

NYSBA

SPRING 2015 | VOL. 26 | NO. 1

# Entertainment, Arts and Sports Law Journal



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



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# In The Arena: A Sports Law Handbook

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

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

## Table of Contents

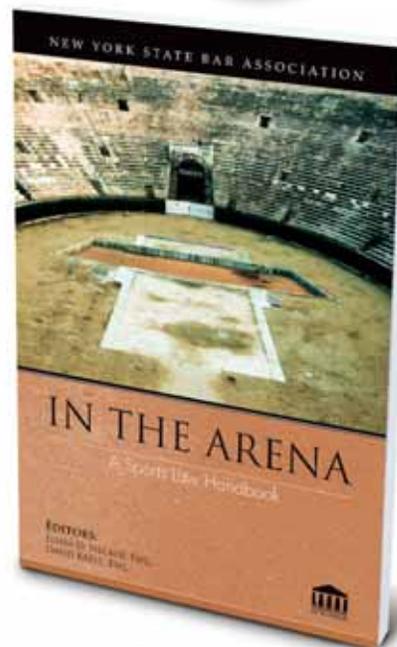
Intellectual Property Rights and Endorsement Agreements  
 How Trademark Protection Intersects with the Athlete's Right of Publicity  
 Collective Bargaining in the Big Three  
 Agency Law  
 Sports, Torts and Criminal Law  
 Role of Advertising and Sponsorship in the Business of Sports  
 Doping in Sport: A Historical and Current Perspective  
 Athlete Concussion-Related Issues  
 Concussions—From a Neuropsychological and Medical Perspective  
 In-Arena Giveaways: Sweepstakes Law Basics and Compliance Issues  
 Navigating the NCAA Enforcement Process  
 Title IX  
 Mascots: Handle With Care  
 An Introduction to European Union Sports Law  
 Dental and Orofacial Safety

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### EDITORS

**Elissa D. Hecker, Esq.**  
**David Krell, Esq.**

### PRODUCT INFO AND PRICES

2013 | 539 pages | softbound  
 | PN: 4002

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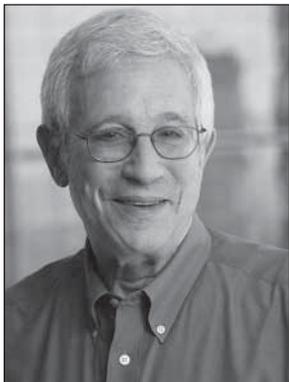


# Table of Contents

	Page
Remarks from the Chair.....	4
Editor’s Note .....	5
Pro Bono Update.....	6
Law Student Initiative Writing Contest.....	8
The Phil Cowan Memorial/BMI Scholarship .....	9
NYSBA Guidelines for Obtaining MCLE Credit for Writing.....	11
The Business Immigration Station: Sports Immigration: Working With the Athlete, Staff, Franchise, League, and a Minor’s Parent(s)..... (Michael Cataliotti)	12
TV 101: The Ins and Outs of Television Trade-Outs .....	14
(Nima Daivari)	
Resolution Alley: Using Alternative Dispute Resolution to Address Entertainment Disputes .....	17
(Theodore K. Cheng)	
Unbundling the Future: The Industry Impacts of Redefining Multichannel Video Programming Distributors to Include New Online Subscription-Based Services .....	20
(Marissa A. Crespo)	
Certiorari Denied “Reverse Confusion” Case Concerning Fictional Computer Program in <i>The Dark Knight Rises</i> .....	22
(Tim Buckley)	
Paying Off Debt With Art: An Analysis of the Unique Issues Involved With Using Fine Art as Collateral for Loans in the United States .....	24
(Ariel Sodomsky)	
The Photographer Plays Big Brother: The Legal Implications of “Surveillance Art” .....	30
(Morgan Manley)	
Entertainment, Arts and Sports Law Section Annual Meeting Transcript .....	36
The Changing Landscape of Copyright Protection for Pre-1972 Sound Recordings.....	79
(Ryan Jennings)	
Busy Sporting Competition Program—Are There Any Restrictions of Athletes’ Rights? .....	84
(Sergey Yurlov)	
The Pre-1972 Gap: How Congress’ Omission of Pre-1972 Sound Recordings Is Affecting the Music Industry, Businesses, and Users Alike.....	85
(Adam C. B. Lanza)	
Electronic Dance Music in the Digital Sampling World.....	90
(Angie Lin)	
Book Review: <i>Visual Arts and the Law: A Handbook for Professionals</i> (2013).....	96
(Reviewed by Irina Tarsis)	
Krell’s Korner: Bupkis: Songwriting, Copyright, and <i>The Dick Van Dyke Show</i> .....	99
(David Krell)	

## Remarks from the Chair

Winter is upon us (and should be long gone by the time you read this). I am looking back on a very successful fall for EASL. Our program at CMJ with the new owners went without a hitch and was enjoyed by everyone, thanks to Rosemarie Tully, Diane Krausz, Christine Pepe, Keenan Popwell and all of the others from EASL and CMJ who helped to organize. I am looking forward to doing this again next year, and we are meeting with the CMJ owners to make that happen.



Our fall event on child labor laws was very interesting, informative and well received. Thank you Diane and Mary Ann Zimmer.

Our program on privacy and licensing in professional sports at the Annual Meeting went really well due to Jason Aylesworth and Britton Payne, despite being postponed because of a snow storm. EASL announced the winners of the BMI/Phil Cowan Scholarship at the meeting. EASL's student liaison program, under the supervision of Jason Aylesworth, provided invaluable assistance in organizing the Annual Meeting program

EASL is in the planning stage of a CLE program for the NYSBA CLE department in June on book publishing law, which is being organized by the Co-Chairs of our Literary Works Committee, Judith Bass and Joan Faier, together with Innes Smolansky, and others.

Steve Richman has been terrific at working with the Section in connection with some very important issues for NYSBA, such as the uniform bar exam and mandatory pro bono. Rosemarie has been extremely helpful to EASL as a member of the Blue Ribbon Panel dealing with NYSBA CLE procedures.

We have a new Chair of the Legislation Committee, Bennett Liebman, who has been involved with EASL for years. I am looking forward to working with Bennett, and I know he will keep EASL meaningfully involved in many of the important State Bar issues.

I am thrilled to have learned that Rosemarie Tully has been nominated to the Executive Committee of the NYSBA Section Delegate Caucus as caucus member at-large. Well deserved.

Our Diversity Committee, headed by Anne Atkinson, Rob Thony, and Cheryl Davis, has been particularly active and doing great things.

I cannot adequately express my appreciation to the entire EASL Executive Committee and volunteers for all of their support and help during my first year as Chair of the Section. EASL would not have been able to accomplish nearly as much as we did, nor present the wonderful, informative and fun events, without them. I am looking forward to my second year as Chair. I hope everyone enjoyed as much as I did during the past year and is as proud of our accomplishments as I am. I encourage everyone who is not a member of EASL to join and be part of our wonderful Section.

Steve Rodner



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

## Editor's Note

Happy Spring issue! The monster in your hands includes the Annual Meeting Transcript (in case you missed the wonderful panels due to the endless snow), our Phil Cowan/BMI Scholarship award winners, and Law Student Initiative winners. These are excellent student authors, and I look forward to great things from all of them.



I am also happy to welcome our newest columnist, Theo Cheng, who will be writing regularly about ADR. He joins David Krell, Michael Cataliotti, and Nima Davari in their informative and entertaining columns.

Elissa

**The next EASL Journal deadline is  
Friday, May 22, 2015.**

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

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# Pro Bono Update

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

## Clinics

Thank you to all of the volunteers to come to the Pro Bono Clinics at Gibney Dance on Saturday, October 25th and at the Dance/NYC Annual Symposium (also at Gibney Dance) on Sunday, February 22nd. All together, we helped over 30 clients, and they were so grateful.

### Gibney Dance:

Caroline Camp	Anibal A. Luque
Marissa Crespo	Kim Maynard
Nyasha S. Foy	Cassidy Merriam
George T. Gilbert	La-Vaughnda Taylor
Elissa D. Hecker	Rachel Yoo
Marc Jacobson	Shannon Zhu
Kathy Kim	

### Dance/NYC Annual Symposium:

Angelina L. Adam	Rachel Kronman
Tiffany R. Almy	Anibal A. Luque
Amanda M. Brown	Chris Mitchell
Tiombe Tallie Carter	Benjamin Natter
Janice Phaik Lin Goh	Bindu Nair
Steve Gordon	Madeline Nichols
Darienne Grey	Amanda J. Ross
Elissa D. Hecker	Samantha G. Rothaus
Merlyne Jean-Louis	Brooke Smarsh
Kathy Kim	Marina Warner
Diane Krausz	Jenni Wisner

## Speakers Bureau

The Speakers Bureau provided legal advice/information to the Chinese Arts Delegation through the New York Foundation for the Arts (NYFA).

Once again, NYFA looked to EASL for expertise in arts and entertainment law. NYFA participated in a cultural exchange with the Chinese government pursuant to which a delegation of arts professionals in the Chinese government visited New York to learn about American arts and cultural institutions and practices. During its first visit, EASL Executive Committee members Carol Steinberg and Innes Smolansky organized a day of panels in which prominent EASL arts and entertainment attorneys spoke about the laws that govern U.S. practice areas, including dance, film, television, and theatre; and



panels providing an overview of U.S. intellectual property law, as well as non-profit law and institutions. This year, Carol Steinberg organized and spoke on a panel for a group of Chinese curators on The Basics of Art Law in the U.S., again with EASL art law attorneys on the panel.

As a result of the effectiveness of these programs, NYFA again looked to EASL. The Chinese Consulate requested a meeting to further discuss New York cultural law and practice. Elissa Hecker and Carol Steinberg arranged for the General Counsels of Lincoln Center and The Museum of Modern Art to meet at the consulate to begin the dialogue. NYFA's Program Officer for Learning and Carol Steinberg also attended the meeting. Lesley Friedman Rosenthal, General Counsel of Lincoln Center, and Patty Lipshutz, General Counsel of MOMA, provided a most informative overview of laws that govern their arts institutions. The consulate representatives were most grateful for the meeting. They and the Executive Director of NYFA expressed great appreciation for EASL's contribution.

## Clinics

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

- **Elissa D. Hecker**, [eheckeresq@eheckeresq.com](mailto:eheckeresq@eheckeresq.com)
- **Kathy Kim**, [kathykimesq@gmail.com](mailto:kathykimesq@gmail.com)

## Speakers Bureau

Carol Steinberg coordinates Speakers Bureau programs and events.

- **Carol Steinberg**, [elizabethcjs@gmail.com](mailto:elizabethcjs@gmail.com)

## Litigations

Irina Tarsis coordinates pro bono litigations.

- **Irina Tarsis**, [tarsis@gmail.com](mailto:tarsis@gmail.com)

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

# Scenes from the Entertainment, Arts and Sports Law Section PRO BONO CLINICS

October 25, 2014 and February 22, 2015 • Gibney Dance • New York City



## Law Student Initiative Writing Contest

### Congratulations to the Spring 2015 LSI winners:

RYAN JENNINGS, of St. John's University School of Law, for his article entitled:  
**The Changing Landscape of Copyright Protection for Pre-1972 Sound Recordings**

ADAM C. B. LANZA, of St. John's University School of Law, for his article entitled:  
**The Pre-1972 Gap: How Congress' Omission of Pre-1972 Sound Recordings Is Affecting  
the Music Industry, Businesses, and Users Alike**

ANGIE LIN, of St. John's University School of Law, for her article entitled:  
**Electronic Dance Music in the Digital Sampling World**

### Congratulations to the 2014 Law Student Initiative winners:

Joseph Perry, of St. John's University School of Law, "HarperCollins Publishers, LLC v. Open Road Media"

David Fogel, of the Benjamin N. Cardozo School of Law, "Removing the One and Done Policy: An Analysis of the Non-Statutory Labor Exemption and the NBA Draft Eligibility Requirements"

Timothy J. Geverd, of George Mason University School of Law, "Failure to Warn: The National Hockey League Could Pay the Price for Its Pursuit of Profit at the Expense of Player Safety"

Craig Tepper, of the Benjamin N. Cardozo School of Law, "A Model for Success: Why New York Should Change the Classification of Child Models Under New York Labor Laws"

Ashley Weiss, of the University of California, Hastings College of Law, "Proving Secondary Liability Against a Brokerage and Its Broker"

Charlotte A. Tschider, of Hamline University School of Law, "Automating Music Similarity Analysis in 'Sound-Alike' Copyright Infringement Cases"

Joseph Perry, of St. John's University School of Law, "Leslie S. Klinger v. Conan Doyle Estate, Ltd."

\*\*\*\*\*

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

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

### Requirements

- **Eligibility:** Open to all full-time and part-time J.D. candidates who are EASL Section members.
- **Form:** Include complete contact information; name, mailing address, law school, phone number and email address. There is no length requirement. Any notes must be in *Bluebook* endnote form. An author's blurb must also be included.
- **Deadline:** Submissions must be received by **Friday, May 22, 2015.**
- **Submissions:** Articles must be submitted via a Word email attachment to [heckeresq@heckeresq.com](mailto:heckeresq@heckeresq.com).

### Topics

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

### Judging

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

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

# The Phil Cowan Memorial/BMI Scholarship

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

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

## The Competition

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

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

## Eligibility

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

## Free Membership to EASL

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

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

## Yearly Deadlines

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

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

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

## Prerogatives of EASL/BMI's Scholarship Committee

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

## Payment of Monies

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

## About BMI

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

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

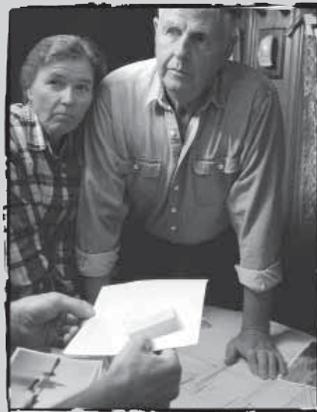
### About the New York State Bar Association/EASL

The 76,000-member New York State Bar Association is the official statewide organization of lawyers in New York and the largest voluntary state bar association in the nation. Founded in 1976, NYSBA programs and activities have continuously served the public and improved the justice system for more than 125 years.

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

# There are millions of reasons to do Pro Bono.

(Here are some.)



Each year in communities across New York State, indigent people face literally millions of civil legal matters without assistance. Women seek protection from an abusive spouse. Children are denied public benefits. Families lose their homes. All without benefit of legal counsel. They need your help.

If every attorney volunteered at least 20 hours a year and made a financial contribution to a legal aid or pro bono program, we could make a difference. Please give your time and share your talent.

Call the New York State Bar Association today at **518-487-5640** or go to **[www.nysba.org/probono](http://www.nysba.org/probono)** to learn about pro bono opportunities.



# NYSBA Guidelines for Obtaining MCLE Credit for Writing

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

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

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

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

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

In order to receive credit, the applicant must send a copy of the writing to the New York State Continuing Legal Education Board, 25 Beaver Street, 8th Floor, New York, NY 10004. A completed application should be sent with the materials (the application form can be downloaded from the Unified Court System's Web site, at this address: [www.courts.state.ny.us/mcle.htm](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.

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# THE BUSINESS IMMIGRATION STATION

## Sports Immigration: Working With the Athlete, Staff, Franchise, League, and a Minor's Parent(s)

By Michael Cataliotti

Entertainment Immigration is a rather amorphous area of immigration that covers a wide range of industries, transactions, and clients; particular emphasis here should be placed on *industries*. While we have been covering the various non-immigrant visas (NIVs) and a particularly relevant immigrant visa (IV or “green card” option) of value to the musician, choreographer, artist, executive, and the like, it is imperative not to forget sports.

For those of you who have been patiently waiting for a discussion about sports, we will be concentrating on this for a bit of time. Fair warning, however—this article will be a general overview. An initial introduction with a few pointers will allow us to get our muscles warm and ready for the big leagues.

### Sports Industries

While you might be questioning what “sports industries” entails, it is imperative to understand that sports encompass more than just baseball and basketball.

For the average American, of course, sports also include football, hockey, and children in pee-wee soccer, among others (though last I checked, there were very few six-year-olds scouted by the Woodhaven Soccer Club<sup>1</sup>).

However, let us not forget the array of other sports, including tennis, rugby, boxing, horseracing, golf, polo, and, of course, those Olympic sports that include gymnastics, skiing, skating, and the like.

*Tidbit 1:* These are the industries in which most private practitioners will find their clientele. The reason being that in those sports that sit on the tip of the American tongue tend to be quite insular at the professional level (i.e., Major League Baseball) or rarely involve foreign-born players in need of a visa (i.e., the National Football League).

While it may not be so likely for the private practitioner to encounter the professional Major Leaguer, he or she may very well encounter the player who is semi-professional or in the minor leagues. Keep this in mind, as it will present its own unique set of circumstances that must be addressed, such as one's verifiable date or place of birth.

### Non-Immigrant Visa Options

If we have been chatting along about entertainment immigration, then you will recall the various hosts of alphabet soup we encountered. If you are new to the conversation, welcome! In either event, let us cover, ever so

briefly, what the most frequently encountered non-immigrant visas (NIVs) are for the sports industry.

In alphabetical order, those NIVs are B, E, F (and OPT), H, L, O, and P. Those visas are formally known as follows:

- B ... B1/B2 – Business/Tourist;<sup>2</sup>
- E ... E1/E2 – Treaty Trader/Investor;<sup>3</sup>
- F (and OPT) ... Student visa (and Optional Practical Training);<sup>4</sup>
- H ... Specialty Occupations;<sup>5</sup>
- L ... L1A/B – Intracompany Transferee (Executive/Specialized Knowledge);<sup>6</sup>
- O ... O-1A/O-2 – Extraordinary Ability/Essential Support Staff;<sup>7</sup> and
- P ... P-1A/P-3 – Internationally Recognized Athlete and Essential Support Personnel.<sup>8</sup>

We will delve into each properly after taking up the potential clients that the practitioner may encounter. This will allow us to take the visa framework and place each prospective visa-seeker into his or her, and in some instances, its, respective classification.

### Potential Clients

Athletes are not the only individuals who seek to enter the U.S. for the purpose of engaging in competitive sport. Coaches, support staff, executives, teams, sometimes even corporations or franchises, and everyone's favorite, parents, all frequently look to engage in or view competitions. As such, let us delineate each of those respective parties appropriately.

#### Athlete

Of course, the athlete is at the top of the list. Being the star, for many, of the sports immigration realm, the athlete is the most commonly encountered client of the immigration attorney. The purpose of his or her entrance into the U.S. can and will vary quite frequently depending upon his or her sport and the place in which he or she stands in that sport.

#### Support Staff

Most often, support staff will include someone who is imperative to the athlete's ability to perform his or her craft.<sup>9</sup> In many instances, this will be a translator for the foreign-born athlete. It may also be a unique trainer who has helped polish and hone the athlete's abilities over

the years and is particularly in tune with the athlete's strengths and limitations.

### Coach(es)

A coach is a unique individual within the sports world, in that he or she often possesses an array of formal education particularly necessary for this position. The coach may also prove to be a necessary support staff for an athlete, though this is admittedly less probable than other options.

### Executive(s)/Manager(s)

In the event of a new team, franchise, or the expansion of one that has already been developed, an executive may need to enter the U.S. to develop the structure of the team. The businessperson may also possess specialized knowledge of the team's operations that can only be exacted by him or her, opening up a handful of overlapping visa options with coaches and support staff.

### Parent(s)

Though the parent does not always require a visa, there may, at times, be instances in which he, she, or they will be described as imperative to the athlete's ability to perform, making the parent(s) closer to support staff.

This wraps up the immediate parties involved, but of course, we will review them in far more detail going forward. Now, however, a bit of a side note that will bring us to useful practice tip number two.

### Full Disclosure: A Self-Confession

Now, as a bit of business we must take up, I believe in full disclosure to avoid any potential ambiguities, inconsistencies or misconceptions: I am not a member of any fantasy league; I don't partake in brackets; and you are not likely to find me at the bar catching the game. You are also not likely to ever hear me refer to myself as a follower of any particular sport.

*Tidbit 1:* Agents are paid to adore their clients and get the best deal for him, her, or it. Immigration attorneys champion and cheer on their clients to the Department of Homeland Security (DHS) and U.S. Citizenship and Immigration Service (USCIS) to get their clients into the U.S. to partake in their talents. These are two very different tasks.

*Tidbit 2:* Immigration attorneys are not agents; they do not need to be engrossed in a respective sports industry as an agent would in order to do their job competently. To aspiring immigration attorneys, you are not sports agents. To those of you looking for an immigration attorney, he or she is not an agent.<sup>10</sup> This may sound obvious enough, but there are plenty of immigration attorneys who seek the fame and glory of Entourage. Lofty promises, unattainable goals, and an overzealous representative will likely make it more difficult to get the foreign-born individual into the U.S. cleanly and swiftly, because DHS and USCIS are two organizations that value congeniality over emotion.

### Conclusion

An important takeaway here is to keep in mind that there is an array of competitive sports that are not central to the American mind, but make up a large portion of sports immigration. With that, we conclude our initial foray into the area of Sports Immigration, but as you can tell, there is much more to discuss, and so I do hope you will stick around until next time.

### Endnotes

1. For those wondering, the Woodhaven Soccer Club is a club that "has been committed to providing youth soccer to the community for over 3 decades. [...]based in South Queens and is a part of The Long Island Junior Soccer League & NY Club Soccer League." It offers various programs and its "players start as young as 4 years old [...]" <http://woodhavensoccerclub.com/clubinfo/>.
2. Temporary Visitors for Business, <http://www.uscis.gov/working-united-states/temporary-visitors-business>.
3. E-1 Treaty Traders, <http://www.uscis.gov/working-united-states/temporary-workers/e-1-treaty-traders>; E-2 Treaty Investors, <http://www.uscis.gov/working-united-states/temporary-workers/e-2-treaty-investors>.
4. Students and Exchange Visitors, <http://www.uscis.gov/working-united-states/students-and-exchange-visitors>.
5. H-1B Specialty Occupations, DOD Cooperative Research and Development Project Workers, and Fashion Models, <http://www.uscis.gov/working-united-states/temporary-workers/h-1b-specialty-occupations-dod-cooperative-research-and-development-project-workers-and-fashion-models>.
6. L-1A Intracompany Transferee Executive or Manager, <http://www.uscis.gov/working-united-states/temporary-workers/l-1a-intracompany-transferee-executive-or-manager>; L-1B Intracompany Transferee Specialized Knowledge, <http://www.uscis.gov/working-united-states/temporary-workers/l-1b-intracompany-transferee-specialized-knowledge>.
7. O-1 Visa: Individuals with Extraordinary Ability or Achievement, <http://www.uscis.gov/working-united-states/temporary-workers/o-1-individuals-extraordinary-ability-or-achievement/o-1-visa-individuals-extraordinary-ability-or-achievement>.
8. P-1A Internationally Recognized Athlete, <http://www.uscis.gov/working-united-states/temporary-workers/p-1a-internationally-recognized-athlete>; P-3 Artist or Entertainer Coming to Be Part of a Culturally Unique Program, <http://www.uscis.gov/working-united-states/temporary-workers/p-3-artist-or-entertainer-coming-be-part-culturally-unique-program>.
9. *Id.*
10. Understand here that I am speaking strictly about the immigration attorney *acting as an immigration attorney*. Plenty of practitioners handle various areas of law, and as we have seen time and again in entertainment immigration, there are numerous overlaps between the attorney procuring a visa and a career counselor. That being said, when one retains an immigration attorney, it is important to be sure that he or she is acting in that capacity and not trying to finagle his or her way into the realm of Scott Boras or Arn Tellem.

**Michael Cataliotti is a business immigration attorney whose clients consist of individuals and corporations from such industries as sports, music, fashion, film, television, art, theatre, digital media, literature, and food and beverage. Based in New York City, Michael is a frequent speaker on the topics of sports and entertainment immigration, an active supporter of immigration reform, and a member of the American Immigration Lawyers Association (AILA).**



# The Ins and Outs of Television Trade-Outs

By Nima Daivari

In U.S. television production, a trade-out agreement (trade-out) is utilized when goods or services (Product) are provided by the manufacturer or service provider (Provider) to the producers (Producers) of a television series (Series) free of charge. In exchange, the Producers incorporate the Product into the Series, which thereby gives the Product national (and possibly international) exposure when the episode featuring the Product airs. A Trade-Out can be used for anything, from the car featured in a chase scene of a scripted police procedural, to an oven that is used in an unscripted cooking competition, to a book that is given away to live audience members attending a taping of a Series episode.

Trade-Outs are beneficial to both the Providers and Producers. The Providers can get fantastic exposure for their Products when, for example, a chase scene prominently displays a certain model of a car going from zero to 60 in 3.5 seconds, or when everyone in the audience gets a free bottle of celebrity endorsed perfume. Producers, on the other hand, can benefit from the cost savings of receiving items free of charge, or from the goodwill benefits derived from the excitement and fan frenzy that come from audience giveaways.

Since the Providers are usually in the business of the Product and not television production, drafting and negotiating Trade-Outs can take some time. The Providers are often unfamiliar with the customary terms of trade, so careful and creative drafting is imperative. Below are a few of the many considerations to make when drafting Trade-Outs.

## Exposure

The exposure the Product receives is clearly the most important provision to the Provider, and that is why the Provider is giving the Product to the Series. Since television production is a highly creative venture, it is important to keep the language loose, thereby granting the creative personnel as much freedom and liberty as possible to incorporate the Product into the Series in whatever manner makes the most sense creatively. For instance:

Producer shall provide the following to Provider as consideration in connection with the Series: one (1) visual establishing shot of the Product logo, one (1) beauty shot of the Product as seen in its natural setting or customary usage which may or may not include a visual of the Product logo, and one (1) on-screen "Thank You" end credit, the size, man-

ner, placement and duration of which shall be determined by Producer in its sole discretion ("Exposure"). For purposes of clarification, in the event Producer does not feature the Product in connection with the final, edited version of the Series episode intending to feature the Product, Producer shall have no obligation to provide Provider with the Exposure and Provider shall have no obligation to provide the Products.

Depending on the value of the Product and the bargaining power of the Provider, it is possible that the Provider will request more specific language as to how, when and/or where in the Series the Product will appear. However, many Providers will respect the creative personnel's incorporation of the Product, since the Providers also want their Product to appear creatively and organically within the Series, and the best way to do that is to defer to the individuals who create the content.

## Use of Provider Trademarks

In addition to receiving the actual Product, the Producer must also obtain the right to display the Provider's intellectual property in the Series, as the Product's trademark is intellectual property that belongs to the Provider. However, the Producer has to be careful to protect the Producer's intellectual property rights as well, so the license of the intellectual property rights does not appear to be reciprocal. Just because a Series is incorporating a Product into an episode does not mean that the Producers want to grant the Provider a blanket usage right to the Producer's intellectual property. Clips of the Series featuring the Product or the right for the Provider to use the trademarks or other intellectual property rights of the Producer or the network should be protected and licensed out as necessary. An example of some language to consider when drafting might include:

Producer may include any and all trade names, trademarks, logos, and/or other proprietary trade designations protected by law ("Marks") belonging to Provider in any photographs, film and/or video and sound recordings made by Producer pursuant to this Trade-Out. Provider, however, shall not have any interest in Producer's Marks and/or the Series or in any of the photographs, film and/or video and sound recordings made or taken by Producer hereunder, and Provider acknowledges and agrees that all

right, title and interest in and to the Series and in and to any and all photographs, film and/or video and sound recordings made or taken by Producer pursuant to this Trade-Out (including, without limitation, all rights under copyright) are the sole and exclusive property of Producer. Furthermore, Provider shall not make any commercial or other use of Producer's Marks or the Series or the fact that Producer utilized or mentioned Provider or the Product in connection with the Series without the prior written consent of Producer.

Many times Providers will want to include the fact that their Products appeared on the Series on the Providers' websites or in their advertising materials. Producers and the network will not often take issue with this practice. The relationship between the Provider and the Producer is a reciprocal one, and Producers understand that the Provider derives value from the Trade-Out by being able to share the fact that the Product was included in the Series. In addition, a Series can almost always benefit from additional promotion, so it might in fact be very beneficial for the Producer to have the Provider include the Producer's marks on the Provider's website alongside tune-in information for the Series detailing air dates and times. However, a savvy Producer does not want the Provider to have unfettered, unmonitored, and/or perpetual access to the Producer's marks, so Producers often enter into a separate licensing agreement with it granting the Provider the right to use the marks or footage from the Series for a certain duration of time (or subject to other restrictions).

## No Obligation

An unfortunate reality of television is that sometimes great things end up on the cutting room floor. Whether cut for time, story purposes, censorship, or a slew of other reasons, not everything that is shot can make it into the final cut of an episode. Thus, it is important to be very clear that just because the Products were provided and included in the Series does not mean that the Product will necessarily make it to air. Some clarifying language might include:

Provider understands the consideration Provider is receiving is the possibility of the Product being included in the Series; however, Producer shall not be obligated to include the Product as part of the Series. In the event that for any reason Provider does not receive the Exposure, Producer shall return the Product to Provider and shall have no further obligation to Provider. Furthermore, nothing herein shall limit the rights of Producer

or its assigns to exhibit, distribute and/or otherwise exploit the Series throughout the universe, in perpetuity, in any manner and in any media now known or hereafter devised. Nothing in this agreement shall obligate Producer (including without limitation, its successors and assigns) or any licensee of the Series, to exhibit or otherwise exploit the Series or any part thereof, or any footage of any of the Exposure or any Product. Provider acknowledges and agrees that nothing herein shall limit the right of Producer in any manner whatsoever to use or otherwise exploit any of Provider's competitors' products and/or materials.

The last line is of note. It is important to be clear on this matter, because a Producer does not want to risk upsetting the Provider if the Series includes competing products or services.

## Payola/Plugola Acknowledgement

In addition to the usual tenets of contract law, Trade-Outs must also comply with 47 U.S.C. 317 and 47 U.S.C. 508 of the Federal Communications Act of 1934, as well as sections 73.1212 and 76.1615 of the Federal Communications Commission's rules and regulations, which require certain disclosures to be made when Products are received in exchange for incorporation into a Series.

The necessity for government involvement on this issue stems from the early days of radio. During radio's infancy, record companies would pay disc jockeys to play certain songs. This practice was deceptive, in that the public was led to believe that a song was more popular than it actually was. The reality was that the song was simply being played because the station or disc jockey (DJ) received a payment to play the song instead of relying on sales and actual listener requests. The laws (and technologies) have evolved over time, and as a result the law now requires that disclosures be made when Producers receive something of value in exchange for the incorporation of a Product into the Series. The two violations are named payola (when the Producer receives something of value in exchange for promoting the Product on air) and plugola (when the Producer has a vested interest, usually financial, in promoting a particular Product on air). Such violations can be avoided with a simple disclosure announcing to viewers of the Series that "*Service or other valuable consideration has been provided by [Provider].*" An example of acknowledgement language in a Trade-Out might include:

Other than the Products set forth in this Trade-Out, Provider did not give or agree to give anything of value to Producer so that scenes for the Series would contain exposure of the Product or that

the Product would be used in connection with the Series. Provider acknowledges and agrees that it may be a federal offense not to tell Producer if Provider has provided or agreed to provide anything of value in exchange for Exposure of the Product within the Series. Provider understands that unless disclosed prior to the initial exhibition of the Series, it may be a federal offense to either: (a) take or agree to take anything of value to promote a product, service or business in the Series, or (b) use any material that would promote any product, service or business, if Provider is aware that the individual who gave Provider the material received something of value for the promotion of such material and Provider did not disclose to Producer. Provider represents and warrants that Provider will immediately notify Producer if anyone or any entity encourages Provider to violate the terms of this paragraph.

A violation of the above can be incredibly serious for Producers since multiple parties, including the exhibiting network, can be dinged for such violations. These fines can be prohibitively high.

Other considerations for Trade-Outs include terms clarifying that the Products are being provided at no cost to the Producer, confidentiality provisions to ensure there are no story leaks, specifications as to the episode number or air dates, and other clauses that are customary in television production. As always, when faced with a new area of the law, it is best to consult with an attorney who is well versed in the practice area.

**Nima Daivari is the Director of Business and Legal Affairs for Shine America. Prior to joining Shine Nima held dual roles as both Counsel, Business and Legal Affairs for ITV Studios as well as Senior Counsel for the television series "The Bill Cunningham Show." Before joining ITV Nima was Counsel, Business and Legal Affairs at Telepictures/Warner Bros. and he began his legal career at the Emmy-award winning production company MRB Productions. Nima has a B.A. in Film from USC, his J.D. from New York Law School and is licensed to practice law in both New York and California.**

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## RESOLUTION ALLEY

# Using Alternative Dispute Resolution to Address Entertainment Disputes

By Theodore K. Cheng

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

It has always been the case that the onus of enforcing intellectual property rights falls principally on the shoulders of the holders of such rights. Thus, when a case of unauthorized use is discovered (or is looming), the intellectual property owner usually must act quickly to stop the offending conduct, regain control over the property, and secure adequate compensatory relief. This is nowhere better illustrated than in the entertainment field. Consider these all-too-common scenarios:

- An author is working with a motion picture studio for the film dramatization of her novel under an option agreement that contains a non-disclosure agreement. While the film was in development, a rival studio established by former executives of this same studio suddenly releases a film that appears to be based upon the same novel.
- A photographer signs a license for the limited use of certain of his photos in connection with a Broadway musical. Due to the popularity of the show, several of his photos become iconic, and the show's producers have decided to begin selling show-related merchandise incorporating the photos, which is arguably outside the scope of the license granted by the photographer.
- Due to internal squabbling, the members of a rock band with a string of popular recordings splinters into two different groups, each purporting to be the legitimate continuation of the original band. A dispute erupts over who owns and controls the rights to the name and other intellectual property of the original band.
- A beverage company claims that a competitor is making several false and misleading statements in print and a national television advertising campaign that have both just launched. Retail beverage sales for the company have plummeted as a result.

In each of the above examples, it will usually be second nature to a litigator to immediately think about commencing a lawsuit and perhaps seeking a preliminary injunction or some other form of provisional relief. Yet the litigation forum has certain limitations that make seeking emergency relief impracticable, including the lack of real flexibility in designing a dispute resolution mechanism tailored to the dispute in question; the addi-

tional expense (in time and legal fees) of appearing before a decision maker with possibly little to no expertise in the subject matter of the dispute; the inability to maintain true confidentiality because of the public nature of the proceedings; and, perhaps most poignantly, the frustrations of having no control over the timing of the process and when relief can be afforded.

One way to minimize or eliminate the drawbacks of a court proceeding is to consider using alternative dispute resolution (ADR) mechanisms to address the dispute. For example, to avoid the unwanted publicity associated with filing a lawsuit—particularly one involving prominent entertainment figures or entities—the parties could agree to participate in a pre-suit mediation. Mediation is a confidential dispute resolution mechanism in which the parties engage a neutral, disinterested third-party who facilitates discussion amongst the parties to assist them in arriving at a mutually consensual resolution. It is well suited to entertainment disputes where the parties often contemplate an ongoing relationship of some kind once the dispute has been resolved. Selecting the appropriate mediator—one who is well versed in mediation process skills, with perhaps some knowledge of, or prior experience with, either intellectual property and entertainment law and/or the particular entertainment industry—is oftentimes necessary to maximize the likelihood that a resolution can be achieved.

