contract).

Common Law Claims

The court summarily disposed of Myskina's other common law claims on the basis of settled New York law that there is no misappropriation of a person's name, nor independent right of privacy for publicity, apart from Sections 50 and 51 of the Civil Rights Law. Furthermore, such law preempts claims for negligence and unjust enrichment, which are based upon the underlying facts at issue here.

Moral of the Story

This case is the perfect example of how clear and explicit releases and contracts can help to defeat significant litigation in its early stages.

Endnotes

1. *Myskina v. Conde Nast Publications Inc. et. al.*, __, NYLJ July 22, 2005, page 27, col.3, opinion by Judge Mukasey.
2. *Myskina v. The Conde Nast Publications, Inc., et. al.*, __ F.Supp 2d __ (SDNY, July 12, 2005), 2005 WL 1655063 (SDNY), 75 U.S.P.Q. 2d 1672.

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Practice Commentary—The Potentially Perilous Cease-and-Desist Letter

By David Levine

In intellectual property litigation, few documents are more fundamental (or, indeed, more derided) than the cease-and-desist letter. Often serving as the opening salvo of litigation or the beginning of settlement discussions, its design is to put an alleged infringer on notice that that entity's activities are allegedly violative of another's rights. Whether required or not, and like it or not, the cease-and-desist letter (hereinafter the "letter") is an elementary tool in the arsenal of the intellectual property holder.

What may come as a surprise, however, is that the letter could offer the sender far more than expected. Indeed, some courts have held that sending such a letter confers personal jurisdiction over the sender in the forum of the receiver, such that the recipient of the letter can initiate litigation and sue for such things as a declaratory judgment in the state in which the recipient received the notice. As explained below, while at this point a minority opinion, there is caselaw in which the sender of a letter was hauled into the foreign jurisdiction where the missive was sent. The ever-expanding role of such letters—from traditional trademark litigation to their increasing use with regard to alleged copyright and patent violations related to the Internet—renders such practice of more than academic concern.

"Whether required or not, and like it or not, the cease-and-desist letter is an elementary tool in the arsenal of the intellectual property holder."

For purposes of this article, I will assume the following facts: Company X, located in New York, holds valid trademarks and discovers that Company Y, located in Maryland, is infringing upon one of its marks.¹ Upon this discovery, Company X sends a letter to Company Y, accusing it of trademark infringement and threatening litigation. Two weeks later, having been ignored, Company X sends one more letter, similar to the first. Company X has no other jurisdictional contacts with Maryland—e.g., it did not telephone, e-mail or send other correspondence to Company Y there. It also does no other business in Maryland. After more silence from Company Y, Company X brings an action alleging trademark infringement in New York.

A federal court applying Maryland law to determine if it has personal jurisdiction over Company X

will first look to the state's long-arm statute. Since the state's long-arm statute has been interpreted to be as broad as the Constitution permits, the relevant inquiry is whether general² or specific personal jurisdiction exists, i.e., a due process inquiry.³

The test for determining if specific jurisdiction exists in Maryland depends on whether "a cause of action arises out of the defendant's contacts with the forum. A 'tri-partite' showing is required to establish specific jurisdiction: (1) 'the nonforum defendant purposely directed its activities toward residents of the forum state or purposely availed itself of the privilege of conducting activities therein; (2) plaintiff's cause of action arises out of or results from the defendant's forum-related contacts; and (3) the forum's exercise of personal jurisdiction in the case is reasonable, i.e., is consistent with 'fair play and substantial justice.'"⁴

Applying this test to the assumed facts (whether personal jurisdiction on an out-of-state defendant can be based upon sending two cease-and-desist letters into the jurisdiction), does not immediately lead to the conclusion that it would be reasonable to exercise jurisdiction over Company X in Maryland. Maryland courts have stated that "even a single contact may be sufficient to create jurisdiction when the cause of action arises out of that single contact, provided that the principle of 'fair play and substantial justice' is observed."⁵

Several federal courts have explicitly found that sending cease-and-desist letters constitutes sufficient minimum contacts with the addressee's state so as to permit that state's courts to acquire personal jurisdiction over the sender of the letters. In *Dolco Packaging Corp. v. Creative Industries, Inc.*,⁶ for example, plaintiff, the recipient of a cease-and-desist letter from defendant, brought an action seeking declaratory relief that defendant's patents were invalid and had not been infringed by plaintiff's actions.⁷

The court found that the single cease-and-desist letter sent by defendant to plaintiff gave rise to specific (or "limited") personal jurisdiction.⁸ The cease-and-desist letter in *Dolco* "accus[ed] Dolco of infringing Creative's patents, threaten[ed] litigation and demand[ed] that Dolco cease infringement and give Creative an accounting for past infringement of Creative's [patents]."⁹ As the "gravamen of Dolco's claim for declaratory relief," the letter threatened "Creative with litigation for patent infringement and thus pos[ed] a threat to Dolco's activities and sales in California."¹⁰

Other courts have reached a similar conclusion.¹¹ Those cases, however, appear to be in the minority and, as discussed below, their holdings have been criticized. The majority opinion appears to be that merely sending a cease-and-desist letter to a party in a foreign jurisdiction will not subject the sender to personal jurisdiction in the addressee's jurisdiction. From a pure policy and equities perspective, one court explained, "[t]his Court accepts the concept that jurisdiction over Defendant based on demand letters alone is unreasonable because it imposes an extreme burden on Defendant, requiring Defendant to accept the jurisdiction of any to-be-noticed party or to sue that party immediately."¹²

"[T]he practitioner should be warned that it is possible, even if not very likely, that the mere sending of the letter could open up the jurisdictional door, especially in a declaratory judgment action brought by the recipient of the letter, and that this still remains a question subject to some debate."

Ultimately, it is unlikely, but not impossible, for Company X to find itself in court in Maryland because caselaw appears to turn on what a specific court views as "fair" to the sender of a letter. This fact-intensive, subjective and extremely imprecise analysis could be time consuming, but would also be advisable. Thus, a practitioner would be well served to research a particular district court's jurisdiction rulings to determine where that line might be drawn in a particular matter. For example, the sending of one letter, combined with a successive phone call, depending on a court's view of what is fair and reasonable, might move Company X close to finding itself subject to a declaratory judgment action brought by Company Y and adjudicated in the foreign court.

In sum, do these cases sound a clarion call that the sender of a cease-and-desist letter automatically will be subject to personal jurisdiction when it sends such a letter? Of course not. In fact, the recent trend would seem to be away from this risk. However, the practitioner should be warned that it is possible, even if not very likely, that the mere sending of the letter could open up the jurisdictional door, especially in a declaratory judgment action brought by the recipient of the letter, and that this still remains a question subject to some debate. The practitioner must also consider (and research in a particular jurisdiction) such a possibility, especially if the ultimate value of defending the right is marginal. The justified alarm about this possibility might be tem-

pered by the rights holder's general awareness that its opening salvo may sound the close of its home-field advantage.

Endnotes

1. Maryland is an illustrative example because its relevant laws on jurisdiction seem fairly standard and not particularly unusual, and it is sufficiently distant from New York as to be a potential logistical nuisance for entities in New York.
2. General jurisdiction requires "continuous and systematic" contact between the state and the sender of the letter. See *Cape v. von Maur*, 932 F. Supp. 124, 127 (D. Md. 1996).
3. *Burns & Russell Co. v. Oldcastle, Inc.*, 198 F. Supp. 2d 687, 689 (D. Md. 2002) (citations omitted); see also *Government of Egypt Procurement Office v. M/V Robert E. Lee*, 216 F. Supp. 2d 468, 471 (D. Md. 2002); *Autoscribe Corp. v. Golman and Steinberg*, No. 94-1749, 1995 U.S. App. LEXIS 2848, *12-*13 (4th Cir. 1996).
4. *Burns & Russell Co.*, 198 F. Supp. 2d at 690 (citations omitted) (brackets added); see also *CEM Corp. v. Personal Chemistry, AB*, 55 Fed. Appx. 621, 623 (4th Cir. 2003).
5. *Government of Egypt*, 216 F. Supp. at 472 (citations omitted).
6. *Dolco Packaging Corp. v. Creative Industries, Inc.*, Case No. 86-3078 WMB (Bx), 1986 U.S. Dist. LEXIS 19226 (C. D. Ca. Oct. 10, 1986).
7. *Id.* at *1.
8. *Id.* at *3-4.
9. *Id.* at *2 (brackets added).
10. *Id.* at *4 (brackets added).
11. See *Meade Instruments Corp. v. Reddwarf Starware, LLC*, No. SA CV 98-240-GLT(Anx), 1998 U.S. Dist. LEXIS 9041, *6-*8 (C. D. Ca. May 11, 1998) (two cease-and-desist letters, including one to a customer of the alleged infringer, confer personal jurisdiction, noting its "effect on California residents and their businesses," and string cite of cases); *Bounty-Full Entertainment, Inc. v. Forever Blue Entertainment Group, Inc.*, 923 F. Supp. 950, 957 (S.D. Tx. 1996) (cease-and-desist letter confers personal jurisdiction); *Burbank Aeronautical Corp. II v. Aeronautical Development Corp., Ltd.*, CV No. 89-6244-WMB, 1990 U.S. Dist. LEXIS 15028, *8-*9 (C.D. Ca. May 22, 1990) (personal jurisdiction found based upon three letters, two of which were cease-and-desist letters).
12. *Ingram Micro, Inc. v. Tessco Communications, Inc.*, No. SA CV 02-0291-GLT (MLGx), 2002 U.S. Dist. LEXIS 14368, *9 (C.D. Ca. May 7, 2002) (noting, at *10, that the "outcome might be different if the contact were more than simply a demand letter"); see also *Aeration Solutions, Inc. v. Dickman*, 85 Fed. Appx. 772, 774 (Fed. Cir. 2004) (cease-and-desist letters "alone do not suffice" to confer jurisdiction); *DNH, L.L.C. v. In-N-Out Burgers*, 381 F. Supp. 2d 559, ___ (E.D. La. 2005) ("... cease-and-desist letters are insufficient to confer specific personal jurisdiction..."); *Tradem, Inc. v. Stainbrook*, No. 03 Civ. 8980 (MGC), 2004 U.S. Dist. LEXIS 8107, *10-*11 (S.D.N.Y. May 10, 2004) (one cease-and-desist letter is not enough to confer personal jurisdiction); *Wise v. Lindamood*, 89 F. Supp. 2d 1187, 1191-1192 (D. Co. 1999) (finding that conferring personal jurisdiction based upon two cease-and-desist letters "would not 'comport with 'fair play and substantial justice'" and noting that the "vast majority of courts to address this issue have reached the same conclusion"); *Med-Tec, Inc. v. Kostich*, 980 F. Supp. 1315, 1331 n. 5 (N. D. Ia. 1997) (criticizing and specifically declining to follow *Dolco* and *Burbank*).

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The Use of Intellectual Property Protection in the Jewelry Industry

By Julie M. Chelico

The jewelry industry is comprised of many different sectors, including the markets for natural resources, raw materials, labor, and finished products.¹ Legal tools provide protection of jewelry designs and particular manufacturing processes. Absent such protection, any design or process can be freely copied. Jewelry design includes a product's composition, structure and appearance of the finished product. If a jewelry item can be freely copied, the designer would not receive any monetary profit or gratification. Intellectual property laws provide the ability to protect one's design by preventing another from copying it. This allows the originator to reap the rewards for inventiveness, labor, and risk-taking.

Intellectual property is predominantly governed by United States federal law. Specifically, patent, copyright, and trademark law are available for protecting innovations in the jewelry industry. The choice of protection depends on various factors, including the nature of the design and the amount of money available to apply and enforce the legal protection. In addition, the availability of protection varies for each area, as each one has different requirements for eligibility.

"Specifically, patent, copyright, and trademark law are available for protecting innovations in the jewelry industry."

This article provides a brief overview of intellectual property laws and the different protections they afford. It will then apply this protection to the jewelry industry. While it is generally difficult to explain intellectual property protection by means of a publication, this article will help guide those interested in seeking intellectual property protection in the jewelry industry.

Future

It is likely that the jewelry industry will increase demand for intellectual property protection in the near future. One reason for this is due to the increase of low cost and low-skilled labor available in foreign countries. Currently, the majority of jewelry companies in the United States produce goods that require low-skilled labor. Therefore, most of the products that require low-skilled labor are not manufactured outside the United

States at a lower cost.² Since many of these United States companies cannot compete to produce these low-skilled goods at a lower cost, many companies find themselves with the alternative of switching to produce high-end products with better material or design.

These high-end products with more intricate designs require a greater amount of research and development. As a result, designers will find that seeking protection for their innovations becomes worthwhile. Designers may choose to consult lawyers for advice on protection before introducing a product into mainstream commerce.

Another future trend affecting the jewelry industry is that children of the baby boomers, namely "Generation Y" or the "eco-boomers," demand products that bear a well-known brand. This generation grew up more affluent than previous ones. According to market experts, those who were between the ages of four and nineteen had \$168 billion spent on or by them in 1998.³ Research shows that this generation is responsible for the success of the "affordable side" of such high-priced retailers as Tiffany's, where engraved silver charm bracelets are selling for \$100 to \$200. Research surveys have also demonstrated that baby boomers that spent significant amounts of money on their children for specific brands created newfound brand loyalties in those children that reached into the teenage years.⁴ This increase in demand of designer brands directly increased the utilization of patents, copyrights, and trademarks in the jewelry industry.

Patent

A patent allows its owner to exclude others from making, using, or selling an invention. Patents are administered by the U.S. Patent and Trademark Office ("USPTO"). Obtaining a patent involves preparing and filing a formal application to determine if the application meets the requirements for protection. A patent is awarded to the first inventor, rather than the first to file.⁵ The application includes a preamble, description, and claim. It must be filed at the USPTO and then examined by an examiner. Disagreements are first addressed internally in the USPTO to the Board of Patent Appeal and can further be challenged in Federal Court.⁶ There are two types of patents, utility and design. Although an object may be eligible for both, only one type may be obtained.