As mediation is a non-adjudicative process, there is no judge or other decision maker who will determine the merits of the dispute. Rather, the mediator's role is to try and improve communications between the parties, explore possible alternatives, and address the underlying interests and needs of the parties in hopes of moving them toward a negotiated settlement or other resolution of their own making. Although a mediator may be asked to recommend possible solutions, a mediator is not authorized to impose a resolution, but, rather, provides an impartial perspective on the dispute to help the parties satisfy their best interests while uncovering areas of mutual gain. In that respect, mediation can be particularly helpful in those situations where the parties either are not effectively negotiating a resolution on their own or have arrived at an impasse in their dialogue. Mediation is also prospective, not retrospective, in nature. While a litigation looks to past events to find fault and impose appropriate relief, a mediation focuses on the future to determine how

the parties can best resolve the pending dispute and move on. In that respect, a mediation tends to be more cooperative, rather than adversarial, in nature.<sup>1</sup>

If the availability of preliminary remedies is a consideration in how to address the most immediate concern of either stopping the offending conduct or maintaining the status quo, arbitration might be a viable option in some cases. Arbitration is another confidential dispute resolution mechanism in which the parties engage a neutral, disinterested third-party. Unlike the mediator, however, the arbitrator is tasked with determining the merits of the dispute, in a final and binding manner, according to rules and procedures that are agreed-upon by the parties. Arbitration can also resolve a broad array of disputes and is well suited to addressing entertainment disputes where the parties anticipate requiring that the decision maker have specific subject matter and/or industry expertise.<sup>2</sup> Here again, then, the selection of the appropriate neutral, even more so than in a mediation—one who can appreciate both the legal issues and the technical industry concepts involved—is critical to achieving a just result.<sup>3</sup> Moreover, if properly managed by the neutral, the parties, and their counsel, arbitration can result in a dispute resolution process that is fair, expeditious, and cost-effective.<sup>4</sup>

The ability to secure a preliminary injunction or other interim relief in an arbitration setting is a valuable attribute for selecting that method of dispute resolution. Under the Federal Arbitration Act (FAA),<sup>5</sup> which governs most entertainment-related disputes, courts have routinely held that arbitrators possess the power to issue non-monetary remedies, and, in particular, to issue preliminary remedies before a hearing on the merits.<sup>6</sup> The power to grant interim relief has also been expressly granted by statute in 18 states and the District of Columbia, all of which have adopted the 2000 Revised Uniform Arbitration Act (RUAA).<sup>7</sup> In New York, which has not adopted the RUAA, courts have nonetheless held that arbitrators have the authority under New York law to issue preliminary relief.<sup>8</sup>

Currently, all of the major arbitration providers—the London Court of International Arbitration (LCIA), the International Chamber of Commerce (ICC), the American Arbitration Association (AAA), the International Centre for Dispute Resolution (ICDR), and JAMS—have included emergency arbitrator provisions in their default rules (although each expressly allows for the parties to opt-out of these provisions through their arbitration agreements). For example, the AAA's Commercial Arbitration Rules, which parties often designate as governing copyright and trademark disputes, expressly authorize arbitrators to afford interim relief, "including injunctive relief and other measures for the protection or conservation of property and disposition of perishable goods."<sup>9</sup> More specifically, for arbitrations conducted under clauses or agreements entered into on or after October 1, 2013, the rules explic-

itly create a default procedure for the issuance of emergency measures of protection before the arbitrator on the case is appointed (or the arbitration panel is constituted). Under that procedure, the AAA will appoint a single emergency arbitrator to rule solely on emergency applications within one business day of its receipt of a written notice identifying the nature of the relief sought and the reasons for why the relief is required on an emergency basis.<sup>10</sup> Within two business days of the appointment, the arbitrator will set down a schedule for consideration of the application and is vested with the authority to enter an interim order or award granting the relief.<sup>11</sup>

This procedure was effectively utilized in a contract dispute between Microsoft and Yahoo! over the timing of the transfer of the Yahoo! search capabilities and ad services to Microsoft's Bing search engine, in which the arbitrator entered an injunction within 18 days after holding an evidentiary hearing, with a federal court confirming that decision one week later.<sup>12</sup> Moreover, as alluded to in that case, which involved certain work to be performed in Taiwan and Hong Kong, if the offending conduct has an international dimension, a U.S. arbitration procedure also has the salient feature of affording enforcement overseas. One of the primary advantages of international arbitration over court proceedings to resolve cross-border disputes is the ability to have the award recognized and enforced in most other countries in the world through the operation of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).<sup>13</sup>

Of course, all of this depends on whether the parties have previously contracted to use ADR mechanisms to resolve disputes or can now prospectively agree, in the face of the pending dispute, to use ADR. Thus, if the parties have a written agreement incorporating an emergency arbitrator process, either explicitly on its own or by reference to one of the provider rules, they will have availed themselves of a means outside of the court system to handle disputes requiring some form of preliminary relief. Moreover, due to the collaboration that is needed for a mediation to be productive, the parties can separately choose to engage in a mediation parallel to an ongoing arbitration proceeding at virtually any time before the final award is issued, and, in certain circumstances, even afterwards. All it takes is for the parties to give their informed consent to utilize the mediation process to resolve the issues that remain outstanding between them.

The use of ADR in entertainment disputes should not be overlooked. It has the potential to address many of the parties' underlying concerns, such as maintaining confidentiality and arriving at an outcome in an expeditious manner, including securing preliminary remedies. Thus, it should always be an option for entertainment practitioners and intellectual property owners when deciding how best to resolve their disputes. Whichever form of ADR is employed, the hope that the dispute will be resolved

quickly and cost-effectively, thereby permitting the parties to respectively move forward, should be incentive enough to at least give ADR serious consideration.

## Endnotes

1. There are a number of organizations that provide more information about mediation as a dispute resolution mechanism. *See, e.g.*, New York State Unified Courts System ([www.nycourts.gov/ip/adr/What\\_Is\\_ADR.shtml](http://www.nycourts.gov/ip/adr/What_Is_ADR.shtml)); National Academy of Distinguished Neutrals ([www.nadn.org/faq-adr.html](http://www.nadn.org/faq-adr.html)); Mediate.com ([www.mediate.com/about](http://www.mediate.com/about)); International Mediation Institute ([immediation.org](http://immediation.org)); American Arbitration Association's Mediation.org ([www.mediation.org](http://www.mediation.org)); JAMS ([www.jamsadr.com/adr-mediation](http://www.jamsadr.com/adr-mediation)).
2. According to a study conducted by the Rand Institute for Civil Justice, the majority of the respondents found that arbitrators are more likely to understand the subject matter of the arbitration than judges because they can be selected by the parties. *See* Rand Institute for Civil Justice, "Business-to-Business Arbitration in the United States: Perceptions of Corporate Counsel," at 1-2, 32 (2011) available at [www.rand.org/content/dam/rand/pubs/technical\\_reports/2011/RAND\\_TR781.pdf](http://www.rand.org/content/dam/rand/pubs/technical_reports/2011/RAND_TR781.pdf).
3. Unlike in a court proceeding, the parties to an arbitration proceeding can choose the arbitrator based upon relevant criteria such as copyright or trademark expertise, prior experience in or with the industry, reputation, temperament, prior arbitrator experience, availability, and a host of other factors. Additionally, the option to choose three arbitrators as opposed to resting the decision on a sole arbitrator, if done with attention to factors such as cognitive diversity, can help reach a better, more just outcome. *See, e.g.*, Laura A. Kaster, *Why and How Corporations Must Act Now to Improve ADR Diversity*, Corporate Disputes, at 37 (Jan.-Mar. 2015) ("We also know that judgment is improved when there are diverse decision-makers with different points of view."); Chris Guthrie, *Misjudging*, 7 NEV. L.J. 420, 451-53 (2007) (concluding that three arbitrators are less likely to be influenced by unconscious biases than a single decision maker).
4. There are a number of organizations that provide more information on arbitration as a dispute resolution mechanism. *See, e.g.*, New York State Unified Courts System ([www.nycourts.gov/ip/adr/What\\_Is\\_ADR.shtml](http://www.nycourts.gov/ip/adr/What_Is_ADR.shtml)); National Academy of Distinguished Neutrals ([www.nadn.org/faq-adr.html](http://www.nadn.org/faq-adr.html)); College of Commercial Arbitrators ([thecca.net/faq](http://thecca.net/faq)); American Arbitration Association ([www.adr.org/aaa/faces/services/disputeresolutionservices/arbitration](http://www.adr.org/aaa/faces/services/disputeresolutionservices/arbitration)); JAMS ([www.jamsadr.com/adr-arbitration](http://www.jamsadr.com/adr-arbitration)). There are also an increasing number of resources that now exist to assist arbitrators, parties, and their counsel in maximizing the advantages of the arbitration process, such as the Commercial College of Arbitrators' *Guide to Best Practices in Commercial Arbitration* (3d ed. 2014) and its *Protocols for Cost-Effective and Expeditious Commercial Arbitration* (2010) and the New York State Bar Association's *Guidelines for the Arbitrator's Conduct of the Pre-Hearing Phase of Domestic Commercial Arbitrations and Guidelines for the Arbitrator's Conduct of the Pre-Hearing Phase of International Arbitrations* (2010).
5. 9 U.S.C. §§ 1 *et seq.*
6. *See, e.g.*, CE Int'l Res. Holdings LLC v. S.A. Minerals Ltd. P'ship, No. 12 Civ. 8087 (CM), 2012 U.S. Dist. LEXIS 176158, at \*13-15 (S.D.N.Y. Dec. 10, 2012) (confirming and enforcing arbitrator's interim award that provided for pre-judgment security and a so-called *Mareva-style* injunction preventing respondent from transferring any assets, wherever located, up to the amount of \$10 million until that security is posted); *On Time Staffing, LLC v. Nat'l Union Fire Ins. Co.*, 784 F. Supp. 2d 450, 455 (S.D.N.Y. 2011) ("Prior to the rendering of its final decision, the Panel, in the absence of language in the arbitration agreement expressly to the contrary, possesses the inherent authority to preserve the integrity of the arbitration process to which the parties have agreed by, if warranted, requiring the posting of pre-hearing security."); *see also* *British Ins. Co. of Cayman v. Water St. Ins. Co.*, 93 F. Supp. 2d 506, 516 (S.D.N.Y. 2000) ("Courts in this Circuit have firmly established the principle that arbitrators operating pursuant to [the FAA] have the authority to order interim relief in order to prevent their final award from becoming meaningless."); *accord* *Pac. Reins. Mgmt. Corp. v. Ohio Reins. Corp.*, 935 F.2d 1019, 1022-23 (9th Cir. 1991) (same).
7. *See* RUAA, § 8(b)(1) ("[T]he arbitrator may issue such orders for provisional remedies, including interim awards, as the arbitrator finds necessary to protect the effectiveness of the arbitration proceeding and to promote the fair and expeditious resolution of the controversy, to the same extent and under the same conditions as if the controversy were the subject of a civil action."), available at [www.uniformlaws.org/shared/docs/arbitration/arbitration\\_final\\_00.pdf](http://www.uniformlaws.org/shared/docs/arbitration/arbitration_final_00.pdf); *see also* Uniform Law Commission Legislative Fact Sheet – Arbitration Act (2000), available at [www.uniformlaws.org/LegislativeFactSheet.aspx?title=Arbitration%20Act%20%282000%29](http://www.uniformlaws.org/LegislativeFactSheet.aspx?title=Arbitration%20Act%20%282000%29).
8. *See e.g.*, *Park City Assocs. v. Total Energy Leasing Corp.*, 58 A.D.2d 786, 786-87 (1st Dep't 1977) ("Special Term properly refused to exercise its discretion and grant injunctive relief since the parties have selected the arbitration forum for the resolution of their controversies, and in such circumstances equitable relief by the arbitrator may be appropriate.").
9. AAA Commercial Arbitration Rule R-37(a) (Oct. 1, 2013).
10. *See id.*, Rule R-38(b), (c).
11. *See id.*, Rule R-38(d), (e).
12. *See* *Yahoo! Inc. v. Microsoft Corp.*, 983 F. Supp. 2d 310 (S.D.N.Y. 2013); *see also* Kim Landsman, *Microsoft Case Is Great Example of Emergency Arbitration*, Law360 (Dec. 13, 2013), available at [www.law360.com/articles/495144/microsoft-case-is-great-example-of-emergency-arbitration](http://www.law360.com/articles/495144/microsoft-case-is-great-example-of-emergency-arbitration).
13. There are numerous resources that provide more information on the New York Convention. *See, e.g.*, New York State Bar Association's *Choose New York Law For International Commercial Transactions* (2014) and *Choose New York for International Arbitration* (2011); United Nations Commission on International Trade Law (UNCITRAL) ([www.uncitral.org/uncitral/en/uncitral\\_texts/arbitration/NYConvention.html](http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention.html)); New York Arbitration Convention ([www.newyorkconvention.org](http://www.newyorkconvention.org)).

**Theodore K. Cheng is a partner at the international law firm of Fox Horan & Camerini LLP where he practices in commercial litigation, intellectual property, and ADR. He is an arbitrator and mediator with both the American Arbitration Association and Resolute Systems, and serves on the neutral rosters of various federal and state courts. More information is available at [www.linkedin.com/in/theocheng](http://www.linkedin.com/in/theocheng).**

# Unbundling the Future: The Industry Impacts of Redefining Multichannel Video Programming Distributors to Include New Online Subscription-Based Services

By Marissa A. Crespo

The recent *Aereo* Supreme Court decision marked a victory for broadcasting networks and cable companies, by ruling against the online streaming service that fought to differentiate itself from cable companies to skirt paying the retransmission fees under U.S. Copyright Law.<sup>1</sup> Since the *Aereo* Supreme Court decision aftermath, the Federal Communications Commission (FCC) has been considering whether to redefine Multichannel Video Programming Distributors (MVPD) under its regulations to include certain online video streaming services.<sup>2</sup> The proposed change in the regulations would permit online services that offer prescheduled programming (linear programming) to be included in the definition of MVPD, which provide these online services a greater opportunity to negotiate the retransmission fees, and effectively compete with current cable providers, such as Comcast and Time Warner Cable.<sup>3</sup> This article will explore several ways in which the redefinition of MVPDs would affect the current state of the television industry in light of the aftermath of the *Aereo* case.

The case of *American Broadcasting Companies, Inc. v. Aereo, Inc.*, involved a suit brought by broadcasting networks and cable companies against Aereo, an Internet-based streaming subscription service that retransmitted television shows originally shown on broadcast networks.<sup>4</sup> Although Aereo attempted to differentiate itself from cable providers in the case by arguing that its service did not involve a “public performance” to bypass paying statutory licensing fees under U.S. Copyright Law, the Supreme Court ruled that Aereo acted similarly to a cable provider, and thus publicly performed the broadcast networks’ copyrighted works to require the payment of licensing fees.<sup>5</sup>

Since the Supreme Court’s decision, Aereo attempted to redefine itself as a cable provider to negotiate retransmission fees under §111 of the U.S. Copyright Law to pay lower rates under the Copyright Act instead of the retransmission consent fees required under the FCC regulations, until it filed ultimately for bankruptcy.<sup>6</sup> During its fight to stay alive, Aereo sought to be defined as an MVPD under the FCC regulations to maintain its business operations.<sup>7</sup> Although the Supreme Court did not rule on whether Aereo was a cable provider under the Copyright Act, the service did not pass muster under the current FCC regulations to be considered an MVPD.<sup>8</sup> Under the current regulations, an MVPD is defined as “an entity such as, but not limited to, a cable operator, a BRS/EBS provider, a direct broadcast satellite service, a television receive-only satellite program distributor...that

makes available for purchase, by subscribers or customers, multiple channels of video programming.”<sup>9</sup> Aereo failed to qualify for the retransmission consent licensing fees, as it failed to comply with the FCC’s definition of MVPDs, which generally included satellite service providers and facilities registered with the FCC.<sup>10</sup> The FCC’s current definition of MVPD was to make cable channels available to satellite service providers for greater market competition for customers to consume television.<sup>11</sup> FCC Chairman Tom Wheeler has since proposed to the FCC reconsideration of the current definition of MVPD to include linear Internet programming service providers for the same type of market competition for the nascent Subscription Video on Demand (SVOD) industry.<sup>12</sup> Following up on Mr. Wheeler’s proposal to the FCC, the FCC issued a proposed Notice of Rulemaking to redefine MVPD and extend the definition to certain online service providers. Although the FCC has not definitively ruled to revamp the definition yet, Mr. Wheeler’s publicized support for such redefinition signals the inevitable shift towards defining MVPD to include linear video programming via the Internet.<sup>13</sup>

## The Impacts of the FCC’s Potential Redefinition of MVPD to Include Online Multichannel Streaming Services

The redefinition of MVPD to include linear online streaming services would completely revolutionize how television is defined to evaluate market ratings, the shift in advertising and the market shift towards new “cable-cutting” subscription services now offered to consumers. Already, CBS and HBO offer their programming over the Internet through online video demand (OVD) unbundled subscription-based services.<sup>14</sup> These services not only provide a greater realm of choices for consumers, but the de-bundling of subscription services fluidly coincides with consumer viewership over mobile devices and reflects the trend in providing *a la carte* digital entertainment, while creating a greater competitive force against cable companies.<sup>15</sup>

Rumors of the FCC’s potential shift towards redefining MVPD to include linear web-based services has modified the way in which industry market ratings are being measured, and has impacted advertising revenue for broadcasting stations and cable companies. Nielsen Market Research, television’s leading global measurement company of what consumers watch and buy, has begun measuring viewership on subscription-based online video services to capture and survive the imminent evolution of television viewership.<sup>16</sup> According to a recent Nielsen

Report, traditional television viewership dropped nearly 4% in the last quarter of 2014, as online video streaming jumped up to 60%.<sup>17</sup> Although it showed a small percentage drop in viewership of traditional television, Nielsen's first report on digital viewer ratings is an indelible mark in the decline of traditional television and shift to digital platforms. For broadcasting and cable executives, such a report raises concern regarding a potential decline in their traditional advertising revenue streams.<sup>18</sup> In the previous third quarter, Comcast Corp's NBC Universal's cable-TV unit had a reported 4.6% ad decline, and Time Warner, Inc. reported a flat return on ad revenue.<sup>19</sup> Media executives were concerned with the upfront commitments for the 2015 television season, as advertising commitments slipped about 6%.<sup>20</sup> Such a decline in advertising revenue, the lynchpin for television programming, has a deleterious effect on the lifespan of current television programming, and may disrupt the established carriage licensing relationships between networks and cable service providers. CBS' recent cancellation of its contract with DISH Network over the disputed licensing fee structure DISH Network sought for its new online subscription-based service, and CBS's own competitive online subscription based service of its television programming, demonstrate the competitive market paradigm of the cord-cutting zeitgeist within the television industry.<sup>21</sup>

It is questionable whether the FCC's expansion of the definition of MVPD will trigger the U.S. Copyright Office to change its definition under the Copyright Law as to who qualifies for the compulsory license.<sup>22</sup> Even though these offices function independently, it remains to be seen whether the Copyright Office will modify the statute on compulsory licenses for secondary transmissions to create a more consistent and practical regulatory scheme.

It also remains to be seen whether these online, unbundled, subscription based services will generate the same advertising revenue and projected profitability television networks seek, and whether these a la carte services are ultimate cost-savers for cable cutters. What is certain is that the market trend and FCC's growing support to redefine MVPDs to include these burgeoning SVOD services will result in greater consumer choices among television service providers to view their favorite content.

## Endnotes

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8. *Id.*
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**Marissa Crespo is a real estate attorney from Fox Rothschild LLP and a 2013 graduate of Columbia Law School. She is a member of the Motion Pictures Committee of the NYSBA Entertainment, Arts and Sports Law (EASL) Section, and a member of the Black Entertainment Sports Law Association (BESLA) as well.**

# Certiorari Denied in “Reverse Confusion” Case Concerning Fictional Computer Program in *The Dark Knight Rises*

By Tim Buckley

The Seventh Circuit’s 2014 decision in *Fortres Grand v. Warner Bros.* will not be reviewed by the Supreme Court, as the plaintiff-appellant’s petition for a writ of certiorari was denied on January 12th.

The dispute was based on a fictional software program featured in Warner Bros.’s 2012 film *The Dark Knight Rises*. Throughout the movie, Anne Hathaway’s character, Selina Kyle (whose alter ego is Catwoman), agrees to provide her services in exchange for a software program called the “clean slate.” The unrealistic program has the potential to erase her criminal history from every database in the world and allow her to escape her checkered past. Fortres Grand is a real-life developer of a computer security program called “Clean Slate,” and it alleged that it experienced a dramatic drop in sales as a result of the movie’s release. The real “Clean Slate” software is “used to protect public access computers by scouring the computer drive back to its original configuration upon reboot.” Fortres Grand owns a federal trademark registration (Reg. No. 2514853) covering those goods in International Class 9.

Fortres Grand asserted claims against Warner Bros. for trademark infringement and unfair competition under the Lanham Act and unfair competition under Indiana state law. The Northern District of Indiana granted Warner Bros.’s motion to dismiss, holding that there was no plausible claim for consumer confusion and that Warner Bros.’s use of the mark was protected by the First Amendment. The Seventh Circuit affirmed that decision. The Court of Appeals did not reach the constitutional issue of whether the defendant’s use of the words “clean slate” was protected under the First Amendment, because it agreed with the district court that Fortres Grand failed to state a claim for trademark infringement.

## Which Products to Compare?

This case is part of a small body of case law addressing the question of whether a fictional product in a movie or television show sharing the same name as a real commercial product can form the basis of a trademark infringement claim. As in any trademark infringement case, likelihood of confusion is the touchstone and provides the appropriate analytical framework. Courts in the Seventh Circuit use the following factors: (1) the degree of similarity between the marks in appearance and suggestion; (2) the similarity of the products for which the name is used; (3) the area and manner of concurrent use;

(4) the degree of care likely to be exercised by consumers; (5) the strength (or “distinctiveness”) of the complainant’s mark; (6) actual confusion; and (7) an intent on the part of the alleged infringer to palm off his products as those of another.<sup>1</sup>

With regard to the second factor, Fortres Grand asked the court to compare its software to the fictional software in the movie. Rejecting that approach, the district court and Seventh Circuit agreed that the relevant products to be compared are the plaintiff’s product and the defendant’s creative work. As it is unlikely that anyone would be confused into thinking that *The Dark Knight Rises* is associated with Fortres Grand, or alternatively, that Fortres Grand’s software is associated with Warner Bros., the plaintiff’s claims were deemed “implausible.”

## Reverse Confusion

The district court’s decision contains fallacies which have so far been unacknowledged. As a smaller, senior user of the “Clean Slate” trademark, Fortres Grand pressed its claims under a theory of reverse confusion. In classic forward confusion cases, the junior user’s products or services are mistaken as originating from the senior user. Reverse confusion, on the other hand, occurs when the junior user is a well-known brand (such as Warner Bros.), which can overwhelm a small senior user and lead consumers to believe that the senior user’s products originate from the junior user, even though the senior user has been in the market longer. “The result is that the senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.”<sup>2</sup>

After accurately reciting precedent on reverse confusion, the district court incorrectly applied the doctrine at three different points in its decision, as follows:

1. In order to state a claim for reverse confusion in this case, Fortres Grand has to make plausible allegations that Warner Bros. saturated the market with a product that the public has been “deceived into believing...emanates from, is connected to, or is sponsored by” Fortres Grand....
2. Recall that, in order to state a claim for reverse confusion, Fortres Grand has to make plausible allegations that Warner Bros. saturated the market with a product that the public has been “deceived

into believing ... emanates from, is connected to, or is sponsored by" Fortres Grand. . . .

3. To state a claim for reverse confusion in this instance, Fortres Grand would have to plausibly allege one of two things: 1) consumers have been deceived into believing that the *fictional* "clean slate" software in the movie "emanates from, is connected to, or is sponsored by" Fortres Grand or 2) consumers have been deceived into believing that the film *The Dark Knight Rises* "emanates from, is connected to, or is sponsored by" Fortres Grand.<sup>3</sup>

The district court erred. Established precedent required Fortres Grand to show that Warner Bros.'s conduct caused consumers to mistakenly believe that Fortres Grand's "Clean Slate" program originated with Warner Bros.

Without acknowledging the lower court's error, the Seventh Circuit correctly held that:

To state a claim for infringement based on reverse confusion, Fortres Grand must plausibly allege that Warner Bros.' use of the words "clean slate" in its movie to describe an elusive hacking program that can eliminate information from any and every database on earth has caused a likelihood that consumers will be confused into thinking that Fortres Grand's Clean Slate software "emanates from, is connected to, or is sponsored by [Warner Bros.]."<sup>4</sup>

The district court's misapplication of reverse confusion and the Court of Appeals' oversight thereof demonstrate the conceptual difficulties surrounding the doctrine, and that judges can be uncertain as to which type of confusion is at issue. Ultimately, the error was not determinative because of the court's findings on the likelihood of confusion factors, and the Seventh Circuit eventually

got it right without recognizing the inconsistency in how the standard was applied. In its petition for certiorari, Fortres Grand did not mention the error, instead asking the court to completely overhaul the likelihood of confusion tests and to recognize that trademark infringement claims are cognizable, even if the infringing product is not available for sale.

### Practical Takeaways

This case offers several valuable insights to practitioners and potential litigants. First, it underscores the importance of ordering comprehensive clearance searches prior to using fictional trademarks in creative works. Even though Warner Bros. won on the merits, it would have avoided costly litigation had it erred on the side of caution by choosing a name for its fictional software that was not identical to that of a real-life product. Second, the fact that the plaintiff's trademark was suggestive for its security software and descriptive in many other contexts provided support for the court's decision against it. A fanciful or arbitrary mark that is highly distinctive is always a preferred branding strategy.

### Endnotes

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3. *Fortres Grand Corp. v. Warner Bros. Entm't Inc.*, 947 F. Supp. 2d 922, 927-30 (N.D. Ind. May 16, 2013).
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**Timothy J. Buckley is an associate at the law firm of Powley & Gibson, P.C. in New York. The views expressed herein are those of the author and do not necessarily reflect those of the Powley & Gibson firm or its clients.**

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# Paying Off Debt With Art: An Analysis of the Unique Issues Involved With Using Fine Art as Collateral for Loans in the United States

By Ariel Sodomsky

*"When bankers get together for dinner, they discuss Art.  
When artists get together for dinner, they discuss money."*

Oscar Wilde<sup>1</sup>

The practice of taking out loans is commonplace, whether it is by students to pay for school, homeowners to cover a mortgage, or entrepreneurs to open a new business. In addition to gaining a loan based on credit history, property, such as cars and homes, can also be used to secure loans. This property is known as collateral, and serves as the borrower of the money's pledge to secure repayment of the loan.<sup>2</sup> Some feel that this "creation of capital through the collateralization of real property...[is] the root of the success of capitalism in the West."<sup>3</sup> Theoretically, anything could be used as collateral, protecting the lender against the borrower's default. The use of fine art as collateral is becoming more popular,<sup>4</sup> but this "little-known corner of the art business is lightly regulated and highly litigious."<sup>5</sup> The agreements for this type of loan are often similar to any other loan, using Uniform Commercial Code (UCC) and state law provisions, but there are many unique difficulties when the collateral is a very expensive, well-known piece of art. From who is entering into these agreements to how to value the pieces of art to what happens when the loan is not repaid, these loans have many nuances that are worth exploring.

While there is no knowledge of when art was first used as collateral, the practice of using fine art as collateral for loans at least predates World War II.<sup>6</sup> The granddaughter of the late Franz Koenig, a Dutch businessman and art collector, filed a claim with the Spoliation Advisory Committee of the Department for Culture, Media & Sport in the United Kingdom with respect to three paintings by Rubens, which are now in the possession of the Courtauld Institute of Art.<sup>7</sup> Koenig loaned the paintings to "the Lisser and Rosenkranz Bank as collateral for a loan," prior to the bank going into "liquidation in 1940 because of the impending invasion of the Netherlands by the Nazis."<sup>8</sup> The Spoliation Advisory Committee found that when the bank called in the loan, Koenig chose not to pay it, at which point the paintings were fully in the possession of the bank.<sup>9</sup> At that point the paintings were sold to a collector, "who subsequently bequeathed them to the Home House Society, the predecessor of the Courtauld Trust, in 1978."<sup>10</sup>

Koenig's granddaughter submitted that the sale of the paintings by the bank must have been made under duress because of the actions of the Nazis, but the Spo-

liation Advisory Panel echoed the decision of the Dutch Restitution Committee, and found that the family was "deprived of the paintings neither by theft nor by forced sale or by sale at an undervalue."<sup>11</sup> When Koenig refused to repay the loan, the paintings were rightfully owned by the bank, which could do with them whatever it wished.

The process that Koenig underwent, loaning the painting to a bank for money, is still a common way for those looking to get loans by using their art as collateral today. However, banks are not the only place where one can secure a loan. The major types of art lenders and financiers involved in this field can be divided into three categories.<sup>12</sup> The first is the pure non-recourse lenders, where there are no personal guarantees that the borrower will repay the loan.<sup>13</sup> These lenders act as traditional pawnbrokers and place the asset in storage.<sup>14</sup> If the borrower pays back the loan, the asset will revert back, but if the borrower does not pay, the lender has the right to sell the art against which the loan was backed.<sup>15</sup> Examples of this type of lender are Borro<sup>16</sup> (in both the U.K. and the U.S.), and Right Capital (in the U.K.).<sup>17</sup> Borro "lent nearly \$100 million" to people using art as collateral between 2009, when it opened, and 2013,<sup>18</sup> lending up to \$2 million per piece.<sup>19</sup> Paul Aitken, the founder and CEO of Borro, started the firm because he "felt there was an opportunity to provide a business that bridges the gap between the very high end types of lending that private banks do and the very high end of retail pawnbroking."<sup>20</sup>

The second category includes the traditional lenders, such as Citibank (Citi Private Bank),<sup>21</sup> Emigrant<sup>22</sup> and U.S. Trust.<sup>23</sup> These lenders rely on the borrower's credit and existing relationships with the lender, and may let borrowers retain custody of their art during the loan period depending on where the borrower is located.<sup>24</sup> Most lenders in this category are the private sectors of large financial entities, such as U.S. Trust for Bank of America, and Private Wealth Management at Goldman Sachs.<sup>25</sup> This type of lender can be attractive to clients because of the clients' familiarity with the larger entity. U.S. Trust, which oversees around \$350 billion in assets, "says its portfolio for art-backed loans grew 25% in both 2012 and 2013," and that its "typical borrower would already have a collection worth at least ten million."<sup>26</sup>

The last category of lenders is the art finance specialists and auction houses, such as Art Capital Group, Inc. (Art Capital Group)<sup>27</sup> and Sotheby's.<sup>28</sup> These lenders have specialized knowledge of the art market and draw clients in through their acquired expertise. As Baird Ryan, co-owner of Art Capital Group explained, artists themselves are often attracted to this type of lender because of the lender's understanding of the art world.<sup>29</sup> To date, Art Capital Group has worked with high profile names, such as publishing heiress Veronica Hearst, photographer Annie Leibovitz, and artist and filmmaker Julian Schnabel.<sup>30</sup> It made "about \$120 million in art-related loans in 2009, up from \$80 million in 2008."<sup>31</sup> As with the traditional lenders, the art being used as collateral within this category can either stay with the borrower or be held by the lender during the duration of the loan, depending on the agreement reached between the parties.

The loan agreements with all of the lenders mentioned above are governed in the United States by the UCC, a uniform act that deals with sales and other commercial transactions, primarily involving personal, movable property. Article 9 of the UCC applies to "a transaction, regardless of its form, that creates a security interest in personal property or fixtures by contract,"<sup>32</sup> regardless of "whether title to collateral is in the secured party or the debtor."<sup>33</sup> A security interest only "attaches to the collateral when it becomes enforceable against the debtor with respect to the collateral."<sup>34</sup> This security interest is found to be "enforceable only if: (1) value has been given; (2) the debtor has rights in the collateral or the power to transfer rights in the collateral to a secured party; and (3) one of the following conditions is met," usually that the "debtor has authenticated a security agreement that provides a description of the collateral."<sup>35</sup>

These first two requirements to enforce a security interest become particularly difficult when the collateral is a piece of art.<sup>36</sup> Whereas with other tangible property, such as a car or a home, it is relatively easy to figure out the property's value and ownership rights. These issues are not as simple with art. Unlike running a lien search for other types of personal property with clear title, "a secured lender to an art dealer cannot simply run a lien search to determine which works on display in a dealer's gallery are unencumbered inventory belonging to the dealer-borrower and, therefore, available as collateral."<sup>37</sup> Valuation of art works can seem subjective, and works of art are "often subject to legal disputes that create uncertainty as to legal title."<sup>38</sup> These two issues are very closely tied: the more certain and documented is the legal title, the less disputed will be the valuation.<sup>39</sup>

Valuations are often done by appraisers, many of whom are employed by the lenders mentioned above.<sup>40</sup> These appraisers have little difficulty appraising art by well-known artists, as these artists "tend to have large numbers of documented sales, both at auctions and through galleries, and valuing their art is usually no more

complicated than locating recent selling prices for art" similar to their art and using these prices for the appraisal.<sup>41</sup> When the valuation is not so simple, there are many other factors to consider aside from the market value of similar pieces.<sup>42</sup> The condition of the artwork is often assessed, looking to whether the piece has "been maintained in the same condition since its creation" and if not, what changes have been made.<sup>43</sup> This includes whether or not the object has been restored and how this has affected "the original integrity of the work."<sup>44</sup>

Rarity and demand are also looked to when appraising a piece of art.<sup>45</sup> Rarity is found by looking to "the frequency with which a work by an artist appears on the market, or the number of a specific type of work that is currently available from a particular period in an artist's career."<sup>46</sup> Rarity and demand are often intertwined, as the rarer is a piece of art, the more will it be in demand the piece. When certain pieces, such as those from Picasso's "Blue Period," do come up for sale, the combination of the arts' rarity and their demand drives the values to greatly increase.<sup>47</sup> On the other end of the spectrum are pieces that are "bought-in," which means that they have appeared at auction and failed to sell.<sup>48</sup> Pieces that have appeared "often and abundantly in public auction sales may achieve lower prices."<sup>49</sup>

Rarity and demand thus factor into another element to consider in the valuation of art: the work's provenance, which is "the sales and acquisition history" of the piece.<sup>50</sup> When a piece of art has changed hands many times or been up for sale, the piece loses value, especially if there are holes in its provenance.<sup>51</sup> This devaluation occurs because the work is less rare if many people have owned it or played a part in its history, and because the more people who are involved in the provenance, the more likely something suspicious could have happened.<sup>52</sup> In addition, "[p]rovenance research is often painstaking and not easy to do, and not every work has a discoverable provenance."<sup>53</sup> If there is a clear chain of custody from the artist to one or two other people, there are much fewer questions of rightful ownership or allegations of theft than if there is a long provenance, including periods of time where the art has no documentation of its location or ownership.<sup>54</sup> If the provenance is not clear, the value that a buyer is willing to pay or a lender is willing to loan for the painting will decrease, if the buyer or lender is even still interested in the painting at all.

This discussion of provenance brings up an interesting question when discussing art used as collateral for loans. Would using art in this way decrease its value, as the loan would be listed as part of the piece's history? Based on the above discussion, it seems as if using art as collateral for a loan, and thus adding another step to the piece's history, would decrease the value. The fact that the artwork's owner was willing to put the art up as collateral could also weaken an argument for a high value for the art. Putting the artwork up for collateral, though, is not

actually a sale or acquisition, so there is also an argument that this process might not actually affect the value at all. Either way, this use of the art as collateral for a loan will be of note to potential future buyers of the piece.

As mentioned above, depending on the type of lender and agreement, the art being used as collateral can be kept by the lender or the borrower during the period of the loan. The UCC sets forth rules for how the parties must deal with the art if it is in their custody. Either party may have custody of the property, but this secured party “shall use reasonable care in the custody and the preservation of collateral in the secured party’s possession.”<sup>55</sup> When a secured party has possession of the collateral, “reasonable expenses, including the cost of insurance and payment of taxes or other charges, incurred in the custody, preservation, use, or operation of the collateral are chargeable to the debtor and are secured by the collateral” and “the risk of accidental loss or damage is on the debtor to the extent of a deficiency in any effective insurance coverage.”<sup>56</sup> In addition, “the secured party may use or operate the collateral” to preserve the collateral or its value.<sup>57</sup> With art, preserving the collateral could include storing it properly or possibly even showing it in a museum during the loan to maintain its value.<sup>58</sup>

“[T]o help assure that no other party, such as another creditor or a bankruptcy trustee, will be able to claim the same collateral in the event that the debtor becomes insolvent,” a secured party can perfect his security interest.<sup>59</sup> A secured party perfects a security interest “to gain priority over the other parties” as to the collateral.<sup>60</sup> The UCC provides that “a secured party may perfect its security interest in collateral that is movable without filing a UCC financing statement if the secured party takes possession of the collateral.”<sup>61</sup> In the case that a secured party does not take possession, “perfection of the security interest can be achieved with the filing of a financing statement.”<sup>62</sup> The filing of a financing statement is the most common way for a secured party to perfect its interest.<sup>63</sup> This statement is filed with a public office such as the Secretary of State, and serves to put others on notice of the secured party’s security interest in the collateral.<sup>64</sup> The standard form UCC-1 is the form most commonly used by secured parties to file this financing statement.<sup>65</sup>

Aside from the UCC, there are also state laws that apply to collateral loans. Borro, which has its U.S. location in New York City, clearly states at the bottom of its website that “Borro is licensed by the City of New York under the Collateral Loan Brokers Law, Article 5 of the New York General Business Law.”<sup>66</sup> This is the law in New York that governs the agreements that Borro makes with borrowers, as well as all other collateral loan agreements in the state.<sup>67</sup> The first requirement under this law is that anyone who will “carry on the business of collateral loan broker”<sup>68</sup> must first get a license to conduct this work “from the mayor of the city or licensing authority of the

local governing body where the business is to be carried on.”<sup>69</sup> The license costs \$500 yearly where the business is conducted in a city with a population of more than one million people and no more than \$250 in all other cities.<sup>70</sup> The license “may be renewed on application to the mayor or local licensing authority each and every year on payment of the same sum and upon performance of the other conditions” of this law.<sup>71</sup> The penalty for working as a collateral loan broker without having a license is \$100 for each day the business is carried on without a license.<sup>72</sup>

As of 2006, there has also been a continuing education requirement for each person licensed as a collateral loan broker.<sup>73</sup> Every two years, a licensed collateral loan broker must complete at least “twelve hours of continuing education instruction offered in a course or program approved by any major licensing authority which licenses collateral loan brokers.”<sup>74</sup> Failing to comply with this requirement is grounds for “suspension, revocation, or refusal to issue any license issued pursuant to this article.”<sup>75</sup> The New York State Consumer Protection Board states that this continuing education requirement will ensure that collateral loan brokers will “maintain current standards of practice” and “will aid in providing consumers more effective service.”<sup>76</sup>

Senator Dean G. Skelos, who introduced this bill to the New York Senate, stated that he felt the continuing education was necessary in light of the technological changes in the collateral loan business, as well as the many regulatory requirements under which collateral loan brokers must work.<sup>77</sup> Senator Skelos summarized these many regulations in his letter on the bill while it was awaiting Governor Pataki’s action in 2006:

Collateral Loanbrokers (pawnbrokers) are subject to local, state and federal laws and regulations. For example, as financial institutions, Collateral Loanbrokers are required to comply with a host of federal provisions (Treasury Department and Federal Trade Commission) including Regulations Z (pertaining to Truth-in lending disclosure); Gramm-Leach-Bliley (pertaining to privacy) and most recently the extended Patriot Act (negative identity verification utilizing data base of known terrorists, money launderers and drug dealers—specified designated nationals)...The industry must abide by the Bank Secrecy Act and the rules of the Financial Crimes Enforcement Network.<sup>78</sup>

Based on these many laws by which collateral loan brokers must abide, this continuing education requirement seems to be in the best interest of the brokers and their clients.

Possibly because there are numerous regulations to consider and so much money involved in using art as collateral for loans, there are many legal issues and lawsuits between borrowers and lenders. The most well-known case of someone using art as collateral for a loan might be the agreement made between Annie Leibovitz, “widely considered one of America’s best portrait photographers,”<sup>79</sup> and Art Capital Group. In 2008, Leibovitz borrowed \$5 million from Art Capital for which she put up real estate and “all ‘copyrights...photographic negatives...contract rights’ existing or to be created in the future.”<sup>80</sup> In December 2008, Leibovitz took out another loan from Art Capital Group, bringing her total loans to \$24 million.<sup>81</sup>

Through these agreements Art Capital Group was also the only entity authorized to sell Leibovitz’s photos. These loans from Art Capital Group “effectively consolidated all of Leibovitz’s major outstanding obligations” for one year.<sup>82</sup> Based on the terms of the agreement, “Art Capital could be entitled to up to...15 percent on the sale of her work.”<sup>83</sup> Despite the fact that Leibovitz signed this agreement, she “has told people that she didn’t understand the ramifications of the agreement she signed.”<sup>84</sup>

In April of that year Art Capital Group “filed suit against Leibovitz, charging that she had willfully ignored the terms of the loan” by not cooperating with Art Capital Group in the sale of the rights to her photographs and her homes when she did not repay her debt.<sup>85</sup> Art Capital Group and Leibovitz settled in fall 2009, allowing the latter to keep control of her homes and the rights to her art.<sup>86</sup> Under the settlement, Leibovitz purchased “from Art Capital its rights to act as exclusive agent in the sale of her real property and copyrights” and therefore retained control of these “within the context of the loan agreement which shall prevail until satisfied.”<sup>87</sup> This means that Leibovitz still had to fulfill the monetary terms of the agreement but was able to retain the intellectual property right to her photographs.<sup>88</sup>

Aside from Leibovitz’s story, there seem to be many other complaints against Art Capital Group’s business. Many of the pieces of art hanging in its office, including two Warhols and two Rubens, previously belonged to borrowers, who are none too happy with Art Capital Group keeping the artworks.<sup>89</sup> Despite these and other problems, the popularity of the use of art as collateral for loans is continuing to increase. With more banks and other types of lenders beginning to work with these types of loans,<sup>90</sup> there is more opportunity for those with valuable works of art to use this art to get quick money.<sup>91</sup> Of course, when there is this much money involved, there will always be disputes and legal issues; it is just the nature of the business. As the noted art critic Donald Kuspit said when this business began to grow, “Money no longer serves and supports art, art serves and supports money.”<sup>92</sup>

## Endnotes

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9. *Id.*
10. Spoliation Advisory Panel, *supra* note 7.
11. *Id.*; see also, Gerstenblith, *supra* note 6 at 737.
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15. *Id.*; see also, BORRO, <http://www.borro.com> (“A Luxury Asset Loan is not a long-term financial solution. In the event that you do not repay your loan to Borro, the asset(s) that you used to secure your loan may be sold by Borro in order to recover the outstanding loan balance as per the terms and conditions of your signed loan contract.”).
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20. Keisha Lamothe, *Got a Picasso? Get a Small Business Loan*, CNN, June 1, 2012, available at <http://money.cnn.com/2012/06/01/smallbusiness/Borro-loans/>.
21. *Art Advisory & Finance*, CITI, <https://www.privatebank.citibank.com/whatWeDo/artAdvisoryFinance.htm> (“Citi Private Bank was a pioneer of the concept of art as collateral more than thirty years ago. Using art as a working asset to provide non-transitional sources of liquidity, we provide financing to collectors with internationally marketable art—paintings, sculptures, drawings and photographs by renowned artists. Our in-house Art Advisors discreetly evaluate art for lending, and inspect it on an annual basis.”).

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28. *Financial Services*, SOTHEBY’S, <http://www.sothebys.com/en/inside/services/financial-services/overview.html> (“Sotheby’s Financial Services is the world’s only full-service art financing company, offering loans both for property consigned for sale and term loans against the value of your collection.”).
29. Salkin, *That Old Master? It’s at the Pawnshop*, *supra* note 5 (Baird Ryan “explained that because his firm understands the art market better than regular banks, artists can make attractive borrowers. ‘We say, “Hey, you’re a bankable asset,’” Mr. Ryan said. ‘So we encumber their own art.’”).
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33. *Id.* at § 9-202.
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39. *Art Values: Appraisal and Valuation for Legal Reasons*, ARTBUSINESS.COM, <http://www.artbusiness.com/legalarta.html> (“With any art appraisal, the greater the number of documented sales records that exist for an artist, the more straightforward that artist’s art is to value.”).
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41. *Art Values: Appraisal and Valuation for Legal Reasons*, *supra* note 39 (“Valuing a work of art based on recent selling prices for similar works of art is considered sound evidence of current fair market value in the overwhelming majority of legal situations.”); *see also*, *How to Value Art*, ARTNET.COM, <https://www.artnet.com/auctions/pages/common/help/howtovalueart.aspx> (“Artworks and design objects may be most effectively assessed by examining the market for similar items...”).
42. *Fine Art & Antiques*, BORRO, <http://www.borro.com/fine-art-and-antiques> (“We take into account the artist, the uniqueness and provenance of the piece, the strength of the attribution, the supply/demand balance and any data we can locate from auction, gallery, and private-sale records including databases like ArtNet.”).
43. *How to Value Art*, *supra* note 41.
44. *Id.*
45. *Id.*
46. *Id.*
47. *Id.*
48. *Id.*
49. *How to Value Art*, *supra* note 41.
50. *Id.*; *see also*, *Provenance Guide*, INTERNATIONAL FOUNDATION FOR ART RESEARCH, [http://www.ifar.org/provenance\\_guide.php](http://www.ifar.org/provenance_guide.php) (“The provenance of a work of art is a historical record of its ownership, although a work’s provenance comprehends far more than its pedigree. The provenance is also an account of changing artistic tastes and collecting priorities, a record of social and political alliances, and an indicator of economic and market conditions influencing the sale or transfer or the work of art.”).
51. *Provenance Guide*, *supra* note 50 (“As a factor in establishing authenticity, a complete ownership history adds value to a work of art. Similarly, a distinguished provenance, recording the work in the collection of a prominent owner of collection, may have a positive impact on the work’s value. Conversely, the absence of a provenance record may raise questions not only about the legal title, but about the attribution or authenticity of a work, particularly in the case of an artist whose life and work are well documented.”).
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53. *Provenance Guide*, *supra* note 50.
54. *Id.* (“An ideal provenance history would provide a documentary record of owners’ names; dates of ownership, and means of transference, i.e. inheritance, or sale through a dealer or auction; and locations where the work was kept, from the time of its creation by the artist until the present day. Unfortunately, such complete, unbroken records of ownership are rare, and most works of art contain gaps in provenance.”).
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56. *Id.* at § 9-207(b)(1)-(2).

57. *Id.* at § 9-207(b)(4)(A).
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60. *Id.*
61. Saul H. Finkelstein, *Private Bank Lending: Legal Issues in Loan Documents*, 121 BANKING L.J. 847, 851 (2004); *see also*, UCC § 9-313(a).
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63. Saul H. Finkelstein, *Private Bank Lending: Legal Issues in Loan Documents*, 121 BANKING L.J. 847, 851 (2004).
64. *Id.* (“The UCC specifies what must be contained in a financing statement: the name of the debtor; the name of the secured party; and an indication of the collateral.”).
65. *Id.*; UCC Financing Statement, DEPARTMENT OF STATE, N.Y., <http://www.dos.ny.gov/forms/corporations/UCC1.pdf>.
66. BORRO, *supra* note 15.
67. *Collateral Loan Brokers*, NY GEN. BUS. CH. 20, Art. 5 (2014).
68. *Id.* at § 52 (“The term ‘collateral loan broker’ contained in this article shall be construed so as to include any person, partnership, or corporation; (1) loaning money on deposit or pledge of personal property, other than securities or printed evidences of indebtedness; or (2) dealing in the purchasing of personal property on condition of selling back at a stipulated price....”).
69. *Id.* at § 40 (“In the city of New York such license may be issued by the commissioner of consumer affairs.”).
70. *Id.* at § 41.
71. *Id.*
72. *Id.*
73. *Id.* at § 41-a.
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77. *Id.*
78. *Id.*
79. Annie Leibovitz, BIOGRAPHY, <http://www.biography.com/people/annie-leibovitz-9542372#synopsis>. One of Ms. Leibovitz’s most noted photographs was the cover of *Rolling Stone* with a nude John Lennon curled around his fully clothed wife, Yoko Ono. She has also famously worked for *Vanity Fair* and *American Vogue*.
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88. *Id.*
89. Salkin, *That Old Master? It’s at the Pawnshop*, *supra* note 5 (The Warhols belonged to Evan Tawil. Mr. Tawil’s lawyer “said that when Mr. Tawil’s loan term ended with his having made his interest payments in a timely fashion, he asked if Art Capital would release his paintings so he could auction them to pay off the principal, but the company refused.” The Rubens used to belong to Veronica Hearst.).
90. Ferro, *supra* note 36 (As of 2011, “22% of the private banks surveyed offer” advice on using art as collateral for loans. “33% of the private banks said it was very likely or likely that they would offer art lending as part of their private banking service platform in the next two to three years.”).
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**Ariel Sodomsy is a third year law student at Fordham University School of Law. She is from Reading, PA and graduated from Cornell in 2012 with a Bachelor of Arts. She would like to thank Leila Amineddoleh for her guidance and encouragement and the Scholarship Committee of the NYSBA Entertainment, Arts and Sports Law Section for selecting her piece for this great honor.**

# The Photographer Plays Big Brother: The Legal Implications of “Surveillance Art”

By Morgan Manley

Surveillance Art, ranging in medium and aim, is a movement that examines a variety of issues involving voyeurism, surveillance, and privacy.<sup>1</sup> Many artists, such as famed graffiti artist Banksy, create works that merely criticize surveillance through profound imagery.<sup>2</sup> Some artists, however, explore these topics through voyeurism or surveillance themselves. These artists use appropriated images from the Internet or “covert tactics” to shoot photographs of strangers.<sup>3</sup> Museums around the country are exhibiting these works, and in galleries such photographs can realize sums greater than \$60,000.<sup>4</sup>

Surveillance as a legal topic is not new. It was the central theme in post-World War II movies such as Alfred Hitchcock’s *Rear Window*, where a man witnesses a murder through binoculars he uses to look through people’s windows; and books such as George Orwell’s *1984* (from which the phrase “Big Brother” was coined), about a newspaper man who dreams of rebellion against a tyrannical government that monitors the lives of all civilians.

Surveillance Art often crosses the realm of fantasy and enters the lives of unsuspecting, real people who are the “subjects” of the photographer’s interest. It dates back to the 19th century, when photographer Jacob Riis took “flash” photographs of impoverished New Yorkers by sneaking into tenement dwellings.<sup>5</sup> Artists used surveillance throughout the 1930s and 1970s to explore violent crime and sexuality.<sup>6</sup> The Internet age gave rise to a new generation of surveillance artists, where photographers have used the digital universe to create dynamic works of art. Catherine Edelman, President of the Association of International Photography Art Dealers, noted, “the Internet has completely changed...the rules [of] photography.”<sup>7</sup> Yet where, if at all, does Surveillance Art cross from expression protected under the First Amendment to a violation of privacy protected mainly by statutory and common law?

## I. The Rights of the Photographer and His or Her Subject

Surveillance Art involves two<sup>8</sup> conflicting rights: (A) an individual’s right to privacy and (B) an artist’s right to freely express him or herself under the First Amendment. This part attempts to distill the parameters of both of these rights.

### A. What Is a Right to Privacy?

The right to privacy protects against unwanted personal invasions and resulting emotional damage by the government and other individuals.<sup>9</sup> The Fourth

Amendment of the United States Constitution protects the right to privacy from government intrusions.<sup>10</sup> Precedent reveals that the Fourth Amendment implicitly protects privacy rights, which are in turn tied to property rights.<sup>11</sup> Early courts, for example, permitted easements whereby a person could build windows overlooking a neighbor’s property, but could not complain when the neighbor built screens to block the view to protect his or her privacy.<sup>12</sup> In the late 19th century, Justices Brandeis and Warren wrote that the right to privacy should be a separate right from property rights.<sup>13</sup> This view was often preempted by preference for First Amendment rights of free-expression.<sup>14</sup>

In 1905, the Brandeis/Warren theory was revived when the Georgia Supreme Court recognized the first common law cause of action for the right of privacy, in which the court awarded damages for use of an image of a woman’s face in an insurance company’s advertisements without her consent.<sup>15</sup> In *Katz v. United States*, the Supreme Court also largely adopted the Brandeis/Warren theory in holding that the right to privacy extended to government interferences and was separate from property rights.<sup>16</sup> The Court, however, avoided infringing on First Amendment rights by adding that other Constitutional amendments, such as the First Amendment, also protected privacy rights.<sup>17</sup>

In 1960, William Prosser created four categories later adopted by the Second Restatement of Torts, under which an individual has a cause of action for invasion of privacy by another.<sup>18</sup> These categories were: “(a) intrusion upon the plaintiff’s solitude or seclusion; (b) publicity which place the plaintiff in a false light; (c) public disclosure of...embarrassing private facts; and (d) misappropriation of the plaintiff’s name or likeness for commercial purposes.”<sup>19</sup>

The right to privacy, however, is different for private individuals and celebrities. Historically, celebrities are viewed as having waived these rights.<sup>20</sup> In *O’Brien v. Pabst Sales Co.*, the court dismissed a claim for misappropriation of a famous football player’s likeness used in a beer advertisement.<sup>21</sup> The *O’Brien* court and subsequent courts held that the right to privacy “protects emotional interests of the private individual who, unlike the celebrity, opts to enjoy life outside of the public spotlight.”<sup>22</sup>

In the 1950s, courts recognized a cause of action for the use of celebrities’ “public identities and...personas” under the right of publicity.<sup>23</sup> In *White v. Samsung Electronics America, Inc.*, the court held that the famed Wheel of Fortune host, Vanna White, had a right of publicity cause

of action against Samsung for its use of a robot wearing a blonde wig and large jewelry that turned a block letter on a game board.<sup>24</sup> The court held that “the celebrity has an interest that may be protected from the unauthorized commercial exploitation of [his] identity.... If the celebrity’s identity is commercially exploited, there has been an invasion of his right whether or not his name or likeness is used.”<sup>25</sup> Only half of the states recognize a right of publicity; other states protect the right through unfair competition.<sup>26</sup>

While privacy and publicity are related, critical differences exist between them.<sup>27</sup> While celebrities may succeed based on the commercial use of their persona resulting in economic harm no matter where the photograph was taken, there is generally no right of privacy when in a public place or a place into which others can easily see.<sup>28</sup> Furthermore, while publicity rights are transferable, privacy rights are not.<sup>29</sup>

Prosser’s categories and the right of publicity are utilized either in part or entirely by states, each differing widely in implementation. For example, between 1953 and 1984, New York recognized a distinct right of publicity.<sup>30</sup> Today, however, New York’s Civil Rights Law §§ 50 and 51 provide limited causes of action for the use of a person’s name or image in connection with trade and advertising.<sup>31</sup> In contrast, California provides a cause of action for the “unwarranted publication of intimate details of one’s private life, which is outside the realm of legitimate public interest.”<sup>32</sup>

## B. Isn’t an Artist Free to Express Him or Herself?

The First Amendment states that “Congress shall make no law...abridging the freedom of speech, or of the press....” Like the Fourth Amendment, First Amendment protections are limited.<sup>33</sup> Historically, art has been subject to censorship.<sup>34</sup> As applied to the rights of privacy and publicity, however, artists’ constitutional interests often outweigh that of their subjects.<sup>35</sup>

After World War I, Americans adopted a broad view of free expression,<sup>36</sup> and First Amendment rights of visual expression generally trumped an individual’s right to privacy.<sup>37</sup> The seminal case balancing the right to publicity of individuals against artists’ freedom of expression was *Rogers v. Grimaldi*.<sup>38</sup> In *Rogers*, Ginger Rogers sued the film producer, Alberto Grimaldi, for using her name in “Ginger and Fred.”<sup>39</sup> The court held that the right of publicity was superseded by First Amendment expression unless “the use of a celebrity’s name...was ‘wholly unrelated’ to the movie or was ‘simply a disguised commercial advertisement....’”<sup>40</sup> This rule, known as the *Rogers* test, was implemented by the Sixth Circuit, but rejected by the Third, Eighth, Ninth, and Tenth Circuits.<sup>41</sup>

General privacy rights claims are subject to a similar test to *Rogers*. In New York, if an image is newsworthy or of public interest, First Amendment rights trump the right

to privacy.<sup>42</sup> Courts also apply a third exception to the privacy rule for nonverbal expression.<sup>43</sup> As one New York court held, “[n]on-verbal expression[,] includ[ing] works of art...are protected by the First Amendment.”<sup>44</sup>

## II. Where Does Surveillance Art Cross the Line?

As discussed, an artist’s First Amendment right to free expression has teeth and only in specific circumstances do privacy rights outweigh this right. This section will explore three of Prosser’s categories: Intrusion, public disclosure of embarrassing facts, and misappropriation, as well as the right to publicity in relation to Surveillance Art. Section (A) will discuss at what point Surveillance Art amounts to intrusion upon an individual’s solitude or seclusion; section (B) explores whether a photographer’s First Amendment rights can withstand a cause of action for disclosing embarrassing facts; and section (C) analyzes whether Surveillance Art may constitute a misappropriation of a plaintiff’s name or likeness for commercial purposes.

### A. Solitude and Intrusion: Where Is the Bright Line?

Prosser’s first category, the intrusion and invasion upon an individual’s solitude, is defined in the Second Restatement of Torts as: “one who intentionally intrudes...upon the solitude or seclusion of another...[and] the intrusion would be highly offensive to a reasonable person.”<sup>45</sup> What does that mean in the context of Surveillance Art?

While New York does not recognize a cause of action under this tort, two New York cases illustrate circumstances in which intrusion might be at issue in Surveillance Art. In *Nussenzweig v. DiCorcia*, an Hasidic man sued photographer Philip-Lorca diCorcia for invasion of privacy for taking photos of him, violating the Second Commandment prohibition against graven images.<sup>46</sup> Although the appellate court dismissed the claim because the statute of limitations accrued, the trial court found that the First Amendment protected diCorcia’s right to photograph people on the street.<sup>47</sup> While the court never entered into any discussion of public versus private spaces (i.e., the plaintiff was photographed in Times Square),<sup>48</sup> the issue remains as to when an action would arise for non-physical intrusions.

The second case presents this issue. In September 2014, photographer Arne Svenson made headlines for images taken with a telephoto lens of his neighbors through their windows.<sup>49</sup> In a suit brought by Svenson’s neighbors, the court emphasized that “courts have engrafted exceptions and restrictions...to avoid any conflict with the free dissemination of thoughts, ideas, newsworthy events, and matters of public interest.”<sup>50</sup> The court, therefore, chose to focus on the issues from the narrow perspective of trade purposes under the New York Civil Rights Law §§ 50 and 51, and ultimately held that the First Amendment protected the photographs.<sup>51</sup>

Other states generally agree that what is visible to the naked eye is not considered private,<sup>52</sup> although one court found that “peering into windows of a person’s residence is precisely the type of activity that leads to observing... private behavior.”<sup>53</sup> Determining “private behavior” is a fact-based inquiry, and there is “no talisman that determines in all cases those privacy expectations that society is prepared to accept as reasonable.”<sup>54</sup> It may depend upon social standards of privacy in different states. Window watching may be normal behavior in New York; however, in Illinois, where houses are widely spread, this behavior invades upon individuals’ privacy. Therefore, works by photographers such as Michel Auder<sup>55</sup> may not be covered by First Amendment protections in some states, but are protected in others.

What about the Internet? With few exceptions, a person’s seclusion cannot be intruded upon online. The Supreme Court’s statement that “[w]hat a person knowingly exposes to the public, even in his own home or office, is not a subject of Fourth Amendment protection,” is profound and all-telling.<sup>56</sup> Many courts hold that individuals lack a privacy interest in images that they or a third party post online, particularly on social networking websites.<sup>57</sup> As one court aptly noted, websites like “Facebook exist[] because its users *want* to share information—often about themselves—and to obtain information about others.”<sup>58</sup> The assumption is that once information is shared with a third person, even if for limited purposes, no expectation of privacy exists.<sup>59</sup> Thus, images of individuals appropriated by artists like Doug Rickard<sup>60</sup> from websites have no reasonable expectation of privacy.

## **B. You’re Embarrassing Me: Public Disclosure for Embarrassing Facts**

Recently the artist Jeff Hamilton (a.k.a. XVALA) made headlines for his proposed show at Cory Allen Contemporary Art (CACA) as part of XVALA’s “Fear Google Campaign.”<sup>61</sup> He planned to print on canvas the nude photographs of celebrities, like Jennifer Lawrence, that an unknown hacker leaked.<sup>62</sup> The purpose was to examine current culture and explore “[w]hy we feel the need to know and cross the lines of other individual’s privacy.”<sup>63</sup> While the show was ultimately cancelled,<sup>64</sup> XVALA’s proposed action begs the question whether the photographs would be covered under privacy rights as exposure of embarrassing facts.

The Supreme Court’s decision in *Bartnicki v. Vopper* seems to indicate “no.”<sup>65</sup> In *Bartnicki*, the Court held that the First Amendment protected public use of an illegally acquired third party communication.<sup>66</sup> However, some courts construe the *Bartnicki* holding narrowly.<sup>67</sup> In *Post-Newsweek Stations Orlando, Inc. v. Guetzloe*, the Fifth Circuit held that medical records illegally appropriated by a third party are outside the scope of the First Amendment because the records were not of public interest.<sup>68</sup> The Court held, “[w]e do not think that the Appellee’s status as a

public figure means that every aspect of his private life is of public concern.”<sup>69</sup>

Are Jennifer Lawrence’s nude photographs of public concern? This question seems obvious, but some states, like New York, broadly define the public concern or “newsworthy” exception and, therefore, limit the circumstances in which something will be outside of public concern.<sup>70</sup> Assuming *arguendo*, the photographs were of public concern, do individuals have a right to “move on” from undesired public disclosures? Pre-Internet, one court expressed that what once was public may again become private. The court held that “although a public personage loses his right to privacy for a certain period of time, [i]t would be a crass legal fiction to assert that a matter once public never becomes private again....”<sup>71</sup>

The Internet, however, permanently renders an image fixed in cyberspace. While Google’s policy is to remove graphic content upon request, individuals do not have complete control over what is published about them.<sup>72</sup> Therefore, XVALA’s “subjects” are unlikely to have a cause of action under U.S. law.

Some argue that there should be a cause of action and that the United States should adopt the European Union’s “Right to Be Forgotten.”<sup>73</sup> Based on the French *droit à l’oublie*, the European Union requires Google and Facebook to remove embarrassing images of individuals upon request.<sup>74</sup> It is interesting to consider whether the Europeans would apply this rule to artists like XVALA for creating works using appropriated images from the Internet. Further, if the United States adopted this rule, there likely would be gross violations of the First Amendment. Unlike much of the world, Americans consider the First Amendment as a basic tenant of civil liberties.<sup>75</sup> Some argue, therefore, that the law should focus on the public’s “right to remember.”<sup>76</sup> While most individuals would want naked photographs unintended for public consumption removed from the Internet, a rule like the “Right to Be Forgotten” would raise questions such as: “who gets to choose what is removed and what is not?” or “what information, if any, does the public have the right to know?” Finally, if the “Right to Be Forgotten” did apply to art like XVALA’s, the consequences for contemporary art would be widely felt.

## **C. Misappropriation of an Individual’s Name or Likeness for Commercial Purposes**

As mentioned in Part I, misappropriation and the right of publicity are extremely similar, the main difference being that the right of publicity is focused on celebrities’ pecuniary interests whereas misappropriation focuses on the private individuals’ emotional interests.<sup>77</sup> Both, however, focus on whether an individual’s likeness or name was used for commercial purposes. Does creating art for sale count as commercial for “commercial purposes”?

It depends. In *Nussenzweig*, discussed in Section A, the New York Supreme Court analyzed the definition of “art” as an exception to misappropriation for commercial purposes.<sup>78</sup> The court emphasized New York’s “liberal” standard for what constitutes art and, as long as it is sold in limited editions, art will circumvent the “commercial purposes” standard irrespective of its value.<sup>79</sup> Conversely, California holds that only “transformative” art is entitled to First Amendment protection over privacy rights.<sup>80</sup> Other states, like Georgia, hold that original works are entitled to protection, while reproductions are not.<sup>81</sup>

Yet what is “transformative” and are images appropriated from the Internet “reproductions,” or does the newly formed work constitute an original? In *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, the heirs of the Three Stooges’ right of publicity outweighed the First Amendment rights of an artist who reproduced an image of the actors on t-shirts.<sup>82</sup> The court announced that whether artwork is sufficiently transformative is a fact-based analysis, as works may take many forms, such as parody, or other transformative elements such as “factual reporting.... heavy-handed lampooning [or] subtle social criticism.”<sup>83</sup> Is the underlying social criticism of Surveillance Art sufficient to render works transformative? Many artists believe so.<sup>84</sup>

While the answer to this question may lie outside the framework of privacy law,<sup>85</sup> appropriation is not a new concept in art. Since Duchamp’s infamous urinal, artists have regularly used appropriated items in their works.<sup>86</sup> When an artist appropriates an item and incorporates it into his or her art, the item is removed from its original context, placed in a new light, and usually qualifies as transformative.<sup>87</sup> However, when artists appropriate, they “put [ ] their own reputation and even safety on the line. They don’t shove someone else[ ]...into the spotlight and take all the credit.”<sup>88</sup> Whether that is legally actionable is doubtful; however, critics argue that surveillance artists are perpetuating what they condemn.<sup>89</sup>

### III. Conclusion

The photographer Trevor Paglen said, “[m]y job as an artist is to traffic in images and to see the world; I don’t do policy work. That is not my job.”<sup>90</sup> This statement is both a truism and a falsehood. Artists are generally neither politicians nor lawmakers and, therefore, are not expressly in the business of creating or changing the law. However, the photographers mentioned are clearly testing legal boundaries to make statements about society and the state of the law.<sup>91</sup> In doing so, they play a crucial role in exposing many of society’s ills and increase awareness of important issues.<sup>92</sup>

Yet do random individuals need to be used as “pawns” in artists’ critiques? As shown throughout, the First Amendment protects artists with few exceptions. To diminish this right would be to diminish a basic tenet of American civil liberties.<sup>93</sup> The result would be felt

far greater than any individual invasion of privacy. The “right to remember” may be extreme (individuals should be allowed to move on from their past),<sup>94</sup> but the “right to forget” risks a society where information of public concern can be easily erased.<sup>95</sup> From a moral perspective, Surveillance Art may go too far by perpetuating what it seeks to criticize: the loss of personal privacy in the digital age.<sup>96</sup> While there is likely no remedy at law for most “victims,” artists should take care to remember that on the other side of their lenses are real individuals who are truly affected when their images are put on public display.

### Endnotes

1. See Barbara Pollack, *When Does Surveillance Art Cross the Line?*, ARTNEWS, Sept. 4, 2014, at 68, available at <http://www.artnews.com/2014/09/09/privacy-and-surveillance-art/>.
2. See Kimiko De Freytas-Tamura, *Possible Banksy Mural About Surveillance Pops up in Britain*, N.Y. TIMES, Apr. 14, 2014, <http://artsbeat.blogs.nytimes.com/2014/04/14/possible-banksy-mural-about-surveillance-pops-up-in-britain/>.
3. See Ellen Gamerman, *The Fine Art of Spying*, WALL ST. J., Sept. 12, 2013, <http://online.wsj.com/news/articles/SB10001424127887324094704579065123679605360>.
4. See *id.*; Pollack, *supra* note 1. Recent exhibits include “Exposed: Voyeurism, Surveillance, and the Camera since 1870” at the San Francisco Museum of Modern Art and “Public Eye: 175 Years of Sharing Photography” at the New York Public Library. See *id.*
5. Niamh Coghlan, *Voyeurism, Surveillance, and the Camera: Tate Modern*, AESTHETICA, Jun. 1, 2010, <http://www.aestheticamagazine.com/voyeurism-surveillance-and-the-camera>.
6. See *id.*
7. See Gamerman, *supra* note 3.
8. Surveillance Art also raises questions of trespass, as well as copyright and trademark infringement, which are not discussed in this article.
9. See 1 Alexandra Darraby, ART, ARTIFACT, ARCHITECTURE, AND MUSEUM LAW, § 15:1 (2014).
10. The Fourth Amendment states: “[t]he right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no [w]arrants shall issue, but upon probable cause, supported by [o]ath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.”
11. See Solveig Singleton, *Privacy Versus the First Amendment: A Skeptical Approach*, 11 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 97, 99 (2000) (citation omitted).
12. See, e.g., *Athey v. McHenry*, 45 Ky. 50 (Ky. Ct. App. 1845) (permitting a landowner to build a screen blocking the view of his property).
13. See Samuel D. Warren & Louis D. Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193 (1890), discussed in Singleton, *supra* note 11, at 105.
14. See Singleton, *supra* note 11, at 98-99.
15. See 1A Alexander Lindey & Michael Landau, LINDEY ON ENTERTAINMENT, PUBLISHING AND THE ARTS, § 3:1 (3d. ed. 2014) (discussing *Pavesich v. New England Life Ins. Co.*, 122 Ga. 190 (1905)).
16. *Katz v. United States*, 389 U.S. 347, 350 (1967).
17. See *id.* The Third and Fifth Amendments also provide privacy rights. See *id.* at 350 n.5.

18. See Darraby, *supra* note 9, § 15.2 (explaining privacy rights under Torts).
19. *Id.*
20. See Lindey & Landau, *supra* note 15, § 3:11.30. In the European Union, however, photographing celebrities and public figures in their private lives, even if in public, is a violation of privacy rights. See *id.* (citation omitted).
21. *O'Brien v. Pabst Sales Co.*, 124 F.2d 167, 168 (1941).
22. Claire E. Gorman, *Publicity and Privacy Rights: Evening Out the Playing Field for Celebrities and Private Citizens in the Modern Game of Mass Media*, 53 DEPAUL L. REV. 1247, 1258 (2004) (citing *O'Brien*, 124 F.2d at 170).
23. See *id.*; Darraby, *supra* note 9, § 15.2. The right of publicity is also founded in copyright law, which is not discussed in this article. See Lindey & Landau, *supra* note 15, § 3:24.
24. See *White v. Samsung Electronics Am., Inc.*, 971 F.2d 1395, 1398-99 (9th Cir. 1992).
25. *Id.* at 1398 (quoting *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir. 1983)) (internal quotation marks omitted).
26. *Right of Publicity: an overview*, CORNELL U. L. SCH. LEGAL INFO. INST., <http://www.law.cornell.edu/wex/publicity>.
27. See Darraby, *supra* note 9, § 15.3.
28. See Lindey & Landau, *supra* note 15, § 3:11.30 (citing William L. Prosser, *Privacy*, 48 Cal. L. Rev. 382, 389 (1960); *Pub. Utils. Comm'n D.C. v. Pollak*, 343 U.S. 451, 467 (1952)).
29. See Darraby, *supra* note 9, § 15.1.
30. See Amiel B. Weisfogel, *Fine Art's Uncertain Protection: The New York Right of Privacy Statute and the First Amendment*, 20 COLUM.-VLA J. L. & ARTS 91, 93-4 (1995) (citing *Lerman v. Flynt Distrib. Co.*, 745 F.2d 123 (2d Cir. 1984) (holding that relief under the right of publicity requires there be a commercial appropriation of the person's likeness); *Bi-Rite Enters. v. Button Master*, 555 F. Supp. 1188 (S.D.N.Y. 1983) (holding that celebrities only have a financial interest in their identity because, as public figures, they have waived their common law right of privacy)).
31. See *Stephano v. News Grp. Publ'ns, Inc.*, 64 N.Y.2d 174, 182 (1982).
32. See 1 Ralph Learner & Judith Bresler, *ART LAW* 883 (2d ed. 2012) (quoting *Sipple v. Chronicle Publ'g Co.*, 154 Cal. App. 3d 1040, 1047 (1984)) (internal quotation marks omitted).
33. See *Schenck v. United States*, 249 U.S. 47, 52 (1919) (holding that not all forms of speech are protected by the First Amendment).
34. See, e.g., *Close v. Lederle*, 424 F.2d 988, 989-90 (1970) (holding the removal of art located in a school hall was not an unconstitutional abridgement of the artist's rights); *Nat'l Endowment for the Arts, v. Finley*, 524 U.S. 569, 590 (1998) (upholding a statute requiring the National Endowment for the Arts consider "decency" and "respect" in selecting grant recipient winners).
35. See Patty Gerstenblith, *ART, CULTURAL HERITAGE, AND THE LAW: CASES AND MATERIALS* 43-59 (3d ed. 2012) (discussing artists' rights as compared to the rights of publicity and privacy).
36. Solveig Singleton, *Privacy Versus the First Amendment: A Skeptical Approach*, 11 Fordham Intell. Prop. Media & Ent. L.J. 97, 106 (2000) (citation omitted).
37. See Learner & Bresler, *supra* note 32, at 791. See also Darraby, *supra* note 9, § 10:36 (citing *Altbach v. Kulon*, 302 A.D.2d 655 (3d Dep't 2003) (holding that privacy rights are "strictly limited to nonconsensual commercial appropriations of the name, portrait or picture of a living person).
38. See generally *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).
39. See *id.* at 996.
40. See *id.* at 1004.
41. See Darraby, *supra* note 9, § 15.10.
42. See *Arrington v. N.Y. Times Co.*, 55 N.Y.2d 433, 440-43 (1982).
43. See Learner & Bresler, *supra* note 32, at 882.
44. *Simeonov v. Tiegs*, 159 Misc. 2d 54, 58 (Civ. Ct. 1993).
45. Restatement (Second) of Torts § 652B (1977).
46. See *Nussenzweig v. DiCorcia*, 11 Misc.3d 1051(A) (Sup. Ct. 2006), *aff'd*, 832 N.Y.S.2d 510 (App. Div. 2007), *aff'd*, 9 N.Y.3d 184 (2007). See also Pollack, *supra* note 1 at 70-71 (discussing the *Nussenzweig* case); Exodus 20:3.
47. See *Nussenzweig*, 11 Misc.3d 1051(A) at \*5; *Nussenzweig*, 9 N.Y.3d at 188. The New York Court of Appeals applied the single publication rule, which bars a claim after one year of the first "offense" or publication. See *id.*
48. See *id.* at \*1.
49. See *Foster v. Svenson*, 2013 WL 3989038, at \*1 (N.Y. Sup. Ct. N.Y. Cnty. Aug. 1, 2013).
50. *Id.* at \*4 (quoting *Time, Inc. v. Hill*, 385 U.S. 374, 382 (1967)) (internal quotation marks omitted).
51. See *id.* See also Jesse Woo, *Foster v. Svenson, When Privacy and Free Speech Collide*, Wash. Lawyers for the Arts Blog (Jan. 9, 2014), <http://thewla.org/foster-v-svenson-when-privacy-and-free-speech-collide/> (arguing the court should have addressed the threshold issue of whether the plaintiffs had a reasonable expectation of privacy).
52. See, e.g., *Schiller v. Mitchell*, 357 Ill. App. 3d 435, 440 (Ill. App. Ct. 2005) (holding that constant videotaping of a garage, driveway, and side-door of home is not an invasion of privacy).
53. *Vega v. Chicago Park Dist.*, 958 F. Supp. 2d 943, 960 (N.D. Ill. 2013). See also *Dietemann v. Time, Inc.*, 449 F.2d 245, 248 (9th Cir. 1971) (holding that photographing a man in his den was a violation of his right to privacy).
54. See *O'Connor v. Ortega*, 480 U.S. 709, 715 (1987).
55. Michel Auder recently created a "three-channel video installation presented at the 2014 Whitney Biennial," entitled *Untitled (I was Looking Back to See If You Were Looking Back at Me to See Me Looking Back at You)*. See Pollack, *supra* note 1, at 68. Auder taped his neighbors in their apartments while undressing, watching television, and making love. See *id.*
56. See *Katz*, 389 U.S. at 351 (citations omitted).
57. See, e.g., *Boring v. Google Inc.*, 362 F. App'x 273, 280 (3d Cir. 2010) (holding that Google did not intrude into individuals' seclusion by posting images of their residences on Google Maps); *United States v. Post*, 997 F. Supp. 2d 602, 605 (S.D. TX 2014) (holding that defendant lacked a privacy interest in metadata embedded in image he posted on the Internet). But see *Catsouras v. Dep't of Cal. Highway Patrol*, 181 Cal. App. 4th 856, 886 (Cal. Ct. App. 2010) (holding that an officer had duty not to post images of a corpse on the Internet for "lurid titillation").
58. *Cohen v. Facebook, Inc.*, 798 F. Supp. 2d 1090, 1091 (N.D. Cal. 2011) (emphasis in original).
59. See Shaun B. Spencer, *The Surveillance Society and the Third-Party Privacy Problem*, 65 S.C. L. REV. 373, 404 (2013).
60. Rickards creates portraits by photographing images appearing on his computer screen that were posted on Google, Facebook, and YouTube. See *Gamerman, supra* note 3.
61. See Leanne Bayley, *Glamour New*, GLAMOUR Blog (Sept. 4, 2014) <http://www.glamourmagazine.co.uk/news/celebrity/2014/09/01/celebrity-nude-photo-leaks-phone-hacking-fear>.
62. See Alex Rees, *Jennifer Lawrence's Nude Photos Will Be Displayed in Public as Part of a Terrible New 'Art' Exhibition*, Sept. 4, 2014, <http://www.cosmopolitan.com/entertainment/celebs/news/a30718/jennifer-lawrence-nude-photos-art-exhibition/>.
63. See Mike Vulpo, *Nude Photo Exhibit Canceled As Artist Suddenly Finds Empathy for Jennifer Lawrence, Kate Upton, and Other Victims*,

- E! NEWS, Sept. 9, 2014, <http://www.eonline.com/news/577430/nude-photo-exhibit-cancelled-as-artist-suddenly-finds-empathy-for-jennifer-lawrence-kate-upton-and-other-victims>.
64. See *id.* The actresses' lawyers promised to sue and there was a public outcry for the show not to go forward. See *id.*
  65. 532 U.S. 514 (2001).
  66. See *id.* at 533-35.
  67. See, e.g., *Boyd v. Cnty. of Henrico*, 592 S.E.2d 768, 776 (2004) (holding that public nudity statute did not violate First Amendment).
  68. 968 So. 2d 608, 612-13 (Fla. Dist. Ct. App. 2007).
  69. See *id.* at 612 (citation omitted).
  70. See *Myskina v. Conde Nast Pub'ns, Inc.*, 386 F. Supp. 2d 409, 418 (S.D.N.Y. 2005); Ariella Goldstein, *Privacy from Photography: Is There A Right Not to Be Photographed Under New York State Law?*, 26 CARDOZO ARTS & ENT. L. J. 233, 246 (2008).
  71. See *Johnson v. Harcourt, Brace, Jovanovich, Inc.*, 43 Cal. App. 3d 880, 890-91 (Cal. Ct. App. 1974) (citation omitted) (internal quotation marks omitted).
  72. See *Removal Policies*, GOOGLE.COM, <https://support.google.com/websearch/answer/2744324?hl=en>.
  73. See Joseph Steinberg, *Your Privacy Is Now at Risk From Search Engines -- Even if the Law Says Otherwise*, Forbes.com, Jun. 6, 2014, <http://www.forbes.com/sites/josephsteinberg/2014/06/02/your-privacy-is-now-at-risk-from-search-engines-even-if-the-law-says-otherwise/>.
  74. See Jeffrey Rosen, *The Right to Be Forgotten*, 64 STAN. L. REV. ONLINE 88, Feb. 13, 2012, <http://www.stanfordlawreview.org/online/privacy-paradox/right-to-be-forgotten>; Jeffrey Toobin, *The Solace of Oblivion*, THE NEW YORKER, Sept. 29, 2014, available at <http://www.newyorker.com/magazine/2014/09/29/solace-oblivion>.
  75. See Adam Liptak, *Unlike Others, U.S. Defends Freedom to Offend in Speech*, N.Y. TIMES, Jun. 12, 2008, <http://www.nytimes.com/2008/06/12/us/12hate.html?pagewanted=all>.
  76. See *id.*; Dave Lee, *BBC to Publish 'Right to be Forgotten' Removals List*, BBC NEWS, Oct. 17, 2014, <http://www.bbc.com/news/technology-29658085>.
  77. See *Ventura v. Titan Sports, Inc.*, 65 F.3d 725, 730 (8th Cir. 1995) (discussing the key differences between the right of publicity and the right to privacy).
  78. See *Nussenzweig*, 11 Misc.3d 1051(A) at \*7.
  79. See *id.* at \*6-7.
  80. See Goldstein, *supra* note 70, at 249.
  81. See *id.*
  82. See 25 Cal. 4th 387, 399-400 (2001).
  83. See *id.* at 406 (citations omitted). But see *Ross v. Roberts*, 222 Cal. App. 4th 677 (Cal. Ct. App. 2013) (holding that a rapper's appropriation of a cocaine dealer's name was transformative).
  84. See Emily Yahr, *Artist Plans to showcase stolen Jennifer Lawrence, Kate Upton photos in gallery exhibition*, THE WASHINGTON POST, Sept. 5, 2014, [www.washingtonpost.com/blogs/style-blog/wp/2014/09/05/artist-plans-to-showcase-stolen-jennifer-lawrence-kate-upton-photos-in-gallery-exhibition/](http://www.washingtonpost.com/blogs/style-blog/wp/2014/09/05/artist-plans-to-showcase-stolen-jennifer-lawrence-kate-upton-photos-in-gallery-exhibition/) (quoting XVALA as stating, "I'm taking them off the Internet and putting them into a new medium that is transformative").
  85. See, e.g., *Cariou v. Prince*, 714 F.3d 694, 698-99 (2d Cir. 2012) *cert. denied*, 134 S. Ct. 618, (2013) (holding all but five photographs an artist appropriated from a photographer constituted fair use, while reserving judgment and remanding for a decision on the final five photographs).
  86. See Priscilla Frank, *Artist to Exhibit Jennifer Lawrence's Leaked Nudes as Art Because the World Is a Dark Place*, HUFFINGTON POST, Sept. 4, 2014, [http://www.huffingtonpost.com/2014/09/04/jennifer-lawrence-nudes-art-\\_n\\_5766972.html](http://www.huffingtonpost.com/2014/09/04/jennifer-lawrence-nudes-art-_n_5766972.html).
  87. See Rachel Isabelle Butt, Note, *Appropriation Art and Fair Use*, 25 OHIO ST. J. ON DISP. RESOL. 1055, 1059-64 (2010) ("the artist removed the original work from...context and by doing so...transformed [it]").
  88. See Frank, *supra* note 86.
  89. See *id.*
  90. Pollack, *supra* note 1 (citing Trevor Paglen) (internal quotation marks omitted).
  91. See, e.g., note 2 and 66 *supra* and associated text.
  92. See, e.g., note 5 *supra* and associated text.
  93. See notes 77-78 *supra* and associated text.
  94. See note 75 *supra* and associated text.
  95. See note 79 *supra* and associated text.
  96. See note 93 *supra* and associated text.