Utility Patent

Utility patents are available for new and non-obvious methods, structure, and compositions of matter. In the jewelry industry, such protection is utilized for a process of the manufacture, new alloy, or new clasp mechanism. A utility patent provides the inventor with a monopoly for twenty years.⁷

Utility Patents in the Jewelry Industry

Utility patents can be obtained for the process or method of making items of jewelry. They can also be obtained for more cost-effective methods of processes previously used by the jewelry industry. For instance, a patent was issued for the process used to make a new brilliant cut diamond with a one hundred facet diamond cut.⁸ In addition, Oro America holds a patent for the production of hollow-cut diamond rope chain.⁹ Zoltan David owns a patent for the signature technique of metal inlaying, which uses contrasting metals to produce a durable three-dimensional raised design or pattern.¹⁰

In the jewelry industry, utility patents are often sought to protect the process by which stones are set in jewelry. In *Gemveto Jewelry Co., Inc. v. Jeff Cooper, Inc.*, a bezel, which is a retaining wall of gold used as a setting for a stone, was held to be a valid patent. The court found that the bezel made with a wire bar and lateral anchoring was considered a non-obvious construction.¹¹ The court based its decision on the testimony of experienced jewelers who stated that the setting was an original and important advance in the industry. Furthermore, the court noted the lengthy and arduous process undertaken by the inventor to create this patented setting.

Utility Patent Limitations

Patents for the process of producing a product are difficult to obtain. For example, when a watch maker sought protection "to provide a simple, expeditious, and efficient process for forming lugs and watch cases made in a single integral structure," the court held that making an object that was previously made in parts [soldered or otherwise attached] in one piece is not considered an invention.¹²

Similarly, the process to easily set an onyx or other stone without drilling holes and making studs created a means for holding stones firmly, which required skill.¹³ However, when this utility patent was challenged, the court found that nothing new was developed because previous rings incorporated these features.¹⁴ A self-sizing band, which created a ring construction that could expand and contract to fit a predetermined range of finger sizes, was unpatentable because the structure was

composed of combinations of prior patents.¹⁵ In addition, the application for a patent for the process that made accurate reproductions of intricate designs of smaller metal articles in far less time and cost than had previously been required by casting molten precious metal in a secondary mold¹⁶ was ultimately held invalid.¹⁷ The court found that the use of primary and secondary mold in casting metal and the use of centrifugal force had been traditionally part of the art of casting, and did not constitute invention.¹⁸ Although the process was innovative in the jewelry industry, the patent was not upheld because the particular process had been previously used in other industries.

Design Patent

A design patent is the appropriate choice if protection is sought for the appearance of a piece of jewelry. Patents are available for any new, non-obvious and ornamental designs.¹⁹ A design patent is sought for appearance of a novel ornamental design (non-utilitarian aspects of a product).²⁰ Novelty is defined as a feature that was not previously known to others or in public use in the United States. Non-obviousness is determined from the standpoint of a person having ordinary skill in the relevant art. In a design patent, protection does not extend to structural or utilitarian features of the manufactured article. Similar to a utility patent, a design patent is awarded to the first inventor, rather than the first to file an application. A design patent issues a fourteen-year monopoly to the owner.²¹

The test for design patent infringement is "if, in the eye of the ordinary observer giving such attention as a purchaser gives, the two designs are substantially the same; the resemblance is such as to deceive such observer, inducing him to purchase one, supposing it to be the other, the patented design is infringed by the other."²²

Design Patents in the Jewelry Industry

Design patents have been used by jewelry designers to protect novel designs. For instance, the design for letters depicted by branches or trunks of trees, which were used to embellish buttons, studs, lockets, and other articles of jewelry, was valid.²³ Furthermore, a brooch consisting of a frame on two clasps or clips which are mounted on the frame and which can be detached from the frame and utilized separately for ornamental purposes was a valid patent.²⁴ In addition, patent protection was issued for a watchstrap that was made of one piece of elongated wire frame with free ends that were contiguous to each other that could be used to close the watch.²⁵

Design Patent Limitations

Protections under design patents are limited. Often, the standard of new and non-obvious is difficult to satisfy. In addition, a patent is usually not granted for a combination of patented features. For example, production of book-shaped lockets that used different closure features, which have previously been used in other articles of jewelry, were not considered an invention.²⁶ Similarly, a design for metal jewelry pins in the shape of a spoon and fork two inches long was found to lack novelty.²⁷

Copyright

Copyright is the most widely utilized form of protection in the jewelry industry. Copyright seeks to promote artistic creativity by protecting the work from being copied for a limited time. Copyrights exist automatically in an original work of authorship, at the time of the creation of the work, and without any legal formalities, such as registration or publication with copyright notice. While there is no need to apply for and be granted protection, registration does have its advantages. At litigation, a copyright registration certificate establishes a statutory presumption that the copyrighted work is original. This shifts the burden to the defendant to prove that the plaintiff's copyright is invalid.²⁸ Furthermore, registration allows for statutory damages and attorneys' fees.

Registration can be accomplished by submitting pictures of the jewelry together with an application to the U.S. Copyright Office. When compared with patent and trademark registration, copyright registration is simple and inexpensive. Copyright protection endures from its creation during the life of the author plus seventy years after the author's death (if created on or after January 1, 1978).²⁹

Copyrights are predominately governed by federal law. Copyright registration certificates are issued by the Copyright Office. Any work that is an original work of authorship and "fixed in a tangible means of expression" is eligible for protection. These forms of expression include pictorial, graphic, and sculptural works. The requirements for copyright protection are that the article is original and has some minimum level of creativity. In order to show infringement of a copyright, it is necessary to show that another has copied the work.

Generally, there is no copyright registration of useful articles. However, protection may be available for certain utilitarian works if the designs are physically or conceptually separable from the useful article.³⁰ Copyright registration is usually denied for clothes, except for particular fanciful costumes. However, jewelry protection differs from articles of clothing, because the works are non-utilitarian.

When submitting an item of jewelry for copyright protection, the registration examiner will view the jewelry design as a piece of art and determine whether it has a copyrightable element. Generally, the more simplistic and minimalist characteristics a piece of jewelry has, the less likely it will have any aspects that are copyrightable.

Section 102, subdivision (a) (5), title 17 of the United States Code, defines the subject matter of the Copyright Act as pictorial, graphic, and sculptural works.³¹ Jewelry is considered a sculptural work. While courts have repeatedly rejected the contention that jewelry was not copyrightable,³² there are many other issues that arise when determining copyright eligibility for items of jewelry.

Copyrights in the Jewelry Industry

In *Trifari v. Charel*, the court held that jewelry could express the artistic conception of its author and be copyrightable as a work of art.³³ The court found that while the overall form was to some extent predetermined by the use for which it was intended, the creator of the jewelry was free to express his idea in many ways. In *Trifari*, the copyright was valid for half beads or cabs, each surrounded by a narrow graduated rim of gold-colored metal, which folded around and over part of the cab in such a manner that the connecting links between the cabs were effectively concealed. The court declared that the work does not have to be strikingly unique or novel.³⁴ Rather, all that is required is that the author contributes something more than merely trivial variation, which is some degree of individuality. Furthermore, the court noted that the relative artistic merit of a work is not important in determining eligibility for copyright. Later, in *Trifari v. Steinberg*, the court also upheld the copyright of a pin representing a hansom cab.³⁵

Practically anything novel can be copyrighted, notwithstanding the degree of the author's artistic addition.³⁶ Copyrights have been upheld for Janel Russel's "mother and child" expression, which has been incorporated into various pieces of jewelry, such as earrings, rings, lockets, bracelets, and necklaces.³⁷

In addition, protection for the artist can extend to minimal variations of the copyrighted work. For example, Janel Russel was denied copyright registration for a similar expression of a mother and child incorporating a heart shape because the Copyright Office stated that the "addition of the heart [does] not constitute a sufficient amount of additional authorship."³⁸ However, copying of an unregistered derivative work can give rise to liability based upon the copyright ownership in the original work from which it is derived. In an action for infringement, when the defendant made heart-shaped mother and child pendants, the court found that

Russel's original design extends to elements of the work that were incorporated into the heart-shaped pendant. Therefore, copyright protection for the first mother and child depiction extended to the heart-shaped variation of the mother and child expression.³⁹

Conceptual Separability

Previously, all utilitarian objects were denied copyright protection, even if the object resembled a piece of jewelry. In *Vacheron & Constantin-Le Coultre Watches v. Benrus Watch Company, Inc.*, the court found that the Copyright Office properly denied registration of an ornamental wristwatch which resembled a piece of jewelry. The court held that the watch could not be considered a work of art in order to be eligible for a copyright.⁴⁰ The court in *Vacheron* held that the watch was considered an object of utility. However, the court in *Kieselstein-Cord v. Accessories by Pearl, Inc.*, determined that particular aspects of a utilitarian object could be protected by copyrights, based upon the principle of conceptual separability.

Conceptual separability stands for the idea that the pictorial, graphic, or sculptural features, while physically inseparable by ordinary means from the utilitarian item, are nevertheless recognizable as a pictorial, graphic, or sculptural work.⁴¹ In *Kieselstein-Cord*, belt buckles, utilitarian objects which are not copyrightable, were contrasted with decorative belt buckles made of precious metals that involved conceptually separable sculptural elements used principally for ornamentation. These belt buckles were defined as pieces of applied art, thus subject to copyright protection⁴² because the sculptural features of the belt buckles could be identified separately from their utilitarian aspects.⁴³

Thus, where an object is clearly a work of art, its utility will not preclude registration. Application of conceptual separability provides copyright protection for watches. For example, ornamental features of a particular position of diamonds in a highly bejeweled watch can be protected by copyright law, regardless of a watch's utilitarian nature.⁴⁴ In addition, an ornamental version of a ring box made of non-precious material is subject to copyright protection, even though it has utilitarian use as a jewelry container.⁴⁵

Limitations

There are some boundaries for copyrights of jewelry. In *Vogue Ring Creations, Inc. v. Hardman*, the court invalidated a copyright because the ring did not contain some substantial originality. The court held that the author had to add some substantial, not merely trivial, originality to the original work.⁴⁶ The different text of the bottom edge, scalloped compared to a smooth rope of circles, and a wider and flatter appearance (compared to the original dome shape) did not affect the

"feeling and quality and sensory impact of the whole" of the older works. Thus, the court concluded that the work did not contain some substantial, as opposed to merely trivial, originality.

Protection of Expressions, Not Ideas

In *Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co., Inc.*, when an infringement action was brought for a jeweled turtle pin, the court defined limits of copyright protection for the expression of particular ideas. While a copyright existed for a gold turtle pin which had ten gems, the pin was not infringed by a second jeweled turtle pin because the second had a slightly different design. The court found that the jeweler who owned the copyright could not have complete protection of the concept or idea of a jeweled turtle pin. The court noted that the defendant's jeweled turtle was portrayed differently with respect to the feet, tail, and head.⁴⁷ The court further elaborated this rule when Herbert Rosenthal's jeweled bee pin was allegedly infringed.⁴⁸ It found that copyright protection bars the use of a particular "expression" of an idea in a copyrighted work, but does not bar the use of the "idea" itself. Applying this principle, to the extent that a jeweled bee pin and the expression are separable, others would be free to copy the idea of a jeweled bee pin, as long as they did not copy the particular expression of the jeweled bee pin, which is protected under the copyright.⁴⁹ Therefore, the designer, by obtaining copyright protection on a specific design of a turtle or a bee pin, cannot exclude others from manufacturing pins containing turtles or bees.⁵⁰

This concept was applied to a line of products that consisted of costume jewelry in the shape of an apple and that stated "I Like You."⁵¹ The court held that while designs were copyrightable, the fruit jewelry with the words "I Like You" attached was an "idea." Therefore, others were free to copy the idea and it was only the creator's particular expression of the idea that was protected.⁵²

Merger Doctrine

The Merger Doctrine is the notion that copyright protection is denied to some expressions of ideas if the "idea behind the expression is such that it can be expressed in only a very limited number of ways."⁵³ When the idea and its expression are inseparable, copying the expression will not be barred, since this broad protection would give a monopoly of the idea to the copyright owner. Therefore, the court, in its analysis, must first determine if the idea is separable from the expression. The analysis hinges on the fact that the idea is capable of different forms of expression.

In one case, the court found that pins depicting designs of subjects of nature, such as frogs, turtles, and hummingbirds, and mythical subjects, like cupids, knights, and mermaids cut from polished chrome

pieces and decorated with copper wire and bead embellishment, were protectable. The idea was not merged with expression because these elements of nature were able to be expressed in many different manners.⁵⁴ Similarly, since hemp leaf was found to be capable of more than one form of expression, the designer's particular expression of them in a beaded necklace was protected by copyright law.⁵⁵

This principle was further applied to a jewelry designer's attempt to hold copyright protection for "ancient inspired" genre jewelry. This genre jewelry used uncut precious stones and semi-precious stones referred to as "cabochons" set in 18 karat gold.⁵⁶ These uncut cabochons displayed an opaque color, as opposed to faceted stones that have a more transparent hue.

The court held that copyright protection could not extend to an "idea" or "concept" lying behind the designer's "ancient inspired" jewelry, but only to the expression of those ideas contained in the disputed pieces themselves. The court concluded that copyright laws do not protect styles, only particular original designs.

The protection of an expression, not an idea, has been extended to many aspects of finished jewelry goods. This rule has been applied to Aaron Basha's copyright of baby shoes⁵⁷ in an infringement action against another baby bootie designer, Felix Vollman. Both shoes are made of gold or silver, and some are decorated with enamel and precious gemstones in various colors or arrangements.⁵⁸ The court held that the idea of baby shoes was not copyrightable. Furthermore, the court found that the idea of using precious metals, gemstones, and enamel to decorate a pendant is also not protected because those decorative features are commonly used throughout the jewelry business.⁵⁹

The court held that only the particular original expression of the idea of a jeweled baby shoe or booties could be protectable. The specific choices as to size, shape, proportion, weight, and ornamentation of the baby shoe pendants are protectable. The ornamentation protection is the designer's specific choice of the coordination and arrangement [pattern] of ornamental features that together constitute artistic expression.

Unoriginal Parts to Create Original Whole

A difficult issue of copyright protection in the jewelry industry exists when designers seek to protect a piece of jewelry that is composed of features and components which have been previously used in the jewelry industry. Commonly used elements of jewelry designs are not entitled to copyright protection. Jewelry designs that incorporate common elements—including the use of eighteen karat, green-colored gold, matte finishes, beading, granulation, rope twists, fluting, cabo-

chon stones, columnar designs, pyramid designs and art deco designs—are not protected because they have been used by designers for some time.⁶⁰ In addition, no protection is available for the designer's use of a toggle bar and ring closures and rondels which unscrew to attach to pearls, because these elements are in common use by many designers of necklaces and bracelets.⁶¹

Similarly, ladies' diamond rings made of marquise-shaped diamonds flanked by two trillions (triangular-shaped stones) and a knife-edge shank (two inclined surfaces on their outer sides meet in a relatively sharp edge) were denied copyright registration.⁶² The court found that none of the individual features used to make the ring was original because each was well known in the jewelry trade. In addition, this use of common elements was viewed as significant reliance on prior art for the formation of new configurations of stones and new ring designs.

However, copyright for an entire ring can be obtained if the piece, as a whole, is original and satisfies that requirement of minimal creativity. For example, after examining a ring, a court afforded copyright protection when it found that the ring was made of a unique combination of common design features, "an eight millimeter tailored gold band, with a U shaped bezel head designed in a manner such that the stone, a 9 X 7 millimeter bacquette, does not touch the band and appears to float."⁶³

Similarly, when David Yurman's designs were challenged for validity in an infringement action, the court upheld the copyright despite the claim that the designs "were derivative combinations of elements commonly used within jewelry industry."⁶⁴ The defendant argued that the designs were not protectable because they contained basic elements commonly used in the jewelry industry, such as jewels, cabochons, cable, gold, and silver. However, the court struck down this argument by noting that if this was true, copyright protection would not exist. The court reasoned that accepting such an argument would be "akin to accepting the position that every song is just merely a collection of basic notes, every painting a derivative work of color and stroke, and every novel merely an unprotected jumble of words."⁶⁵ Thus, since the jury concluded that the actual designs of the finished product were original, the item had a valid copyright.⁶⁶ On appeal, the court affirmed and found that Yurman sought to protect the "artistic combination and integration of these common elements," for instance the "[w]ay elements placed, balanced, and harmonized."⁶⁷ The court held that a copyright can protect a combination of unoriginal elements.

Trademark

Trademark protection is not available for designs, but serves as protection in the industry for marks that

distinguish one manufacturer's product service from another. A trademark is a mark or combination of marks that is/are distinctive and significantly different from earlier marks used on the same or similar goods, to avoid confusion as to the source of those goods. A mark that is not inherently distinctive can acquire distinctiveness through secondary meaning.⁶⁸

Although there is protection available at the state level, broader protection is available on a federal level. To receive nationwide protection, a trademark must be registered with the USPTO. This requires an application to the USPTO, which then assigns an examiner to determine if the mark for which protection is sought is distinctive and whether it is adequately different from earlier marks used on the same or similar goods. Trademark protection, if properly maintained, can last forever.⁶⁹ In order to maintain trademark protection, the trademark owner must actively work to protect the mark.

The requirements for federal registerability are distinctiveness and non-functionality.⁷⁰ Functional designs may not be protected as trademarks.⁷¹ In addition, the subject matter for which trademark protection is sought must identify and distinguish the source of goods. Trademark infringement is governed by Subsection 32(1) of the Lanham Act.⁷²

Lanham Act Subsection 43(a)

Another form of protection for jewelry is under Subsection 43(a) of the Lanham Act.⁷³ This law is violated when someone confuses consumers about the true source of a product or service. Compared to an action under Subsection 32(1), which requires that the relevant mark be registered, Subsection 43(a) does not require registration. Thus, Subsection 43(a) is used for protection of unregistered marks.

Trademarks in the Jewelry Industry

Trademarks have been obtained by many manufacturers and distributors in the jewelry industry. Pieces of jewelry that depicted a stylized key were held registerable. Although the pendant had the function of attracting purchasers, the shape of the jewelry, like the mark, was arbitrary and nonessential to a functioning piece of jewelry.⁷⁴ Another example is the "Cartier Love Bracelet," which was trademarked by Cartier in 1985. The "Love Bracelet" is an eighteen karat gold bangle bracelet characterized by engraved simulated screws around the circumference and two real screws that hold the bracelet's ends together.⁷⁵ In an action for infringement, Cartier established that the design acquired "secondary meaning" in the eyes of the purchasing public and trade.

Trademark protection is also widely used for watches. Although copyright is available, trademark is used because consumers often rely on a manufacturer's reputation of craftsmanship. For instance, Swiss Army holds an enforceable trademark for watches.⁷⁶ In addition, Elgin National Watch Company, which manufactured watch movements, held a valid trademark of the term "Elgin." The court held that, although the watches are not distinctive, the word had acquired secondary meaning in the watch and jewelry trade as indicating the source of the product.⁷⁷

However, the trademark is not only for identifying the craftsmanship of the watch, but also the particular design. Gucci was able to obtain a preliminary injunction for Jacques Edho's block letter watches. Gucci demonstrated that Edho's J and E shapes were similar to the Gucci G-shaped watch, such that the public would associate the configuration of the letters with Gucci (a particular source). To further show the likelihood of confusion between the watches, Gucci admitted evidence of a large amount of money spent on advertising and amounts sold.⁷⁸

Trademark protection is also available for the depiction of emblems or symbols of organizations on pieces of jewelry. For example, Playboy's "Rabbit Head" design is a registered mark. Any manufacturing or distribution in the exact shape, or bearing the exact likeness, of Playboy's Rabbit Head design is a trademark infringement. Trademark infringement was then found against a manufacturer that used the Rabbit Head design on types of jewelry that Playboy did not even manufacture, such as naval rings and tongue bars.⁷⁹

Limitations

While trademark protection extends to slogans or phrases, terms that are merely descriptive or commonly used in the industry are not registerable.⁸⁰ There have been many attempts by jewelry distributors to register slogans that indicate high-quality material, such as diamonds. The phrase "Certified-Perfect Diamonds" represented on a heart-shaped design was held merely descriptive and not registerable.⁸¹ In addition, although a distributor trademarked the term "quadrillion" for square-cut stones, the court held the mark to be invalid, because the term was a well-known trade term for the square-cut shape of the stone. Evidence was submitted that the terms square-cut, princess-cut, and quadrillion were used interchangeably by manufacturers to describe square-shaped diamonds.⁸²

In order for a plaintiff to prevail when enforcing a trademark, there must be confusing similarity between goods. When Philippe Charriol, designer of metallic nautical rope designs on key rings, rings, bracelets, earrings, necklaces, pendants, and cufflinks, sued a competitor, the court did not find that the defendant's

designs had a confusing similarity between the designs. Charriol's trademark had a smooth surface and resembled a single strand of rope, while the defendant's "New Twist" and "Gold Wave" designs more closely resembled several small strands of barbed wire twisted around each other with negative space between each of the strands.⁸³

In addition, once a product is shown to be functional, it is not eligible for trademark protection.⁸⁴ For example, Charriol's metallic nautical rope design steel jewelry was found to be functional. It was established that the twisted wire cable is "essential to the use or purpose" and "affects the cost or quality."⁸⁵

Although the specific arrangement of commonly used components may be eligible for a trademark, courts have discretion to examine if the core feature is functional, which would invalidate the trademark. One jeweler's extra high-quality eighteen karat gold rings, bracelets, necklaces, and earrings made of gemstones mounted in and forming part of artistic settings of precious stones were not eligible for trademark protection because the court concluded that the most identifiable feature of the jewelry was the settings.⁸⁶ Even though other factors, such as the high quality of stones used and excellence of workmanship contributed to the inventor's success, the court found that the settings were directly related to the physical requirements essential to commercial success. Thus, the jewelry settings were held to be functional.

Scope of Protection

Another common issue in trademark-related cases is the scope of protection. This issue deals with whether or not a trademark for jewelry can prevent the use of a similar mark for goods outside of the jewelry industry, such as accessories or clothing.

Watches and jewelry are considered to be closely related goods. Hamilton, a trademark used by a watch manufacturer for the product and its business, was able to prevent a jeweler who sold "everything in the line of jewelry outside of watches," from using the mark Hamilton. The court found that watches were considered jewelry and that the purchasing public would believe that all of the goods were manufactured by Hamilton.⁸⁷

Prevention of use of a trademark for goods outside of the jewelry industry is also available. Kay Jewelry Company, which operates retail jewelry businesses, was entitled to relief from infringement of its trade name by Kay Credit Clothiers. Although Kay Credit Clothiers did not distribute jewelry, the public would still be confused as to the source of the goods, even though the parties did not deal with competitive goods.⁸⁸

When a design company for a variety of services and products in the clothing and accessory field sued an international chain of jewelry stores, the court noted that the proximity of goods did not only relate to the competitive closeness. The court noted that it is also important to examine the relationship between the products. The court found that cosmetics, toiletries, jewelry and other accessories are complementary products to women's apparel. This was because women's clothing and jewelry are intended to be used for the same function, which is to "contribute to the overall image or look sought by female consumers."⁸⁹ The court concluded that jewelry is in the family of women's apparel because it creates a particular desired appearance. Furthermore, the items typically are advertised in the same media and are frequently available in the same stores.⁹⁰

Trade Dress

Trade dress is a part of trademark law that protects goods with a sufficiently original and distinctive look which identifies them as coming from a single source. While trade dress originally only protected the packaging or dressing of a product, it has been extended to include the design or configuration itself. Courts have held that the design of a product may function to distinguish it from other products, and thus be protectable trade dress. These rulings allow trademark protection for jewelry designs where such designs are not only attractive, but also serve to distinguish the products of one manufacturer from another. An action for trade dress infringement may be brought under Subsection 43(a) or Subsection 32(1) of the Lanham Act. Actions under Subsection 43(a) are used for an unregistered trade dress.

In a trade dress infringement action, the plaintiff must prove that the trade dress is distinctive either because it is inherently distinctive or because it has acquired distinctiveness; the trade dress is non-functional; and that consumers are likely to confuse the source of the plaintiff's product with that of the defendant's product.⁹¹

Product designs are not inherently distinctive and, thus, in order for protection to be afforded, it must acquire secondary meaning.⁹² As a result, trade dress protection for the design of pieces of jewelry also requires secondary meaning.⁹³

Trade Dress in the Jewelry Industry

Case Study: Cartier v. Four Star Jewelry Creations

In *Cartier v. Four Star Jewelry Creations*, trade dress protection was given to Cartier by the Southern District Court of New York. The lawsuit was against a manufacturer who made expensive copies of four Cartier watches: Panthere, Pasha, Tank Francaise, and Tank Ameri-

caine. Cartier sold the luxury watches in exclusive boutiques, high-end department stores, and authorized retailers for about \$2,000 to \$15,000, and the defendant sold watches to very small retail stores for about \$1,500.

In order to prevail in an action for trade dress infringement, a plaintiff must prove that the mark is distinctive as to the source of the goods and that there is a likelihood of confusion between its product and the defendant's product. Importantly, as the Second Circuit warned, a court must exercise caution when extending protection to product designs because protection may hamper competition.⁹⁴

In *Cartier*, the overall appearance of Cartier's designs was found worthy of trade dress protection because the public recognized and associated the designs with Cartier. The court held that the infringer's watches were so similar that they were likely to cause consumer confusion as to the source of the goods. The court also held that the design was non-functional.⁹⁵

The court found that each Cartier watch was distinctive because it acquired secondary meaning.⁹⁶ Its holding was based on Cartier's advertising and promotional expenditures, commentators within and outside the specialized luxury watch market, sales success, length and exclusivity of the mark, competitors' attempts to plagiarize the mark, and studies which showed that customers identified the watch with one source—Cartier.

Furthermore, the likelihood of confusion was proven by examining various factors known as the Polaroid factors.⁹⁷ The court found that Cartier's mark was strong and the defendant's watch was practically identical. The product had the same basic design, but for variations in size, strap, bracelet, dials, metals used, or diamond settings. The court also found that the product was similar and designed for the same purpose. In addition, the court found evidence of the defendant's bad faith. The only factor against Cartier was the sophistication of the buyers because Cartier's products are relatively expensive, and thus consumers would be more likely to exercise care when purchasing. Overall, weighing the Polaroid factors,⁹⁸ the court concluded that the defendant's use of the allegedly infringing designs is likely to cause customer confusion.

Although the defendant raised the issue of functionality, the court held that Cartier's central focus is on the aesthetic value conveyed by the design of the watch and that functional superiority is not among Cartier's objectives. Further, the court noted that the watch designs at issue were purely ornamental and did not play a functional, essential, or cost-saving role in the manufacture of watches.⁹⁹

Limitations

As trade dress protection of a product requires secondary meaning, the utilization of trade dress for pieces of jewelry is limited. For example, the court found that a designer's ancient-inspired jewelry designs were not a protectable trade dress. Evidence was introduced that other manufacturers used the same elements of beading, fluting, rope twists, toggle bar and ring closures, eighteen karat gold, matte finish green gold, gold bracelets that screw into pearls with mystery clasps, gold and leather combinations, padlock-shaped links, art deco design, clip-on pendants, bezel, and set or bead-set gemstones and diamonds. Since elements used in the designer's collection had been common among many types of jewelry for a number of years, the designer's ancient-inspired jewelry designs were not inherently distinctive. Therefore, the trade dress of the designer's jewelry was not likely to serve primarily as the designator of origin. The court found that the designs had not acquired secondary meaning where the primary purpose of designs was aesthetic and not source identifying.¹⁰⁰

Another difficulty occurs when designers introduce a line of products that consists of various pieces of jewelry. Even though David Yurman previously succeeded in a trade dress infringement claim,¹⁰¹ when the mark for his entire product line was challenged, Yurman actually failed on trade dress protection.¹⁰² The court held that a plaintiff seeking to protect trade dress must articulate the design elements that compose the trade dress, and when a plaintiff seeks to extend trade dress protection for an entire product line, the designer must establish that the overall look in each separate product is consistent. The court found that Yurman failed to articulate the design elements for trade dress because his expression was too broad to be a source-identifying expression.¹⁰³

In a later case, Yurman did succeed on trade dress protection when he did not attempt to claim trade dress protection over his entire line of jewelry. Rather, Yurman set out in significant detail all of the various designs as embodied in each particular piece of jewelry.¹⁰⁴

Weaknesses of Current Protection

Although there are various forms of protection available, there are many practical problems in applying them to the current jewelry industry. One of the main problems in seeking intellectual property protection is the cost of litigation. Bringing suits becomes more of a business decision rather than a legal one. The rightholder must determine whether the cost of legal fees is worth what he or she may ultimately win.

While many larger companies, such as David Yurman and Cartier, have large legal departments, most smaller designers cannot afford to police their products. Although the main principle of intellectual property is to promote innovations, the benefits of protection are difficult to utilize by newer and less-established designers. Another main problem is that new artists are unaware of intellectual property law, and do not know how to design items of jewelry which may benefit from the various legal protections discussed earlier.