**Morgan Manley is a second year law student at Fordham University School of Law, from New York City. Morgan received her B.A. from Brandeis University in Art History and International & Global Studies. After graduating from Brandeis, she taught sixth grade special education through Teach For America in Washington, D.C. and worked as a legal assistant for a private practice in New York. This past summer she interned in Christie's art law department and then spent the fall interning for the International Foundation for Art Research (IFAR). Morgan will be interning in the chambers of Senior Judge Pogue of the International Court of Trade this summer. At Fordham, Morgan is a staff member of the *International Law Journal* and will be competing in the Willem C. Vis International Arbitration Moot in Vienna this spring. Morgan hopes to work in fields of administrative law, international trade, and art law. Morgan would like to thank Leila Aminedoleh, with whom she studied art law last semester and who encouraged her to apply for this honor.**

NEW YORK STATE BAR ASSOCIATION  
ENTERTAINMENT, ARTS AND SPORTS LAW SECTION

# ANNUAL MEETING

FEBRUARY 9, 2015

Section Chair  
**Stephen Rodner, Esq.**  
Pryor Cashman  
New York City

## THE TMZ EFFECT: THE LEGAL ISSUES AND CONSEQUENCES FOR THE SPORTS AND ENTERTAINMENT INDUSTRY ARISING OUT OF THE UNEXPECTED RELEASE OF PURPORTED PRIVATE INFORMATION TO THE PUBLIC

Program Co-Chair and Moderator:  
**Jason Aylesworth, Esq.**  
Sendroff & Baruch, LLP  
New York City

**Frederick P. Bimble, Esq.**  
Cowan, DeBaets, Abrahams & Sheppard LLP  
New York City

**Prof. Robert A. Boland**  
New York University  
New York City

## ATHLETES, ATTORNEYS AND THE NFL (NEW-FANGLED LICENSING): SPORTS LICENSING IN LIGHT OF RECENT DECISIONS, CHANNELS OF COMMERCE AND EMERGING TECHNOLOGIES

Program Co-Chair and Moderator:  
**Britton Payne, Esq.**  
Fordham Law School and Bronson Lipsky, LLP  
New York City

**Christopher R. Chase, Esq.**  
Frankfurt Kurnit Klein & Selz, PC  
New York City

**Alan S. Hock, Esq.**  
Moritt Hock & Hamroff LLP  
Garden City

**Hrishi Karthikeyan, Esq.**  
National Basketball Association  
New York City



**Stephen Rodner**

**STEPHEN RODNER:**  
Thank you all for coming out on this beautiful day. It's good to see you and I know you were a bit inconvenienced by the change in schedule, but thank you again for coming out on this rescheduled event, and I'm sure it will be great and you will really be happy that you came.

I'm Steve Rodner, I'm Chair of the Entertainment, Arts and Sports Law Section of the New York State Bar Association, otherwise known as EASL. And those of you who are not members, I strongly advise you to join. There are a lot of programs that we present over the year that are both entertaining and informative, a lot of other events that we host, that I'm sure you would enjoy attending. And other perks, we have a

wonderful website, a wonderful blog, a wonderful *Journal* that you would be entitled to get as members.

I'm now going to introduce my Vice Chair, Diane Krausz, who will have further things to discuss with you. Diane.



**Diane Krausz**

**DIANE KRAUSZ:** The only thing I have to do is report on the Nominating Committee for this year. We only had one opening, and so I report for you that the members of the Nominating Committee—and I'll be glad to tell you who they are if you want, any questions later—have nominated the following persons to serve on behalf of the Section's delegates in the House of Delegates. They are,

starting on June 1, 2105, Stephen Rodner and Rosemarie Tully, and Diane Krausz as alternate. So does anyone have any other members or any other recommendations they'd like to add?

**AUDIENCE:** Move to approve the Nominating Committee recommendation.

**DIANE KRAUSZ:** Thank you. Does someone second that?

**AUDIENCE:** Second.

**DIANE KRAUSZ:** All those in favor say, Aye.

**AUDIENCE:** Aye.

**DIANE KRAUSZ:** Okay, passed. It's really great that you came out since this is our make-up Annual Meeting, and I think we have a great group of speakers today, so thank you.

One of my favorite people is Rich Garza, who's going to come up now and announce the scholarship winners of the Phil Cowan/BMI prize. Thank you very much.

**RICH GARZA:** Good afternoon. My name is Richard Garza, I'm the Assistant V.P. of Legal and Business affairs at BMI.

BMI is a U.S. performance rights society. We have over 600,000 affiliates consisting of composers, songwriters and publishers. We serve these affiliates by licensing their works for the public performance. Last year we collected \$944 million.

BMI and the Entertainment, Arts and Sports Law Section of the New York State Bar have been co-sponsoring this scholarship award since 2005. It is known as the Phil Cowan Memorial/ BMI Scholarship.

The late Phil Cowan was a highly respected entertainment attorney and a former Chair of EASL. On behalf of EASL, of the New York State Bar and BMI, I would like to say that it is truly a privilege for BMI to continue to be part of this scholarship competition and provide an opportunity for law students to write papers on areas of law covering entertainment, art and sports law.

This year the scholarship winners are both from the same school, Fordham University School of Law. We congratulate Fordham and the two winners. Now my colleague Jared will tell you a little bit about the two winners.

**JARED:** Thank you, Rich. So we had two winners this year. And the first winner is Ariel Sodomsky who wrote, "Paying Off Debt With Art: An Analysis of the Unique Is-

sues Involved With Using Fine Art as Collateral for Loans in the United States." Ariel is a third year law student at Fordham University School of Law, Class of 2015. She is from Reading, PA and graduated from Cornell in 2012 with a Bachelor of Arts. She would like to thank Professor Leila Amineddoleh for her guidance and encouragement, and the Scholarship Committee of the Entertainment, Arts, and Sports Law Section of the New York State Bar Association for selecting her piece for this great honor. Unfortunately, Ariel is not here today, but we do congratulate her on this honor. Thank you.

The other winner is Morgan Manley who wrote, "The Photographer Plays Big Brother: The Legal Implications of 'Surveillance Art.'"

Morgan is a second year law student at Fordham University School of Law, Class of 2016, and is from New York City. She received her B.A. from Brandeis University in Art History and International and Global Studies. After graduating from Brandeis, she taught sixth grade special education through Teach for America in Washington, D.C., and worked as a legal assistant for a private practice in New York. This past summer she interned in Christie's art law department, and then spent the fall interning for the International Foundation for Art Research.

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And without further ado, I'd like to bring up Morgan Manley to congratulate her.

**STEPHEN RODNER:** Okay, it's now show time. We've got two wonderful panels this afternoon, and I'm sure you're going to find they were well worth the wait from the originally scheduled afternoon date.

I'm going to introduce the moderator of the first panel, Jason Aylesworth, who is with the firm Sendroff & Baruch. Jason is going to moderate the first panel. He is a member of the EASL Executive Committee, Chair of our Student Liaison program, and very, very active in many programs of the EASL Executive Committee and the EASL Section, so I'm going to turn it over to Jason.

# The TMZ Effect: The Legal Issues and Consequences for the Sports and Entertainment Industry Arising Out of the Unexpected Release of Purported Private Information to the Public



Jason Aylesworth

**JASON AYLESWORTH:** All right, thank you. Thank you, Steve. Thanks everyone for being able to show up today since it was postponed.

As Steve mentioned before, I am Chair of the newly formed Student Liaison Committee. And it's been a mission of the New York State Bar Association to reach out to law schools and law students and building relationships between attorneys and law students. And one

in particular that was very instrumental in helping out with this program and doing the research, and getting timelines, was David Fogel, who is right over there; he's a 3L at Cardozo. He's been so instrumental in preparing and helping me in coming up with all the information for this program, and if anyone's creating CLEs, I would encourage you to reach out to the law schools, they're very helpful.

The TMZ Effect program, just to give you an idea of the six topics we're going to cover: We are going to discuss Donald Sterling, Stephen Collins, Ray Rice, Adrian Peterson, Bill Cosby, and Sony, and "The Interview." We're going to cover all the different scandals and legal issues surrounding the disclosure of confidential information on TMZ and other websites, and how the public instantly pressures these organizations and artists to make decisions to, I guess, soften the blow of the controversy.

Before I begin, let me introduce the two panelists. First, directly to my right is Frederick Bimber. He's a partner at Cowan, DeBaets, Abrahams & Sheppard. He's a transactional attorney representing numerous celebrities in all entertainment issues. I know a number of them have had dealings with TMZ before, so it's one of the reasons why he's here.

The other panelist is Robert Boland. He is Academic Chair and Professor of Sports Management at NYU, and he also teaches Sports Law for the NYU Law School. He also represents coaches and management personnel for athletics.

Throughout the program there are materials in the CLE handout. You don't have to refer to them as we're going through this program, but there are some interest-

ing pieces about the paparazzi, and recordings, and even the Ray Rice case that was adjudicated. There was a hearing, so I would recommend reading that afterwards.

So let's start out by talking just about TMZ in general. Whenever I hear of a scandal, whether it's a celebrity or an athlete, I go directly to TMZ as a resource. And probably because it just chooses videos as is, and it's something I tune into. But TMZ particularly in 2014, their release of videos and purported confidential information, has set some dire consequences for the subjects in the controversy.

First of all, I'd like to talk about Donald Sterling, just to give you a brief overview. He was owner of the Golden State Warriors basketball team. And there was a private recording made of him making disparaging racist remarks in private, and that record on April 25th was released to TMZ, and that was during the playoffs for the NBA. And there was a lot of pressure from the league. There were sponsors preparing to drop if nothing was to be done. And Adam Silver, who is a duly appointed Commissioner for the NBA, made a ruling that he was essentially banned forever.

So the first question I have actually is for Robert Boland to describe how Silver had this power, and if he had the authority to get rid of Sterling in this manner.



Robert Boland

**ROBERT BOLAND:** Well, that's a terrific question. Let's try not to get too deep into the antitrust implications of this. But almost every professional sports league if you were to think about it, and I can only use this analogy in New York City, operates either as somewhere between the line of a co-op or a condo, I'm not quite sure which is the appropriate version of it. But your franchise belongs

to the league and the other owners as much as it does to you, and you have the right to operate. But that's a limited ability of a commissioner to take away.

There's a league charter, there are league rules. And in almost every league, the commissioner has sort of an unfettered power to act in the best interest of the sport except as we've applied the antitrust laws to professional sports, and we've applied them unevenly.

In 1920, many of you in the room already know that Major League Baseball gets an antitrust exemption via Supreme Court doctrine, and so far in the history of sports the only league that's ever kicked out an owner effectively is Major League Baseball. Although we'll see if Donald Sterling got close to that. In fact, Major League Baseball banned George Steinbrenner for life for conspiring with a gambler named Howard Spira in the 1980s to dig up dirt on one of his own players. That clearly was for someone's life other than Steinbrenner's, because he came back from that. And the other person was Marge Schott, who was the owner of the Cincinnati Reds, who was banned for, in addition to having what I would describe, political views that sort of bordered on Mel Brooks' version of "Springtime for Hitler," she also was out of money and about to default to her partners.

So basically the power of the commissioner comes from section one of every league's charge, which says they have the power to take emergency action in the best interest of the sport. Their limitation of that power is, and we've seen it in basketball, football and baseball, is that it cannot be arbitrary and capricious or an overreaction. And the specific language that Silver, his predecessor was Stern, and of course we have Sterling, so they've made this an alliterate mess on some level. But the specific provisions he was writing on would be Article 13, I believe, in the NBA Constitution and Bylaws, that says the power of a commissioner to act and remove an owner on a two-thirds vote of the other owners in the case of a financial or other obligation failing to be met or contractual obligation failing to be met. That was, in its writing, anticipating almost exclusively to mean someone basically going bankrupt and not meeting payroll. The other teams got to come in and operate you and kick you out ultimately if they wanted to. It was never meant in this case of—or never intended, at least in the case of what would ostensibly be private speak of Donald Sterling.

We're all probably pretty much aware of ultimately what happened to him. A tape that was recorded by a girlfriend of him in a phone call while she was potentially trying to get money from him, and some sort of settlement, was played on TMZ, and that forced an amazing story.

So this is a real test of commissioner powers. And I think we'll find that if we look at commissioners of all sports operating on the co-op, condo, and the extent of the power, and the fact that commissioners themselves are hired by the owners of their leagues, so they don't like to kill them if they can avoid it.

Regicide is not thought of well by the other owners, even if the owner they're killing is the most loathsome of those owners. And there's a fair argument that Mr. Sterling might have been.

So it was a very interesting moment when Adam Silver, a brand new commissioner, essentially used the

nuclear option on Donald Sterling. I pause at that, because there's an interesting aside if you want a comparison point in the heart of Deflategate just last week. Robert Kraft, who is one of the most influential NFL owners, really just sort of cornered the commissioner in the same moment, firing a shot across his bow over the continued investigation and demanding an apology. So there is a very limited power, while the commissioners have it, there is a limited nature of exercise of that power and that's exactly where we were in this conflict.

**JASON AYLESWORTH:** What recourse could Donald Sterling have?

**ROBERT BOLAND:** Well, I think he was anticipating this until he decided he would just go on Anderson Cooper and talk about it. He was anticipating an antitrust lawsuit. And if you were to sort of set out the asides and what was probative in the suit, it would be an interesting one. The commissioner would essentially be facilitating a group boycott of the other owners against Sterling and his franchise. He could sue for treble damages because it's a conspiracy, and I think his argument would be "I'm being penalized in a way that no one else here before has ever been penalized ostensibly for actions in my private life, the private life of you 29 other NBA owners is now on the table and in the books." So I think that was the threat that he made in all of this. Somehow the NBA found Steve Ballmer, the Microsoft executive, sitting on the sidelines in all of this. And the case went from interesting to absolutely bizarre at this point.

**JASON AYLESWORTH:** How do we recommend clients, someone like Donald Sterling, who says disparaging remarks in private and he's secretly recorded. Now, in New York you just need one party's consent to actually make a legal recording. But California, it was illegal.

**ROBERT BOLAND:** Yea, it certainly seems to be an illegal recording as it was made *per se*. The challenge is to TMZ and their timeline, and this is one of the things that makes this such an interesting effect and worth examining, and particularly for sports; TMZ takes things out of the normal comfort zone for sports.

What's true in almost every sports league, and I know I'm not answering your question, I'm kind of going on a tangent on it, but almost every other sports league gets tips off from their media. Their media is actually a typically very friendly media, because in almost every case the media that covers sports is a rights holder in the same sport. So the NBA has got rights with ESPN, and ABC, and Disney, and as a consequence they're usually tipped off. TMZ gives none of that in terms of that.

So I don't even think the case of injunctive relief, which would be your normal idea, like the kind of Pentagon Papers. You release it, it's private facts, it's embarrassing, it's never going to be valuable in this case. You're going to always have to deal with the lawsuit after and

the fallout. And maybe the question is, if you're going to say something, it's going to be said, this was ostensibly private conduct and I have a right to opinions and not to lose property over it.

**JASON AYLESWORTH:** Either one of you could answer this question, this just came from the audience. We were talking about how the reaction of the league, the owners, the sponsors, but what about the players, the actual players that came out and, I think, they threw their sweats in protest on the floor, and I think one of the opponents that they were facing during the playoffs was threatening to not even show up to a playoff game.

**ROBERT BOLAND:** I'll jump on this one. The other thing that kind of plays on this one is the players certainly were upset by this, and clearly it cut right at the heart of the league. It's about probably 80% African American or minorities to cut through this. The other part that we don't think about a lot is that the players' union in almost every major sport, with the possible exception of baseball, has been on the retreat and been engaged in sort of what I've described as about a five-year run of concessionary bargaining.

The idea that an owner who might have been actively racist gave the players' union suddenly a moment where they were not only relevant, but they had the power to act and kind of stir up some challenge for the league, that certainly gave them an opportunity to do this.

So I'm not sure—I think the sponsor issue is of great concern. I think the union issue was of some concern, but not immediate concern, but I think it was being ginned up by the players looking for an advantage in this moment, but that's another thing to think about.

Sport almost all the time is in some level some version—and I see it this way, because this is what I specialize in—some version of this antitrust pas de deux that everybody is doing with their players' union. And with the leagues winning more often than not lately, the unions are grasping for things. And this is one of those kinds of issues they were grasping for.



Frederick Bimblar

**FREDERICK BIMBLER:** And this type of recording, it seems like that Sterling would have bigger fish to fry than V. Stiviano, but she did actually make an illegal recording, she did actually disseminate it, and send it out. So if Sterling was to file an action against her—

**ROBERT BOLAND:** What is she going to get?

**FREDERICK BIMBLER:**  
No, it's pretty much nothing.

**ROBERT BOLAND:** That was the problem, she was judgment-proof. She's the erstwhile girlfriend shaking you down for money, so she's probably judgment proof in that sense. The challenge I guess to that one is, would that bring credibility into the league's action, would it undermine the league's action, that this involved a blackmail attempt, that this involved an illegal recording? And my answer is that it certainly reinforces Sterling's suit against the fellow league members if they ever took the vote and banned him.

I think that's the other key issue if we look at this in the broader context, that vote never was taken. The commissioner looked very bold in stepping out there saying "I'm planning on taking that vote."

And Mark Cuban, who I don't think enormously highly of as an owner—I think he's a great entertainer and a great business executive, but a terrible sports owner on a lot of levels—said the exact most sanest thing I've ever heard said, he said, "I don't think that's a slippery slope any of us want to start down," which is the idea if you're the commissioner, do you want to start looking down into the private conduct of your owners?

I think you can see that—the nice part is, we'll talk about it again in the Rice case, I think you'll see that echoed in the NFL's reaction too. There are times the commissioner is a wonderful shield for the 30 or 32 other owners, and in that case he certainly was in that moment. He looked strong, he looked decisive, and the owners never took that vote.

**FREDERICK BIMBLER:** It's interesting, because I think people that knew Sterling, the other owners, other coaches, knew this about Sterling's character. And I think he was even up for his second NAACP award that year. I just wonder that it seems like no one was surprised by his private comments; however, they still did business with him.

**ROBERT BOLAND:** Well, that is one of the challenges in the co-op idea of the league that once somebody becomes a member it's very hard to get them out as a member as long as they're financially solvent.

I think it's fair to say that Sterling was probably one of the most disliked of the NBA owners. It's maybe ironic or kind of maybe poetic that he was sort of undone by this as it happens, but it is an interesting piece.

I think the other thing that TMZ that is particularly interesting, as we look at it in the relationship to sports leagues, is it forces reactions outside the normal timeline for a league.

This story broke on a Saturday and I'm going to use my old Master's Degree in Media Communications Studies, which I barely ever touch anymore, so I'm happy about that. It almost seemed to explode into a weekend news cycle and dominate it that by Sunday night, they

were compelled to go forward and make statements. And by Monday or Tuesday, I think it was Tuesday, Adam Silver is almost at the microphone, forced there.

So it's an interesting idea that typically we bury bad news on Fridays and into the news cycle. I think TMZ has found a way, because—and again, because the way sports is covered—particularly to have this enormous kind of almost explosive effect over a slow news period with allegations, and recordings, and things to look at. It's like almost dumping into a cycle where nobody else, into a vacuum where nobody else is looking. And I think that's a very powerful thing.

**JASON AYLESWORTH:** We're going to go into the Stephen Collins case. And this is another recording that was actually made. The type of recording that was made was actually not illegal, because there is an exception.

Stephen Collins, he played the priest on "Seventh Heaven," and in 2012 in a marriage therapy session with his then-wife, she recorded a conversation with the therapist, and one of the things that he disclosed was that he had inappropriate relations with someone underage, I believe 12 years old.

The reason why the recording was legal was the law—you can secretly record conversations to gather evidence if the person committed a violent felony. And molestation of a child under the age of 14 qualifies.

So this recording was released through TMZ two years later on October 7, 2014. And the effect of it, the TMZ effect, was that he was supposed to be in the movie "Ted 2," and he was essentially fired from that film.

Also the UPTv television station dropped reruns of the "Seventh Heaven" show, so that it interferes not only with his royalties, but other artists' as well.

He actually was also dropped from the show "Scandal," not only was he dropped from the show, but they had filmed scenes with him and they actually removed his image from those scenes.

So all these issues focus primarily on the morality clause in entertainment contracts. And Fred, I'd like to go to you to just speak a little bit about morality clauses, not just with this case, but others.

**FREDERICK BIMBLER:** Most agreements for celebrities, either performing as actors or spokespeople, will contain a very generalized Morals Clause, which is if you do anything that tends to bring disrepute upon yourself, or the show, or the brand, that the counterparty has the right to terminate you.

In these circumstances, I'm fairly certain that there was a generalized Morals Clause of this kind where they were able to fire him. And I'm sure that there was language also when you're talking about a syndication of a television series, I'm certain that they have a similar type

of Morals Clause in there to be able to withdraw it. And also the local affiliates have the discretion to put whatever they want on their air.

From my point of view, which is primarily as a representative of celebrities, and from time to time on the other side representing productions, I look at the Morals Clauses from both sides.

For purposes of this discussion, I was just culling a few Morals Clauses that I've looked at, and I thought it might be interesting to see how we as practitioners would try to nullify or minimize the sweeping effect of a Morals Clause for a celebrity-type of client.

I'm going to read—and I suppose I can give you a form of this if it's interesting. This is a very powerful studio's Moral Clause for an actor: "If Artist should, prior to or during the term hereof or thereafter, commit any act which brings artist into public disrepute or scandal, or which shocks, insults or offends a substantial portion of a group of the community, or reflects unfavorably on Artists or the Studio, then the Studio may, in addition to, and without prejudice to any other remedy of any kind or nature set forth herein, terminate this Agreement at any time after the occurrence of any such event."

And further, "Studio may, with or without terminating the Agreement, delete any credit given to the Artist in connection with the motion picture, and may thereafter disregard any credit obligations of this Agreement."

So the interesting part of this is the generality of what can invoke this, which could be, having a car accident in Malibu where somebody dies that you might not have been the cause of. If the press gets spun in such a way where it looked—where you were involved in this and the public started to think that you had something to do with—perhaps you were careless in the manner in which you were driving and it resulted in death, that's sufficient under this type of language to be able to terminate you.

What we do, and this is a very particular situation, and what we manage to negotiate out, and to minimize it, is to say that the studio won't invoke its rights unless there's a conviction of felony. Again, this is directly out of the contract, so I'm trying to edit as I go.

**DIANE KRAUSZ:** That involves—

**FREDERICK BIMBLER:** An actor, and a movie, and a studio.

**AUDIENCE QUESTION:** Any felony?

**FREDERICK BIMBLER:** Any felony, but that's good. That's actually very good. Often when you get tied to a conviction, it's not a conviction, it's a charge, if you're charged, or arrested for, and it's not simply for acts that would constitute a felony. It's for acts that will constitute a felony or a misdemeanor involving moral turpitude, we usually get into it.

The other aspects of this is, there's the whole credit thing again, but they can withdraw the credit, but we always lay back in, well if the person appears in the film, then you have to credit them. And in this particular circumstance where the actor has significant power, they also may not invoke their rights if the only act subjecting the artist to contempt or ridicule relates solely to the artist's political beliefs or philosophy as expressed in the public.

This is where there's a great deal of power. When there's less power, one of the little tricks I like to throw in is you can't—you always have to weigh and measure your fights inside of these agreements. What I attempt to do is to time limit. The studio will keep all of their language and all of their discretion, we have their right—in this particular one that I'm looking at, is exercisable only within 30 days after their discovery. So if they fail to exercise their right to terminate within 30 days after they discover then they waive it essentially, although you will never get them to state waiver language inside of the contract.

The last one I was looking at was—this is an endorsement, a type of endorsement. And again, it's the same language, this comes across "not commit any act or do anything which might tend to bring the person into public disrepute." Now, historically these have always been in these types of contracts, especially when you're talking about a brand where somebody is endorsing a brand, but over time we had started to chip away from the artist point of view, at how severe it is. And it wasn't until a sports person—

**JASON AYLESWORTH:** I'm going to guess his name.

**FREDERICK BIMBLER:** Please.

**JASON AYLESWORTH:** Tiger Woods.

**FREDERICK BIMBLER:** Yes. Who had a billion dollars worth of endorsement contracts.

**JASON AYLESWORTH:** With some of the strongest language in favor of him you could possibly imagine.

**FREDERICK BIMBLER:** Right. Once that happened everybody—there was a knee jerk reaction and it was all down to whatever, you know, anything you do. If somebody is remotely offended by the fact that your dress split at the Emmys, you're gone or you can be gone. But there's always—I've never actually seen, in terms of what I do—obviously Stephen Collins is a—bringing it back to him, is an extreme circumstance where he—and again whether or not the recording was legal to be released, the horses had left the stable, there was nothing he could do.

**JASON AYLESWORTH:** Well, someone has a question from the audience regarding Sterling, but are there any legal ramifications against TMZ for releasing a tape

recording of Stephen Collins' private recording or even Donald Sterling's recording?

**ROBERT BOLAND:** Press. I think the challenge would be is it truthfully made, and is it a public figure, in which case it might be newsworthy, in which case that may override the legality of it even if it comes out of the potential privacy issue.

Again, I think the privacy claim goes back not to—not to probably TMZ, but it goes to V. Stiviano in the case of Sterling. In the case of—I'm just thinking, in the case of Collins—it's very hard to get the genie back in the bottle on any of that. It's kind of terrifying that whatever he had done was too raunchy for Seth McFarland in "Scandal," that's really when you get to the scary part of the law.

**FREDERICK BIMBLER:** But it's some inappropriate touching of a young minor.

**ROBERT BOLAND:** And it's important that the reason he couldn't be prosecuted for it, it was post the statute of limitations, but it was admitted later, so that's the thing that makes it even worse than that in some ways.

**FREDERICK BIMBLER:** And you'll see that the reaction that his entire camp had was—I mean what happens is that you're no long looking at lawyers at that point. It's out, it's whether or not it's legal, whatever legal actions you might have taken to try to suppress the tape are passed, whether or not it's legal. And what you do is you try to consult with your publicist in terms of how to spin it, how to deal with it. And you can see if you look at the video and the statements he made thereafter, that there were lawyers in tandem with publicists doing that.

I suspect that what they're doing is they're laying the groundwork for a return to be able to work again. He probably won't work overtly in a typical way for a year, maybe two. But ultimately, that type of groundwork that they're laying is to fix up his reputation as he proceeds forward.

**JASON AYLESWORTH:** Now he, immediately after that was released, he did actually have an interview with Katie Couric. He did an interview with *People*, and he was pretty forthcoming with information.

**FREDERICK BIMBLER:** Within how many days?

**JASON AYLESWORTH:** I would say within—

**FREDERICK BIMBLER:** A couple of days.

**JASON AYLESWORTH:** Yea, a couple of days. Now, is his career over? The reason why I bring that up is someone else who I think was accused was Jeffrey Jones, he was the principal in "Ferris Bueller." And I think ever since that scandal broke out he did *Dead Wood* and he did two other films, but that's pretty much it. And I'm just wondering with Stephen Collins in particular—

**FREDERICK BIMBLER:** Well, it's the strength of the underlying career too. Stephen Collins is—has been I think more regularly—I mean, perhaps he's a larger star than Jeffrey Jones was. And he was on—how long was "Seventh Heaven" running, seven years? Eight years? As well as a lot of the other movies that he did. He was in the first "Star Trek" movie, and he was in "The First Wives Club." I think the strength of his career is stronger than Jeffrey Jones is to be able to come back.

**JASON AYLESWORTH:** So as an attorney for a client like this he would just say, go to a publicist first?

**FREDERICK BIMBLER:** I would be on—they would be calling—the team would be talking together very quickly at 7:00 a.m. on a Sunday morning as soon as something like this was released. And the discussions—you would bring in—the regular publicist might not be strong enough, you bring in a crisis management publicist.

**JASON AYLESWORTH:** And that's actually a great point again of the TMZ effect on each of our responses. We now have to have a legal response and we have to have a public response in a timeline we weren't comfortable with.

The great line that almost any criminal lawyer says, the fish on the wall wouldn't have been caught if he kept his mouth shut, but if you're a public figure you don't have that luxury now. That could be two to three weeks or months of assumed guilt without a response. And I think that's one of the key elements that this kind of electronic news gathering that really has power forces people to a comment-and-solution war. And we as lawyers have to think that way too.

Do either one of you think that the Sterling case or even the Collins case sets a new precedent in the delicate balance between rights of privacy and rights of the press?

**FREDERICK BIMBLER:** I've always advised, and perhaps it's different with sports figures, but most performer stars are very clear about what they are buying into and are advised from early on that anything that you say in public or private can be picked up.

I actually—I was at a client's house in L.A. over the weekend last week, and I noticed probably for the first time that all of the phones in the house are landlines that have cords so that they can't just pick up the radio signal. And that's part and parcel of general advice that we give throughout. And these are hugely successful celebrities with significant assets.

What was the question?

**JASON AYLESWORTH:** If this case will set new precedent between the delicate balance between rights of privacy versus rights of the press.

**FREDERICK BIMBLER:** One of my clients has written, and it's in a film, and it's in a book, "we're made more for public than for private."<sup>1</sup> So they kind of live their lives as though they're in public all the time. And the times that they do something odd is when they call, but they know that it's out there.

So I'm not sure that at least the people that I deal with much expect too much privacy. If that answers the question.

**ROBERT BOLAND:** I don't think it does. I think it's one of those great law school questions. If you changed one fact one way, maybe it would. It's that interesting one.

I think the Sterling case puts every owner of a major league sports franchise, which by definition kind of makes them a billionaire, but it puts them on notice that they are public targets. And that while they may be the league, and certainly corporation wise, in terms of leadership, the league and they are one in the same, there will be moments that the other members of the club will have to rebuke them even for things that the other members of the club do or might do. So it really does sort of up the ante to every other billionaire who might have an extramarital affair. To every other billionaire who might have other concerns or political views that might be offensive to some people, that they're on notice that they're in that zone. So I don't think it changes the fundamental construct, but I think it shines a spotlight in places that it hadn't been shined before.

**FREDERICK BIMBLER:** And perhaps they didn't actually have—I mean they are public figures.

**ROBERT BOLAND:** They are public figures, they probably never knew they were.

**FREDERICK BIMBLER:** But they may never have known, but now they know.

**ROBERT BOLAND:** And certainly it's a great task. Somebody owns a sports franchise, probably would have said, I'm a limited purpose public figure as relates to my ownership, but maybe not to my other personal dealings, the answer is, oh no. I think limited purposes is pretty well gone now if you think about that kind of stuff.

**FREDERICK BIMBLER:** Right. Particularly when you have people who are trying to put their lives into a reality show so everybody can watch them circle the drain.<sup>1</sup>

**ROBERT BOLAND:** Right.

**JASON AYLESWORTH:** Fred, back to the Morals Clauses. Are there any specific provisions in a Morals Clause like smoking marijuana in public even when it's legal in particular jurisdictions? Or wearing provocative clothing? Or is it all pretty general?

**FREDERICK BIMBLER:** The language is so broad. It is so broad that you don't even have to get that—it's never that specific, it's broader than that. If it shocks anyone, whether or not it's legal.

As I say, if you were the middle car, being Bruce Jenner, but you acted badly afterwards, you didn't actually do anything wrong if in fact—presuming that he didn't cause the accident, but if he acted badly after the accident and it was public that he was acting badly, that's probably enough under many of these Morals Clauses to invoke it if they wanted to, they often don't, they often don't, but they'll use it to keep people in mind.

**JASON AYLESWORTH:** Okay. I'm going to move on to the next subject, Ray Rice. Ray Rice on February 15th last year he was arrested, charged and released from jail on simple assault charges. That's what they were at the time on February 15th, simple assault charges.

On February 19th there was a video that was out on TMZ that had Ray Rice dragging out his fiancé at the time, Palmer, out of an elevator. And there's an investigation by the NFL. And in June Ray Rice met with Commissioner Rodger Goodell, and he disclosed all the information. And I say all the information, because it's in the enclosure that you have in your materials. And the NFL passed down a two-game suspension sentence in July that it created an uproar on the Internet and with media, with fans.

Because there was a lot of speculation of what actually happened in the elevator. No one had the recording until Monday at 4:00 o'clock in the morning, the day after the opening kick-off on Sunday, where they actually showed the footage of Ray Rice knocking out Ms. Palmer in the video. And then there was a lot of pressure from the fans and media outlets, and they suspended him for the remainder of the season.