How to Enhance Available Protection for Jewelry

Although limited, patents are available in the jewelry industry. Utility patents can be used for the protection of a process of manufacturing jewelry. An inventor seeking the benefits of utility patent protection should attempt to create jewelry by using an efficient manufacturing process to make jewelry or create a new way to set stones into precious metals. Another way to obtain a utility patent in the jewelry industry is by creating a process that produces some particular detail, such as a twisted chain or surface design. Design patents are also available for the appearance of an item of jewelry. To obtain a design patent, a designer must create a piece of jewelry that is novel or has a particular feature that is novel.

Copyright protection is widely available in the jewelry industry if the item is original and displays a minimum level of creativity. A designer can create a piece of jewelry with only one original feature, as long as it is non-functional. Protection is also available for functional items, such as watches or even particular clasps (closures), as long as the original design is conceptually separable from the utilitarian aspects of the product. Although copyrights are not available for an idea, a particular expression of an idea is protectable. However, a designer should express the idea in an original manner and make certain that the idea is capable of various forms of expression. In addition, copyright protection is available for a particular combination of common elements in the jewelry industry, so long as the coordination and arrangement is original.

Trademark protection is used in the jewelry industry for marks that distinguish one manufacturer's product or service from another. The trademark must be inherently distinctive or acquire distinctiveness through secondary meaning. The products must be non-functional. A trademark can be used for jewelry if it is used to indicate the source of the goods. In addition, particular emblems, such as sports logos or organizations, can be depicted on various forms of jewelry. A designer seeking trademark protection may also prevent others outside of the jewelry industry from using the same or

similar mark, such as in the clothing, accessories, or other luxury goods industries. Similarly, a designer seeking a trademark should be careful not to begin using a mark that is used in the jewelry industry or any other related industries, such as in fashion or luxury goods.

Trade dress is utilized by jewelers to avoid confusion among consumers over the source of goods or services. Trade dress protects the packaging or dressing of a product, which has been extended to include the jewelry design or configuration itself. The jewelry cannot be functional. If it does have a function, the main focus of the item has to be the appearance of the design. A designer must be ready to show that its design is distinctive, either inherently or by acquiring distinction through secondary meaning. However, using trade dress to protect the jewelry design or configuration requires that the item acquired distinctiveness through secondary meaning.

It is helpful for a plaintiff to come forth with evidence, such as money spent on advertising and promotional expenditures, outside commentators on the item of jewelry, sales success, and studies showing that customers identify the jewelry item with a particular source. In order to prove the likelihood of confusion between a designer's jewelry and a defendant's pieces, it is advantageous for a plaintiff to show evidence of a strong mark, similarity of a defendant's goods, and the fact that the latter's product was designed for the same purpose. Evidence of a defendant's bad faith can also be useful in determining protection.

If the available protection is known to a designer, it can take certain factors into account when developing a process or designing an item to yield the most protectable features. Subsequently, a designer can either file for trademark, copyright, or patent protection. A designer can also tailor pieces to produce protectable designs that make the product resistant to most challenges in a trademark, copyright or patent infringement action.

Benefits of Enhanced Protection

While intellectual property is currently utilized in the jewelry industry, more expansive use may help the industry in the long term. Protection of jewelry designs provides gratification and economic reward for jewelry designers and manufacturers. In addition, currently a designer must act quickly and charge a premium for new designs before the goods are copied in the market and sold at a lesser cost. With enhanced protection, designers can charge less for each design because they know that their investments will yield better returns over a longer period of time.¹⁰⁵

Endnotes

1. See generally The U.S. Jewelry Industry: Federal Interagency Report on the U.S. Jewelry Industry Competitive Issues (U.S. Dep't of Commerce and Int'l Trade Admin. Mar. 1997). This interagency study examines the current international competitive status of the U.S. jewelry industry and provides a guide to federal laws and government programs that affect the industry.
2. See *id.* at 2.
3. See Teresa Novellino, *Demography: Baby Boomers, Generation Y Have the Most Buying Power*. NATIONAL JEWELER. Jan. 5, 2000.
4. See *id.*
5. See The U.S. Jewelry Industry: Federal Interagency Report on the U.S. Jewelry Industry Competitive Issues (U.S. Dep't of Commerce and Int'l Trade Admin. Mar. 1997).
6. See *id.*
7. See *id.*
8. See Teresa Novellino, *Hawaiian Jeweler Patents 100-Facet Diamond*, NATIONAL JEWELER, Oct. 20, 1999.
9. See Randi Molofsky, *News*, NATIONAL JEWELER, Mar. 16, 2001.
10. See Barbara Green, *Zoltan David Receives Patent For Three-Dimensional Inlaying*. NATIONAL JEWELER. Nov. 1, 2003.
11. See *Gemveto Jewelry Co., Inc. v. Jeff Cooper, Inc.*, 568 F. Supp. 319 (S.D.N.Y. 1983).
12. See *Kay Jewelry Co. v. Gruen Nat'l Watch Case Co.*, 40 F.2d 600, 601 (6th Cir. 1930).
13. See *Peters Patent Corporation v. Bates & Klinke, Inc.*, 4 F. Supp. 259, (D. Mass. 1933). This case dealt with the means whereby onyx or other stones can be set without services of an expert, whereas before it was practice where monograms or other emblems or the like were to be mounted on the stone to drill through the stone and subsequently insert the monogram or other ornamentation.
14. See *Bates & Klinke*, 73 F.2d 203, 305 (1st Cir. 1934).
15. See *Application of Gerald Stenzler*, 331 F.2d 898 (C.C.P.A. 1964).
16. See *Jungersen v. Jenkins, Inc.*, 30 F. Supp. 615 (D. Md. 1939). This process was done by using a model piece of jewelry of intricate design to make a primary model, such as a plural part metal mold or a flexible rubber mold.
17. See *Jungersen v. Morris Kaysen Co.*, 31 F. Supp. 703 (E.D. Pa. 1940).
18. See *id.*
19. See 35 U.S.C. § 103 (2000).

§ 103. Conditions for patentability; non-obvious subject matter—(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in https://web2.westlaw.com/find/default.wl?DB=1000546&DocName=35USCAS102&FindType=L&AP=&mt=LawSchoolPractitioner&fn=_top&sv=Split&vr=2.0&rs=WLW5.03 " \t " _top of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negative by the manner in which the invention was made.

35 U.S.C. § 103 (2000).

20. See 35 U.S.C. § 171 (2000).

§ 171. Patents for designs—Whoever invents any new, original and ornamental design for an article

of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.
35 U.S.C.A. § 171 (2000).

21. See 35 U.S.C. § 173 (2000) (Stating that [p]atents for designs shall be granted for the term of fourteen years from the date of grant.)
22. See The U.S. Jewelry Industry: Federal Interagency Report on the U.S. Jewelry Industry Competitive Issues (U.S. Dep't of Commerce and Int'l Trade Admin. Mar. 1997).
23. See *Miller v. Smith*, 5 F. 359, 361 (C.C.R.I. 1880).
24. See *Cohn & Rosenberg, Inc. v. Leading Jewelry Mfg. Co., Inc.*, 27 F. Supp. 43 (S.D.N.Y. 1938).
25. See *S. & B. Lederer Co. v. Kay Jewelry Co.*, 51 Supp. 848 (D. R.I. 1943).
26. See *J.M. Fischer Co. v. Speidel Corp.*, 30 F. Supp. 585 (D. R.I. 1940).
27. See *Foster v. Crossin*, 44 F. 62, 63 (C.C.R.I. 1890).
28. See *Yurman Design, Inc. v. Golden Treasure, Inc.* 275 F. Supp. 2d 506, 514 (S.D.N.Y. 2003).
29. See 17 U.S.C. § 302 (2000).

§ 302. Duration of copyright: Works created on or after January 1, 1978

(a) In General.—Copyright in a work created on or after January 1, 1978, subsists from its creation and, except as provided by the following subsections, endures for a term consisting of the life of the author and 70 years after the author's death.

17 U.S.C. § 302 (2000).

30. See *supra*.

31. See 17 U.S.C. § 102 (2000).

§ 102. Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

17 U.S.C. § 102 (2000).

32. See *Boucher v. Du Boyes*, 253 F.2d 948 (2d Cir. 1958). See also *Copyrightability of Sculptural Works*, 83 A.L.R. FED. 845 (1987-2004).
33. *Trifari Krussman & Fishel, Inc. v. B. Stinberg-Kaslo Co.*, 144 F. Supp. 577 (S.D.N.Y. 1956); See also *Trifari, Krussman & Fishel, Inc. v. Charel Co., Inc.* 134 F. Supp. 551 (S.D.N.Y. 1955).

34. *See id.* at 553.
35. Trifari, Krussman & Fishel, 144 F. Supp. 577 (S.D.N.Y. 1956). *See also Copyrightability of Sculptural Works*, 83 A.L.R. FED. 845 (1987–2004).
36. *See Janel Russel Designs, Inc. v. Mendelson & Associates, Inc.*, 114 F. Supp. 2d 856 (D. Minn. 2000).
37. *See* Randi Molofsky, Yurman, *Russel Defend Brands*. NATIONAL JEWELER, Aug. 17, 2001.
38. *Id.* at 859.
39. *See id.* at 864.
40. *See Vacheron & Constantin-Le Coultre Watches v. Benrus Watch Company, Inc.*, 155 F. Supp. 932 (S.D.N.Y. 1957).
41. *See* Leslie J. Hagin, *A Comparative Analysis of Copyright Laws Applied to Fashion Works: Renewing the Proposal for Folding Fashion Works into the United States Copyright Regime*, 26 TEX. INT'L L. J. 341, 353 (1991).
42. *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 993 (2d Cir. 1980). The names of these famous designer belt buckles were: Winchester and Vanquero.
43. *See* Ralph S. Brown. Melville B. Nimmer Symposium. Design Protection: An Overview. 34 UCLA L. REV. 1341, 1346 (1987) *See also Copyrightability of Sculptural Works*, 83 A.L.R. FED. 845 (1987–2004).
44. *See* The Role of the Register of Copyrights in the Registration Process: A Critical Appraisal of Certain Exclusionary Regulations. 116 U. PA. L. REV. 1380, 1405 (1968).
45. *See Dan Kosoff, Inc. v. Gresco Jewelry Co., Inc.*, 204 F. Supp. 694 (S.D.N.Y. 1962).
46. *See Vogue Ring Creations, Inc. v. Hardman*, 410 F. Supp. 609, 612 (D. R.I. 1976); *See also Copyrightability of Sculptural Works*, 83 A.L.R. FED. 845 (1987–2004).
47. *See Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co., Inc.*, 378 F. Supp. 485, 490 (S.D.N.Y. 1974).
48. *See Herbert Rosenthal Jewelry, Corp. v. Grossbart*, 436 F.2d 315 (2d Cir. 1970).
49. *See Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 741–742 (9th Cir. 1971); *See also Hebert Rosenthal Jewelry Corp. v. Zale Corp.*, 323 F. Supp. 1234 (S.D.N.Y. 1971).
50. *See Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co., Inc.*, 509 F.2d 64, 65 (2d Cir. 1974).
51. *See also Copyrightability of Sculptural Works*, 83 A.L.R. FED. 845 (1987–2004).
52. *See PPS, Inc. v. Jewelry Sales Representatives, Inc.*, 391 F. Supp. 375, 382–83 (S.D.N.Y. 1975).
53. *See id.* at 865–66.
54. *See Maggio v. Liztach Jewelry*, 912 F. Supp. 216, 223 (E.D. La. 1996).
55. *See Naghi v. Europe's Finest, Inc.*, No. 03-30102, 2004 WL 2278598 (5th Cir. 2004), at *607.
56. *See Judith Ripka Designs, Ltd. v. Preville*, 935 F. Supp. 237, 246–248 (S.D.N.Y. 1996).
57. *See Aaron Basha Corp. v. Felix B. Vollman, Inc.*, 88 F. Supp. 2d 226 (S.D.N.Y. 2000). Aaron Basha had an exclusive license in the United States for distribution of baby shoe pendants designed and manufactured by Staurino Fratelli, an Italian jewelry firm. Aaron Basha owned the United States copyright for the pendants under the title "It's Shoe Time." Vollman titles his collection "Infant Bootie." Both shoes were made of gold or silver, and some were decorated with enamel and precious gemstones in various colors or arrangements.
58. *See id.* at 227–29.
59. *See id.* at 230.
60. *See Judith Ripka Designs, Ltd. v. Preville*, 935 F. Supp. 237, 246–248 (S.D.N.Y. 1996).
61. *See id.*
62. *See DBC of New York, Inc. v. Merit Diamond Corp.*, 768 F. Supp. 414, 416–18 (S.D.N.Y. 1981).
63. *See Donald Bruce & Co. v. B.H. Multi Com. Corp.*, 964 F. Supp. 265, 267 (N.D. Ill. 1997).
64. *See Yurman Design, Inc. v. PAJ, Inc.*, 93 F. Supp. 449 (S.D.N.Y. 2000); *See also Yurman Wins on Copyright, Loses on Trade Dress*. NATIONAL JEWELER, Oct. 1, 2001.
65. *See id.*; *See also Knitwaves, Inc. v. Lollytogd Ltd.*, 71 F.3d 996, 1003 (2d Cir. 1995).
66. *See id.* at 457–59.
67. *See Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 109–10 (2d Cir. 2001).
68. Secondary Meaning occurs when a mark, through advertising or use, has come to indicate a source of goods in the mind of consumers.
69. *See* 15 U.S.C. § 1058 (2000).
70. *See* 15 U.S.C. § 1052 (2000).
- § 1052. Trademarks registrable on principal register; concurrent registration
- No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—
- (f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made. Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before December 8, 1993.
- 15 U.S.C. § 1052 (2000).
71. *See generally* A.Samuel Oddi, *The Functions of 'Functionality' in Trademark Law*, 22 HOUS. L. REV. 925 (1985).
72. *See* 15 U.S.C. § 1114 (2000).
73. *See* 15 U.S.C. § 1125 (2000).
- § 1125. False designations of origin, false descriptions, and dilution forbidden
- (a) Civil action
- (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with

another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125 (2000).

74. See *Application of Penthouse Int'l*, 564 F.2d 679, 682 (C.C.C.P. 1977).
75. See Nancy Pier Sindt, *Cartier Sues Retailers Over Love Bracelet*, NATIONAL JEWELER, Dec. 29, 1994.
76. See Keith Flamer, *Swiss Army Defends Its Trademark*. NATIONAL JEWELER, Aug. 9, 1995.
77. See *Elgin Nat'l Watch Co. v. Loveland*, 132 F. 41 (N.D. Iowa 1904).
78. See Bob Bahr, *Court Upholds Gucci Model 3600 Copyright*. NATIONAL JEWELER, Sept. 14, 1998.
79. See *Playboy Enter., Int'l v. Muller*, 314 F. Supp. 2d 1037(2004).
80. See 15 U.S.C. § 1052 (2000).

§ 1052. Trademarks registrable on principal register; concurrent registration

(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under [https://web2.westlaw.com/find/default.wl?DB=1000546&DocName=15USCAS1054&FindType=L&AP=&mt=LawSchoolPractitioner&fn=_top&sv=Split&vr=2.0&rs=WLW5.04\" \t \"_top of this title](https://web2.westlaw.com/find/default.wl?DB=1000546&DocName=15USCAS1054&FindType=L&AP=&mt=LawSchoolPractitioner&fn=_top&sv=Split&vr=2.0&rs=WLW5.04\), (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

15 U.S.C. § 1052 (2000).

81. See *Helzberg v. Katz & Ogush*, 73 F.2d 626 (C.C.P.A. 1934).
82. See *Ambar Diamond, Inc. v. Saks Fifth Ave.*, 762 F. Supp. 47 (S.D.N.Y. 1990).
83. See *AL-OR Int'l, Ltd. v. Grandeur Creations, Inc.*, No. CV-95-02266-ABC, 2001 WL 1631502, at *800 (9th Cir. Cal. 2001).
84. See Victoria Gomelsky, *Court Declares Charriol Cable Trademark Invalid*. NATIONAL JEWELER, June 16, 2001.
85. See *id.*
86. See *Gemveto Jewelry Co., Inc. v. Jeff Cooper, Inc.*, 568 F. Supp. 319, 333-34 (S.D.N.Y. 1983).
87. See *Hamilton Watch Co. v. Hamilton Chain Co., Inc.*, 43 F. Supp. 85 (D. R.I. 1942).
88. See *Kay Jewelry Co. v. Kapiloff*, 204 Ga. 209 (1948).
89. See *Brown v. Quiniou*, 744 F. Supp. 463, 471 (S.D.N.Y. 1990).

90. See *id.*
91. See *id.* at 240.
92. See *Wal-mart Stores, Inc. v. Samara Brother's Inc.*, 529 U.S. 205, 212-13 (2000).
93. The term "secondary meaning" in this context means that a particular product configuration or design has, through advertising and use, come to indicate the source of goods in the mind of consumers.
94. See *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 114 (2d Cir. 2001).
95. See *Cartier Inc. v. Four Star Creations, Inc.*, 348 F. Supp. 2d 217 (S.D.N.Y. 2004).
96. See *id.* at 241-44.
97. See *id.* at 244-50. See *Polaroid Co. v. Polarad Elec. Co.*, 287 F. 2d 492 (2d Cir. 1961). This case sets out the "Polaroid Factors," which are factors for evaluating a likelihood of confusion between non-identical goods and services. The factors are: the strength of the plaintiff's mark, degree of similarity between plaintiff's and defendant's marks, proximity of the products or services, likelihood that plaintiff will bridge the gap, evidence of actual confusion, defendant's good faith in adopting the mark, quality of the defendant's product or service, sophistication of the buyers.
98. See *id.*
99. See *id.* at 224-25.
100. See *Judith Ripka Designs, Ltd. v. Preville*, 935 F. Supp. 237, 257-60 (S.D.N.Y. 1996).
101. See *supra*.
102. See *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 114 (2d Cir. 2001).
103. See *id.* at 116-17; See also *Yurman Wins on Copyright, Loses on Trade Dress*, NATIONAL JEWELER, Oct. 1, 2001.
104. See *Yurman Design, Inc. v. Golden Treasure Imports, Inc.*, 275 F.Supp.2d 506, 510 (S.D.N.Y. 2003).
105. See Anne Theodore Briggs, *Hung Out to Dry: Clothing Design Protection Pitfalls in United States Law*. 24 HASTINGS COMM. & ENT. L. J. 169, 210 (2002).

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She would like to thank Professor Joseph Beard for directing her research in this article. She can be reached at julie@chelico.com.

Who Writes the Songs? A Look at Music Authorship

By Mark S. Lee

A musical artist comes to a recording session with a song lyric and melody. She performs it for her band and other studio musicians by singing and strumming chords on an acoustic guitar. Her bassist and lead guitarist devise their own accompaniment, including a distinctive five-note guitar riff by the guitarist that is repeated at the beginning and at key moments throughout the song. The drummer suggests a few chord changes. The producer changes the song's key and tempo. A keyboardist brought in by the producer arranges synthesized string parts. Background singers come up with harmonies in the chorus and later verses of the song based on brief instructions from the producer. The song is recorded with the producer and a sound engineer controlling the mix of the various instruments and adding effects in portions of the song. The song and recording are later registered with the Copyright Office and released by the record label, after which it sells millions of copies.

All of these entities contributed something to the song, and thus might believe he, she, or it could claim some authorship. In fact, copyright law has long recognized the concept of "joint authorship" of musical works.¹ Could some or all of these entities be joint authors? Who is the author, or authors, of the song?

Contractual issues aside,² the answer to this question could depend on three factors—when the song was created, what the musicians and producer intended, and the nature and extent of their respective contributions.

Time of Creation and Intent

"Joint authorship" requirements may differ for works created under former law. Under the Copyright Act of 1909, which governs all songs still in copyright that were created before January 1, 1978, parties did not have to work together, be in each other's physical presence, or even know each other to create a joint work.³ *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*⁴ held that a lyricist who wrote words which he intended to be included in a song later was a joint author because both the lyricist and music composer knew they were creating a musical composition. This principal was extended in *Shapiro, Bernstein and Co. v. Jerry Vogel Music Co.*,⁵ sometimes called the "Melancholy Baby" case. There, the original lyrics written by a composer's wife were removed and substituted with other lyrics by the music publisher, with the consent of the composer. The court held that the composer and new lyricist were joint authors of the resulting song, which was therefore held to be a joint work.⁶

The concept was extended even further in a subsequent decision also named *Shapiro, Bernstein and Co. v. Jerry Vogel Music Co.*,⁷ and sometimes called the "12th Street Rag" case. There, a composer assigned his rights in an instrumental musical composition to a publisher who commissioned lyrics. The resulting composition was held to be a joint work because the composer's assignee intended to combine the music with lyrics after the composer created the music. Mutual intent of authors was apparently thought unnecessary. This is, obviously, a very attenuated form of "joint intent."

The Copyright Act of 1976, which governs songs published after January 1, 1978, may have strengthened the "intent" requirement. It defines a "joint work" as one "prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a "unitary whole."⁸ This apparently codifies the *Edward B. Marks* and "Melancholy Baby" cases cited above. Mutual intent to create a joint work is now dispositive; absent joint intent by the authors, there is no joint work regardless of the extent of an individual's contribution to the work.⁹ The "12th Street Rag" case may no longer be good law, since it involved only the intent of an author's assignee.¹⁰

Nature of Contribution

Assuming necessary intent is present, what, if any, contribution must each person make to qualify as a joint author? Each author's contribution need not be identical,¹¹ but a contribution may be too small to qualify the contributor as a joint author.¹² The prevailing view is that an individual must make an "independently copyrightable" contribution to the joint work to be a joint author.¹³ No circuit has expressly rejected this copyrightable contribution requirement, though one circuit has left it open¹⁴ and another has issued a ruling with *dicta* that arguably is inconsistent with it.¹⁵

What sort of contribution is "independently copyrightable?" One that satisfies the requirements for copyright protection. A work generally must be independently created and have at least a "minimal" level of creativity to be protectable by copyright law.¹⁶ In the hypothetical above, all of the contributions were independently created, and thus, the only issue is whether they are sufficiently "creative" to qualify for copyright protection. Many courts merge independent creation and creativity into a discussion of a work's "originality."

What is "original" in a musical composition? To some extent, that depends on one's definition of

“music,” since any one or more constituent elements of a work can provide the originality needed to establish copyright protection. Courts discussing musical “originality” have opined that a “musical work” consists of rhythm, harmony, melody, and in some songs, words.¹⁷ “Originality” thus must be found in these constituent elements or an original combination of them.

Finding such “creativity” is not as easy as it might first appear since, at least in the Western musical tradition, long agreed upon combinations of notes, scales, harmonic structures, and rhythms are common to virtually all music. Courts searching for originality in musical compositions have been conservative when evaluating these constituent elements separately. One court stated that “originality of rhythm is a rarity, if not an impossibility.”¹⁸ However, other courts have recognized protectable originality in distinctive rhythms and rhythmic annotations.¹⁹

Courts have been reluctant to find originality in music harmony alone.²⁰ One court stated in dicta that harmony cannot itself be the subject of copyright protection.²¹ However, another court found sufficient “originality” in harmony to qualify for copyright protection.²² Yet another court held that whether harmony was sufficiently original to qualify for copyright protection was a question of fact that had to be decided by a jury.²³

Some courts have found musical “originality” in discrete elements of a musical composition, such as a guitar riff,²⁴ or in musical slurs, phrasing, tempo or dynamic marks.²⁵

Historically, melody has been the most common source of originality in musical compositions. Melody will be found “original” if it conveys an overall impression that it is a new work, even if it suggests prior works.²⁶ However, melody is not necessary for protectable originality to be present in musical compositions. A song with virtually no melody—such as a Gregorian chant or a rap song—will be copyrightable if other original musical elements are present.²⁷

How much “melody” is needed to qualify for copyright protection? This issue has not been discussed by many courts in the context of “originality.” It more often has been evaluated in the context of “substantial similarity” for copyright infringement purposes. Although at least some courts have distinguished analyses of originality for copyright validity from substantial similarity in the infringement context,²⁸ review of infringement cases nevertheless may be helpful because generally there can be no liability for copyright infringement unless a defendant copies protectable elements from an original work.

There is no “bright line” test (be it “five notes,” “two bars,” or “30 seconds”) by which to determine

“protectability” of melody in an infringement setting. However, case law may be summarized as follows:

First, taking six notes of a melody, together with other musical ideas, can constitute copyright infringement.²⁹

Second, taking four notes of melody could be infringing if combined with an original combination of other elements from a song.³⁰

Third, taking three notes from a melody, unaccompanied by other elements attributable to the music composition, has been held insufficient to support a copyright infringement claim.³¹

What about an arrangement of a melody? A musical arrangement may qualify for copyright protection if it is created with the permission of the owner of the music copyright, and if it evidences sufficient originality. Permission from the underlying copyright owner is needed because the arrangement is a derivative work.³²

Although generally “originality” requires only “minimal” creativity as described above,³³ courts have tended to require more creativity in musical arrangements before their protectability as derivative works will be recognized. For example, *Woods v. Bourne*³⁴ held that a piano-vocal arrangement of a song based on the composer’s lead sheet was not original enough to qualify for copyright protection, stating that:

More than mere cocktail pianist variations of the piece that are standard fare in the music trade by any competent musician [must be present]. There must be such things as unusual vocal treatment, additional lyrics of consequence, unusual altered harmonies, novel sequential uses of themes—something of substance added making the piece to some extent a new work. . . .³⁵

Although the appellate court stated in one portion of its opinion that the district court’s statement “does overstate the standard for derivative work originality,” it nevertheless affirmed the lower court’s ruling and concluded that “the district court articulated the correct standard of originality.”³⁶ Other courts have adopted similarly strict requirements for “originality” in musical arrangements, finding, for example, that a new introduction, several bars of harmony, and repetition of the same theme in musical breaks were not sufficiently original to qualify for copyright protection.³⁷ Another court expressed skepticism that harmony applied to a pre-existing melody would be sufficiently original to qualify for copyright protection, although it declined to so rule as a matter of law.³⁸

Why the relatively strict “originality” requirement for musical arrangements? Although not discussed in the case law, the answer may lie in the tension between the permissive nature of protectable musical arrangements and the compulsory mechanical licenses permitted in musical compositions. Copyright law since the 1909 Act has permitted third parties to “cover” previously published musical compositions without the permission of the copyright owner so long as a statutorily mandated mechanical license fee is paid.³⁹ In fact, “covers” of songs are common in the popular music field, and the arrangements of those covers often vary significantly in terms of key, tempo, instrumentation, harmony, and otherwise.

Since permission from the underlying copyright owner is needed to create a separately protectable “arrangement” as described above, a liberal view of “originality” in the musical arrangement setting would substantially narrow compulsory license availability, and force those seeking to “cover” another’s composition under mechanical license provisions to slavishly follow the precise arrangement utilized in the underlying song. Such a result could stifle creativity, is contrary to current industry practices and arguably is contrary to the intent of the compulsory license provisions of the Copyright Act.

What about a song’s lyrics? Song lyrics were recognized as protectable elements of musical compositions under both the 1909 and 1976 Copyright Acts. Case law construing the 1909 Act made clear that a copyright registration in a musical work, which included lyrics, would protect against infringement of either the lyrics alone or music alone so long as the lyrics are incorporated into a single work.⁴⁰

The 1976 Act codifies this rule by making clear that “musical works” include “any accompanying words.”⁴¹ The words must be incorporated into a musical composition to be protected as a musical work,⁴² although the lyrics alone would also be protectable as a “literary work.”⁴³ In fact, there could be advantages to claiming copyright protection in a song’s lyrics as a “literary work” because the reproduction rights in such works are not subject to the compulsory license requirements of copyright law.⁴⁴

Finally, an original combination of protectable and individually unprotectable elements can be sufficiently “original” to qualify for copyright protection.⁴⁵ This is probably the most common basis for finding that a musical work is original.

Conclusion

In most circuits, if individual contributions are not made on a “work made for hire” basis,⁴⁶ determining whether the producer, artist, and/or various musicians described in the hypothetical described above qualify as

“joint authors” would turn on their mutual intent and the extent of their individual contributions to the song. A lack of intent by *any* party (including, most obviously, the musical artist) to be a joint author means that even a significant, independently protectable contribution to the work would not create a work of joint authorship (although the contributor of an independently protectable element might have a claim for copyright infringement).⁴⁷ An express “collaboration agreement” is not needed,⁴⁸ but there must be mutual intent. Subsequent conduct of the parties can evidence such intent, or lack thereof.⁴⁹

In the circumstances described above, the artist who created the melody, lyric, and basic arrangement would certainly qualify as an author, since she intended to be one and contributed protectable elements of melody and lyrics to the musical composition. Intent of other participants would turn on their conduct before, during and after the recording sessions, as well as any evidence gleaned from the written agreements pursuant to which they performed their services. The musical contributions each made, with the possible exception of the guitar riff, also are unlikely to qualify as “independently copyrightable contributions,” though there is a possibility some might, as described above.⁵⁰ It is uncertain whether anyone but the artist could qualify as an “author” of the musical composition.