So the first question is, if this recording existed in the casino and no one seemed to find that, is it the lawyer's duty? Is it the Commissioner's duty to explore whether or not this recording existed, because they all treated it like there's no such recording?

**ROBERT BOLAND:** That's a fascinating question, because that's actually the great crisis in this case. If you were to sort of separate this out, the NFL kept—what's the old saying, when you find yourself in a hole, stop digging. The NFL, for whatever reason, continued to find itself in a hole and continued to dig with greater force at each moment when this case became problematic.

Let's start at the beginning of the timeline of this case, because what we'll come to in the outcome is after all the judicial proceedings have run their course, whether it's the Atlantic City prosecution, whether it's the hearing on the suspension, whether it's the grievance over whether Rice should have been paid for the seasons. Rice has emerged the victor in all of these. We have never really

heard that in these terms, but Rice really comes away the victim of a fairly sizeable rush to judgment.

I think again, based on the TMZ effect, if you're thinking about it that way, because the league at each moment related to the release of the first video, maybe reacted properly, but then the reaction to that reaction forced it to act, to reconsider, to change the rules for domestic violence, because it was deemed to be insensitive. And then finally when the release of the damning video, the one that shows a one punch essential knockout in the elevator, he's suspended again for the season, which obviates a \$4 million contract, the last one he'll probably ever get.

This is the editing that makes sports cases a little bit more complex, is that athletes are typically either playing on a contract that might be their last, or playing for a contract to get the next one. So on some level there aren't infinite ones like that.

Rice may be in the league next year, may not be, but he certainly won't be a \$4 million-a-year player next year. Although he does now sort of retain the right to sue for a group boycott, and I think the players' union would be very thrilled to do that given their current state of collective bargaining, I think the real challenge of this is that Goodell—and some of it is how it was done. Commissioner Goodell actually announces the two game suspension, which is probably, if we were to think about the length of—now here's the first problem, you asked me an investigative question. The league has done something kind of unique. They've taken disciplinary authority into the commissioner's office.

As I like to point out that the D.A. usually gets a bad reputation not because they're evil, but because their investigations are flawed sometimes. We win our criminal cases because they've messed up in the investigation, not that the person didn't do it. And Goodell has put his office now in greater conflict because this was exactly who presumed to have this video and presumed to have this investigative capacity, when to some degree it was irrelevant to the outcome. The two-game suspension initially was based on—

**JASON AYLESWORTH:** Prior precedent.

**ROBERT BOLAND:** Prior precedent and the judicial outcome. Rice was essentially given a non-criminal disposition, which isn't terribly unusual for somebody in a first offense domestic violence case where the complaining witness doesn't want to go forward either.

So it seemed to be a fairly normal kind of outcome. The problem was the overreaction to the TMZ second video, and that's where the league really ran off the rails.

Now, in the course of the season in the arbitration, you have the arbitrator's decision, the league was really scolded for abusing its discretion and its power and that

comes back again to the antitrust review of the commissioner's actions. They can't be arbitrary, they can't be capricious, they have to be substantially related, and they have to be proportional. And this is going to be a challenge.

Rice wins and gets his suspension obviated and then he goes through a grievance hearing with the Ravens and they make a confidential settlement, although the confidential settlement is widely believed to be the \$3.5 million that he was owed. So he got everything he was owed, ostensibly. Now the question for Rice is, Can he resume his career, and will a team sign him next year, or will he be essentially the victim of a group boycott?

Now, I don't know a 30-year-old running back who's so well known for having a domestic violence case who would be somebody I'd ever want to be on my team terribly badly.

The owner in Baltimore, who went to bat for him ultimately fired him under that—I don't want him on my team anymore. So the question is, will anyone sign him, and is the league and its members liable now for basically blackballing this person in an illegal antitrust group boycott? So that becomes a very interesting piece of evidence going forward.

The league just couldn't react to the circle in time or slow enough in time.

**FREDERICK BIMBLER:** Again, a lot of what you're describing, and I appreciate all the legal underpinnings of why they've exceeded or what the league's rights are, but what they're ultimately doing is reacting to the crowd. They're just reacting to the crowd, and they're looking at what they're entitled to do later.

**ROBERT BOLAND:** Exactly, that's exactly—

**FREDERICK BIMBLER:** They're trying to protect the financial interests of the league and the specific teams and you know, it's reaction—it's reactionary without—

**ROBERT BOLAND:** And the other thing I guess I'd say to you, because Rice was cooperating with the commissioner at the initial point, maybe the failure of this beginning problem, and maybe this was the one thing. Charlie Grantham is a good friend of mine who teaches with me at NYU, who is the former head of the NBA Players Association. If you can create the situation by which the person who's going to be suspended or punished cooperates, in other words, holds the jailhouse keys in their hand to get out through some sort of cooperation or some form of dependent sentence or service, I think the leagues are much better served in that circumstance, and then the starkness of a two-game suspension, four game suspension is a little less if it's conditional. So then almost all leagues must think about some sort of conditional sentencing.

But I believe almost in answer to your beginning question, that the NFL has revised, and revised and revised its disciplinary policy. It's now in courts being sued by its own Players Association as to that revision. And one of the challenges, I think, that they need to be able to do, is get out of the investigative process and bring transparency to the day.

I think one thing that TMZ has created, it's created a perception that the league should know or should know more than it does, and I think claims of ignorance really now reflect very badly on the league. So my sense is, if I were advising any league, and I've written an editorial on this, is get the heck out of your own disciplinary investigative process. Get it out to a third party so that when you are the commissioner, when you want to throw the book at somebody, you can say, "I want to throw the book at him, but I may not be able to, I have a judiciary proceeding to do that."

So that's exactly right, that's exactly what Frederick said. We're overreacting, we need to do that, and sometimes you need to do that.

**JASON AYLESWORTH:** I think someone commented from our audience but that there was a small suspension for domestic violence versus doping, which has longer sentences.

**ROBERT BOLAND:** Yes, and I can justify that in two ways if you're looking at it. And it isn't a perfect proportional argument, but the idea that doping was an issue that's collectively bargained for and the penalties are in the Collective Bargaining Agreement and set forth immediately, and they relate to on-the-field performance, that's the reason why it's a four-game initial penalty.

The commissioner took the off-field stuff into his office, set it up as a system that he can control. Now, he did it in an emergency circumstance and it was Goodell's first great accomplishment as commissioner, but because after six years of doing it he didn't have clear standards of proportionality—or had clear standards of proportionality he had to comport with—that's why two games for a non-misdemeanor conviction had to be held up.

You couldn't suspend for 12 for something that's non-criminal, no matter how bad the act is. And that's why I kind of make the point to the leagues, get out of the business of trying to assess the severity of an act, particularly with domestic violence.

You can assess the impact of somebody using steroids on the game field within some reason, it's very hard to use—this is where domestic violence has particularly swamped professional leagues, but most certainly football, because the cases are complex, the facts are complex. You are often charged with more severe conduct than you're ultimately convicted of, and that the courts don't quite even know what to do with them sometimes.

So I think the investigation is absolutely misguided. I think you need to follow the judicial process and use that as your advantage.

**JASON AYLESWORTH:** Question as far as Rice's attorney. Now, in the beginning he said that the incident was a minor physical altercation, and presuming that he actually saw the video, and then when there are arguments coming out on what actually happened in the elevator, and he actually came up with some theories of what happened. But do you have a duty to—well, I don't want to say did he report the truth, if you saw the video you know what happened, but you're coming up with these different legal theories?

**ROBERT BOLAND:** That's the one character in all this that I think is in the most complex of situations. Rice's criminal attorney is aware of the video in the elevator. He's obviously—if you saw the second video where he's dragging her unconsciously from the elevator, you have a good sense of what happened in the elevator even without seeing it. The one in the elevator with one violent punch makes it even worse. But as his attorney, you're hoping to make sure your client isn't subjected to worse criminal penalties, and you're hoping he returns to play sooner. So it was a difficult situation.

Now, you could have brought the video in, you could have shown it to the commissioner, and that might have put your client in a worse situation. Maybe what you had to say to the commissioner in that circumstance is, there are some videos of this, they're damning, but here are the things we'd like to do to make sure that your suspension, the two games, three games, whatever the initial one would be, will be the best possible one. And here's the work we're going to do with women's shelters. Here's the public *mea culpa* we're going to make to help you justify that if these come out.

**FREDERICK BIMBLER:** In consulting with a publicist.

**ROBERT BOLAND:** Yes. And I think Frederick's exactly on point with this. I think that everything now that's on video has the possibility of coming out whether you've seen it or not, you almost have to think in terms that it's going to come out now today, and how do you arm up the person who's going to suspend you with the ability to suspend you for the least amount of time, not the most amount of time? So that's the real changeup.

**FREDERICK BIMBLER:** There may have been—I don't know any details certainly behind the scenes concerning any of this, but it would seem to me that if they knew that there was a video with a punch in it, that it would seem that a publicist might say, get it all out now, do it right now so that TMZ—I mean, TMZ is about ratings, they're about driving up advertising sales, they did it perfectly. They put out one video that was not too bad, they got a lot of hits, they built a lot of viewership around

it. Then there was an official reaction, then they let out another one that's even worse. I mean, we're talking about TMZ on this panel, right.

**ROBERT BOLAND:** Then they drove the ultimate overreaction, which is the commissioner, to suspend him forever.

The second video might have been very damning, but if the commissioner had gotten in front of the microphone and said, "It sickened me, I saw it, I was aware of it, it sickened me, but I had already suspended him and I have no other option to go back and revisit that."

**FREDERICK BIMBLER:** And he was worried about a reaction from the public.

**ROBERT BOLAND:** Right. And also the other thing I think you'll find with commissioners, and it's an odd moment here, because they're creatures who keep wanting to create greater power in their office, they never want to admit that their powers are limited, and that I think is also something that has—if you're thinking about a place where the NFL particularly is, that has been a place where the NFL has been very poorly served in this moment.

Taking it into the commissioner's office, solve the problem under the disciplinary process, the challenge now in this climate where the union is out to get you, TMZ is out there floating with videos, you probably need to insulate yourself and show I have power, but my power is limited and here's how my power is limited in almost every circumstance.

**JASON AYLESWORTH:** What team would you want to assemble, though, for Ray Rice to mitigate damages?

**ROBERT BOLAND:** If I have full 20/20 hindsight here, and again, I'm operating with that, my sense of it would be—Frederick, jump in any time because you've done probably more of this in a better circumstance—if I know I have both videos, and I know both of them are there, I probably would have wanted to work with a lawyer who is experienced in this. He's a criminal defense lawyer, he has an agent, and now you want to bring a lawyer in who understands the commissioner's disciplinary process. I would also want a publicist who has the ability to turn around a story. And I think this is one of the things I eluded to earlier. If you know you're guilty, and you know your punishment is fixed at a certain level, the acceptance of it is one thing. Then exceeding it and saying that you are never going to be an example of this again, and that you're sickened by your own behavior would allow you to go further, I think that was a mistake.

**FREDERICK BIMBLER:** That's Steve Collins. He sat down, he owned up to it, he put his own spin on it, whether or not you believe it.

It's interesting, when you watch an interview, the answers of an interview from someone particularly in

politics. But when you look at these celebrities and sports figures who are subjected to this type of scrutiny, you will hear them say certain things again, and again, and again, and again, and it's for the sound bite, because the sound bite will be picked up. These statements are very short, they're very concise, and they can be picked up in two to three seconds, because that is going to permeate the media and people's thoughts and what the public is going to hear.

Again, I haven't thought much about what I would have done in that situation, but I think if you had the multiple lawyers, you have to have the publicists. The publicists know there's more video. So you want to know what your worst case scenario is and then plan around what in terms of recordings that are out there concerning it and then plan around it.

I suspect that a publicist who would look at this might release everything or at least take everything, go to the league and say, this is everything. How do you want to handle this? This is what we think we should do. And that's what the lawyers, and publicists, and agents, and managers, and financial managers, and etc., etc.

**ROBERT BOLAND:** And my friend Don McPherson, who played a decade in the NFL, always tells this story about his brother, that his brother always created self punishment. Did you do that? Yes, I'm grounding myself, don't worry.

There is a moment where I actually do believe now in the context of this where you are talking about a fairly fixed punishment. He wasn't going to face a lifetime ban from football. The commissioner didn't have the power to give it, but he does have the power to help make a change.

I think you almost have to, if you want to have a career—and Rice was in a good situation. He was definitely enjoying the support of his team, and at some point we should probably make another moment. But he had the ability to actually turn this negative into a positive, and that's why I kind of come down on the side that an indeterminate sentence, or a conditional sentence, or a conditional penalty is so much more helpful that Rice agrees to go through this kind of a treatment program. That he comes out of this and this will be the donation he makes, he'll make a third game donation, which is if he made a half a million dollars a game, to a women's charity or domestic violence charity in Baltimore where he lives—

**FREDERICK BIMBLER:** If he has it. If he has it.

**ROBERT BOLAND:** If he has it.

**FREDERICK BIMBLER:** But he doesn't.

**ROBERT BOLAND:** But he doesn't have it, right. But I would have tried to make the idea that I will be part of

the solution in this one, and I think that you're exactly right by this.

What's interesting about the Rice case and the TMZ effect here is that Rice, interestingly enough, has been sort of adjudicated maybe less negatively than anybody. It's the league and the commissioner who have been adjudicated the most harshly by public opinion as having much to hide and being a boys club that's closed and un-transparent. And everything the league has done in that process has unfortunately kept reinforcing that conclusion, so much so that the league doesn't know when to investigate or not to investigate. They're treating the slightly under inflated footballs of the New England Patriots as being something like the Brinks job. So it really creates a difficult situation—

**FREDERICK BIMBLER:** Well, it was. It was.

**ROBERT BOLAND:** They would have beaten the Colts even using snowballs, I think, that night. It's an interesting story that it's put the league very much back on its heels. And once you're on your heels, particularly if you have a real sense of controlling your own news cycle.

The other thing is that Roger Goodell as a commissioner has many skills. I don't mean to turn this into any kind of negative session against Goodell. What he doesn't have the skill of is to give the long news conference. He is very much a manager of a couple of good points in a much shorter period. He is not a Paul Tagliabue or a David Stern who can control a lecture with the news for 40 minutes or 50 minutes and debate in an interesting way. And I think he has gone up to talk too often, at least in longer settings. Maybe he needs to talk more often shorter for less. But he really now has a very antagonistic media covering him, even a lot of rights holders, so it's a very very powerful thing to think about the league in that way.

**FREDERICK BIMBLER:** And if you look at the press of Ray Rice afterwards, I think one of the most telling things is, they probably are moving in substantially the manner that you've described. And then didn't they get married?

**ROBERT BOLAND:** They're married.

**FREDERICK BIMBLER:** And then they got married in public. And that is rehabilitative, that's intended. And it's interesting, one of the interviews that I saw, I can't remember who was giving it, maybe it was Oprah, of his now wife and mother-in-law, he wasn't part of the interview. And then suddenly he showed up, because he was out and they were at their house. And he came back from whatever he was doing and just happened by and happened to speak and it looked pretty good. But I'm sure that that was planned. I mean, there was no way he would walk into that without at least having been prepped for 10 minutes beforehand when he walked into

the house. But I suspect it was all planned, and it looked good.

**JASON AYLESWORTH:** We're going to move away from recordings, and we're actually going to go to other scandals. We're going to go to Bill Cosby as of recent.

On October 16, 2014, there was a comedian, Hannibal Burris, he did an act about the rape charges of Bill Cosby in his hometown of Philadelphia. And immediately after that someone on the P.R. team had this contest, I think it was on Veterans Day, to demean Cosby, and that's when social media and people just used that as an opportunity to say—make all crude remarks about rape. And then a lot of people that had allegations back in 2005-2006 now had a voice in presenting the claims against Bill Cosby.

And he was supposed to have a television show with, I think, Netflix, he was supposed to have a show. I think there was a 30th Anniversary Special that got cancelled. And I guess not commenting on whether these accusations are true or not, but how do you address it if your client didn't do anything and is accused of an act?

Justin Bieber is the example. Someone came out and said that he was actually the father of her child or got her pregnant and he actually did a paternity test. How far do you go advising your clients to disprove any lies that are out there?

**FREDERICK BIMBLER:** It depends first on the extent of the initial allegation. Who's heard it, how much is there out there, because responding to allegations like that itself can increase the media attention, can cause it to spiral more.

So the first thought is, depending upon what it is, to make no comment. Often the individual who the comment is made about wants to go out fighting and you have to pull them back. And the line is, we have to take the high road, we need to ignore this, these people are—this is not legitimate, it's not real, and see what happens. And oftentimes—and this happens a lot, after a day or two it just sort of goes away. If it stays and continues, and there are other business concerns surrounding the allegations, you start to bring in more people, you start to bring in more of those involved to make an assessment of whether you actually make a statement.

Certainly the private statements are, I didn't do it. When they took these pictures of me I was, one, I don't know, asleep, or two, I was grocery shopping, or three, I don't know. But that's where it starts privately, and then oftentimes we won't respond.

At a point in time when it gets bigger you might put out a very—never, never questioned lie. It's a statement about what's occurred, and what you're doing, and that it's not true and you leave it at that, and then see what goes from there. And then it can get worse, a lot worse.

**ROBERT BOLAND:** It's interesting that you said that, because I think that's exactly the process that Tiger Woods and his people went through. They called so much attention to themselves, first by giving the contracts or the non-disclosure agreements—

**FREDERICK BIMBLER:** But my favorite one is when the person comes out publicly, and this is completely unadvised and ill-advised: I'm going to sue them for defamation. That is like painting a big red target on yourself.

**ROBERT BOLAND:** That's right, it gives the truth is a defense, right? And that is exactly it. On some level if he had gone through a much more private processing, yes there are challenges in my marriage, there are challenges in my life, I am going to work through them, I think he might have actually maybe retained some more of his golf mojo through all of that.

So there is fine line between admitting and performing the *mea culpa* and also retaining your own privacy and not inviting other suits and other add-on pretenders to some degree.

**FREDERICK BIMBLER:** He was beating his own property with his own property on his physical property in a gated community.

**ROBERT BOLAND:** Right.

**FREDERICK BIMBLER:** He should have been more measured.

**ROBERT BOLAND:** It could have been one of the great ones: "It was Thanksgiving, had a little blow-up with the wife, mother-in-law was present, sure you've been there, right."

**JASON AYLESWORTH:** Now, let's say these claims are untrue, could Cosby go after the comedian? I know there's freedom of speech, but would—

**FREDERICK BIMBLER:** The comedian was very careful right? I mean I looked at it once.

**JASON AYLESWORTH:** Let's say if he wasn't. Let's say he was making those claims in his act.

**FREDERICK BIMBLER:** It's defamatory if it's untrue, and it's actionable, but do you go after it? We probably wouldn't.

**ROBERT BOLAND:** Not opening the door to everything else, right?

**FREDERICK BIMBLER:** No. I mean if the fact it's completely untrue—

**JASON AYLESWORTH:** But about opening the door to other claims that are now barred for statute of limitation; now, I believe that one of the lawyers had actually sued one of the claimants recently or—

**FREDERICK BIMBLER:** Yea, I'm dying to see that complaint. I'm dying to see that complaint, because Marty Singer's not an idiot, he's very very smart. And he would—I'm dying to see what—they probably navigated the claims inside of that—

**JASON AYLESWORTH:** But what's the potential risk by filing?

**FREDERICK BIMBLER:** Well, if you file a defamation case, the whole crux of it is whether or not the statements are true.

**ROBERT BOLAND:** Right, you've made that all probative.

**FREDERICK BIMBLER:** You've just completely opened it up. And it doesn't matter how long it was, and it doesn't matter if it wasn't off of this person, because it's only a preponderance. You don't go after that at all.

**ROBERT BOLAND:** Yeah, and there's no rule in the civil court, it's only probative, right. It's not that your prior bad acts come in on that one.

**FREDERICK BIMBLER:** Yeah, absolutely. Absolutely.

**JASON AYLESWORTH:** Representing a client professionally, do you ever have these clients ask you personally about how you feel or personal advice—I'm going basically into the next case which is the Adrian Peterson case, and there were issues with him beating his child with a strap, I believe—a switch it's called.

**FREDERICK BIMBLER:** Disciplining his child with a switch.

**JASON AYLESWORTH:** I think each state has its own levels of corporal punishment that a parent is allowed to inflict on their child. Have you ever had a client come up to you and just say look, what's your advice, or do you dig in with the client saying, are any of these issues true, or are you just opening up Pandora's box by—I mean, would you ask Bill Cosby for any—

**FREDERICK BIMBLER:** I would never ask him if it was true unless it was brought. That's not what I do. It's about controlling the image and the press and the spin for purposes of his business life.

**JASON AYLESWORTH:** But do clients come to you wanting to tell you the truth?

**FREDERICK BIMBLER:** And it's not necessarily in this circumstance, but my clients can be under such gag restrictions with respect to what they're allowed to talk about contractually that they might—and there have been times where I'm the only one that they can actually say anything to. They can't say anything to their assistant, they can't say anything to their business manager, they can't say anything to their agent. I'm the only one they can say something to because my confidentiality is abso-

lute. And it's not even anything salacious. It's like, what's in this script?

**ROBERT BOLAND:** I think in sports occasionally a younger client might seek your advice, but typically I found that they've already done the wrong before they come for the advice. And that's sort of true of clients in general, right? Clients, if they ask in the front end, then we'd all be better off in the world.

Peterson is such an interesting case, because I don't think Peterson is prosecuted effectively, but for the publicity that surrounds Rice. And this is Texas, this is a father disciplining his child. The D.A. tried to bring an indictment against him previously and came in as a no bill, and he re-impaled the grand jury just at the time of the Rice controversy to bring this charge. So this is probably one that's sort of questionable there.

What's so interesting is again, this comes right after, like within weeks or a week or 10 days, and this is a first line superstar in the NFL. This is a guy who makes a million dollars a game who was the NFL's comeback player of the year the prior year, who is, if you played fantasy football, the most valuable fantasy player in the world in terms of that. Now, running backs are highly inflated in fantasy, you probably already know that.

So here is a first line star of the game involved in this and it's not a pretty set of facts, but it's also one that kind of goes both ways. So I'm very surprised by this.

What makes this case kind of interesting, its resolution, is the NFL comes up with a new category now to avoid the overreaction that they did in Rice. They come with a commissioner's suspended list or a commissioner's ineligible list.

So Peterson is getting paid for the season while not playing, he's suspended. His team really didn't want particularly initially to suspend him. Rice's team was okay with losing him at the time for a couple of games. Peterson's owners wanted him to play until the outcry came back to be against him, because if Minnesota had a chance to win games, it was based on his legs in large measure. So this was a very interesting case.

What's shocking about its resolution, and Peterson took a plea to a lesser charge under some promise from the NFL that he would get a time-served suspension and come back and play this season. He was told right after taking that that he would be suspended for nine days in addition to that.

So that went to court yesterday, I believe, to be in front of Judge Doty in the District of Minnesota. That's a pretty interesting case. Judge Doty was the arbitrator of the NFL's class settlement with its Players Association for 23 years. He's a senior district judge now in Minnesota. But what makes that case so interesting is the NFL—desperately in their last collectively bargaining—wanted him

removed as their special master. So Peterson has at least a friendly a judge as you'll ever get in a proceeding.

So it's an interesting comment. But it is another case where you're piling on—I'm shocked only on this level that to some degree, and I'll confess this and I may be subject to some version of defamation here. But Rusty Hardin seems to get more cases in sports and in the public domain, and I think he is the most puzzling of attorneys, let me put it to you that way, in terms of what he allows his clients to say and do.

Roger Clemens was his client. And Clemens really almost puts himself in jail through his comments about drug use. He has Peterson, he allows Peterson to plead guilty to a lesser included charge, where I actually think he should have fought to maybe—let's put it this way, I'm pretty convinced that a father disciplining his son in the state of Texas can get you one juror who will hold out for a conviction. I'm pretty sure almost anyone can do that. I would think, and I'm not the most skilled trial attorney, but I'm pretty sure I can walk him out the door with "isn't this America?" or, "If it's not America, isn't this Texas, we don't stand for that here, to have the government tell us how we discipline our children." So I'm very surprised by that.

Now Hardin has got another big case out there involving some agents from CAA who were fired. So it's amazing his work keeps coming around, but it was very puzzling to see this case in that way. And I do think a lot of the reaction from this was entirely a reaction from Rice, TMZ and all of this. And there is a certain repulsion to it when you think about it. Maybe a child is worse than an adult person, just a lot of challenge in this one.

**JASON AYLESWORTH:** You made an interesting statement, though, about the government intruding on how one raises a kid, but the public now has the power in telling you how to raise your children. And there is a big public outcry with Adrian Peterson by the way he was raising his son.

**ROBERT BOLAND:** I'd make the argument—I guess the only argument, the only distinction I'd make to that one is that in a religious African American community in Houston, there's probably a slightly different standard than we have in Roslyn, Long Island, or Beverly Hills, California, as to what effective discipline is. And my sense is that the outcry isn't from his potential jurors of that jurisdiction.

**JASON AYLESWORTH:** Right, but it's for the fans that will actually go to the games and them pressuring sponsors, which may pressure the NFL.

**ROBERT BOLAND:** And that certainly has hit him. Peterson was a first line player who had a multi-million Nike deal that lost it in the context of that. So it isn't without conflict. And now Peterson's contract runs through next year, so if he is signed by somebody else or traded,

he'll still have that level of support, so it's a very interesting time.

**JASON AYLESWORTH:** What's the memory of the public? This comes from the audience. But it seems like we do have short-term memory. It seems like there will be a scandal that will last maybe a month, maybe carry over two months. I mean no one's talking about Donald Sterling right now.

**FREDERICK BIMBLER:** That's first why we don't say anything up front. We wait to see if they forget in a day to see if there's any reaction. But it's quick, and that's why you don't want to perpetuate the scandal, and continue with the scandal, and do things that keep it moving along.

**ROBERT BOLAND:** I tend to think of it particularly we now live in an era, not so much in public reaction, we tend to live in an era of sort of public overreaction, and then we sort of come back from it in a couple of years. And I look at a number of things. Currently I'd say the almost reinstallation of Joe Paterno's legacy at Penn State was an example of that.

I think you'll see Peterson playing in the NFL somewhere next year in a starring role, and will be good. And Kobe Bryant, who's about to retire, at least the set of facts that surrounding his being charged with rape a number of years ago are certainly horrifying on some level.

**FREDERICK BIMBLER:** Nobody remembers it.

**ROBERT BOLAND:** Nobody remembers it. People seem to have come back from it. Now, it's helpful, I think, and this is one of the places where I look for it, if there is an adjudicative procedure that clears you, you should take advantage of that, because on some level that is the right answer. On the other hand, athletes, stars, almost anyone almost always has to protect their earning power ahead of their innocence and reputation. So there is always a conflict.

I've always said this about athletes, and I think it's probably true about artists. Athletes are seldom treated as fairly as anyone else. They're usually treated much more severely or much better, but very rarely kind of evenly. And I think that's probably true of stars in the same way.

**FREDERICK BIMBLER:** But there's a caveat too—if you are cleared, how much you blow that horn.

**ROBERT BOLAND:** Right.

**FREDERICK BIMBLER:** Because part of blowing that horn, I have been cleared of X, Y and Z. So you're repeating again and—you know, you're repeating it and it gets into people's minds, and they'll remember that. They won't remember that you were cleared.

**ROBERT BOLAND:** That's a terrific point, because O.J. Simpson was cleared and never recovered even for

a second on that one. I've always kind of wondered, and this is sort of an odd wondering of musing if he had instead of having Johnny Cochran as a defense attorney, if he had had—

**JASON AYLESWORTH:** Robert—

**ROBERT BOLAND:** No, I was thinking about—who was the guy from Wyoming who wore the buckskin, Gerry Spence. Gerry Spence never put a case in chief on, he always just questioned the witnesses for the prosecution and then rested. I wondered if he had Spence, would he have been able to walk out the door and retain some of his reputation at that same moment. So it's interesting—what do you put on the trial is also I guess, a key point to that. So yes, I do agree with that.

For Peterson, if he had been adjudicated, I think that would have made a difference in some way to how he was perceived. I'm shocked now that he decided to plead guilty with the season loss. I think that's the issue that really still shocks me. And I'm surprised he and his lawyer didn't realize he was never getting back.

**FREDERICK BIMBLER:** What's interesting, and not to defend O.J. Simpson, but he was kind of the first.

**ROBERT BOLAND:** He was the first.

**FREDERICK BIMBLER:** That's when we as a society started watching people circle the drain. We were watching a car chase for hours on television. That hadn't really happened before. And that is the concept of reality programming, which I freely admit I deal with. I do reality production, but I don't watch it. But there's a strange—it's all entertainment is the bottom line. All of this is entertainment to the public. And the outcome, it's like the Roman Coliseum. The gladiators or the accused are in the middle of the Coliseum and it's what the crowd wants. And it's how you turn the tide with the—this is not legal by any stretch of the imagination, but it's what I do every day.

**ROBERT BOLAND:** But we have to fight for things that aren't legal. I was only going to add one brief story that a friend of mine who was the chief soap opera writer for Procter & Gamble here in New York, who said it was the O.J. Simpson trial that actually killed the soap opera, because of the year that it was on in the daytime, it was much cheaper to produce and drew better ratings than scripted drama.

**FREDERICK BIMBLER:** It is very very cheap to produce reality television programming. And there is no end to the people who are interested in airing their dirty laundry for us. And it's amazing actually, but—

**JASON AYLESWORTH:** It's getting off topic from TMZ, but more with athletes, and celebrities, and their Twitter accounts. And they—usually if there's something on the social media, they'll have a knee jerk reaction to respond to it.

**FREDERICK BIMBLER:** It's amazing how much damage you can do with 140 characters.

**ROBERT BOLAND:** I know, it's fascinating. I did a panel at Fordham Law School last year, and I was grumbling the whole time I'm riding up in a taxi. Why didn't I get the college athletic one, why did I get this Freedom to Tweet panel? And it turned out to be the most fascinating conversation I've ever had to moderate in my life.

You get an interesting part for athletes, a studio is probably the same way. They encourage athletes to take to Twitter and to have social media accounts. In some cases they'll write the social media tweets for the athlete to keep them going. And if the athlete is punished for it, then who serves the penalty? Well, certainly the athlete does.

So it is a—I guess as my old boss told me, anything you say in the public domain should always be positive—and it clearly isn't that way a lot of the times, and I think that is the one challenge.

And they were also talking about it to think about it, Twitter captures—Herm Edwards has got a lot of great sayings, but he says, "Don't hit send" is one of his favorites ones. Right there with, "You play to win the game."

The idea is that the thing that you write in 30 seconds is a reaction to something that you see, is something that will be picked up. The other part is that the echo chamber that is in the media right now, and I have I think 1,000 Twitter followers, and I'm very pleased that a bunch of them are reporters who are looking for quotes, and comments, and stories from me. And believe me I know, that's why I constantly give them quotes, comments and stories. I don't tweet on anything that's personal or real.

On the other hand, athletes—I have one student, she's actually a student at NYU, is an Olympic gymnast, that's 300,000 followers. The power that they have to move the press. We even see this in the context of the London Olympics as an interesting one, because it was the first fully Twitterable Olympics. That the athletes are like, my grandmother can't get in, but I see hundreds of empty seats, what gives.

So it creates new rules in terms of the immediacy of it, and what happens, I guess, you think about it, the power to give the press release, the power to control news stories. If you think about it from TMZ and Twitter, they feed each other. They're a fast-paced accelerator.

**FREDERICK BIMBLER:** And one of the things that you see with Twitter is that when you do have people who have 300,000—that's not quite there, but half a million to a million and more, your tweets become valuable for sale for endorsements and for sponsors. And the price that I've found falling out of my mouth for an additional tweet is a little bit astounding. But the interesting thing about it is that when a celebrity or a sports figure falls

into a scandal tweeting, if you have a significant Twitter following, it can be a very good way to start turning the tide of how people are reacting to things, because if your seven million people see your very measured—and probably written and vetted by a lawyer and a publicist—reaction to this, and then put into your own sound, that will go beyond just the seven million or the 500,000 or the 700,000. And it will start to affect TMZ’s effect.

**ROBERT BOLAND:** Yes, absolutely.

**JASON AYLESWORTH:** Aren’t there restrictions for college athletes on using Twitter accounts or social media?

**ROBERT BOLAND:** Each school has its own rule. Some of them, unfortunately state universities, should have to comply with First Amendment standards, but often they ask their athletes to contract separately under that that’s part of the *O’Bannon* lawsuit.<sup>2</sup> Their rights of publicities are being given away without any compensation beyond the scholarship, and they are subject to discipline for what they tweet. And in some cases—in some cases I don’t think as much in college—they’re being asked to have someone in the department tweet for them.

**JASON AYLESWORTH:** Can you describe the *O’Bannon* law suit?

**ROBERT BOLAND:** Yes, the *O’Bannon* case is the case that’s sort of going through college athletics right now. It was just decided, it’s on appeal in the Ninth Circuit.

Basically, a number of professional basketball players, led by Ed O’Bannon, who one day turned on the video game and found that the guy wearing the jersey from UCLA was number 31 and was left-handed, looked a lot like him. And sure enough it was him ultimately, in that they just didn’t use his name. And his argument was well, when I played at UCLA you could use my image and likeness fairly freely, but now I’ve been a pro and retired for a number of years.

That case was about a bunch of former athletes suing over usurpation of their property rights, and their intellectual property rights, with regard to their image and likeness, particularly after their college careers were over. That lawsuit has sort of morphed, and now really about the only issue that’s pending in that case is whether the NCAA has conspired to fix the compensation for athletes at zero. That’s the harder case, and of course all things that involve the NCAA get a little more complex.

I don’t think an amateurism rule per se is a § 1A anti-trust violation unless you’ve had a lot of documents that say, well we can’t pay these people, we’ve got to keep this going.

So the NCAA turned in their own damages in this one. It’s on appeal—both sides are appealing, interestingly enough, because both sides dislike the judgment,

although oddly enough I think it’s one of the few judgments Judge Wilkin in the district court in San Francisco will be hearing. All the college cases that are coming down there, a number of them about professionalism and amateurism in college sports, and image and likeness, and compensation and athletes, are really interesting cases. But she actually gave me one of the most sane decisions I’ve seen, where she didn’t blow up the NCAA and the apple cart of college athletics, and she did say that there is a price fix that’s going on here. So sometimes when the judge does the right thing, it makes everyone mad.

**JASON AYLESWORTH:** We’re going to move on to Sony, “The Interview,” and the email scandal, where third party companies were able to get the private emails of Amy Pascal, Scott Rudin, and it was disclosed to the public. And as that was continuing, as there were more and more emails coming out about the private communications between producers, CEOs, artists, I believe there were some claims of copyright infringement, that Sony actually had a copyrightable interest in the private emails.

**FREDERICK BIMBLER:** On their servers.

**JASON AYLESWORTH:** Yes. So by copying these emails through TMZ, like taking it—recopying it, is there an actual infringement issue? But what about if it’s a matter of public concern. Are these private emails matters of public concern?

**ROBERT BOLAND:** My guess is they’re probably all private if you were to think about it that way. Particularly, and I would guess that every studio would now have a process of addressing all their emails to a counsel, so they can at least make some claim of privilege to them for a moment or two. But my sense of it is that they’re probably private. The challenge though, is that anything that was stolen by a foreign government to a degree is somewhat suspect in the matter of public concern. Maybe not the content, but certainly the fact that it was stolen.

**FREDERICK BIMBLER:** But the part of what I would wonder, I mean, there’s a procedure for pulling copyrighted material down off of other people’s websites.

**JASON AYLESWORTH:** Right, if someone has a recording of, let’s say an illegal recording of a film or a musical and it’s online—

**FREDERICK BIMBLER:** They can pull all of that down.

**JASON AYLESWORTH:** Sure.

**FREDERICK BIMBLER:** But I’m wondering if they’re trying to—claim copyright in it from being disseminated further.

**JASON AYLESWORTH:** Well, I mean—would the emails be the work product of Sony? Would they own those emails? They have intellectual property.

**FREDERICK BIMBLER:** If it's on their websites I would say that's the position that they're taking.

**JASON AYLESWORTH:** So if a news organization like TMZ takes those private communications that—

**FREDERICK BIMBLER:** Then you're starting to get into the rights of the press. So I think they're trying to pull everything that hasn't been yet put into the press out, pull it all back as much as they can to minimize their damage, because there's so much. Everything was leaked.

**JASON AYLESWORTH:** So what, first of all, what it just seems like that there's nothing private anymore. Anybody can break through any sort of security system on a server to get your emails—

**FREDERICK BIMBLER:** Talking to each other face to face is wonderful.

**JASON AYLESWORTH:** Well, but let's say if one person's recording you, which is legal in New York.

**FREDERICK BIMBLER:** Pat him down. Pat him down.

**ROBERT BOLAND:** I'd have to go back to my old—that you're probably right that each technology communication method that we've had has provided a modicum of privacy that's been subsequently pierced by some either new technology or capability in that sense. And Frederick's probably not completely crazy that if there are things that you want to say that are controversial, probably need to be said face to face outside to some degree—

**FREDERICK BIMBLER:** After patting each other down.

**ROBERT BOLAND:** After patting each other down, the way lawyers in Brooklyn, and prosecutors in Brooklyn, and never go to the same diner, right. Meet out in the park all the time.

**FREDERICK BIMBLER:** If you want to have a meal with a client that's confidential, you go to Taco Bell.

**ROBERT BOLAND:** Okay. There were always the two diners in Brooklyn, that one's the defendant diner, and one's the U.S. attorney diner, and you never cross between the two, unless you plan to have something to go with that. And I guess there is an expectation of privacy in the defense diner.

**FREDERICK BIMBLER:** Don't count on it.

**ROBERT BOLAND:** I think that's a challenge, and I don't know—maybe that's the challenge for new technology, is how private can you make it in our next form of communication. Although oddly enough, social media has taken what was ostensibly private thoughts, things that we would think about in our head, and made them very public. So I mean probably our technology is moving towards making all things for the public.

**JASON AYLESWORTH:** Well, there's instantaneous consequences for saying anything "controversial," or something against the public norm. So how do you advise clients, whether emailing or just even having conversations that can be recorded or going out to a party?

**FREDERICK BIMBLER:** It's what I said to begin with. Everything that you do, say or write, do it as though someone is taping you. If you—because we forget, and sometimes we have some jokes with friends that are written, but they're written, and you have to consider who you are. Many of those executives are public figures. They're the heads of one of the biggest media companies in the world, at least on a limited basis, but I think that they're full on public figures, frankly. And their joking around is, while private—I mean, they did it in writing, and I would never advise that that's safe.

**ROBERT BOLAND:** Their negative opinion of some of their bankable stars would certainly be public, I would think, or be of newsworthy concern.

**FREDERICK BIMBLER:** That would become newsworthy if it was leaked.

**JASON AYLESWORTH:** At this point, does anybody have any questions from the audience? Yes, Diane.

**DIANE KRAUSZ:** What about if the press doesn't report until they have more proof, or do they have a duty to report it as soon as there's a claim?

**ROBERT BOLAND:** I kind of wrote that down as a note today, kind of walking in. The other thing that TMZ certainly does, because it is all video all the time, in a sense it's evergreen. So if you've caught somebody saying something several years ago that at the time was innocuous enough, you have it on your server, you can re-up when you feel like it. And I think it goes—so to some degree TMZ changes the news cycle, it goes beyond—it was timely last week, but it's not timely now. TMZ's always timely when they want to create a story. And I think the other part that makes TMZ—and this is particularly true in sports, but I think it probably has effect in the entertainment business in the same way.

On some level all the standard media, and there's less and less of it in the major business circles, are somewhat beholden on sources on the inside. It was the idea—and the old joke about this was that the schools in the Southeastern Conference never got in trouble. The schools in the Southwestern Conference, which was in Texas, got in trouble because the Dallas and Houston papers would write about them where the reporters weren't dependent on stories for them.

So to some degree, if you're an NFL beat writer, if it's just a small piece, you probably will let it go the first time, whereas TMZ has no reason to let it go or hold it only until when it's in their interest not to.

**FREDERICK BIMBLER:** They don't have a maximum number of pages, it's all just there.

And they are—I've seen them—they're paparazzi that are audio and visual, and they actually will dog, just dog people to see what they can get out of them. And then they'll take certain off-the-cuff statements made and the headline becomes something that's very salacious, and it's to drive viewers. It's about advertising, it's about making money, it's entertainment.

**ROBERT BOLAND:** We looked at this a long time ago and we thought electronic news gatherers were going to be the wave of the future, and to some degree CNN was the first part of that vanguard. The challenge is, I think, what makes it is that the big entertainment companies, the sports leagues did a really good job of gate-keeping them out, un-accrediting them, moving them to the side, keeping things in the accredited zone. So in a sense that these things, there are only a handful of these big companies that now exist on the outside at a time, so TMZ is by far the biggest and most powerful.

**JASON AYLESWORTH:** Marc.

**MARC JACOBSON:** (Inaudible).

**JASON AYLESWORTH:** Yes, it would. If he knew that he didn't perform, if Bill Cosby's not guilty of those claims and the comedian knew it, then yes, I think that would rise to the level of defamation for that public figure.

**MARC JACOBSON:** So that kind of goes to what you were just talking about with TMZ, that if there's a whiff of TMZ, they can pretty much do what they want, then the question always to me was who's the public figure—can TMZ make a public figure then create themselves—

**ROBERT BOLAND:** Well, I mean Donald Sterling—

**FREDERICK BIMBLER:** Dragged in.

**ROBERT BOLAND:** No one knew of Donald Sterling before the big scandal.

**FREDERICK BIMBLER:** Yes, he was certainly known in LA.

**ROBERT BOLAND:** He was known in LA, but he wasn't known to—I kind of think the definition of a public figure is somebody who is a public figure now.

So the test is systematic and—it's systematic and purposeful attempts to engage with the public. And I think if you're thinking about almost anyone in the sports milieu, then that exists—if you're thinking of almost anyone in the entertainment milieu, that certainly exists.

We're all fighting to some degree for a piece of that puzzle to get our words, our thoughts, our clients' words and thoughts out. So as a case, it's hard not to be something of a public figure right now.

The old limited purpose public figure really now I think, has been swallowed in large measure, but the handful of places are like, I'm a local school board member, and maybe I'm only a public figure in my role as a school board member as it relates to my fitness to be a school board member.

**FREDERICK BIMBLER:** The limited public figure was often the spouse, the aunt, the mother of the famous person, but it's broader. It's just broader.

**BARRY SKIDELSKY:** So the advice to media organizations to get around the issue of when are public figures, first set a precedent, put some stories that are factually true just to report to set the precedent, now you're a public figure, and here I go, kaboom.

**FREDERICK BIMBLER:** I think we have a very willing public to be public figures. Now, it's the reality effect, the reality show effect, it's just that. But the comedian though, likely, I doubt that he crossed the line. I bet he didn't cross the line. Have you heard it? What did he say?

**JASON AYLESWORTH:** I haven't listened to it.

**FREDERICK BIMBLER:** Was it in the context of humor, like the Bill Maher/Trump thing?

**ROBERT BOLAND:** There's the parody defense, right?

**FREDERICK BIMBLER:** Yes.

**ROBERT BOLAND:** That I was acting in satire and parody on this one, not directly implicating.

**FREDERICK BIMBLER:** Right. Nobody would believe—nobody watching my comedy act could possibly believe that I meant this truthfully. I meant it for the humor.

**JASON AYLESWORTH:** Sure.

**AUDIENCE QUESTION:** What happens when it's across two states and it's California, where both parties have to be involved and say the person is recording in New York?

Then the second question was, we're talking about newsworthiness and a lot of stuff is whether, it's getting easier, especially in the Internet age now, about people that aren't journalists or anything. How does the effect of whether they are actually news gatherers matter?

**JASON AYLESWORTH:** I think the answer to your first question would assume a conflict of laws between two different states.

As far as the second question, as far as—you're saying that's dissemination?

**AUDIENCE QUESTION:** Yes, so you're disseminating information that got disseminated by many people that aren't obviously newspeople or even disseminated

for a newsworthy purpose in some cases. Some of that information is just not relevant. Like they also disseminate people's social security numbers. So that all ends up online, people participate in helping disseminate that. Does it matter that somebody's a blogger, or not, or that people are posting this information on YouTube, or whatever? Does that play in or is just at the end of the day when you're looking at it, okay, this information is news or like looking at what information is being put out there is even newsworthy, or—do you know what I'm talking about?

**JASON AYLESWORTH:** If someone's not an official journalist do they have the protection of the freedom of press and the right to report news?

**AUDIENCE QUESTION:** Yes.

**FREDERICK BIMBLER:** It's also freedom of speech.

**JASON AYLESWORTH:** Yes, freedom of speech. This is disclosure of private information, but once it's not private anymore, it's public.

**ROBERT BOLAND:** I think the test tends to focus on the nature not of the disseminator, but of the person the news is about, often. If you're thinking about the real test of it, and we've lowered what we've done. This is TMZ kind of at the high end of this, we keep lowering the bar over the years, whether it's the Drudge Report, whether it's a bunch of other blogs we read that have replaced news, or whether it's Twitter where we break a lot of news now, we sort of change the definition of where that news comes from.

This is actually maybe a good answer to that question on some level. I had a reporter tell me once he was from an Indianapolis paper, and he said, look, I used to write stories for the paper. Now I break news on Twitter, that's my job, one. Job two is to write for the blog. Job three is the electronic edition, and job four is then I summarize all that in the hard copy story for tomorrow's paper. And I think that probably gets you to where the bar now is set differently. The same guy has four different hats that he wears pretty regularly.

**FREDERICK BIMBLER:** And what's newsworthy anymore? If you look at the newsroom, it's sort of an interesting take on the news versus what gets reported. I love dogs, but do I need to hear about dogs on the national news every night? Is that newsworthy? I don't know. Do I want to hear more about what's happening in the Middle East? It's all advertising. It's entertainment.

**JASON AYLESWORTH:** The question about using that newsworthy defense, particularly with TMZ and the Ray Rice recording, it seems like they strategically sent that out at just the right time—4:00 in the morning, the Monday after that Sunday kickoff. Do they have a duty to report as soon as they know this breaking news?

**ROBERT BOLAND:** No, I don't think so. No, clearly not.

**FREDERICK BIMBLER:** They have investors.

**ROBERT BOLAND:** That is the piece. They've radically changed the news cycle. How long they sit on something might change the newsworthiness defense. Remember, *Sullivan*<sup>3</sup> is the idea that I had to print it before a competitor printed it, so he didn't have time to source it with 93 sources, I sourced it only with two, you don't get any of that. But TMZ doesn't suffer any of that because they have all videos.

**FREDERICK BIMBLER:** They have videos, yea.

**ROBERT BOLAND:** So to some degree they're around that already from the get-go. They're allowed—I think—and that's the other piece that changes the dynamic, they're allowed to really really sit on things for the place of maximum value for them.

**JASON AYLESWORTH:** Are they allowed—we know they can't conspire to help someone make an illegal recording, but would they be permitted to assist someone making a legal recording, for example, in New York?

For example, let's say they were in touch with V. Stiviano, and again, this is just a hypothetical. Are they allowed to persuade someone to make a recording in private, which would certainly become valuable?

**ROBERT BOLAND:** I guess you could encourage. You can encourage the coverage of news—

**JASON AYLESWORTH:** No, to make a legal—

**FREDERICK BIMBLER:** But you might draw a civil liability.

**ROBERT BOLAND:** Yes, you might draw civil liability in that circumstance. My guess is that they're probably very careful that they only feature things that have been given to them or they've taken themselves to some degree.

**FREDERICK BIMBLER:** And there's plenty.

**ROBERT BOLAND:** Yes, there's always more, right?

**FREDERICK BIMBLER:** There's plenty. Yes, I suspect that they don't have to do it much. I don't think it comes up.

**JASON AYLESWORTH:** Are there any questions? Regarding actually Brian Williams. Now, what—by reporting—now he's reported the truth. What was the—

**FREDERICK BIMBLER:** He's reported what?

**JASON AYLESWORTH:** I mean, his truth, saying that he did, not like he was saying that he didn't—

**FREDERICK BIMBLER:** He's clarified the facts.

**JASON AYLESWORTH:** Right.

**FREDERICK BIMBLER:** Yes, versus truth is so wrongly used sometimes.

**JASON AYLESWORTH:** Truth, right. What could NBC do?

**FREDERICK BIMBLER:** I don't want to comment on this.

**JASON AYLESWORTH:** But with information telling—I don't know, coming forward with certain facts, could that jeopardize current contracts?

**ROBERT BOLAND:** Oh yes, I would think so. I mean, the challenge of it is, this actually almost takes us back to Sterling. Do you want to go down the slippery slope of analyzing every statement that your front line employees make in public for their veracity and going through the argument of waiver and estoppel over the years? So my sense is that nobody wants to go through that process.

But just the idea that we now know that the things we say, and I've seen him say it—I guess I saw it now in two contexts. I saw it in a much more formal interview where he talked about the context. And I heard it in a much less formal interview. He goes, yes, I've done some stupid things in my life, like in a war zone. Which if you take out the, we were shot at kind of conversation, I was in a helicopter in a war zone, that was true, right?

So in essence, was or wasn't he on the helicopter now is the deal, I can't remember. But the idea is yes, I think we all kind of go through those moments. And I don't know if anybody wants to go through that process.

To some degree I'd almost think a test on Brian Williams is almost like the test on Tiger Woods and his sponsors.

Tiger Woods had a couple of sponsors pull out, but almost all those were sponsorship deals that were winding down and going to end anyway.

Nike made the decision to obviously to stay with him, and they did it largely not because of—on some balancing test because he's still going to be an important public figure. And I think that'll be the question for NBC to ask. And this question is, can Brian—will he maintain a patina of trust, and will he be somebody we can like, and will we laugh at this later, or is he going to be somebody who is going to be damaged and we'll get bad ratings from here on out?

**ETHAN BORDMAN:** You talk about Tiger Woods versus the team athlete. Tiger Woods can maybe lose the sponsorship, but he can still go on and play golf. He can still go on and win the Masters. He can still go out and be a success in golf, whereas a team, they say we don't want to hire that player, and they're gone from the sport.

His athletic abilities still shine or maybe not versus a team that can blackball him from the NFL and he's done.

**ROBERT BOLAND:** I absolutely accept that in a second except for the fact the one thing I actually sort of believe is true of—well, let's just make an example of Bill Belichick in this one. I'm fairly certain he would hire the son of Satan if he could play.

I think you will find owners who will line up if you are still a talent and a draw, they will line up to get you and excuse your past comments. It's the more mid-level talent of a Ray Rice, who there is an argument in or an argument out of the league.

Barry Bonds actually thought about bringing a collusion suit when no one signed him, but I think he was also 43 at the time and had major injuries, and the only thing he could still do was either walk or hit a homerun, so his collusion suit didn't go as far. But I think even the Players Association of Major League Baseball looked at that.

So I think if you are a first rank talent you'll probably be all right, even though that happened. And maybe what you'll be is your contract—and this is where it will happen. Your contract will be much more slanted against you in turn—if there's any culpability.

And that's exactly something Frederick said. Tiger Woods is still one of the best paid endorsements in the world, but he doesn't enjoy the same contractual protection and power that he used to enjoy. If he starts winning Masters again and he goes on another hot streak in his 40s, maybe he'll come back to some of that.

**FREDERICK BIMBLER:** Honestly, his new girlfriend helps too. It all builds on itself. So his own—by who he's related to affects his own reputation.

**ROBERT BOLAND:** He also did some interesting deals. He went back and did a Rolex deal right away to get back to a top line sponsor to some degree. So sometimes the deals you do might not be as powerful, they might not be as long, but they might be geared again at rehabilitation in that circumstance.

**FREDERICK BIMBLER:** And makeup endorsements. Makeup endorsements for stars are notoriously cheap as endorsements go, because actresses want a makeup endorsement. They want to say, I'm a Cover Girl, I'm a Neutrogena, I'm a—it's a more of a feather in their cap—well, it's the money too, but the money is not nearly what it could be in other brands, in other products.

**JASON AYLESWORTH:** Another question I just want to go back to, Stephen Collins and even to a certain degree, Bill Cosby. If a show elects to cancel a series or a show or stops running a program in syndication, what about the other parties that do benefit from that show?

**FREDERICK BIMBLER:** Well, it's only to the extent that there's an exploitation.

**JASON AYLESWORTH:** Exploitation, but because of—would they have an action, like theoretically. Could they have an action?

**FREDERICK BIMBLER:** No way. No way. Not the way these contracts are written. I mean—

**JASON AYLESWORTH:** It's a force majeure clause.

**FREDERICK BIMBLER:** It might not even have to go into the force majeure clause. They have the right to—I mean, it's whether they pay or play. It's whether they have to pay them anyway for the shortened season based on their guaranteed number of episodes or something. But it's—no, they don't really—they won't have recourse.

**JASON AYLESWORTH:** Any more questions?

**FREDERICK BIMBLER:** Do you guys have that in sports?

**ROBERT BOLAND:** No.

**FREDERICK BIMBLER:** How about pay and play?

**ROBERT BOLAND:** It's pay and play, or if the contract is terminated—there are places where the contract is

guaranteed through the life of the contract, in sports like baseball and basketball. And there are contracts where the contract in football is not really guaranteed at all. And most endorsement deals in sports usually give some out clause. Tiger's were probably the strongest, and that's one of the reasons why nobody fired him directly, they just wound down and sat on the fence.

**FREDERICK BIMBLER:** And didn't do anything further.

**ROBERT BOLAND:** Yeas.

**JASON AYLESWORTH:** Great. I'm going to wrap up here then. So I want to thank both Robert Boland and Fred Bimble for speaking today. And thank you all for being here. Thank you.

**STEPHEN RODNER:** I think everybody enjoyed that and really got a lot of information out of it. We're ready for the second panel, and I want to introduce the moderator, Britton Payne. Britton is a member of the Executive Committee of EASL, and he's also Co-Chair of the Copyright and Trademark Committee. And he will give you more information about our panelists. Britton.

## Athletes, Attorneys and the NFL (New-Fangled Licensing): Sports Licensing in Light of Recent Decisions, Channels of Commerce, and Emerging Technologies

**BRITTON PAYNE:** Thank you very much. I'm also an attorney with Bronson Lipsky, LLP. I regularly practice in copyright, trademark, and emerging technologies, which happens to be the name of the class that I teach at Fordham Law. I have a former student in the back here, am very excited to see him here.



**Britton Payne**

And on the panel called Athletes, Attorneys and the NFL, which stands for New-Fangled Licensing, sports licensing, in light of recent decisions, new channels of commerce and emerging technologies.

We have Christopher Chase, who is an attorney with Frankfurt, Kurnit, Klein & Selz, PC. Chris does many sports licensing deals from a licensee side, as well as representing the NHL in such matters.

We have Hrishi Karthikeyan, Vice President, Legal and Business Affairs, at the National Basketball Association in New York.

And Alan Hock, an attorney with Moritt Hock & Hamroff LLP. Alan represents Carmelo Anthony, among others, in licensing, sponsorship and related matters.

On your list you'll see that Sean Sansiveri was supposed to be here, but unfortunately he wasn't able to make it. He's the representative from the National Football League Players Association (NFLPA) in Washington.

You'll note that one of the pieces of material in your CLE packet is a standard agreement made between athletes and the NFLPA regarding what's called group licensing rights. So you can take a look at that. I'll try and talk a little bit about that.

To introduce the subject, I just want to read from one of our panelist's writings that's also in your package: "Seeking to grab the attention of customers and break through the clutter of everyday advertising, advertisers will often work with athletes to market their goods and services. Advertisers may spend millions of dollars in order to align themselves with athletes with the hope that such association will make a connection with customers. Choosing the right athlete for an endorsement can raise an advertiser's profile immensely."<sup>4</sup>

The first athlete endorsement deal was with Honus Wagner, back in 1905. He was a baseball player and he made a deal with Louisville Slugger. Now, the reason you may recognize Honus Wagner's name is because his face is on one of the most rare and expensive baseball cards. It was put on a tobacco card similar to the kind that we might see today from Topps. But it was a tobacco card, and part of the reason it's so is because not only did Honus Wagner have the first endorsement deal as an athlete, but he also enforced the first right to not have an endorsement deal as an athlete when he approached a tobacco company. And for one of two reasons, his family isn't quite sure what it was—either he didn't like the idea of his image being presented in a tobacco product that kids would be interested in collecting because he didn't like tobacco for kids, which is a lovely gesture, or he wanted the money and they didn't give it to him. So it was one of the two.

You can be sure that there was an attorney helping him out on that. It probably was not one of our panelists. But it could have been, I guess.

The longest endorsement deal was pro golfer Gene Sarazen, who did a deal with Wilson Sporting Goods in 1922 that lasted for 75 years. And it set the table for other lifetime endorsement deals like the Adidas deal with David Beckham.

The first million dollar endorsement—you might think that it was one of the most popular sports now—whether it's baseball, or basketball, or the NFL, which seems to be in the lead now. But it was with a bowler, six-time bowler of the year, Don Carter in 1964 cut a million dollar deal with Ebonite, the bowling manufacturer.

And the first major female endorsement should surprise no one, it's Babe Didrikson Zaharias. She was a basketball, track and field, and golf player. And she cut a deal with Dodge in 1933 shortly after winning a number of Olympic gold medals.

So that's some of the history of athlete endorsement deals. And I want to turn to Alan Hock who knows the full ins and outs of one of the biggest of all time, which can sort of set the table for the remainder of our discussions.

Alan was telling us about the—we were kind of trying to decide is it the biggest endorsement deal for an athlete, and it depends on how we count it. But for a single deal, who would you say was number one?

**ALAN HOCK:** For a single deal, clearly George Forman and the Forman Grill. Many people don't think of him as an



Alan Hock

athlete, although that's exactly what he made his living doing most of his life.

He sort of became a bit of a folk hero in light of how amazingly well the grill did after he did his endorsement deal. And I had an opportunity to talk to George at a convention once about this, and it was really a fascinating conversation. And you know he's a great personality, and he's still incredibly enthusiastic about the deal that he did.

But the interesting thing about it was that that happened in 1994 when he was at the very end of his boxing career, and he was kind of the made fun of old man who now had gotten fat and was still trying to make a few dollars gets his head beat in. And his lawyer in Pennsylvania called him to the office and told him he had a great opportunity for him and introduced him to the people that owned Spectrum, that had this grill that was basically dying, and they had warehouses filled with them, they couldn't get rid of them. And they were smart and they had the idea that if they put somebody like George, who's a very dynamic person, great personality, known now and then for his eating and his love of hamburgers and things like that. They thought maybe if they could get him to endorse the product, they might be able to get rid of the ones that were taking up space in the warehouse.

So they knew George's lawyer, his lawyer set up this meeting. George was unaware that what was going to be proposed did not involve writing a check to him. He thought he was going to get some money. He saw the grill, he was not impressed. He was particularly not impressed when he asked how much money I'm going to get, and his lawyer explained that, you're not going to get any money, but you're going to get equity or ownership profits, at which point he stood up and walked out of the room, and told others and me that he almost fired his attorney on the spot for wasting two hours of his time. But his attorney prevailed upon him, he said, you have nothing else going on, you might as well give it a chance. If you can introduce this product to the American public, perhaps you can end up making a fair amount of money.

He kind of begrudgingly took the deal. And the deal that they offered him was not true equity in the sense of stock ownership, but what we have phantom equity, it was an interest in the profits. And they offered him 45% of the profits from the product. And that's the way they cut the deal.

And it's not public exactly how much money George made at the beginning first four or five years. It's rumored to be \$20, \$30 million that he made from his 45% share of the profits, but it is documented that in 1998 they came to him and bought out his 45% profit interests by paying him \$137 million in one check.

He ended up being pretty happy with the George Forman Grill. He likes his attorney a great deal. He

converted his deal at that time to just a spokesperson, so he still is getting some—a modest amount of money, but obviously he cashed out in a big way.

As far as I know, if you don't count renewals and expanding a deal, in terms of one deal, a one-off deal, it's probably the most lucrative sports endorsement deal ever. Although interestingly, sports had nothing to do with it. None of the promotion involved him as a boxer, it just involved him as an eater and as a big personality, and that was back in 1994, which is really really a long time ago, and there really weren't any endorsement deals that were being done at that time by athletes that did not involve writing a check or paying royalties.

And he must have had a very good attorney, because as most of you know, when you do a deal where you get a percentage of the net profit, you usually get screwed—the old Hollywood contracts where there's never any net profits no matter how much the receipts are. But obviously George's attorney knew how to draft a net profits formula that did not allow him to be taken advantage of; otherwise they wouldn't have paid him \$137 million to give up the rights that his lawyer negotiated for him.

**AUDIENCE QUESTION:** Are you aware if that contract is available anywhere? Who's the lawyer?

**ALAN HOCK:** The lawyer's name is Sam Perlmutter. I don't know if it is, I've never seen it, but my guess is it's probably not the Magna Carta. I mean, it's probably a pretty straightforward five or six-page document, they weren't trying to reinvent the wheel, they were trying to get rid of some grills. And his lawyer, I'm sure, would be the first to tell you, that he had absolutely no idea that he was structuring a deal for George that was going to be anything like that.

It can be that way with equity, you're taking a chance. In this case, there was no option. We'll give you a \$1 million in royalties or 45% of the profit. They didn't have any money and the only thing they offered him was a percentage. They also had nothing to lose, because the grills were not being sold, and he really had nothing to lose because—the only thing he gave up was he gave them an exclusive that he couldn't do another kitchen product for five years.

A really historical deal that today I was mentioning to these guys before, I can't quite figure out why George Forman's on TV every five minutes promoting Invent Help I mean those commercials are on nonstop. And I assume he has enough money that he doesn't need the money—must be friends with the people at Invent Help, or maybe they gave him a piece of the equity in the company, I don't know.

**AUDIENCE QUESTION:** Did his lawyer do it on contingency?

**ALAN HOCK:** I'm sure his lawyer took a contingency fee. I'm sure George wouldn't want to pay him a dollar for negotiating that stupid agreement.

**BRITTON PAYNE:** And so you say it's historic. Were you practicing in this area at the time?

**ALAN HOCK:** I was. I graduated law school in 1981. So I was practicing. Back then I was doing primarily trademark litigation. I wasn't doing the deals on the front end. But the deals that were being done were very, very traditional. Very famous people, well known products. You know, get a royalty of 5% to 8% depending on the product minimum guarantee. And that's the way those deals were done until 10 or 12 years ago.

When I started doing those deals in the late 90s, that's what they were.

**BRITTON PAYNE:** And so the Forman deal was a big outlier, but as it sort of matured and showed that that was a great way to make a huge ton of money, did the Forman deal have a particular influence on adding ownership into license and endorsement deals for athletes?

**ALAN HOCK:** It certainly did, although again, it happened so long ago, that in '94, I think the modern day athlete and the people that represent them probably were not doing those deals at that time.

The deal that I think that really changed the landscape away from royalties and more towards equity was the 50 Cent Vitamin Water deal. It was there, the company was sold for \$4 billion and it became very publicly discussed how much money 50 Cent made in that deal. And that was the deal that I think really changed the landscape, because it was sort of more modern day. And people were reading about it in the paper all the time. And everyone wanted to know how they can get the next Vitamin Water deal. And since then, most of the athlete or celebrity endorsement deals that I've been involved with have been primarily a meaningful equity component.

**BRITTON PAYNE:** And so you've typically been on the licensor side, but Chris, you're on the licensee side typically when you are involved with these, is that right?

**CHRISTOPHER CHASE:** Yes. With athletes usually we're the party hiring them for a short-term endorsement, talent agreements, personal appearance, things along those lines. So I actually haven't seen many of those equity deals on my end because it's usually a short term type of thing. I mean build in options for extended terms of usage for advertising materi-



**Christopher Chase**

als, but for the most part it's usually with a large company that's not going to offer equity to someone versus a start-up that may not have money that needs to offer the equity, or just the industry that they're with then.

**BRITTON PAYNE:** And so then what ends up being the most negotiated parts of the deals that you are working on for athletes?

**CHRISTOPHER CHASE:** There's a lot, I mean termination is always an issue. The payment clauses are always an issue. And usually those are tied together, certainly you want to get as much money up front if you are the athletes, and whenever you perform your services. And even before ad materials run.

We talked about in our last panel a discussion about Morals Clauses. That's one of the termination issues. So those two are usually the bigger concerns. And then things like the service days, and the general deal points of where the materials are going to be used, for how long, what type of media, and those—

**BRITTON PAYNE:** Well, let's start with the termination, and I guess, just to continue the conversation from the previous panel, have you had to deal with a conflict over the termination clause for morals either in the negotiation or in the enforcement?

**CHRISTOPHER CHASE:** Yes. With the negotiation there's always the sort of the talent side always wants the conviction of, maybe the indictment of, whatever it is. And on the brand side you want something more loose, which again we talked about in the last panel that tends to bring talent into public disrepute along those lines. It depends on the leverage, which you know frankly, any agreement is. So it really depends at the end of the day who has more leverage in the situation and how far do you want to push it.

Since the Tiger Woods issues, there's always a Morals Clause in any athlete agreement. And even before that, with Kobe Bryant. Now you have great examples to say, well these guys were the poster boys of good behavior on the tour and in the league and now you see what happens. So getting a Morals Clause in is a guarantee. How broad it can be for the brand client, for the sponsor, it just depends on what type of leverage they have.

In terms of enforcing it, I haven't had to deal with that yet. We had a situation where the target demographic for the brand had changed. And we had a broad Morals Clause in there. We tried to argue that the person's persona affected the brand in a negative light, not because he or she did anything wrong, just because the target demographic switched. We didn't really win on that and we ended up just moving on from there. Thankfully, haven't had to deal with a real true public situation that there was an issue.

**BRITTON PAYNE:** Like the *Mendenhall* case,<sup>5</sup> so we're talking about Morals Clauses. And as Chris was saying, an example of an athlete-friendly Morals Clause was in the initial Mendenhall contract with Hanes, that's in part of your materials.

So the initial clause from May 2008 was, if Rashard Mendenhall was a running back for the Pittsburgh Steelers, he ended up going and playing for the Cardinals for a year. I think he got injured and he retired after maybe four or five years of playing in the league.

If Mendenhall is arrested for, and charged with, or indicted for, or convicted of, any felony, or crime involving moral turpitude, so you need a conviction, felony crime, moral turpitude. That was the initial trigger for being able to cancel the deal.

They extended the deal in August 2010, so roughly two years later, and had a longer clause that was much less favorable to the athlete where the termination could be triggered by a lot less severe activity.

If Mendenhall commits or is arrested for any crime or becomes involved in any situation or occurrence, so now we've gone from having to have someone either file charges, or get convicted, now it's just, he's involved in a situation or occurrence tending to bring Mendenhall into public dispute, contempt, scandal, or ridicule, or tending to shock, insult or offend the majority of the consuming public or any protected class or group thereof.

So it gets really broad. You see a couple of legal terms in there. A protected class is obviously a legal term. But what shocks the consuming public?

The trouble, of course, that he got in was that he saw himself as a football player and as a personality and that included offering his opinion on things with the rise of Twitter. In January 2011 he starts, and four months later Osama Bin Laden is killed, he tweets against the celebration of the death of Osama Bin Laden and suggest that 9/11 was an inside job.

So, needless to say, Hanes was very concerned about this, and Mendenhall apologized two days later without really backing down from his statements. The next day Hanes terminates the deal.

So after some negotiations among the parties in July of 2011, Mendenhall sues for breach of contract. Mendenhall feels that he did not breach the terms and Hanes feels that he does. And so now we're in this situation where you have to measure tending to shock.

So as you guys are negotiating these deals, what constitutes tending to shock? What constitutes—how do you even measure these kinds of disputes? If it's going to be a contract term it has to be something that's in some meaningful way measurable.

When you are negotiating those parts of contracts, what kinds of things do you talk about?

**CHRISTOPHER CHASE:** I mean, it's difficult. The talent representatives want to make sure there's an objective standard. So they want the indictment, the arrest, the convictions, and along those lines.

On the other side you want something broad and sort of whatever we feel is reasonable. I've been in situations where the talent side will try to carve out certain things. Well, he's sort of a raunchy comedian, you can't hold that against him. It should only be for things in his personal life. Or she's a crazy model that has been known to get into situations that are sort of untoward, and that's why you're hiring her. So they then try to carve out her past behavior. You're sort of on notice for it. So there are ways to dial that back a bit without putting a particular objective standard in there.

What was really interesting with the case was, I mean that's a fantastic Morals Clause if you're on the brand side, it's very broad, vague, whatever Hanes really deemed to be a morals dispute. And at least in the initial stages, Mendenhall won on the motion for summary judgment, because the judge found that Hanes didn't act reasonably in good faith with the exercise of that discretion.

So it is a concern when you're the attorney, how you actually use that Morals Clause, because if I was drafting, I would draft the same exact thing, so it makes you a little bit nervous when you can't knock out the case right away.

**ALAN HOCK:** Yes, and you know, again, it does depend on leverage. If you represent somebody that's really famous and the brand really wants them, obviously on a lot of clauses, you're going to be able to get your way more than otherwise. But clearly since Tiger Wood and Paula Dean, it's almost impossible to go into a negotiation, no matter how much negotiation you have, without having a Morals Clause that is not as objective as indictment or conviction. Have to deal with some of these touchy feely definitions of disrepute, or scandal, or embarrassment.

What I try to do on the athlete or the entertainment side is to, if I can't get a more objective standard, I try to tie it to something that is objective.

For example, I did a deal just recently where this became potentially a deal breaker and we were able to resolve it. We came up with this concept that there has to be a sustained negative press on a national level, was the phrase that we came up with at 3:00 in the morning.

Here's one of the concerns that I have representing the licensor, is you could have a situation in which the Morals Clause is triggered, but really nobody even knows about it. And you don't want it to be sort of a secret weap-

on that somebody could use to terminate the agreement. And how much harm or embarrassment could there be if there's an article this big in one paper about it.

But I have had and have litigated a situation in which something just like that was used. The company was unhappy with the deal, they wanted to cancel it, and they tried to be wise people. And there was one of these broad clauses that I had not represented the client at that time, but somebody did who allowed a very broad clause. And there was some Internet rumor that this person was having an extramarital affair, and they tried to use that. The Internet at the time, they claimed not to know, was a rumor, but they tried to use a couple of stories here or there on some of these gossip sites as grounds to terminate the agreement. That's the danger with these subjective standards.

The other thing I try to do to try to turn the tables a little bit or at least equal the playing field is when attorneys like Chris start pushing clauses like that on me, I insist on getting a clause from his client that if something happens to the company that puts it in disrepute, or is embarrassing, you know, they have a data breach, or some sort of a recall or something, then I want the ability to terminate the agreement just like you would want the ability to terminate. And quite often that—using that argument—can get the provisions softened quite a bit if you're going to insist that you have to live by the same standards.

So it's one of the more important clauses in any of these agreements. It never used to be because we used to always have these granny clauses that if it offended your grandmother then that was sort of the standard, until Tiger Woods.

And I was thinking this weekend, and wonder whether Brian Williams has any endorsement agreements, but who would have ever have thought that if you're representing Brian Williams that maybe you should be concerned about a broad Morals Clause in terms of embarrassment and disrepute and dishonesty. I mean, you just never know, and so it's really incumbent upon an attorney representing a licensor to try to make those clauses absolutely narrow and objectively verifiable as possible.

**BRITTON PAYNE:** Now, Hrishi, you have concerns at the league level—as far as Morals Clauses are concerned. And obviously there are other concerns about Morals Clauses that were discussed in the previous panel. But in the context of licensing, a lot of damage can be done to the league's ability to license as a league and the league interests and its brand and its marketability at a different level by the behavior of the athletes.

So to what extent have you had to deal with Morals Clauses in protecting the league?

**HRISHI KARTHIKEYAN:**

Well, it's similar to what Alan said a minute ago where you are talking about the overall public reputation of a company. So if you're talking about one of our licensees or sponsors, they could have, like Alan said, a data breach issue, could be a labor issue, could be a foreign investment issue.



**Hrishikesh Karthikeyan**

The whole point of having these agreements, not just with individual athletes, but with the league, is because we're aligning our brands. And if an incident comes up then we want to be able to re-evaluate that, just as a company who has an endorsement deal with an athlete wants to re-evaluate the value of the association of their brand with that individual with that company to the point these guys were making a minute ago, it really does come down to leverage.

It's one thing to have the contract language on paper. The reality is these things often get litigated in the press. And so how favorable your contract language may be, if you're fighting about this publicly, think about that, the result of that case will turn on the details of what that person did or what that company did. And even if you have great contract language, you may not want that to be the subject of ongoing media attention. So in some sense, you can end up with a more athlete, or company-favorable clause that you just don't end up relying on because you don't want to have to go through the public litigation.

**BRITTON PAYNE:** Yes, the Streisand effect.

**ALAN HOCK:** The other thing that you try to do when you represent a licensor is, especially if you have to agree on a more of a broad type of clause, is you try to carve out things like, no event, anything that happens in a game.

For example, you don't want to have your client get a technical foul and get into an argument, or maybe your client goes out to the bus to talk to a player after the game about something that might have been said during the game. And you don't want that to be used, some game-related hostility to be used to possibly cancel the deal. So that's one thing.

And then one on the entertainment side, we try to get the same exclusion. For example, if you are representing a rapper, you try to exclude lyrics, because if a rapper says something in lyrics that inflames, could subject one to ridicule, quite often that's the idea of it, that's what your client is doing for a living. So if you have to agree to a clause, try to get the other side to agree to the same type of clause to soften it. And then again, try to carve out whatever you can that will protect your client from

doing what they do every day, and have it relate more to an extraneous outside event, rather than something that's taking place in the actual game or at the actual concert.

**CHRISTOPHER CHASE:** I've actually seen that a lot in the NASCAR type of sponsorship deals. There was an incident in the early 2000s, where a racer was involved in wrecking another car. And if any of you follow NASCAR, the announcers call it the brand car, whatever the X, Y, Z brand is, as opposed to the driver, necessarily.

So for continuously throughout this race where the driver was intentionally crashing into someone else, they kept referring—I think it was the AT&T car was doing this, that and the other thing. And they tried to terminate based on the morals type of clause. And since then, I think, all NASCAR team sponsorship deals include that. Anything in the pits, on the track, whatever happens on the field essentially, they will carve out from a morals issue.

**BRITTON PAYNE:** Hrishikesh, how often does the league get involved in the Morals Clauses of its athletes? Is there any—do guidelines come down from the league or—

**HRISHI KARTHIKEYAN:** Between athletes and companies that they're endorsing?

**BRITTON PAYNE:** Yeah, it's hard for me to imagine that it's entirely separate, but maybe I'm wrong. I'm sort of curious about the involvement that a league, not necessarily the NBA, because I understand you can't give away too much inside baseball, if I can mix sports. But generally, what involvement at the league level does the league have with the negotiations of these kinds of contracts, of these kinds of licensing deals, whether Morals Clauses or otherwise?

**HRISHI KARTHIKEYAN:** So generally none directly, but there are two indirect effects. So one would be if an athlete has an endorsement deal with a company who is also a league sponsor then there may be some interplay between whatever the athlete did, whatever their relationship is with the company.

Sometimes there are times when our sponsorship deal with a company is for other than the athlete. There's some where it's driven by the company's relationship with the specific athlete. They have their endorsement deal. They have come to us for what we call uniform rights where we attach our league logo, generally the player in their uniform, to the sponsorship deal.