Endnotes

1. See, e.g., *Levy v. Rutley* L.R. 6 C.P. 523, 529 (1871); *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 140 F.2d 266 (2d Cir. 1944), modified, 140 F.2d 268 (2d Cir. 1944); *Maurel v. Smith*, 220 Fed. 195 (S.D.N.Y. 1915), *aff’d*, 271 Fed. 211 (2d Cir. 1921); *Snook v. Flank*, 92 F. Supp. 518 (D. Mont. 1948).
2. The “employer,” arguably either the record label or artist, might be the sole author of the song if the performers are employees or if there are provisions in written agreements so providing. This article assumes that there are no work for hire issues.
3. *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 42 F. Supp. 859 (S.D.N.Y. 1942) *aff’d*, 140 F.2d 266 (2d Cir. 1944).
4. 140 F.2d 266 (2d Cir. 1944), *modified*, 140 F.2d 268 (2d Cir. 1944).
5. 161 F.2d 406 (2d Cir. 1946).
6. *Id.*
7. See 221 F.2d 569 (2d Cir. 1955), *modified on rehearing*, 223 F.2d 252 (2d Cir. 1955).
8. 17 U.S.C. § 101 (definition of “joint work”); emphasis added.
9. *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir. 1991).
10. See *Schmid Bros., Inc. v. W. Goebel Porzellanfabrik KG*, 589 F. Supp. 497 (E.D.N.Y. 1984) (continuing validity of “12th Street Rag” doctrine undecided).
11. See *DeBitetto v. Alpha Books*, 7 F. Supp. 2d 330, 335-36 and N.7 (S.D.N.Y. 1998); *Sweet Music, Inc. v. Melrose Music Corp.*, 189 F. Supp. 655 (S.D.N.Y. 1960); *Maurel v. Smith* 271 Fed. 211 (2d Cir. 1921).
12. *Picture Music, Inc. v. Bourne, Inc.*, 314 F. Supp. 640 (S.D.N.Y. 1970), *aff’d*, 457 F.2d 1213 (2d Cir. 1972), *cert. denied*, 409 U.S. 997 (1972); *Schwasinger v. Price*, 789 F. Supp. 347, 351 (D. Can. 1991), *aff’d mem.*, 978 F.2d 1268 (10th Cir. 1992); *Designer’s View, Inc. v. Publix*

- Supermarkets, Inc.*, 764 F. Supp. 1473, 1477 (S.D. Fla. 1991), *aff'd mem.*, 961 F.2d 223 (11th Cir. 1992).
13. *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir. 1991); *MGB Homes, Inc. v. Ameron Homes, Inc.*, 903 F.2d 1486, 1493 (11th Cir. 1990); *S.L.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989); *Kenbrooke Fabrics, Inc. v. Material Things*, 223 U.S.P.Q. 1039, 1044-45 (S.D.N.Y. 1984); *Meltzer v. Zoller*, 520 F. Supp. 847, 857 (D.N.J. 1981); *Aitken, Hazen, Hoffman, Miller, PC v. Empire Construction Co.*, 542 F. Supp. 252, 259 (D. Neb. 1982).
 14. *Andrien v. Southern Ocean County Chamber of Commerce*, 927 F.2d 132, 136 (3d Cir. 1991).
 15. See *Gaiman v. McFarlane*, 360 F.3d 644, (7th Cir. 2004) (script writer's contribution of a literary character in a comic book sufficient to make him a "joint author" even though some authorities find literary characters unprotectable; court holds literary character there protectable and implies he would qualify even if it was not protectable, because no individual's contribution to the character might be protectable, and "it would mean . . . no one could claim copyright" in the work).
 16. See *Feist Publ'ns., Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991).
 17. *Newton v. Diamond*, 204 F. Supp. 2d 1244, 1249 (C.D. Cal. 2002), *aff'd*, 349 F.3d 591 (9th Cir. 2003) ("A musical composition consists of rhythm, harmony and melody, and it is from these elements that originality is to be determined."); *Northern Music Corp. v. King Record Distrib. Co.*, 105 F. Supp. 393 (S.D. Nev. 9952); *Supreme Record, Inc. v. Decca Records, Inc.*, 90 F. Supp. 904 (S.D. Cal. 1950) ("musical creation" consists of "the grouping of notes, similarity of bars, harmony or melody"); *G. Record and Co. v. Columbia Graph Phone Co.*, 256 F. 699 (S.D.N.Y. 1919) ("Musical copyright," "musical composition," and "musical work" obviously refer to a composition which may be music alone, or words and music.").
 18. *Northern Music Corp. v. King Record Distrib. Co.*, n. 17, 105 F. Supp. at 400; see also, *Life Music, Inc. v. Wonderland Music Co.*, 241 F. Supp. 653 (S.D.N.Y. 1965) (originality may not be found in rhythm alone); *Berlin v. E. C. Publications, Inc.*, 329 F.2d 541 (2d Cir. 1964), (meter of lyrics unprotectable because not even Irvin Berlin "should be permitted to claim a property interest in iambic pentameter").
 19. *Deckle and CIA, S.A. v. Numbers*, 190 F. Supp. 381 (E.D. Wis. 1961) (originality found in rhythmic annotations); *Cantrell v. Burrell*, 39 USPQ 2d 1052, 1054 (S.D.N.Y. 1996) ("repetition of the nonprotectable word 'uh-oh' in a distinctive rhythm" original and protectable).
 20. *Shapiro, Bernstein and Co. v. Miracle Records Co.*, 91 F. Supp. 473 (N.D. Ill. 1950).
 21. *Northern Music Corp. v. King Record Distrib. Co.*, n. 17, 105 F. Supp. at 400.
 22. *Withol v. Wells*, 231 F.2d 550 (7th Cir. 1956).
 23. *Tempo Music, Inc. v. Famous Music Corp.*, 838 F. Supp. 162 (S.D.N.Y. 1993).
 24. *ZZ Top v. Chrysler Corp.*, 54 F. Supp. 2d 983 (W.D. Wash. 1999).
 25. *Consolidated Music Publishers, Inc. v. Ashley Publications, Inc.*, 197 F. Supp. 17 (S.D.N.Y. 1961).
 26. *Northern Music Corp. v. King Record Distrib. Co.*, n. 17.
 27. *Lavine v. McDonalds Corp.*, 735 F. Supp. 92, 99 (S.D.N.Y. 1990).
 28. See *Demme Ulloa v. Universal Music and Video Distribution Corp.*, 303 F. Supp. 2d 409, ___ (S.D.N.Y. 2004); *Jean v. Bug Music, Inc.*, 2002 U.S. Dist. LEXIS 3176 (S.D.N.Y. 2002).
 29. *Baxter v. MCA, Inc.*, 812 F.2d 421, 425 (9th Cir. 1987).
 30. See, e.g., *Santrayll v. Barelle*, 39 U.S.P.Q. 2d 1052, 1054 (S.D.N.Y. 1996) (one measure "hook" and repetition of work "Uh Uo" may be distinctive); *Elsmere Music, Inc. v. National Broadcasting Co.*, 482 F. Supp. 741, 744 (S.D.N.Y. 1980) (four notes and phrase "I Love," which repeat a copyrighted song, may be distinctive).
 31. *Newton v. Diamond*, 349 F.3d 591 (9th Cir. 2003) (sampling three notes from sound recording insufficient to constitute copyright infringement in a musical composition); *McDonald v. Multimedia Entertainment, Inc.*, 20 U.S.P.Q. 2d 1372, 1375 (S.D.N.Y. 1991) (three note sequence could not be protected by copyright because it was a "common and much-used tone in traditional Western music").
 32. See, e.g., 17 U.S.C. § 101 (definition of a "derivative work": "a 'derivative work' is a work based upon one or more preexisting works, such as a . . . musical arrangement . . ."); 17 U.S.C. § 106 (owner of underlying work has exclusive right to create derivative works).
 33. See n. 16.
 34. 841 F. Supp. 118, 121 (S.D.N.Y. 1994), *aff'd*, 60 F.3d 978 (2d Cir. 1995).
 35. *Woods v. Bourne Co.*, 841 F. Supp. 118, 121 (S.D.N.Y. 1994).
 36. *Woods v. Bourne Co.*, 60 F.3d 978, 991 (2d Cir. 1995).
 37. See *McIntyre v. Double-A Music Corp.*, 166 F. Supp. 681 (S.D. Cal. 1958) (originality in common law copyright).
 38. *Tempo Music, Inc. v. Famous Music Corp.*, 838 F. Supp. 162, 167-69 (S.D.N.Y. 1993).
 39. *Id.*
 40. *Mills Music, Inc. v. Arizona*, 187 U.S.P.Q. 22 (D. Ariz. 1975); *Strachborneo v. Arc Music Corp.*, 357 F. Supp. 1393 (S.D.N.Y. 1973); *F. A. Mills v. Standard Music Roll Co.*, 233 F. 849 (D.N.J. 1915), *aff'd*, 241 F.361 (3d Cir. 1917); *M. Witmark and Sons v. Standard Music Roll Co.*, 213 F.532 (D.N.J. 1914).
 41. 17 U.S.C. § 102(a)(2).
 42. *Corcoran v. Montgomery Ward and Co.*, 121 F.2d 572 (9th Cir. 1941).
 43. 17 U.S.C. § 102(a)(1); *ABKCO Music, Inc. v. Stellar Records, Inc.*, 96 F.3d 60, 64 (2d Cir. 1996).
 44. 17 U.S.C. § 115.
 45. *Swirsky v. Carey*, 376 F.3d 841 (9th Cir. 2004) (combination of similarities in pitch, sequence, meter, tempo and key protectable); *Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000) (original combination of five unprotectable elements protectable).
 46. Joint authorship issues are irrelevant if the parties are operating under a work made for hire arrangement, since the original author of a "work made for hire" is the employer. 17 U.S.C. § 26 (1909 Act); 17 U.S.C. § 101 (definition of "work made for hire").
 47. *Thomson v. Larson*, 147 F.3d 195 (2d Cir. 1998); *Childress v. Taylor*, 945 F.2d 500, 507 (2d Cir. 1991); *Respect, Inc. v. Committee on Status of Women*, 815 F. Supp. 11 and 12, 11 and 20 (N.D. Ill. 1993); *Erickson v. Trinity Theater, Inc.*, 13 F.3d 1061, 1068 (7th Cir. 1994); *Clogston v. American Academy of Orthopedic Surgeons*, 930 F. Supp. 1156, 1159 (W.D. Tex. 1996).
 48. *Ferrer v. Columbia Pictures Corp.*, 149 U.S.P.Q. 236 (N.Y. Sup. Ct. 1966).
 49. See *Childress v. Taylor*, n. 47, *supra*, 945 F.2d at 508-509; *Thomson v. Larson*, n. 47, *supra*, 147 F.3d at 203-204; *Morrill v. Smashing Pumpkins*, 157 F. Supp. 2d 1120 (C.D. Cal. 2001).
 50. See ns. 20-27.

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French Tax Law to the Rescue of Movie Producers: New Tax Credit for Film Production

By Celine Michaud-Tulquois and Gregory Tulquois

It is axiomatic that the motion picture industry is a costly business. The cost of producing films in Europe has considerably increased over the past ten years, to the extent that movie producers now tend to favor productions in countries offering the lowest costs (hence delocalization in Rumania or Portugal) or at least the most interesting financial incentives (which causes delocalization in Luxembourg, Belgium or the United Kingdom).

France is no exception: for cost reduction purposes, many film productions are now shot outside France, and very often in Central European countries.¹ In 2002 and 2003, the number of films that were filmed outside France increased considerably.²

"In order to address the need for a more effective tax incentive, the French Parliament adopted—as part of the 2004 budget—a tax credit system for cinema, aiming at encouraging an increase in the number of films being made in France using local technical services."

In a communication on policy in favor of the cinema presented on April 30, 2003, France's Ministry of Culture and Communications pointed out that the system for funding the motion picture industry was showing signs of fragility. The only existing French tax incentive device appeared insufficient for the purpose of funding the film industry in France.³

In order to address the need for a more effective tax incentive, the French Parliament adopted—as part of the 2004 budget—a tax credit system for cinema, aiming at encouraging an increase in the number of films being made in France using local technical services. A tax credit system was favored over the sale and leaseback scheme used in the UK, although such a system appears to be efficient in attracting producers to the UK. Under the sale and leaseback system, a company that acquires a film from a producer may depreciate, on one year or three years, the amounts paid, while the production company may, after several years, repurchase the film.

In Belgium, a tax shelter system was implemented pursuant to a December 22, 2003, statute. The system

fosters investment by Belgian companies of a part of their profits in approved European films. It allows Belgian companies to deduct up to 150 percent of the amounts invested, within the limit of 50 percent of the amount of the investing company's taxable income and with a 750,000 euro cap *per annum* (it being noted that the production company receiving the investment must spend in Belgium at least 90 percent of the sums invested).

The new French tax credit, which was (i) codified at Sections 220 *sexies* and 220 F of the French General Tax Code ("GTC"); (ii) detailed by Regulations dated January 7, 2004, and April 28, 2004 (the latter having been codified at Section 46 quarter – 0- YL through YR of Annex III to the GTC); and (iii) clarified by guidelines issued on September 24, 2004,⁴ introduced a long-awaited production tax credit (the "Tax Credit") in favor of film production companies liable for corporate income tax and that localize on the French territory the filming and the production of full-length feature films approved by the French National Center for Cinematography ("*Centre National de la Cinématographie*," "CNC").

The Tax Credit, which equals 20 percent of the technical expenses incurred in the production of the picture, is capped at one million euros and is deductible from the corporate income tax due by the company for the financial year when qualifying expenses were incurred.

I. Eligibility for the Tax Credit

In order for a company to be eligible for the Tax Credit, it should be of a type that is eligible (A), should produce an eligible work (B) and should incur qualifying expenses (C).

A. Eligible Companies

Under the new French provision, a company must satisfy three initial conditions in order to be eligible for the Tax Credit.