In that situation, the termination of the sponsorship deal between the athlete and the company just may trigger a termination of whatever their relationship is between us and the sponsor, depending on whether that agreement can stand alone or not.

The other is just that the underlying action, if it's something that the athlete did that kind of brings them

into public disrepute, may have repercussions for their status with the league, whether they're suspended, fined, in some case terminated their employment.

So in those two ways, I think there could be an indirect relationship, but generally the commercial deals that a player will negotiate with companies that they want to endorse or take equity in, whatever that kind of relationship is, that's a private arrangement between those two parties, and on some level we would be interfering if we got in the middle of that in a way that didn't directly affect us.

**BRITTON PAYNE:** So then how does that line up with *American Needle*?<sup>6</sup> One of the cases that was in the materials was the Supreme Court case, *American Needle*, that discussed whether or not a league of teams acting in concert could be seen as an antitrust, a Sherman Act violation.

So to what extent does that—does the loose association affect your ability to make those deals and a league's interest in making those kinds of arrangements?

**HRISHI KARTHIKEYAN:** Yes, so just a little background on *American Needle*. The issue there was whether a league, which comprises in our case 30 teams, is a single entity that can't engage in concerted activity that could be subject to the antitrust laws, or whether it was an association of 30 different entities who could act in concert together.

So the threshold question was, which of those are they if they're a single entity, there's really no possibility of antitrust action, if they were separate entities, then they could engage in concerted action, so you would have to look at the specific activity, the arrangement. Is it a *per se* violation, is it subject to Rule of Reason? So the ultimate resolution of that case from the Supreme Court was as a legal matter, the league is different teams that are capable of acting in concert and that concerted activity could be subject to antitrust laws, and you apply a Rule of Reason.

So you have to look at league wide arrangements. Whether—in that case it was licensing arrangements. It's not limited to that, but if we as a league are licensing marks of our teams based on a relationship that we have with the teams, you have to look at that arrangement that is on behalf of 30 teams, in the NFL it's 32 teams. Whether you are—it's a pro competitive arrangement and you're doing it collectively because incentivizing, investment and advertising, innovation, that kind of thing, or whether you are doing it just for the purposes of just setting prices or setting some other barrier to entry.

So from our perspective, when we are granting licenses we have to look at whatever the arrangement is. We generally try to stay away from exclusivity if we can for our own commercial reasons.

The risk of exclusivity is that you are keeping somebody else who might innovate the market out of that market, and there has to be a compelling justification to do it as a business matter, because in general competition, actually, stimulates innovation. And unless we're protecting an investment that otherwise wouldn't be made, it's in our interest to see what's out there and find the most innovative company and look for the best deal that develops the market, not just for the immediate arrangement, but for five, 10 years down the road.

**BRITTON PAYNE:** Now, does it make a difference to you whether we're talking about the NBA having a corporate—a standard sponsor for, say the alcoholic beverage sponsor of the league or something like that, where it's a sponsor selling a product essentially unrelated to the NBA, or unrelated to the league, but wanting to have the name of the league associated with it, or as in *American Needle*, it was the company that was creating products that have league logos on them (and *American Needle* was the NFL), and they—where the product has the NBA logo or somehow related to the NBA. Does it make a difference to you when you're putting together those arrangements?

**HRISHI KARTHIKEYAN:** Yes, it does. And financial arrangement usually between those two types of arrangements are different, because when you're talking about what we call a licensed product, a product that has a team or league mark associated with it, the association of the team mark with whatever that product, is what the consumer is buying. They're buying that mark. And that's the reason that someone is buying a licensed video game, because they want to play with NBA players. That's the reason that someone's buying a jersey, buying a hat, whereas with what we call a sponsorship agreement, the product usually stands on its own. Sometimes it's not even a product, right. It could be a service, it could be State Farm Insurance.

So the thing that's being sold by the company is generally not the team affiliation or the league affiliation, it's just that that affiliation is providing some added measure of credibility. So it's the brand association and they're ultimately selling something unrelated. And when I say the financial arrangement, usually a licensed product arrangement is royalty-based, whereas a sponsorship arrangement is kind of fee-based marketing, benefit-based as opposed to royalty-based.

**BRITTON PAYNE:** So Chris, I had a question. So another matter, this is—Hrishi is talking about an association where you want to be associated with the NBA or with a league and so you make an arrangement with the league to have that association even if the products aren't necessarily related. But you've done a lot of work on non official associations that people make with leagues, specifically ambush and associational marketing. And so I wanted to have you explain a little bit what the term

means. Ambush and associational marketing. How does it work, what—and I have a few examples here if you want me to feed them to you also.

**CHRISTOPHER CHASE:** Sure. So those two terms, ambush marketing or associational marketing, they're essentially the same thing, but depending on who you are talking to.

So if you're on the property side where you are selling the sponsorship and there is an unaffiliated third party trying to take some of your assets, you would call them an ambusher. If you're the party that is just trying to associate itself with a major event or something that is happening in the city at a particular time, then you're just an associational marketer. So it depends on who you're talking to, who your client is.

It's an interesting thing. You have to look at essentially the financial benefit. I mean there's certainly a benefit to being an official sponsor of a team, of a league, of an event. You get access, you get tickets, you get content, you're really part of that, that event, that property, whatever it is.

On the other hand, if you just want to get in to raise some marketing profile, it may make more sense to just do the short term type ambush type of thing. So it's almost a financial issue at the end of the day.

There are some things you might not think about as ambush marketing. If you were the halftime sponsor of Monday Night Football on ESPN, you're not necessarily the sponsor of the NFL, but you're sponsoring ESPN's broadcast of it. So you do have some sponsorship type of arrangement.

Or Nike is always accused of being an ambush marketer, because every Olympics they deck out the athletes with their fancy shoes, but at the same time, they're actually supporting the athlete. They're giving money to the athlete, they're giving product to the athlete, so how are they really an ambusher?

So it just depends on who you are trying to be associated with, what the reason is for it, and then depending on who your client is, that it's the position you take.

**BRITTON PAYNE:** Yeah, there was a famous example during the Dream Team era, when Michael Jordan was compelled to wear the official uniform of the Olympic team, which then of course was sponsored by Reebok, for Nike is his sponsor. So he deftly wrapped the American flag around his shoulder such that it blocked the word Reebok written across his chest. Does that kind of thing seem like a fair compromise or did that seem like a petulant act by one side or the other?

**CHRISTOPHER CHASE:** I think that's sort of smart, smart on his behalf. He knows where his bread is buttered essentially and he's part of the brand. I know a couple of

years ago, I think it was Dwight Howard was holding up the basketball, he did the same thing, it blocked the logo of Nike and he's an Adidas endorser. So you see that stuff come into play.

**BRITTON PAYNE:** Some of the other examples from your article that's also in the materials. Commercials before and after an event using an athlete associated with the event. So if it's an ad during the—I was going to say Super Bowl, but during and at a football game that included, say, Joe Montana, using the term, The Big Game instead of Super Bowl, which I want to come back to briefly.

Using the country name in advertising during the World Cup or the Olympic Games. So if it's 1992 and it's doing an ad about Barcelona, there's an association there made that's not official.

This is great. Advertising near an event location or in the sky above, I guess. That's flying a banner over a stadium. Using tickets for promotional purposes, I mean, there's the classical nominal use case, New Kids on the Block, where you are giving away tickets to a New Kids concert as a prize for calling in fifth or 105th on FM105, and the question of whether or not that constitutes an inappropriate or misappropriation of the goodwill generated by the unaffiliated property, which is how you termed it.

And unauthorized—oh, distributing promotional items to be seen on camera, which you were just talking about, and unauthorized congratulatory messages, which brings us to the *Jordan v. Jewel* case.<sup>7</sup> Did you get a chance to—are you familiar with that case?

**CHRISTOPHER CHASE:** Yes.

**BRITTON PAYNE:** Can you give us a quick rundown on how that one worked?

**CHRISTOPHER CHASE:** Sure. So *Sports Illustrated* did a commemorative issue celebrating Michael Jordan's entry into the Hall of Fame. They solicited ads—it was released in the Chicago area, so they solicited ads from Chicago based sponsors. And there were a number of different things, but there were two grocery stores that actually tied in sort of Michael Jordan's persona with their advertisements themselves. So they used his number, or the shoe, or the colors of the team with the number and shoe, and they tied it in using their marketing slogan as well. The district court found that it wasn't a commercial use and it ultimately went up to the Seventh Circuit, which found it to be a commercial use, which then makes his right of publicity arguments and his Lanham Act type of trademark arguments much more viable.

So it's interesting there, and you'll see it a lot, not necessarily the ambushing part of it, but a lot of times a company that has an athlete that they endorse, that company will congratulate them, will celebrate their success, but

not necessarily be a team, or a league, or an event sponsor. And they have to sort of dance around it.

In that situation it was sort of the opposite. They were taking advantage of Michael Jordan and his success without necessarily being a sponsor or an official partner.

**BRITTON PAYNE:** Yes, and so Alan, as a representative, not of Michael Jordan, but of people who are of that ilk who want to be able to be exclusively be identified with one product so that they can get a better deal, when you see the *Jordan v. Jewel* case, when you see those kinds of congratulatory messages found to be actionable, I guess in this case, whether or not it ended up being—I don't think they had a holding, but they just said yes, this is the kind of claim that can stand? Is that something that you try to actively enforce? Is that something you look out for, or do you find that your average athlete is happy to just take those congratulations and let it go?

**ALAN HOCK:** It depends. If you're dealing with a super superstar who's used to monetizing virtually everything about them, they and their management will take great offense.

If it's a younger, less known athlete who's being congratulated, even if they're in the major leagues or in the NFL, some of them might view that as a positive to promote their image more.

It all comes down to what is the sponsors who get, official sponsors are actually selling, right. I mean, if you're selling air—I had a situation years ago, not involving an athlete, but I had a client, when they were redoing the Statue of Liberty, Senator D'Amato sent a letter out to everybody, all his constituents saying, do whatever you can to raise money for the Ellis Island Foundation. My client had a mail order company. Got the letter, got this great idea to do a Statue of Liberty commemorative medallion, and they wanted to give—I'm not sure they wanted to, but they decided to give \$1 for every commemorative they sold to the Ellis Island Foundation, and they asked me whether they needed the permission of the Ellis Island Foundation in order to do the Statue of Liberty promotion. I wasn't sure whether they did or they didn't, but I called up and I spoke to the general counsel of the Ellis Island Foundation, and he said as long as you make it clear that you're not affiliated with us, it's a free country.

So my client ran the promotion. They sold 280,000 of these things. We got to take the check for \$280,000. I sent it to the Ellis Island Foundation. They returned the check, saying you're not an authorized sponsor and keep your money. And then they dropped a dime on my client with the Attorney General's office, who then started an investigation against my client for collecting money, donations that they refused or were unable to give to the Ellis Island Foundation. And I called the attorney, who of course conveniently forgot the call we had had a few months earlier, and said, what's going on. And I basically got out of him

that there were a lot of companies like American Airlines and Coca-Cola, who paid millions of dollars to be official sponsors of the Statue of Liberty Ellis Island renovation, and really you didn't need to be an official sponsor. The Statue of Liberty is in the public domain. You know, they had this little logo, a line drawing, that's what you license, and that's what you can put on your product as official sponsor. But the reality of the situation is that those companies were calling, seeing my client's ads all over the place, as were other people doing this kind of ambush marketing. And they were saying, you got to stop these people.

**BRITTON PAYNE:** So the moral of the story is always getting a confirming letter, right?

**CHRISTOPHER CHASE:** Get it in writing.

**ALAN HOCK:** Well, yes. As a matter of fact, we were able to force them to take the money, but we had to go to the Department of Interior and sort of embarrass the Ellis Island Foundation people.

Again, it's the same thing with the Super Bowl, a big game. But the reality is, you have to talk about it later, but if in fact you have any Super Bowl parties, why shouldn't you be able to say I'm having a Super Bowl party? No one in their right mind—

**BRITTON PAYNE:** Well, then let's ask that question to Hrishi. You represent not the NFL, but the NBA must have similar concerns about ambush marketing. And to what extent do you enforce it? And at least in your judgment. It's obviously not where you work, but why can't we just say, I'm having a Super Bowl party?

**HRISHI KARTHIKEYAN:** So, it's hard to draw a bright line. I'll just tell you some of the considerations that go into it. I think one of the biggest is, is this a business that we are actively monetizing on our own?

So if you have a watch party where like media distribution is a big part of our business, there is a market for public exhibition of one these contests. So if you were engaging in that, that's a business that we're involved in. And so if we're actively licensing, granting these broadcast rights to whoever it is. Arenas, bars, are kind of public forums, we want to protect those people by policing the people who are exploiting those rights without paying for it.

So I think that's the biggest one. Are they basically exercising the right that we are otherwise actively engaged in? But then you do look at things like, what's the size, what's the scope, how egregious is it? Does it look like they're being cute, or is this a mom and pop grocery store saying, get your supplies for the All Star Game, that doesn't have the same audience as the Super Bowl, but I think that sort of thing generally is a practical judgment call if a) is it worth the effort, and b) is that what you really what to do, go after the mom and pop grocery store?

You can't—I don't think you can draw bright lines, but I think there are sort of some basic judgments and considerations that go into it. And if you have an active trademark portfolio, or an active licensing business, or an active media distribution business, you do want to protect not only your business, but the people who are engaged in that with you, and partners who are paying you for certain rights, whether you have it contractually or not, have a certain obligation or have a certain expectation about your obligation to protect their investment.

**BRITTON PAYNE:** How do those kinds of things come to your attention?

**HRISHI KARTHIKEYAN:** We have a full time IP enforcement group, and that's everything from media, sponsors, licensees, people selling counterfeit jerseys online. And it's a game of whack-a-mole, so you do the best that you can, but it's far from a perfect science.

**BRITTON PAYNE:** It sounds like—the way you just described you're taking an affirmative—you have an affirmative objection, you're taking affirmative steps to enforce the exclusivity of deals that you make, you're not leaving it up to the licensee to find infringements and report them to you and say, hey take this down. You're saying no as part of what we're doing, we're letting you use our marks and we are trying to make sure that the exclusivity remains.

**HRISHI KARTHIKEYAN:** Well, that's true, but it's not limited to exclusivity, it could be completely non-exclusive, but the conversation that you would have if you weren't engaged in protecting even non-exclusive partners is, well why am I paying you for this if everybody else is doing it?

**BRITTON PAYNE:** Yes.

**ALAN HOCK:** But again, from a trademark point of view, and that's what we're dealing with, right, as the issue is confusion. So if it's done in a context where no one's confused into thinking there's a connection with the league, I don't see this as anymore than bullying tactics, which may be a good marketing strategy, but the reality of the situation is I don't see how that's not fair use. I don't see how it's even remotely a violation to use Super Bowl, or Stanley Cup, or anything, if you do it properly without confusing. And I know if you have a trademark portfolio, you want to be aggressively enforcing it because even if you don't think you're going to win sending out cease and desist letters so that you have a loose leaf this big, it's helpful when you're trying to enforce your trademark. If that's the reason, then I concur with that strategy of sending letters, but as a practicing trademark attorney, I don't see for the life of me how you could possibly prevail unless somebody did something really stupid and made it seem like they were that affiliated with the league itself.

**BRITTON PAYNE:** Chris, I don't know what you were going to say, but I know that you did provide me

with an example where someone did exactly that. The Raiders case I was thinking about.

**CHRISTOPHER CHASE:** Right. Right.

**BRITTON PAYNE:** And Hrishi, one question for you actually. I found that ticket giveaways are usually one of those elements where the league or the team will step in, because it almost seems like it's more of an official something, and it is related to it. And there aren't many ambush marketing cases, because it's so risky, it's hard to prove confusion. But the ones I've seen is typically where there's now a ticket giveaway that's part of the overall marketing strategy.

**HRISHI KARTHIKEYAN:** Yeah, and I don't disagree that the standard is the likelihood of confusion, likelihood of implied affiliation between league, team, athlete, and whoever the company is. They may disagree on whether certain activation crosses that line or not, but you're right. And giving away tickets and using team or league names, logos, identifications, to promote whatever the sale of the product, or the commercial activation is, the more commercialized it gets, the more it does appear—and the more it encroaches upon the business that the league is in, the stronger the facts, the less the likelihood of confusion.

Again, if you're exercising rights that league or business activity licenses, then the public is more likely to draw the inference that you have an affiliation.

**BRITTON PAYNE:** Yes, and it plays like a chicken/egg problem. Part of what Alan is saying is maybe you ought to be able to do that in the first place, but if you do it then there becomes this expectation that it is something that's appropriate to license. And so then by just sense of doing it now is something that you can license, because that's what is done. And there doesn't seem to be any area of life where we don't see the licensing of sports anything.

The official—it's always strange to see the official fast food sponsor of the elite athletes of the world or something like that, that always surprises me a little, they seem like an unnatural pairing. So if there's going to be that endorsement, there's an endorsement of everything.

You're saying well, if it's an area where we license or where we're active, I can't think of an area where you're not. There's like an NBA comic book, there's an NBA—I'm sure there are NBA wheelchairs, like there's everything, isn't there.

**BARRY SKIDELSKY:** I represent a number of radio and television broadcasters who sometimes get in trouble with the FCC over sponsorship identification related to this very issue about the Big Game. But most, if not all of them, are involved one time or another with giveaways of tickets to concerts or games, and I don't see where the likelihood of confusion from a trademark perspective comes in. I'm a radio station giving away tickets to a game, or come to our Super Bowl party day, it doesn't

suggest that I'm the leading sponsor for the Super Bowl or I'm the team. Can you clarify that for me? Where's the likelihood of confusion? I thought that's about the origin of the goods and services. It's like having Delta faucets versus Delta Airlines.

**HRISHI KARTHIKEYAN:** Yeah, I don't actually disagree with the principle. And in fact, there is a broadly recognized First Amendment right to expressive fair use, uses or references to otherwise protected trademarks. The issue is not is the mark trademarked, is it protected, but are you using it as a trademark, because you're right, if you're making a factual reference to contest, athlete, there is a kind of permissive zone of free speech around that. Where the exact line is drawn in something like that, I'm not sure, but people can disagree about that.

**ALAN HOCK:** With tickets for events that are not on sale to the public it's much easier, because like the Academy Awards and things like that, they put on the ticket that it's not transferrable, so it's the actual person's ticket.

So I had a client, was representing a radio station, they had a contest, they gave away a trip to the Academy Awards, two tickets to the Academy Awards to the winner. And when the guy got there they wouldn't let him in. He had one of these crazy, spiky mohawks, and he was really kind of standing out in the crowd, and they wouldn't let him in. And they used the clear language on the ticket that it was not transferrable to keep him out. And then he tried to sue my client for giving a prize away that he couldn't use. But the point is that if it's a regular event and you can go on Ticketmaster and buy tickets or get tickets some other way, I can't see for the life of me how it could be violative, given the Constitutional protections. And I'm on the other side, but I certainly understand like I said, trying to enforce your rights, and trying to push the envelope as much as you can.

I can't really think of a case that I've read where anyone has ever been really successful in doing that. I think probably all the potential plaintiffs are afraid to bring the case, because once they lose it's all over and they won't be able to bluff as well. But that's just business and that's—I understand it, but it depends whose ox is being gored, as they say.

**BRITTON PAYNE:** You're also talking about trademark, and so the expectation of confusion is measured by what is really going on in the world. So when I listen to the sports radio in the morning, and we're getting towards the end of January and Super Bowl ads are starting to pop up, and I hear three ads in a row that say, the Big Game is coming up, buy chicken wings, and the next one says, the Big Game is coming up, buy our beer, and the next one says, the Big Game is coming up, buy our potatoes. And then one says, the Super Bowl is coming up, buy our shirts. I now think that these three did not pay and the fourth one did. And if all of a sudden the third one said Super Bowl, but hadn't paid, I'm confused as to

the affiliation with the trademark. Now, I'm not saying that this wins in court, but I'm saying that's the argument that this makes. And you also observe where confusion comes from. It doesn't come from fact, it doesn't come necessarily from an understanding of the law, it comes from your experience of the world and the associations that you make as a user.

We see that kind of development much more commonly in technology, where confusion, say in a search engine, a sponsored link in a search engine, might have been more confusing 15 years ago than it would be now, because people understand that's a sponsored link, and that's a natural search result.

The same kinds of evolution can happen elsewhere, and by enforcement I suspect, it's not the same as creating secondary meaning, but it is comparable to creating an expectation that ultimately trademark law tries to prevent the confusion surrounding it.

So now you've looked at a lot of these cases that involved ambush marketing and associational marketing. The one that I mentioned before involved NFL Properties and the Oakland Raiders.<sup>8</sup>

The Nations Food Service was across the street from a stadium, Nations Food Service had a Raider Nation promotion. Now, their company was called Nations Food Service. They were across the street from—I don't remember what the—they didn't play Candlestick, they played at the—

**CHRISTOPHER CHASE:** Coliseum.

**BRITTON PAYNE:** Coliseum, yes. And so they were making this association between the Raiders and their store, using their own mark, and nonetheless, the Raiders claimed confusion and they ultimately settled.

**HRISHI KARTHIKEYAN:** Yes, in that case one of the factors that did sort of cross the line was Nations took their hamburger face logo and put an eye patch on it to make it look just like the Oakland Raiders logo, so there you're really getting into the actual trademark itself, I think is more of an issue than simply just using the color or having the billboard outside the home stadium.

**BRITTON PAYNE:** Yes, and in that case the Raiders sued. Generally, what do you advise your clients to do in those situations?

**CHRISTOPHER CHASE:** I mean, it depends.

**BRITTON PAYNE:** What are your options?

**CHRISTOPHER CHASE:** You're looking at the length of the marketing campaign. And that's another reason why you don't see many ambush marketing lawsuits, because it's sort of a one-shot deal, it's up and it's down, so by the time you sue it's already over. You can do it for enforcement purposes in the future.

We talked to our clients about it, we received a cease and desist letter, tried to figure out what they're doing exactly, if they can take it down, how they can modify something. It really just depends on the situation itself.

**BRITTON PAYNE:** Yes, and then you also discuss in your article preventive measures against it. So if the point is you're trying to enforce your mark and you don't want to just be subject to ambush marketing, what are some of the things that you can do to prevent it from happening in the first place?

**CHRISTOPHER CHASE:** Sure. I work with some event producers, as well, and a lot of time we advise them to buy out the media around the event location so that the billboards, and the subway ads, and the things along those lines—you can even resell those to the official sponsors, but that's one way to keep out any non-official or third party having the marketing around that.

The ticket back language does work where it can't be transferred, you can do things along those lines. Sort of the general enforcement in your area, what you can do to prevent the outside from coming in. It's hard to do though, there's not enough money in the world to prevent a third party from coming in and trying ambush your property.

**BRITTON PAYNE:** So Alan, something that we've talked about too, I guess. I was just doing a little routine on emerging technologies. And so one emerging technology is social media. And social media has been incorporated very deeply into these kinds of athlete-related endorsement deals. How have you seen that unfold with some of your clients?

**ALAN HOCK:** There isn't an endorsement deal that I've done in the last four or five years that doesn't involve social media as a significant deliverable. It's just where we are in the world. So almost every deal will require a certain number of posts or tweets, depending on the type of deal it is.

Sometimes the advertiser wants to dictate what the post or tweet says. Sometimes they don't want to have anything to do with it. They give you some guidelines of sort of the topics that should be covered. And it's a lawsuit waiting to happen, because as you probably discussed, the Federal Trade Commission has guides for celebrity endorsements. And they have taken the position that if a celebrity tweets how glad he or she is to be drinking this Coke right now, that the public needs to be told that that's an advertisement, even if it is and the person is being compensated. The issue is whether or not the average reasonable consumer reading that tweet would know that that person is being paid to do that or has an economic interest in it. And the FTC's current position, and they will pick a test case soon I think, is that unless you write at the beginning of the tweet, ADV for advertising, that there's no language that they think is acceptable to

dispel the notion that that might just be that person's favorite drink and they might be just doing it gratuitously.

**HRISHI KARTHIKEYAN:** Well, by the way, that's not even just limited to just celebrities and athletes, right? That's the Cole Haan case from last year, where even regular people posting about a product who have been incentivized to do that, that was the FTC's decision that you have to disclose that.

**ALAN HOCK:** But in a celebrity context, there's specific regulation about that, and they're waiting, they're waiting to make a case. So I obviously try to get all of my clients not to put advertisement next to the tweet, but to use some technique or some language to make it clear that there's a financial relationship between the tweeter and the actual product.

You probably all have seen these things, and almost no celebrity that I've seen makes a meaningful disclosure that there's the connection and they have an economic connection, or that they're being paid to say—there's all different types of business deals. So the most crass one is literally paying a celebrity \$5,000 to tweet this once, or \$10,000 to tweet this once or twice. But when they're bound up in a series of deliverables in a contract, clearly there's a financial incentive, there's a contractual obligation to do it, and I think the trick is to wait for the test case. They're going to pick a test case of someone who made absolutely no attempt whatsoever to advise the public.

So it's very important if you're representing somebody that's being paid through any kind of social media, Instagram, Facebook, whatever it is, to try even if you don't say, hey I'm being paid to tweet this to you, to try to come up with some clever way like, that's why I hooked up with these guys, that's why I'm in biz with these people. I liked it so much I bought part of the company, type of thing. You try to do it in a way that's sort of not offense, and say ad, ad, ad, ad. But it's a—there are critical components in all of the current endorsement deals, and sometimes you have a situation where the party you are contracting with, the licensee wants you to make a rep and warranty that your tweets will comply with FTC regulations, but at the same time they quite often don't want you to say that you're being paid to say this. They want to make it look like an organic statement.

So there's real tension and when you're negotiating these agreements, those are really hot issues right now, that you can't have it both ways.

If you—I even had a situation quite recently where they didn't want the celebrity to even remotely suggest they were being compensated, and they were willing to indemnify and hold the celebrity harmless from any fines or penalties that might have been imposed by the FTC. And of course in that type of situation, indemnity or not,

the mere delivery of the contract and the enforcement proceeding is going to cook your client's goose.

So it's a very interesting area of endorsement deals, but like I said, I haven't done a deal in years that doesn't involve that—sometimes it's the most important deliverable. You have to be careful, sometimes the advertiser wants too many tweets. You can't do it every day, every week, it becomes ridiculous after a while, but it's a very hot topic.

Since it's observed more in the breach than compliance, I'm very interested to see what test case the FTC chooses, but I've spoken with the enforcement people there, and they're looking and they're waiting. And somebody who does absolutely nothing, who's really famous is who gets the complaint against them.

**BRITTON PAYNE:** It's interesting, in the United Kingdom, the ASA, the Advertising Standards Authority, which is their self regulatory advertising body, brought a case against Nike and Wayne Rooney, the player for the Manchester United who tweeted out whatever the current slogan of Nike was and how he's preparing for the season. And even in the hashtag it said, go Nike something or other. And they said that that wasn't enough. Consumers wouldn't know that he's a paid endorser even though everyone in England knows that he's a paid endorser for Nike. So it's sort of shocking in that case where to even have Nike in the hashtag, that they found that not to be a material disclosure.

I agree with you, the FTC—before we were preparing for the panel, we said, is there a case that sort of changes the way we draft contracts in this area? I don't think there's any case yet, but certainly the FTC, there's such a greater emphasis on the endorsement guidelines both from the brand side and the athlete side, because everybody involved is at risk.

I think the closest so far has been the case against ADT, the security company, where they paid a home security expert, it was like a mom who is known as "the Safety Mom," to do a segment on "The Today Show," where she was talking about home security systems, but just happened to talk about how wonderful the ADT ones were without disclosing that she's actually paid by ADT to do that.<sup>9</sup> And the FTC brought a closing procedure against ADT and then had an investigation against the talent, the production company, and the promotion company that ran it. So I think that's the closest we've seen so far, where they've gone after the other parties involved, not just the advertiser themselves. But you're right, they're absolutely looking for one famous person.

**ALAN HOCK:** But not in the social media context *per se*. And the other interesting thing is sometimes you can't disclose it. I represent a number of entertainers that put brands in songs, in raps, they'll say the name of a product in at least one song on your next record. How are

you supposed to disclose that in the song? Hey, I'm being paid to say this, here comes this rhyme. You can't do it.

**CHRISTOPHER CHASE:** You'll find a way that will make it work.

**BRITTON PAYNE:** You did a nice job just there. Well, so then let's be the FTC, what's the solution? What seems like—start with Twitter. Twitter's got an unusual problem, right, in that it's such a small turf to put a curative message, right?

If you're doing a blog, and you're doing a review, a video review or something like that, it's very reasonable underneath to say, I was sponsored. But a tweet doesn't have a whole lot of room for it. You talked about maybe it says hashtag ADV or something like that, but you also talked about trying to work it in more organically, which is difficult, given the limited number of characters per message. So can the cure come at the end of the sequence of messages? Can it come on your client's homepage @twitter that says here are the lists of the brands by which I am sponsored? Are those things—like would that cure the problem in a manner satisfactory to the FTC?

**ALAN HOCK:** If you listen to them, no.

**CHRISTOPHER CHASE:** Right. I think the FTC's answer would be incorporating it organically it's, a) not our problem, and b) directly counter to what we're trying to achieve, which is just making it clear that it's not organic, right. So that the challenge is to—it's not even so much to make it organic, it's to make it clear without making it awkward, and it is a challenge. I think they're still feeling out if there is a way around that, because the media keeps changing, too.

**ALAN HOCK:** Right. Without charge I gave the FTC the answer, I was very nice. I said, look here's what you gotta do—you have to come up with a little symbol. And then you have to pay to advertise to the consumers that when you see this symbol, whether it's a dollar sign, or whatever you want to come up with, like a cigarette—

**CHRISTOPHER CHASE:** Like paid real advertising.

**ALAN HOCK:** Right. When you see this, you'll know that person has a financial interest in the tweet, and make the government and the regulators educate the people. And it wouldn't take very long until most people understood what that little symbol was, sort of like the warning on the cigarette packs. It would be a very simple thing to do, but of course expensive, and they don't want to do it.

**ELISSA D. HECKER:** Like ADV.

**ALAN HOCK:** ADV is kind of crass and obnoxious.

**CHRISTOPHER CHASE:** Whereas this solution is elegant.

**ALAN HOCK:** Correct.

**CHRISTOPHER CHASE:** After a while, you would ignore it.

**ALAN HOCK:** Okay, maybe. But you would at least—it would come into yourself, conscious that you would know that the person was being compensated in some way. But again, maybe they'll move there after they lose a case. Right now, they are very, very, very rigid. ADV, nothing else works, we'll see what happens in the first test case.

**ETHAN BORDMAN:** How is this different than wearing a shirt that says, drink Coca Cola, from the celebrity, versus why is it such an issue on social media, versus walking down the street with a shirt or doing anything like that? Why is one a bigger issue than the other? Do you have to say you're being paid and others you don't? I don't think the guidelines are clear, as to the medium of expression. I think it's the way it's captured, re-broadcast, and the attention that it gets. The ability to broadcast on a global scale instantaneously is just what makes it more prominent.

**ALAN HOCK:** I think what the FTC would say is that for 50 years people are used to seeing people wear t-shirts with brands, and they don't associate that with someone being paid, but now with social media they do. And the reality is, it's not true. Plenty of people tweet things, and celebrities tweet things that they're not being paid for, it's not true.

**ETHAN BORDMAN:** There are a lot of things where they fuzz out what's on the t-shirt too so that we don't get that confused.

**ALAN HOCK:** Right. But you know, what generally happens is the government's usually five to 10 years behind the market. Something will happen five years from now, and in between it's kind of like the Wild West, and what you try to do is be the one they don't pick on for the test case. It's not that hard to do, you have to just do something, because they don't want to have any chance of losing.

**CHRISTOPHER CHASE:** You have to have the slowest camper, right.

**ALAN HOCK:** Right. One of my clients puts in every endorsement deal they want to be called the Vice President of Innovation. They want some title in the company so that they can put V.P. of Innovation, or V.P. of Creativity, or something so that at least you can make the argument, hey, it says I have a title in the company, because they have other issues, liability. You want to get indemnified, you want to get on their insurance policy. But there are number of creative ways to do it without saying ADV.

**BRITTON PAYNE:** Yes. You've got a question?

**AUDIENCE QUESTION:** Yes. For example, like on "The Today Show," would "The Today Show" get fined for that, or would the artist? Would anything happen?

**CHRISTOPHER CHASE:** Not that I'm aware of. It's really the editorial versus the paid placement. The problem with the ADT case was the placement, essentially. There you see a lot of—particularly in magazines, get the look of so and so. I'd be more concerned with just a right of publicity issue from the actress or actor who's involved who clearly didn't endorse it. There's always some P.R. issues, and whether they're getting free promotion, those things. But I doubt it would necessarily be an FTC endorsement problem by putting that in.

**BRITTON PAYNE:** So Hrishi, is there something—you were kind of nodding when Alan was talking about the government being a little bit—five years behind. Is there any particular licensing, or sponsorship or endorsement issue that you're confronted with that you wish maybe the government or a good court case would come in and clarify things for you?

**HRISHI KARTHIKEYAN:** Well, there's always the risk that the clarity comes and it's in the exact opposite direction of what you were hoping for, right. But to some extent, yes.

So the more we expand not so much social media, but just digitally general, so in terms of sponsored segments of a website or behavioral advertising, that is a rapidly evolving area. And governmental regulations—it's like—it's not even the competence of the government, it's just the machine of the government doesn't move quickly enough to keep up with it. So I'm left kind of sort of, guess where we're going to be four or five years down the road when I'm trying to advise clients about disclosures and having negotiations with partners about how clear you have to be. And nine times out of 10 I'm having a conversation with somebody that says, oh well, if we disclose that, it's less effective, it's not as natural. And my response is, that is exactly the point, and it's tough. And if there were regulations, again there's always the risk that the regulations run counter to what you're looking for, but it's an easier thing to point to than to try to explain my forecasting of where regulations are going to be in it. But I make this point that Alan does all the time, that wherever the line's going to be drawn, I don't want us to be the test case. I want to be in the middle of the herd. I'm going to give you—or if not that then—give you conservative advice because it's the best practice, and by the way, here's the reason for it. This consumer privacy, individual privacy is something that people at least say they value whether they do in reality and what they're disclosing is a separate issue, but it's something that I always kind of advise them on the creepiness factor. You think about if you have to disclose this to somebody and it creeps you out, you probably shouldn't be doing it.

So that digital area of tracking and promoting and everything is an area where I wish there were more clarity, because it would just make those conversations a lot easier.

**BRITTON PAYNE:** Do you find yourself in a situation, Hrishi, where you are going after a near infringer of a sports team and sort of, what I'm saying about that is, outside of Heinz Field you might see somebody selling a black and gold t-shirt that says, "Defense," or something like that with an abstract drawing of a football player, and it sort of almost looks like it's got the Steelers' logo—or colors and affiliation, but it's not quite there? That's a very small example.

There was a recent case in 2008 that addressed the issue, *LSU v. Smack*,<sup>10</sup> where they went after someone where a product had the geographic location, name of relevant football bowl games, and number of victories for each university in combination with the school colors to find that infringing.

So how close do you feel like an infringer needs to be before you guys can address it, before you guys will come down on it?

**HRISHI KARTHIKEYAN:** It's hard to say where you draw the line. There are certain periods of activity that draw that kind of infringing, or counterfeit, or confusing activity more so than others, in what we call hot market activity. So around the All Star Game or around the Finals, where you have a large population of people coming, interest in a particular event, and it's probably no different from the Super Bowl or the Olympics, that's where you get people who are deliberately trying to—it's just like ambush marketing except on products. They're deliberately trying to exploit the prominence of an event or a league in that area and draw confusing connections to it.

So in that—in those kinds of situations—our enforcement team is much more active, much more vigilant, we work with local law enforcement, federal law enforcement, and we try to police that marketplace to protect consumers, as well as to protect our brand, as well as to protect our partners.

**BRITTON PAYNE:** But it's not—I guess you're saying it's also not necessarily a specific formula. The way the court in that case made the list of, here are the elements that we looked and found this to be infringing. You're saying that as a matter of practice, you're not necessarily looking at any list, you're looking a little more holistically at the situation.

**HRISHI KARTHIKEYAN:** I think that's right.

**BRITTON PAYNE:** Including your strength and your ability to spend the money having a team of people out there.

**HRISHI KARTHIKEYAN:** Yes and there are people who are much more expert in this than I who manage that day to day. I don't want to give an answer on behalf of the league. But in my experience, there are times when you know you have to invest the resources, because you know there's going to be activity that is designed to confuse and designed to exploit.

**BRITTON PAYNE:** And Chris, you've also addressed the same issue, I imagine, with the NHL at some point or another. Is it the same kind of advice that you'll give them?

**CHRISTOPHER CHASE:** Yes, pretty similar. And again, they have an enforcement team that handles the stuff. And you're right, it's around the big events like the Winter Classic and the Stanley Cup Finals. It's just—you're working with the local law enforcement to deal with counterfeits. To try to deal with some clean zone type of areas, we're protecting things, we look into things like that.

I think that was the Colors Plus case,<sup>11</sup> right, where I think the question of whether—

**BRITTON PAYNE:** Yes, it was.

**CHRISTOPHER CHASE:** I think the question of whether the college colors rise to the level of a trademark, and it sort of was as long as the other things were in play, such as the number of ball games, or the city, or whatever it was, certainly that helps if you're the trademark owner and you're trying to protect those types of elements.

**BRITTON PAYNE:** Someone famously, someone recently wrote a pornographic work about Rob Gronkowski, the New England Patriots' tight end. Had that come across your desk, how would any of you have addressed the situation, because it's an unlicensed work featuring Rob Gronkowski having an affair with the woman who wrote the book.