1. Company Based in France and Controlled by European Persons

a. Foreign owned production companies must have a French subsidiary

Eligible companies are film production companies holding an operating permit delivered by the General Director of the CNC. The operating permit delivered by

the General Director of the CNC is mandatory for any film production company wishing to benefit from subsidies for film production.

This permit may **only be delivered to film production companies that are established in France**. The production company must therefore create a subsidiary in France.

b. The production company must be controlled by European ("EU") persons

A very demanding requirement of the new French Tax Credit is that the production company be **controlled by European persons**.⁵

Under French law, control is broadly defined by Section L. 233-3 of the French Commercial Code, which provides that a company will be deemed to control another if it "directly or indirectly" holds a fraction of capital conferring on it a majority of the voting rights in that company." A company will also be deemed to control another if "de facto, it determines that other company's decision-making process." In addition, two or more persons or companies may be deemed to act in concert and to exercise joint control over a company if they in fact determine decisions made at shareholders' meetings.

Control is presumed under Section L. 233-3 if a company directly or indirectly holds more than 40 percent of the voting rights and no other shareholder owns a bigger interest.

A company is deemed to act "in concert" with another for purposes of control if there exists an agreement between them regarding how shares are voted. Such an agreement is presumed to exist between a company and its CEO.

Applying these provisions of the French Commercial Code, the Paris Administrative Court decided on November 10, 2004, that *A Very Long Engagement (Un Long Dimanche de Fiançailles)* was not entitled to French motion picture public subsidies because its producer was controlled by Warner Bros., which is a non-European entity. However, in actuality, 2003 Productions, the producer of this movie, is held 32 percent by Warner France (itself controlled by Warner Bros. Entertainment, Inc.) and 16 percent held by Warner France's CEO, yielding a total 48 percent ownership for Warner France, since it and its CEO are deemed under French law to act in concert. In addition, the court found that Warner France and its CEO determine in fact decisions made at the shareholders' meeting of 2003 Productions. Warner France and its CEO were therefore considered as controlling 2003 France. Since Warner France is itself a subsidiary of Warner Bros. Entertainment, Inc., the court found that Warner Bros. Entertainment, Inc. indirectly controlled 2003 Productions.

2. Executive Production Companies

In addition, in order to be eligible for the Tax Credit, the company must qualify as "*producteur délégué*," i.e., executive producer, which is a company that takes the initiative, as well as the financial, artistic and technical responsibility for a film and guarantees the completion thereof.⁶ Other entities that are co-producers do not qualify for the Tax Credit.

It should be noted that (i) the well-known Sofica (company for the financing of the film industry and audiovisual) may not benefit from the Tax Credit since it may never qualify as executive production company; and (ii) only two production companies may be granted the Tax Credit, since only two companies for a given film may qualify for purposes of the Tax Credit, as executive producers, provided that they act jointly.⁷ In case two executive producers acting jointly intend to benefit from the Tax Credit, the Credit will be granted to each of the production companies in proportion to its share in the expenses.

3. Liability to Corporate Income Tax

A company satisfying conditions stated in paragraphs 1 and 2 above must be subject to corporate income tax. It should be noted that in practice, virtually all film production companies authorized by the CNC are companies subject to corporate income tax.

It should also be noted that newly created companies that are temporarily exempt from corporate income tax nevertheless appear to qualify for the Tax Credit.

B. Qualifying Movies

An important additional restriction to eligibility for the Tax Credit was placed, in that only certain specifically listed movies may entitle their producer to the Tax Credit.

Two conditions must be satisfied in order for a movie to be eligible: (i) one condition placed on the nature of the film and (ii) a set of conditions placed on the type of production.

1. Nature of the Film

Only full-length theatrical motion pictures, defined under Section 6 of the February 24, 1999 Regulation as a film with a projection time longer than one hour (or works fixed on seventy millimeter films with a projection time longer than eight minutes) may allow their producers to be granted the Tax Credit.

Television productions also benefit from the Tax Credit, although applicable caps are different.

2. Type of Production

a. Production on the French Territory

Since the purpose of the Tax Credit is to serve as an incentive to film production on the French Territory, including mainland France and overseas districts (“*départements d’Outre Mer*,” i.e., Martinique, Guadeloupe, Reunion, Guyana, Mayotte and Saint Pierre et Miquelon), the first condition pertaining to the type of production lies in the necessity for the film to be produced mostly in France or with the collaboration of French companies. It nevertheless remains possible to effect a few operations abroad if it is justified by imperative artistic motives.

It is worth mentioning that the law imposes conditions that only relate to the incurring of technical expenses for film production in France. Accordingly, the film may nevertheless feature foreign actors and even be filmed in a non-French language.

b. French or EU employees

Fiction and documentary films must be produced essentially with the contributions of:

- creative technicians and production workers who are employed under an employment agreement that is governed by French Law and are either French nationals or nationals of (i) European Union member countries; (ii) countries that are signatories of the Council of Europe’s Convention on Transfrontier Television; or (iii) countries with which the European Union has signed treaties in the audiovisual sector; and
- technical companies that are established in France, approved by the CNC, and that effect shooting and post production work themselves without subcontracting outside France.

Animation feature films must satisfy similar conditions, except that the films must be produced with the contribution of companies specializing in the preparation of animation, that are established in France and that may not subcontract.

C. Qualifying Expenses

Only technical expenses corresponding to services actually performed in France may be included in the Tax Credit base.

As might be expected, the list of expenses is limited to the expenses expressly provided in Section 220 *sexies* III GTC, which include notably:

- salaries paid to technicians, creative assistants and production staff employed for the production;

- expenses related to the use of filming studios, costume, make-up and lighting expenses;
- technical equipment expenses (cameras and video equipment, which are often leased); and
- post production expenses, including film and laboratory expenses and special effects).⁸

However, actors’ compensation is not included in the Tax Credit base.

D. Request for CNC Approval Before the Filming Begins

1. Initial Approval

In order to benefit from the Tax Credit, the producer must obtain, prior to the beginning of filming operations, and upon submitting supporting documents,⁹ an initial temporary approval by the CNC.¹⁰ The producer is required to certify that the persons with the contribution of which the film is produced will satisfy all the conditions regarding the need for French or EU employees listed in Section 220 *sexies* II GTC.

Compliance with these conditions is assessed by the CNC, which grants preliminary approval to the production company, according to a point system in which the hiring of each type of technician, worker or service provider is converted into points. In order for the CNC to consider that a production complies with the conditions relating to personnel and service providers, the point threshold to be met is thirty-eight points for fiction films and documentaries and forty points for animated films. The guidelines issued in September of last year indicate that the CNC has some flexibility in attributing points for productions “wholly or principally financed by French partners.”¹¹ For such productions, the CNC may grant certain points, even though some requirements are not met, if the producer can show that there were artistic or technical reasons for not being able to comply with the relevant point requirements. That would be the case if a producer can show that the production of the picture required that the picture be shot outside France for strictly artistic reasons or that the services of a technician or service provider with a certain know-how, which cannot be found in France, be rendered for technical purposes.

2. Final Approval

A request for final approval must be filed with the CNC within eight months from the delivery of the picture’s theatrical release visa.¹² Furthermore, additional supporting documents are required, including a statement certified by a certified public accountant indicating the final cost of the production, its financing methods, and stating expressly which of the expenses were incurred in France, the list of the names of the employees, of technical companies and of service providers

used (including their nationality and a copy of social taxes statements, as well as annual social data returns).

If a final approval is not obtained, or if the film is not granted a theatrical release visa within two years following the financial year during which the Tax Credit was granted, the producer may be compelled to repay the amount of the Tax Credit already obtained on the basis of the temporary approval.

II. Assessment and Use of the Tax Credit

A. Amount of the Tax Credit

1. Nominal Rate

The Tax Credit equals 20 percent of the amount of qualifying expenses. It should be noted that non-refundable subsidies paid by any French public authority may not be taken into account for the assessment of the Tax Credit if they are directly allocated to the payment of qualifying expenses. If they are not specifically allocated (which is often the case), these subsidies may be included in the Tax Credit base.

2. Cap

The aggregate amount of Tax Credit obtained for the production of a given film may not exceed one million euros per film.¹³ Expenses exceeding this cap may not be rolled over. However, in the event that the Tax Credit was higher than the corporate income tax due by the producer, the exceeding amounts would be refunded to the producer.¹⁴

3. Upfront Financing of the Production

Although the Tax Credit consists of a direct incentive for production companies, it should be noted that said incentive only becomes effective once the Tax Credit may be used, when shooting is completed. Nevertheless, in the event that the Company benefits from a Tax Credit excess, the Tax Credit could be granted as a guarantee to a bank by way of assignment of receivables.¹⁵

B. Use of the Tax Credit

1. Use for Set-off Against Corporate Income Tax of the Financial Year When the Qualifying Expenses Were Incurred

The Tax Credit is deducted from the corporate income tax owed by the production company for the financial year during which the qualifying expenses were incurred. The deduction is effected when the last installment of corporate income tax is paid.

Thus, should the amount of the Tax Credit exceed the amount of the corporate income tax for that financial year, Section 220 F GTC requires that the exceeding portion be refunded to the production company.

2. No Assignment Except to a Bank

The Tax Credit consists of a claim against the French government and this claim may not be assigned, except to a bank as an assignment of professional receivables, pursuant to Sections L. 313-23 through L. 313-25 of the French Financial and Monetary Code.

However, Section 33 of the French Cinema Industry Code provides that any pledge or assignment of future "revenues from a motion picture" must be registered with the French National Public Cinema and Audiovisual Registry ("*registre public de la cinématographie et de l'audiovisuel*" ("*RPCA*")), in order to be binding on third parties. There are doubts as to whether the Tax Credit would constitute "revenues from a motion picture." It nevertheless appears advisable for a bank, as assignee of a Tax Credit, to register the assignment with the RPCA.

"It remains that producers having an artistic interest in filming in France should take advantage of the new French Tax Credit."

III. Open Issues

A. Cooperation with non EU Member States

International co-productions are not excluded *per se* from the scope of the Tax Credit. However, the fact that the productions must be produced essentially or mainly with French or EU technicians, workers and service providers entails that international co-productions involving companies of a non-EU member state may not qualify for the Tax Credit, unless said companies only contribute a financial participation.

B. Potential Challenge by the European Commission

Although the European Commission, in a communication dated September 26, 2001, admitted that the preservation of certain public interest objectives, such as pluralism and cultural, as well as linguistic diversity, could absolve the fact that a member State request from a film producer that the latter spend up to 80 percent of a film budget in the country granting a tax incentive, the Commission decided to conduct an impact study by June 30, 2007, in order to assess whether these tax incentives restrain pan-European productions. In order to anticipate the Commission's findings, the Tax Credit should perhaps evolve into a device that is adapted to cross-border financing, and expand its scope.

It remains that producers having an artistic interest in filming in France should take advantage of the new French Tax Credit.

Endnotes

1. The French National Center for Cinematography ("*Centre National de la Cinématographie*," "CNC") released statistics showing that approximately 46.5% of movies initiated in France which received subsidies from the CNC were shot, in whole or in part, outside France.
2. According to CNC statistics, the number of weeks spent filming movies outside France increased in 2003 by 49% compared to 2002, and by 77% compared to 2001.
3. This device, which remains in full force in addition to the new tax incentive, consists in a corporate entity called Sofica, which is a stock corporation, the sole purpose of which is the financing in capital of cinematographic or audiovisual works approved by the French Ministry of Culture. This incentive lies in the possibility for individuals who are tax residents of France and who contribute cash to the capital of a Sofica, to deduct such contribution from their total taxable income, with a cap of 25% of their income and within the nominal limit of 18,000 euros.
4. *Instruction fiscale 4 A7-04* dated September 24, 2004, *Bulletin Officiel des Impôts* No. 148.
5. For purposes of the French regulation of permits delivered by the CNC, European persons include individuals or entities that are nationals of (i) European Union member countries, (ii) countries signatory of the Council of Europe's Convention on Trans-frontier television, and (iii) countries with which the European Union has signed treaties in the audiovisual sector.
6. Regulation 99-130 dated February 24, 1999 as amended by Regulation 2001-771 on August 29, 2001.
7. *Id.*
8. For a comprehensive list of all qualifying expenses, please refer to Regulation n°2004-368 dated April 28, 2004.
9. A detailed estimate of the film's budget, the list of the names and citizenships of employees and service providers, copies of employees hiring declarations to the social security administration.
10. See Section 220 *sexies* III C GTC.
11. *Instruction fiscale 4 A7-04*, § 25.
12. See Section 220 F GTC.
13. See Section 220 *sexies* V GTC.
14. See Section 220 F GTC.
15. See Section 220 F § 2 GTC.

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Gregory Tulquois is a member of the New York and Paris Bars. He is an associate with DLA Piper Rudnick Gray Cary US LLP and is currently practicing in Paris, concentrating in media and entertainment law.



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Part II: The Transition from Content Monitoring to Content Management

By Philip Teplitzky

The various technologies and approaches associated with Content Monitoring were discussed in the last issue of the *EASL Journal*,¹ while in this installment I will address the **WHY** one should monitor content in the first place. Content Monitoring is the **HOW**, and management is the **WHY**. Alternatively, monitoring addresses the syntax of Content Management, which in turn addresses the semantics of content.

In the prior article, the process described was one for identifying what content, at a syntactical level (or file type), was being exchanged. The issues under discussion in this article are: *What do you do when you have identified suspicious activity* and, perhaps more fundamental; *what is suspicious and why should you care?* I begin by defining the **What** and the **Why**. The anecdotal evidence generated as a result of my consulting efforts in the area of Enterprise Risk Management indicates that the absolute value and the rate of loss and theft of intellectual property (“IP”), and by inference its importance, is increasing. In many industries, the value of the IP is higher than that of a business’ physical property. For example, it is estimated that over half of Intel’s value is its IP.² As we transition from a manufacturing economy to a knowledge-based one, IP increases in value.

As value increases, so does the threat of the insider who steals and markets another’s IP. One can look back to the World War II era, in which a poster featured the “Enemy Spy” stealing plans for a new bomber, accompanied by such a slogan as, “Loose Lips Sink Ships.” At that time, it would have taken something about the size of a railroad car to steal and transport the plans. Today, all it takes is an AutoCAD file sent via e-mail or burned onto a DVD.³

The ease of stealing another’s IP has been widely reported in industry-wide magazines and media. *CIO Magazine* recently devoted an issue to the subject. It is estimated that General Motors loses hundreds of millions of dollars a year due to counterfeit parts.⁴ Cheap knockoffs of legitimate parts made from purloined plans are turning up all over the world and in all industries. We all know about the theft of IP in the music and film industries, but industrial designs, financial records and marketing plans may be a far greater threat to companies. They lose competitive advantages, and the huge investments made in research and development often are flitted away as a result of cheap copies.

The new target of inter-government espionage is focused on AutoCAD drawings and designs, and not military plans. Economics is the battleground of the future, and many U.S. companies are ill prepared to face such a challenge.

“In many industries, the value of the IP is higher than that of a business’ physical property.”

In his new book, *The Insider*,⁵ Dan Verton provides a very good overview of the threats posed by insiders. Verton is a former Marine Corps Intelligence Officer with a long history in Cyber Warfare. He provides many examples of how insiders, both in the military and business, have caused damage. Perhaps his most telling point is that the new battlefield weapons are not tanks and planes, but IP and information. It is much easier to steal the plans for the new widget than to develop it. Companies have to establish adequate defenses not just to protect themselves from attacks from outsiders, but also from the “spy” in the next cubicle.

Nevertheless, there are some protections of which businesses can avail themselves. There has been a material increase in the products and services available to protect IP. These products and services have been operating under the rubric of Content Management, which consists of:

- establishing rules and policies as to what is acceptable and what is not. This can be dictated by legislative and regulatory policy, such as SoX or HIPAA, or be a reflection of internal desires;
- implementing the appropriate monitoring technologies;
- conducting forensic investigations of violations; and
- executing appropriate remedial actions. This could be enacted as changes in policies, education, counseling or termination, or in extreme cases, prosecution and incarceration.

There is also an increasing frequency of incarceration for violations of IP rights. For example, it is no longer uncommon for someone to be jailed for downloading unauthorized music files. We should all expect to see more prosecution and convictions in the area of

“The protection and management of IP, and by inference content, is not only a matter of lost revenue. It has become a matter of national security.”

industrial espionage and theft of manufacturing plans and blueprints. The plans for the next GM car, Nike sneaker or Intel CPU is the battleground of the current Cold War. The protection and management of IP, and by inference content, is not only a matter of lost revenue. It has become a matter of national security.

Endnotes

1. Philip Teplitzky and Steve Korn, *An Approach for Protecting Intellectual Property*, Summer 2005, Vol. 16 No. 2, p. 77, *NYSBA Entertainment, Arts and Sports Law Journal*.
2. Dan Verton, at a September 2005 book signing lecture at the New York Marriot Marquis.
3. An AutoCAD file is a very popular Computer-Aided Design application that has wide acceptance in the industry.
4. Dan Verton, at a September 2005 book signing lecture at the New York Marriott Marquis.
5. Dan Verton, *The Insider*, Llumina Press, Coral Gables FL, ISBN 1-59526-030-7.

Philip Teplitzky has over thirty years of experience in the area of Information Technology. He has held Senior Management assignments in major consulting firms and has been both a CTO and CIO. Phil has written articles on EDP Auditing and Security and has spoken at AICPA, IIA and the EDP Auditors Association. He has a BA from Harpur College of Binghamton University and a Masters of Science in Computer Systems from the School of Advanced Technology, now the Watson School of Engineering at Binghamton University, State University of New York.

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Book Review: Third Edition of *Art Law: The Guide for Collectors, Investors, Dealers, and Artists*

By Judith Bresler and Ralph E. Lerner, Practising Law Institute

Reviewed by Carol J. Steinberg

If you are fortunate enough to have heard Judith Bresler and Ralph Lerner lecture on art law, you know that they are leading experts in the field. At a recent CLE program on Art Law that I organized, they mesmerized and captured the attention of the audience with their knowledge and scintillating delivery. It was immediately evident that they “know their stuff,” and were able to impart it in a way that was really interesting and allowed the listener to easily grasp the concepts. The audience, dutifully attending after a full day of work, was riveted. Material was presented laden with complexity and nuance with beautiful clarity. These qualities, so evident in their live presentation—breadth of expertise, charismatic presentation, and clarity—are made tangible in and characterize their brilliant Third Edition of *Art Law: The Guide for Collectors, Investors, Dealers, and Artists*.

This new and updated three-volume edition covers a wide range of topics, from artists’ rights to tax and estate planning for both collectors and artists. The Table of Contents alone provides an outline of the basic and developing areas of interest to the major players in the art world—collectors, investors, dealers, artists, and, I would add, lawyers. It in itself provides interesting reading and suggests many fascinating areas that one wants to just stop and read: Art Theft and the State of Limitations; Antitrust Violations and Other Forbidden Practices: The Sotheby’s/Christie’s Class Action Settlement; What Constitutes an Original Print; Black Market for Cultural Property; Recovery of Holocaust Looted Art; Obscenity: Aftermath of *Miller*; Blockage Discount: Estates of David Smith, Calder, O’Keefe, and Warhol; and Peer to Peer Networks—just to name a few.

I recommend the new books for the first volume alone, on Artist-Dealer Relations and Artwork Transactions. In fact, I have both their First and Second Editions and refer to them regularly. In this first volume is a thorough discussion of the elements of an artist/dealer agreement, followed by a checklist and sample agreements. An issue discussed in one chapter which is of great interest to both dealers and artists is state consignment statutes, which clarify the fiduciary obligation of the dealer to the artist and provide for criminal sanctions for misappropriation of the artist’s property and/or proceeds. Many artists have been heartened by knowledge of these laws and many dealer’s eyes have been opened. There is a thorough discussion of the legal issue, followed by practical advice and sample documents. This template is used throughout the book, so that there is a complete grounding in the subject in a way that the reader can practically utilize the information.

Part Two (of Volume One) concerns Artwork Transactions and covers Private Sales, Theft Forgery, Authenticity, Statutes of Limitations, and Auctions. By just reading the newspaper alone, one knows of the many dramatic issues that arise in the buying and selling of art. Whether you, or your client, is a major player, or you are someone who wants to sell a family heirloom at a major auction house, I would not venture into this realm without this treatise at my side.

Volume Two is another treasure which covers a wide breadth of issues: Prints and Multiples, Commissioned Works, Expert Opinions and Liabilities, International Trade, and Artists’ Rights—First Amendment, Copyright, Moral Rights, Right of Privacy and Publicity, and Resale Rights. The chapters on artists’ rights alone could be a stand-alone treatise—explaining the context of the issue, the black letter law, and the major cases. In addition, there is always invaluable practical advice and even admonitions and recommendations as to where legislative changes need to be made. The authors do not merely outline and explain the law; they set the context and flesh out the issue. It is refreshing to find a legal treatise that is comprehensible, readable, and enjoyable at the same time.

The chapters on the rights of privacy and publicity are especially interesting, as this area of the law presents unique issues for artists and purveyors of images. Even the general principle that images of others can be used for “artistic purposes,” but not commercial purposes (without violating rights of privacy and publicity), does not always hold true. The book covers a case where a California court upheld an artist’s use of a charcoal drawing of the Three Stooges to produce lithographic prints and silkscreen images on t-shirts. Typically, since the art was used on a commercial product, one would have predicted that the Court would have proscribed the use. The court, however, found that the use was “transformative”—a defense based in copyright law and not typically used to evaluate privacy and publicity claims. The authors also explain how the law regarding the right of privacy and publicity varies from state to state, making it very difficult to counsel an artist on what images can be used. They conclude the chapter with a plea for federal legislation governing the rights of privacy and publicity that would provide uniformity among the states.

The discussion of fair use is one of the highlights of the treatise. This update is especially geared to the fine artist. The authors discuss changes in the law as they affect fine artists and propose a workable solution. Fair use is an especially difficult concept for artists, who always have and probably always will utilize, incorporate, and work from the images of others, many of which are protected by copyright. Cognizant of this and to prevent artists from being sued while making art, Judith Bresler proposes a Fine Art License, which attempts to resolve the problem by allowing an artist to use others’ images and the original artist to obtain payment for any uses.¹

As a part of this discussion, in the update on fair use, the authors explain how the analysis of fair use has changed since the well-publicized dispute between photographer Art Rogers and controversial sculptor Jeff Koons (where Koons appropriated Rogers’ photograph “String of Puppies” and arranged for a sculpture to be made which replicated the photo for his “Banality” show). They explain that Koon’s fair use defense for his appropriation failed, with the court finding that his bad faith and profit from the work mitigated against him. Then the Supreme Court’s decision in *Campbell v. Acuff-Rose*² changed the fair use analysis, by finding that the central issue in the fair use defense is whether the new work is transformative and noting that parody may be a fair use. Had the Koons case been brought after this decision, the outcome could have been different.

In a fascinating discussion not likely to be found in other legal treatises, the authors then describe historical examples of artists’ borrowing images from others. They include reproductions of the images discussed, which should always accompany discussions of art law cases. Furthermore, they explain how image appropriation flourished in the early 1900s, and how it continued through the dada, pop art, and postmodern movements, giving birth to the term “appropriation art.” Bresler and Lerner argue that, although artists continue to appropriate others’ images and some escape lawsuits and/or settle copyright claims against them, they need a workable method of utilizing others’ images for fine art, not “commercial” purposes, without the fear of litigation.

Judith Bresler proposes a system that would allow a fine artist to license an image made in the U.S. for incorporation into her work and to display and sell the subsequent work. She describes a fee and administration structure for the fine art license, and a system of enhanced damages if the appropriated work is used without securing the license. Although the stated purpose of the Copyright Law is to provide an incentive for artists to create, most of the legislation and discussion is actually initiated to benefit corporate entities, which have become the owners of copyrighted works. This proposal would actually benefit artists and enhance the creative process.

The chapter on International Trade is fascinating as well, particularly by the discussion regarding the controversy over the *Schiele* paintings on loan to the Museum of Modern Art (“MOMA”) by the Austrian government-funded Leopold Foundation. As you may recall, the heirs of a Viennese Jewish gallery owner, Lea Bondi Jaray, claimed that the Nazis stole the works from her gallery during the occupation of Austria, and that the works should not be returned to the foundation until the ownership was clarified. MOMA responded that it could not pass on the issue of ownership and that it had a contractual obligation to return the work. Underlying the legal arguments was the museum community’s fear that its involvement in ownership disputes would seriously inhibit its ability to borrow works of art for its exhibitions. The

Manhattan District Attorney served a subpoena on MOMA ordering it to bring the painting before a grand jury; MOMA then sought to quash the subpoena. Therein began a series of lawsuits and appeals regarding whether artwork from outside the state or country was subject to process and/or seizure. The authors clearly and succinctly describe the rounds of state and federal litigation, including attempts at legislative change, and conclude with the latest development—the U.S. government and the Leopold Foundation preparing for trial. The authors again assert their view; they are hopeful that the parties will avoid the further expenditure of money and time, resolve their differences, and settle the case.

Volume Three concerns Tax and Estate Planning for Collectors and Artists, Museums and Multimedia and Art Law Online. In the Tax and Estate Planning chapters, the authors carefully and clearly lay out the principles of valuation, obtaining appraisals, fair market value, charitable transfers, charitable deductions, and other issues specifically related to tax and estate planning for collectors and for artists. There are interesting cases involving the estates of David Smith, Alexander Calder, Georgia O'Keeffe, and Andy Warhol concerning valuation of artists' estates for tax purposes. As in the entire book, there is a rich and full discussion of the relevant law and regulatory rulings/procedures, full tax and planning advice, checklists, and appropriate forms. I would certainly turn to this treatise for a grounding in tax and estate planning for artists and collectors.

The amount of research, creativity, and writing that went into these volumes is staggering. It is not just a comprehensive work; it is vitally interesting, educational, and a necessary tool for anyone working in the art world. The breadth of coverage of each topic is impressive. Each area is covered as though it is a separate article or treatise. It not only presents the basics, but also does so in a practical and readable manner. In 1995, the Second Circuit cited Bresler and Lerner's First Edition of *Art Law* to explain the nature of moral rights in its *Carter v. Helmsley-Spear*.³ These volumes will continue to be cited in landmark cases and should become constant companions to anyone seriously involved in the law and business of art.

This three-volume treatise is available at <http://www.pli.edu> and amazon.com.

Endnotes

1. A discussion of the history of borrowed art and this proposed license appeared in the Fall/Winter 2003, Vol. 14, No. 3 issue, p. 36, of the NYSBA *Entertainment, Arts and Sports Law Journal*.
2. *Campbell v. Acuff-Rose* (510 U.S. 569 (1994)).
3. *Carter v. Helmsley Spear, Inc.*, 71 F. 3d 77 (2d Cir. 1995) *cert. denied*, 517 U.S. 1208 (1996).

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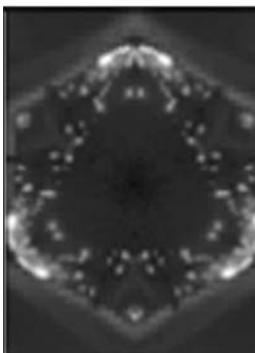
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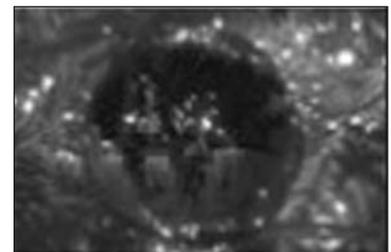
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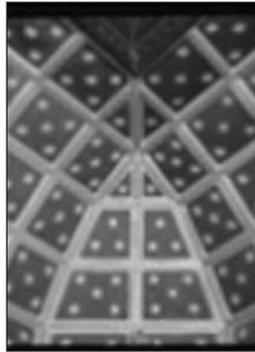
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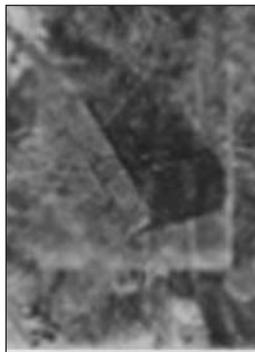
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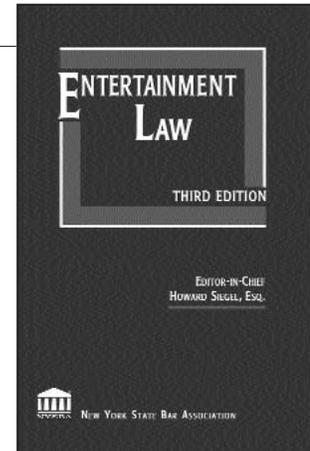
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