**CHRISTOPHER CHASE:** I have colleagues that are great with libel and fiction, and they would have a great answer to that. I don't know, I wouldn't know how to deal with that.

**BRITTON PAYNE:** Apparently he very publicly read excerpts from it as well. He thinks it's fantastic, so I don't know if that right of publicity would have flown.

I had another question too, generally about, can an athlete enforce the non-use of a nickname? So the examples that came up for me are Deion Sanders hated being called Neon Deion, he wanted to be called Prime Time. And Adam Jones didn't want to be called Pac Man Jones, because it was a period in his life when he was having trouble with the law and wanted to sort of move on from that and be a more sedate player.

So I wonder if in agreements and if in licensing agreements where you enforce a nickname, which is something

that we see in the NFLPA agreement as one of the things that is a right you sign over, is a non use of nickname something that anybody's actually tried to deal with, or is that really just an outlier?

**HRISHI KARTHIKEYAN:** So I haven't dealt with that directly, but we have a similar arrangement with our Players Association. So unlike the NFL, where the players grant rights to their Players Association, with the NBA we have a licensing arrangement directly with the Players Association, so we're licensing the player likenesses on behalf of the players, so you're kind of consolidating that process. And we have similar grant of rights of nicknames.

Without getting into who the player was, we had an issue a couple of years ago, where a player had kind of emerged with this nickname, didn't kind of go out and seek it, it became associated with the player, and we were the defendant in a case brought by the purported owner of the trademark in that nickname. And so the process that we went through after that was to try and look and see how we had used it, how we had licensed it, but just as part of that process, we'd go to the player and say, what do you think of this, can we talk to your agent about the history? And the response back was, I hate that nickname, I don't want to use it. So the resolution for us was, we didn't end up paying for the thing or whatever, and we didn't acknowledge anything, but we had a practical conversation with the player about whether this was something even worth contesting on his behalf, which it wasn't, and so we ended up dropping it.

And so the practice that emerged from that was as a practical matter these—our players are not adverse parties in some contentious negotiation, they're business partners of ours, and if a player doesn't like to be associated with a nickname, there may be limitations to their active enforcement against third parties, their First Amendment rights, like everybody else has to kind of call somebody something. But it's not something that we're going to exploit commercially if the player doesn't want to be associated with that nickname. I'm sure there are all kinds of examples like that.

**CHRISTOPHER CHASE:** In talent agreements and endorsement agreements, the talent will typically have some type of approval right, depending on how much leverage they have and how strong it is, but if they don't want to be associated with a certain nickname, they're not going to approve ad materials using that nickname. So it's a practical way, at least, that even limited circumstance to knock that out.

**BRITTON PAYNE:** Yes, there was some non-enforcement of abandoned nicknames with the Indianapolis Colts. The Canadian Football League, as I recall, I read the case a little bit differently than my recollection was that when the Baltimore Colts moved to Indianapolis, they essentially abandoned the mark Baltimore Colts. And the

Canadian Football League decided they wanted to name one of their teams the Baltimore Colts. The Indianapolis Colts decided they didn't like that, and the court found that even an abandoned trademark can, in that particular circumstance, can cause confusion and thus, was an infringement of trademark and was a problem.<sup>12</sup>

I just wanted to rattle off the rights that were listed in the NFLPA agreement. The rights that you sign over are you name, your nickname, your initials. I was trying to imagine where do initials come into play beyond a nickname. You would think of the L.T., if you're a little older, L.T. is Lawrence Taylor, and if you're a little younger, it's LaDainian Tomlinson.

Your autograph or signature, including facsimiles, voice, picture, photograph, animation, which I'm not sure whether that means an animation of you or the way you move. Image—

**HRISHI KARTHIKEYAN:** It's animation of you, I can tell you that.

**BRITTON PAYNE:** Okay, fair enough. What's the circumstance when that comes into play?

**CHRISTOPHER CHASE:** Video games is really what it's getting at—

**HRISHI KARTHIKEYAN:** Right, any kind of animated or even character representation.

**BRITTON PAYNE:** And it needed a specific callout beyond image likeness?

**HRISHI KARTHIKEYAN:** Right, likeness is actually pretty broad. I think this is sort of for purposes of clarity, these following things are included, you know. The signature, for example, including facsimiles, and I've seen that language before. You are actually talking about the facsimile signature, you're not forcing an athlete to come in and deliver autographs to you, because you have the right to use their signature. Facsimile signature is really what that means.

**BRITTON PAYNE:** And then there's—so likeness and persona. There's the jersey number, so that means that Payton Manning appears in a commercial and doesn't want to have anything to do with the—or doesn't want to have to get the rights to use any other film marks, or doesn't want to have to go anybody but Payton Manning for those rights. He can't wear number 18? Is that roughly how that—

**HRISHI KARTHIKEYAN:** Well, I don't think that's an exclusive right.

**BRITTON PAYNE:** That's your league, but—that's granting the right—the things that they can do. Okay. Statistics, data, copyrights, and/or biographical information. So those are all things that the NFLPA has asserted, that I guess they have the right to license. Not necessarily

that the player does not, although I guess I'd have to look at the clause.

**HRISHI KARTHIKEYAN:** Right. There may be other restrictions, but that is the initial grant from the player to the PA, it's not—they're not exclusive rights.

**BRITTON PAYNE:** Is there anything missing? And how—we saw in the *Dryer* case,<sup>13</sup> that's also in the materials, that the NFL in that example has the right to tell the story of the NFL using old footage without having to pay right of publicity rights to previous players. Is that—does that work in the video game context as well, which is a new work or do we still find—for example, if somebody wanted to make a Bob Cousy video game character from the NBA a million years ago, that wouldn't seem to fit into the *Dryer* exception, or would it?

**HRISHI KARTHIKEYAN:** Well, so that's the Sam Keller case, which involved EA video games of college players and they were litigating exactly that issue, whether a video game representation was a violation of that player's right of publicity.

So we actually have license agreements with our retired players and so we include them in our video games, so that's—

**BRITTON PAYNE:** Is that individually or is that through—

**HRISHI KARTHIKEYAN:** Yea, individually. They are individual agreements with them, and that's pursuant to contract, but the issue there was that with absent a contractual brand of those rights, did EA have the ability to use those college player likenesses in a video game? And so this whole body of law continues to evolve, including the *O'Bannon* case. But there was a distinction between video games and the kind of John Facenda footage of the expressive works in a video game, and this whole line of cases, like *Guitar Hero*, and those kinds of things.

When you're essentially taking that person's representation and recreating them doing exactly what it is that they're doing and creating a commercial product, yes, in all likelihood, you do have a right of publicity claim against you.

**BRITTON PAYNE:** And so where does that extend? The *New York Times* the other day did a piece about the final meaningful play of the Super Bowl, where they created a three dimensional—there were other plays after that, but the final interception. And they recreated the scene from several different angles—it looked like they positioned 3D characters in a video game kind of a program and then showed you, here's what Russell Wilson can see. Here's what the receiver can see. Here's what the defensive back could see. And they recreated the scene using three different angles, was how they animated that. At what point are we finding that we're breaching exclu-

sive licenses that the league has with broadcasters, for example?

**ALAN HOCK:** I think the First Amendment would trump any argument that anyone would have about that.

**HRISHI KARTHIKEYAN:** Yes.

**ALAN HOCK:** A public figure, it's newsworthy. The First Amendment, I think would trump that, they're public figures, it's newsworthy, absent some malice or something like that, I think that the media would have the absolute right to do that.

**HRISHI KARTHIKEYAN:** Yes, I think that's right.

**ALAN HOCK:** Not a commercial—

**HRISHI KARTHIKEYAN:** Especially if you're talking about a day or two after—for illustrative purposes to analyze the game, that is kind of the core of sports reporting.

**BRITTON PAYNE:** And so well, how about—just to keep pushing it, so now the data that exists. One of the things that gets signed over, and I presume in the NBA's agreement with their players as well, is the sports data that comes along with it.

So at some point the data's going to be so rich that you could recreate the game in a Madden-style video game, so you could actually see the game again, and maybe even more precisely than you would see it on the television contract.

Is there going to be a point where re-creation of sporting contests from data becomes a breach of an exclusive license to broadcast, or is it hard to see that really as being an issue?

**HRISHI KARTHIKEYAN:** I think there's a distinction between the First Amendment right that an unaffiliated third party would have and a contractual right that a league is entering with somebody else. My guess is now in this kind of new age of omni-channel media rights deals that the affirmative branch of those rights and any exclusivity associated with it is probably included in any broadcast deal. It includes digital, it includes mobile, it—to some extent is future proof if you have a 10-year agreement. That's a different question than would the NFL or one of those partners have some kind of tort claim against an unaffiliated third party who's recreating those games.

I think that the flow of the legal analysis of that area is moving more and more towards First Amendment use of things like statistics.

So if you're adding enhanced capabilities to that, that's different from just drawing raw statistical information and then recreating whether it's really like a game cast or something like that.

**BRITTON PAYNE:** There's something that I wanted to get to that Alan and I had talked about beforehand, if we're saying that in these new endorsement deals athletes are looking for equity to the extent that it makes sense. You were talking about ways to give them that equity or ways to get them that equity that are tax advantageous, because these are going to be the clauses that are in the new endorsement contracts, particularly if you're doing a deal with a startup or with somebody who's a little bit cash poor.

So how—what are some of the ways that you've used to do that to sort of help your clients out to get equity without taking as much of a hit?

**ALAN HOCK:** The primary way that that's done today is through what are called profits interests, which is essentially a grant of equity in a limited liability company. And the way that works, it's true equity, it's not like phantom equity. You actually own membership interests. But what a profits interest is, it's a way to have the grant on day one when you get your equity, not taxable at all. And it's a way to protect the company in a sense that the value that they're already built up in the company without you, they don't have to share. So it kills two birds with one stone.

So say you have an existing company that's very, very profitable, and the company is valued at \$100 million, if they're going to give you say 10% equity in the company in exchange for doing this endorsement deal, of course they don't want to give you 10% of a company that's already worth \$100 million because you didn't build it, and frankly, you don't want them necessarily giving you that either. That's a very taxable event that you're getting equity that's worth that much money.

So the way a profits interest works is that you get an appraisal of the company on day one. Say the company's worth \$100 million and let's say if you get 10% of it, so you don't share in the first \$100 million that's distributed. Which means that there's a lot of money in front of you, but also means you pay no tax on day one. And any dollars over and above the \$100 million you start sharing in your 10%.

So it's not that different than a stock option might be where you don't have to pay tax on it right away, because it might not be valuable. But this is the way that deals are being done today, and it's a very tax advantageous vehicle. And also gives the endorser the opportunity to get equity. And most of the time these are done in start-up companies where they don't have a lot of cash and you want equity, but they get a very low valuation of a start-up, so it could be worth \$100,000 on day one, and if you get 10% then you don't share in the first \$100,000 that gets distributed, but of course that only costs you \$10,000, but over and above that you would share.

So you do give up something, particularly in a well heeled company, you might be giving up a lot of potential distribution, but a) you wouldn't have gotten the equity without giving that up, b) it's totally tax free when you get it, and c) there are ways to catch up so that after they distribute \$100 million and you gave up your share for \$10 million then you get the next \$10 million. So that when the company is sold, if it's sold for enough money, you can eventually catch up and be exactly in the same spot that you were, were you not have taken a profits interest.

Even—I've done a few deals recently where the companies were corporations and my clients wanted profits interests, and they didn't want to deal with any taxable event. And there in both of these situations the company agreed, they were so anxious for the deal, they agreed to form a limited liability company to drop all the assets of the corporation into the LLC, which we then valued the LLC, and then we got a profits interest in that LLC underneath the parent corporation.

So that's pretty much the way the deals are being done now. I think pretty much every equity deal I've looked at in the past two or three years has either been stock options, traditionally, or these profits interests, just very fashionable. It's very little risk, it's right in the IRS code, what a profits interest is, how you can do them. What you just have to make sure is that you have an appraisal, because if you value the company—if the company and the endorser agree the company is worth \$1 million and you get 10% of it and you get audited, and the IRS takes the position that the company wasn't worth a million and you got 10% if it was \$2 million, or a million and a half dollars, the penalty for that is the entire profits interest is blown, so that if the value is not upheld, you lose all of the tax benefits, and then you have to basically pay income tax, and penalties, and interest on the value of the equity that you were given when you thought you were getting a profits interest.

I've looked at a lot of after the fact deals that companies have done with people where there was no appraisal because there was not enough time or the client didn't want to pay. It's malpractice pretty much not to get an appraisal when you do a profits interest deal for a client.

So it can be done very quickly, there's accountants who can do them in a short period of time. They generally don't cost that much. I just did one for a very large company. It was \$15,000 for the appraisal, they did it in 10 days. So definitely get appraisals. But that's how the deals are being done today with profits interests.

**BRITTON PAYNE:** So I kind of want to ask you all this, but I'll start with Chris. A lot of the talk we've been doing today about licensing and sponsorship is applicable across different kinds of endorsement deals and kinds of sponsorship deals, but what specifically stands out in sports licensing. And in what ways is sports licensing

unique against—as opposed to other kinds of licensing and sponsorship?

**CHRISTOPHER CHASE:** Well, here you have endemic products, so you have shoes, and you have equipment, and you have beverages, that ties in, not necessarily entertainment industry, music industry. You may have some products there as well, but not in the same sense as sports, where the athletic footwear market is huge, as opposed to the physical disc producing market for music partner.

So I think it's just because of the equipment essentially, it just makes it much bigger for them and much easier to some extent. But you see it all across the board. As you said before, what don't companies, what don't teams license these days? And there are so many different things that people are involved in.

**BRITTON PAYNE:** Hrishi, what's the answer for you?

**HRISHI KARTHIKEYAN:** So I think the biggest distinction is that—as compared to, let's say like brand licensing like Ralph Lauren licensing, is that we have this active dynamic product that's happening on court, on television, that fans are engaging with every day, and that's our core business. Our licensing business is derivative of that, so when you think about teams that continue to evolve in terms of their rosters, their identities, players who are coming in, going out, having hot streaks, cold streaks. That process creates this dynamic environment that we're trying to capitalize on every day, but it's hard to keep up with it. And you think about the breadth of inventory that you need to have, active, manage, be able to liquidate when things happen, that's the thing that's different.

Our business is very much tied to what's happening on the court, it's not just the brand itself that exists that we can control.

**ALAN HOCK:** And further to that point, the value of the licensor is changing every day. Someone hits a grand slam—

**HRISHI KARTHIKEYAN:** Yes, that's right.

**ALAN HOCK:** They're in the news and the company they contracted with is really happy, and then a terrible slump, and they're not too happy. And so you could be in a situation where you represent, say, a young athlete who does a five-year deal when they're a rookie, and by the third year they won the MVP, and they're the hottest thing. And yet you still—unless you built in mechanisms—you could still be stuck with a value that you had at the beginning of the contract, and because you tried to mitigate against that by putting in clauses that could protect you, but you have all kinds of situations.

I had a situation recently where I had a very large endorsement deal for a client, and at the 11th hour the advertiser threw in that if this athlete did not stay in a particular city, they wanted the right to cancel the agreement. And this person was coming up for free agency, and so it became sort of a very interesting negotiation, which I certainly understood the advertiser's point of view. I was wondering where they were for the two months we were doing it, but the day before somebody said something to somebody. And that's very unique.

If a player gets injured, a lot of times when you endorse the company wants the right to cancel the agreement. You don't have those types of issues with typical trademark branding deals.

**HRISHI KARTHIKEYAN:** Yes, we certainly build that in on the brand side. And particularly in team sports, a guy goes from New York to Indianapolis, the deal's not worth as much anymore, because now you're no longer in the biggest media market. Or they're cut or a coach is fired or something. There's all those things that you have to address.

**ALAN HOCK:** Yep. Although it's not as bad as it used to be. Some of the most highly paid endorsers are not necessarily in major cities anymore. The advent of satellite and every game being online, sort of those geographical restrictions are being worn down. I've tried desperately to convince this licensee of that when they raised the issue, but it's interesting.

**BRITTON PAYNE:** And so are those clauses part of a regular deal now? You said that sometimes you might try to structure a deal such that there were or were not performance-based incentives, or location-based, or retirement, or injury. Are those now standard parts of sports licensing and sports sponsoring contracts, or are those still unusual?

**ALAN HOCK:** It really depends, I think, on who the person is, and who the licensee is, how sophisticated they are, but I would say they're fairly typical. You know, an injury, retirement, obviously, a Morals Clause issue, dramatic change in their performance on the field.

**BRITTON PAYNE:** Which ones do you try to build in, Chris? Because you were saying that you definitely have those things in your deals. When you think about the order of importance for those kinds of things, if you have an impatient licensee, what do you try to build in? What were the most important ones for you to have? Morals clauses we've sort of already discussed.

**CHRISTOPHER CHASE:** I think it depends on the client as well. I work with a big brand that is national in scope, but very local in terms of marketing. So if they hire an athlete in the Boston market, it doesn't help them if they move to D.C. or something like that. So we build in fee reduction clauses. We may try to build in termination, just depends on who it is.

So I think it really just depends on the client and the talent they're looking at.

**BRITTON PAYNE:** Is there an unusual one that in retrospect, you wished you had included a particular clause? Like where a client moved cities or something terrible happened that you maybe could have foreseen, but thought was just so unlikely, or didn't expect to have the effect that it did have?

**CHRISTOPHER CHASE:** I don't know. So far so good, I haven't had to worry about that. But I don't know, you just have to keep thinking.

**BRITTON PAYNE:** And so Hrishi, I kind of talked to you a little bit about this before. Since you've been with the NBA and in this field, what have been the biggest changes, I tend to think in technology, but there could certainly be other things in the way that you've had to do your job and the way you've put together the deals that you've put together as a function of time? I think you were saying somewhere roughly into the last decade, I guess, you've been doing this kind of thing. And what changes over that period have affected you in the way that you've put together licensing and sponsorship deals?

**HRISHI KARTHIKEYAN:** So I think the two biggest trends, at least in our sport, but I think this is true more broadly, everything has become more digital and more global. And that creates some challenges for us as a licensor, because you try to define the grant of rights, the rights that you grant by channel, by territory. And when things start to become intangible, and ethereal, then it's harder to do that. And so we try to do it in terms of geo blocking, and like what I call future proofing and trying to anticipate evolution and technology, but it's hard to keep up—

**BRITTON PAYNE:** Did you say, future proofing?

**HRISHI KARTHIKEYAN:** Yes.

**BRITTON PAYNE:** That's fantastic.

**HRISHI KARTHIKEYAN:** Yes, because you're writing a contract based on the world as you understand it, it sometimes has a long horizon. This is why sports leagues and content distributors generally, and content buyers, are having all these fights and renegotiations of carriage rights, and this agreement that we wrote 10 years ago, well, what does it mean when things like Roku and Apple TV didn't exist, and you're fighting about that? And so you try to either anticipate and deal with those things or at least kind of structure things to your advantage so that the ambiguity works in your favor.

So the evolution of things becoming digital, technologically advanced, global, has really challenged me to rethink how we allocate rights, distribute them, what we're reserving for somebody else.

**BRITTON PAYNE:** Alan, what have you seen as some of the things that over time have affected the way that you put together your agreements?

**ALAN HOCK:** Again, the main thing is compensation. So I hate to beat a dead horse, but equities is everything in these deals today in part because athletes want it and entertainers want it. In part also because the markets changed, the money's not there, the economy's not what it was, company's aren't paying multimillion royalties anymore. And companies want—even famous celebrities, companies want them to have skin in the game. They want them to make an investment quite often as part of the deal. You get a better valuation than if you were just putting in money, because your money's more valuable because your intellectual property comes with it. But that's the whole name of the game today, is giving or getting equity.

**BRITTON PAYNE:** Yes, and Chris.

**CHRISTOPHER CHASE:** I agree with Hrishi. I think the platforms have changed so much in the past five or 10 years. So when you're licensing content and define media as "Internet," does that count the television station that you can watch on the Internet? Does it count ABC on demand, or something along those lines? When you say "social media," does that mean your own social media pages? Does that mean promoted posts and other social media pages?

It's just trying to figure out how to define these terms, and you have to flow down from many different angles and depending on who you are licensing it from, so it gets really complicated. Certainly in a long term-deal, I mean, one year it's not going to be big, but talking two, three, four, five, who knows what the next thing is. But even using the term "television," what does that mean anymore, is it literally just a box, or television on my iPad, or television on my iPhone, where does that—how does it go?

**BRITTON PAYNE:** What's an unusual technology that you've had to incorporate into a sports licensing deal of some kind or a sponsorship deal or something like that? You say maybe the word television might appear in a deal. Is there a word that you put into a contract recently where you said, I can't believe that this crazy technology that when I was a kid would have been on "Star Trek" and now is actually something that I have to negotiate.

**HRISHI KARTHIKEYAN:** I don't think so, but I used to make the joke that when you're defining media, what comes in the future, you assume you'll be watching things on glasses, and then Google Glass came out. I mean it's like wow, it can actually happen, but it tanked, and they pulled it, but I'm sure it'll come back. But you have to think about crazy things like that. It is like a "Star Trek" type of thing.

**BRITTON PAYNE:** Yes, I'm waiting for the chip in the brain. So we're kind of winding down on time. I wanted to give everybody an opportunity to ask questions, although you guys have been great about popping them up when you have them. Yes, what's the question?

**AUDIENCE QUESTION:** I have a question going back to the whole concept of Morality Clauses and right to termination because of conduct. Have you ever had to deal with, or perhaps you just have a comment on when something bad that happens actually enhances sales, and it enhances the brand. And I'm going to date myself, think Tanya Harding, Nancy Kerrigan, huge ratings for ice skating. And there was something else. Oh, the Bronco, O.J. right? Bronco sales went up. And by the way, with the Ray Rice scandal, and rice sales went down—

**BRITTON PAYNE:** Rice—sales of rice.

**AUDIENCE QUESTION:** Right, so it would be interesting what you have to say about that.

**CHRISTOPHER CHASE:** And that's certainly true. If you are hiring Kim Kardashian to be your endorser, it's actually better if there's a scandal, because there would be a lot of publicity. Of course, if you're hiring her, you may be a certain type of company to begin with.

But then on the flip side to it, that's something that Alan mentioned before in terms of the fee reduction, if there's a morals issue maybe built in, has this affected your brand in a negative way, in short, quantify it to some extent.

**AUDIENCE QUESTION:** Right. Because if they're trying to terminate on the basis that you did something bad, couldn't your argument be, wait a minute, sales increased, viewership increased. No damages. Right?

**ALAN HOCK:** Yeah, I certainly would argue that. I think the advertiser would argue that there's some potential harm to their brand even if they're selling more cars that they're associated with an event like that. The difference between being famous and infamous. So you might have that argument thrown back at you. But yeah, I'm sure there are a lot of situations in which something bad turned out to be beneficial.

**BRITTON PAYNE:** Yes, I saw there was at least one more hand out there.

**JOYCE DOLLINGER:** It brings to mind Howard Stern from the radio days. I know he had a scandals clause re-written.

**ALAN HOCK:** Yes, well again, whoever was hiring Howard didn't want him not to be crazy and controversial, so.

**HRISHI KARTHIKEYAN:** I think that was Don Imus's argument when he was terminated from CBS radio, "but that's what you hired me for."

**BRITTON PAYNE:** Yes, and it's interesting to see, surprisingly, Gilbert Gottfried, is not an actor, but had always been extremely offensive. He was the voice of the Aflac duck. And he made a tasteless comment about a tragedy as he often does. And the one was the one that got him fired. And you can perhaps be in breach constantly, but it's the one that gets all the attention. I think Alan was the one making that point. Oh no, maybe it was Hrishi, right, where you said, if it appears in one blog somewhere you don't necessarily want to bring attention to it, but it's maybe the one that gets national attention. That's the clause that Alan was saying he wanted to put in some of his agreements that could potentially trigger the problem. That's what happened to Gilbert Gottfried.

So one last thing that I wanted to do, unless there were other comments or questions out there, we've been talking about whose—George Forman may be the biggest endorsement deal in history, so kind of trying to future proof, to use Hrishi's term.

If we were making a fantasy endorsement team that you had to put together, each of you are going to get to pick two athletes on your fantasy endorsement team. And we're going to have sort of snake style draft. So Chris will draft first, Alan will draft second, and Hrishi picks three and four before it comes back.

You're going to each pick two athletes to be on your endorsement team and in five years we'll check back and see who made the most money and who wins the EASL Fantasy Cup.

**CHRISTOPHER CHASE:** We're talking just endorsement money here.

**BRITTON PAYNE:** Yes, because separate—yes, separate from the contract to play. And so you can pick a retired athlete if you wanted to. So part of the game is who's going to be big within five years, and part of the game is who is so big that even diminished, they're still worth having on your team.

So Chris, who's your inaugural pick?

**CHRISTOPHER CHASE:** I think I'll go with Stephen Curry, I have a feeling he's got some MVP potential in the finals. He already has his Under Armour deal signed, so maybe the extension will give him some more money.

**BRITTON PAYNE:** Okay, so Chris is opening first round draft pick is Steph Curry. Alan?

**ALAN HOCK:** I have to go with LeBron. His Nike deal's up in 2017, he's getting \$17, \$18 million a year under his original deal, from what I understand. So he's just bigger than life, and I'm sure that he's going to get a record-breaking deal, so I would definitely grab that.

**BRITTON PAYNE:** Hrishi.

**HRISHI KARTHIKEYAN:** Chris definitely stole my first pick. I'm going to go with Damian Lillard. I think that he is on the verge of something big. He's a young breakout star, he's had a great 15 months or so. I think something about the West Coast, as our business becomes more technology, digitally, international focused, I think those people are really in a position to capitalize on those trends.

**BRITTON PAYNE:** All right. So then you get the fourth pick also.

**HRISHI KARTHIKEYAN:** So my fourth pick is Russell Wilson, because he is literally named after two prominent sporting goods companies. If he hasn't turned that into endorsement money then somebody messed up.

**BRITTON PAYNE:** Excellent. Alan.

**ALAN HOCK:** I think I would go with Rory McIlroy. I think that the advertisers are rooting for him and looking for the next Tiger without all the baggage. And I think that if he wins another major, he's only 25 years old, I think he would have some huge endorsement earning potential in the next five years.

**BRITTON PAYNE:** And Chris, you have the last pick in the NFL, otherwise known as Mr. Irrelevant, but I think that's not going to be the case because we're only in the second round.

**CHRISTOPHER CHASE:** I think Payton certainly has a long tail, I'll go with Michael Strahan, because he has the entertainment crossover as well, and he's on multiple shows and whatever.

**HRISHI KARTHIKEYAN:** Probably soon, my mom loves him, and I don't think that she realizes that he was like the best Giant for a decade, and that's our team.

**BRITTON PAYNE:** Well, I want to thank everybody for coming out. I particularly want to thank the panelists for coming out and making this a really fun interesting panel. I'm glad that EASL did the sports presentation all day today.

**STEPHEN RODNER:** Thank you all. It was a great panel, and I really appreciate it. Thank you very much.

## Endnotes

1. Attributed to Carrie Fisher.
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10. Bd. of Supervisors for La. State Univ. v. Smack Apparel Co., 550 F.3d 465 (5th Cir. 2008).
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# The Changing Landscape of Copyright Protection for Pre-1972 Sound Recordings

By Ryan Jennings

## Introduction

Under the Federal Copyright Act of 1976 (the 1976 Act), sound recordings created prior to February 15, 1972, which are exempt from federal copyright protection,<sup>1</sup> fall within the scope of state copyright law.<sup>2</sup> As such, the protections afforded to owners of these sound recordings are varied.<sup>3</sup> This has created confusion and controversy.<sup>4</sup>

Two major issues regarding pre-1972 sound recordings have been at the forefront of recent litigation.<sup>5</sup> The first is whether owners of pre-1972 sound recordings have an exclusive right of public performance in those works.<sup>6</sup> It has long been assumed in the recording industry that no such right existed.<sup>7</sup> As a result, radio stations and other entities have broadcast these works without seeking licenses or paying royalties to the owners.<sup>8</sup> However, a recent line of cases have held that there is in fact an exclusive right of public performance that attaches to pre-1972 sound recordings under the state and common law protections of New York and California.<sup>9</sup>

The second major issue concerning pre-1972 sound recordings is whether the safe harbor provisions of the Digital Millennium Copyright Act (DMCA)<sup>10</sup> apply.<sup>11</sup> The safe harbor in §512(c) allows certain qualified service providers to limit their liability for copyright infringement, provided certain conditions are met.<sup>12</sup> Specifically, websites that allow third party users to upload content may avoid liability for hosting infringing content as long as they remove the content once they are provided with an adequate “takedown notice” from the copyright holder.<sup>13</sup> It therefore falls to the copyright holder, and not the website, to watch for infringing content, and the website only has a duty to remove such content once it receives actual notice.<sup>14</sup>

Many of these websites, such as YouTube and Grooveshark, have operated their sites assuming that their conduct fell within the DMCA safe harbor, thus shielding them from liability for any infringing content that is uploaded by their users. However, a recent case has held that the DMCA safe harbor does not apply to pre-1972 sound recordings because it would be a limitation on the state copyright protections that apply to them.<sup>15</sup>

## I. The State of the Law Prior to Recent Litigation

### Part A: The Exclusive Right of Public Performance in Sound Recordings

Copyright protection under the 1976 Act typically grants owners of protected works a certain “bundle of

rights,” that are encompassed in §106.<sup>16</sup> These exclusive rights include the right to: reproduce and distribute the work, publicly perform and display the work, and adapt or create derivative works based on the work.<sup>17</sup> However, the 1976 Act treats sound recordings differently than other types of protected works. Owners of sound recordings were specifically denied an exclusive right of public performance in their works.<sup>18</sup>

When Congress passed the 1976 Act, it also specifically carved out an exception for sound recordings fixed prior to February 15, 1972.<sup>19</sup> Thus, pre-1972 sound recordings are not subject to the protections offered in the 1976 Act, and only remain protected by the various applicable state laws.<sup>20</sup> Section 301 also preempts state laws, making post-1972 sound recordings exclusively protected by federal law.<sup>21</sup> Finally, §301 states, “any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067.”<sup>22</sup> Therefore, pre-1972 sound recordings are governed exclusively by state law, and, importantly, nothing within the 1976 Act can limit or annul those state protections.<sup>23</sup>

In part because owners of post-1972 sound recordings did not have an exclusive right of public performance, and in part because of the lack of federal copyright protection for pre-1972 recordings, it has generally been assumed that pre-1972 recordings would likewise be denied a right of public performance under most state laws.<sup>24</sup> As a result, analog and digital radio stations alike have been broadcasting songs made prior to 1972 without seeking permission or paying royalties to the rightful owners for years.<sup>25</sup>

### Part B: The DMCA Safe Harbor Provisions

Congress amended the 1976 Act in an attempt to adapt to the age of digital media by enacting the DMCA in 1998.<sup>26</sup> The DMCA provides safe harbor for certain service providers to limit their liability against claims of copyright infringement.<sup>27</sup> One important safe harbor allows sites that post user uploaded infringing content to be shielded from liability as long as they remove the infringing content once provided with appropriate notice.<sup>28</sup> If not for this safe harbor, sites like YouTube would be liable for copyright infringement when a user uploads any kind of protected work, whether aware of it or not.<sup>29</sup> The safe harbor allows online service providers to have time to discover and remove infringing content without being held liable for damages.<sup>30</sup>

There are certain criteria that must be met in order to take advantage of the safe harbor provisions.<sup>31</sup> First, the party must satisfy that it is a service provider as defined in

the statute.<sup>32</sup> The DMCA defines a service provider as “an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.”<sup>33</sup>

Second, a qualified service provider must then show that it has adopted and reasonably implemented a “repeat infringer policy” that provides for termination in appropriate circumstances of users who repeatedly upload infringing content onto the provider’s system or network.<sup>34</sup> Finally, the service provider must accommodate standard technical measures that are used by copyright owners to identify or protect their works.<sup>35</sup> Once these thresholds are met, the service provider then has to satisfy the particular requirements of the safe harbor as defined in §512.<sup>37</sup> Thus, once a service provider has actual notice of infringing content, it has an obligation to remove it.<sup>38</sup> Since the DMCA makes no mention of pre-1972 sound recordings, it is unclear whether the safe harbor applies to service providers where they can be found.<sup>39</sup>

## II. The *Flo & Eddie* Cases

### Part A: The California Case

One of the first cases to challenge the assumption that there is no exclusive right of public performance is *Flo & Eddie Inc. v. Sirius XM Radio Inc.*,<sup>40</sup> in which the Central District Court in California held that California law did grant a right of public performance in the pre-1972 sound recordings of the group known as The Turtles.<sup>41</sup> In *Flo & Eddie Inc.*, a corporation owned by two of the founding members of The Turtles, Mark Voleman and Howard Kaylan, sued Sirius XM Radio, Inc. (Sirius), a digital radio station, on the theory that it had infringed on Flo & Eddie’s public performance right by performing their copyright-protected songs over the radio without permission.<sup>42</sup> Sirius argued that the bundle of rights attaching to pre-1972 sound recordings did not include an exclusive right to publicly perform.<sup>43</sup>

Since §301 specifically excludes pre-1972 sound recordings from federal copyright protection, the protection governing them lies within the domain of state law.<sup>44</sup> The court therefore looked to California Law to determine which rights would apply to the pre-1972 sound recordings at issue.<sup>45</sup> The court reasoned that the case would turn on whether the term “exclusive ownership” in a sound recording includes a right of public performance.<sup>46</sup>

The court applied a plain meaning interpretation of the term “exclusive ownership.”<sup>47</sup> It determined that “exclusive ownership” meant that Flo & Eddie had the right to use and possess the recording to the exclusion of others, and that there was nothing in the phrase to suggest that the legislature intended to limit or exclude any right typically associated with exclusive ownership.<sup>48</sup> The fact that the California legislature included an exception

in §980(a)(2), which limited the right of exclusive ownership to not include the exclusive right to make “covers” of the sound recording, was important to the court’s interpretation of the statute.<sup>49</sup> The court reasoned that by listing an exception to the bundle of rights typically associated with “exclusive ownership,” the legislature did not intend to further limit ownership rights.<sup>50</sup> If it had, it would have indicated such intent explicitly with another exception.<sup>51</sup> The court reiterated a rule of construction, stating that “where exceptions to a general rule are specified by statute, other exceptions are not to be implied or presumed.”<sup>52</sup>

### Part B: The New York Case

In November 2014, the Southern District Court of New York followed the lead of the California court in holding that the common law of New York granted an exclusive right of public performance in pre-1972 sound recordings.<sup>53</sup> Once again, Flo & Eddie was suing Sirius for use of its pre-1972 sound recordings.<sup>54</sup> There were multiple theories of liability, one of which was that Sirius had infringed upon Flo & Eddie’s exclusive right to publicly perform the protected works.<sup>55</sup>

By looking to prior case law, the court decided that “[t]he common law typically protects against unauthorized reproduction of copies or phonorecords, unauthorized distribution by publishing or vending, and *unauthorized performances*.”<sup>56</sup> Therefore, the court concluded that the exclusive right to publicly perform a work was included in the typical bundle of rights afforded to protected works under New York common law. Absent an expressly stated exception or limitation, as is present in the federal law, there was no reason why pre-1972 sound recordings should not get the full bundle of rights typically associated with New York State copyright protection.<sup>57</sup>

The court rejected the notion that because owners of pre-1972 recordings had not been paid royalties for many years, they therefore did not have a right to those royalties.<sup>58</sup> It opined that the fact that owners of pre-1972 sound recordings had gone so long without demanding royalties was “inexplicable.”<sup>59</sup> That these owners had not been paid any royalties by radio stations and the like did not mean that they did not have an enforceable right under the common law, but only that they failed to act on it.<sup>60</sup>

## III. The *UMG Recordings v. Escape Media Group, Inc.* Case

An important decision regarding the DMCA safe harbor and its applicability to pre-1972 sound recordings is *UMG Recordings, Inc. v. Escape Media Grp., Inc.*<sup>61</sup> Here, the Appellate Division, First Department of New York, held that the DMCA safe harbor did not apply to pre-1972 sound recordings.<sup>62</sup> This holding not only overturned the lower court’s decision, but also went against the established precedent in New York up to that point.<sup>63</sup>

The plaintiff, UMG Recordings (UMG), owns the rights to many pre-1972 sound recordings.<sup>64</sup> UMG claimed that the defendant, Escape Media Group (Escape), had infringed upon UMG's common law copyright protection in its pre-1972 sound recordings by allowing them to be uploaded and shared on a website owned and operated by Escape called Grooveshark.<sup>65</sup> Escape admitted that it could not ensure that every file that was uploaded was a non-infringing work, but assumed that it was nevertheless protected from liability because it fell within the DMCA safe harbor provision.<sup>66</sup>

UMG argued that the defense was without merit, because the DMCA safe harbor did not apply to pre-1972 sound recordings.<sup>67</sup> UMG's argument was based on the fact that §301(c) of the 1976 Act states that nothing in it would annul or limit the common law copyright protections that attached to pre-1972 sound recordings.<sup>68</sup> Thus, a safe harbor that would limit UMG's right to recovery against Escape should not apply against its pre-1972 sound recordings.<sup>69</sup> If pre-1972 sound recordings do not get the benefit of federal copyright protection, then why should Escape get the benefit of a safe harbor that specifically excludes such sound recordings?

The lower court had held in favor of Escape, deciding that there was no conflict between the DMCA safe harbor and §301(c) of the 1976 Act.<sup>70</sup> The court relied heavily on the precedent established in *Capitol Records, Inc. v. MP3tunes, LLC*,<sup>71</sup> and that "there is no indication in the text of the DMCA that Congress intended to limit the reach of the safe harbors provided by the statute to just post-1972 recordings."<sup>72</sup> It further stated that the anti-preemption provision in §301(c) of the 1976 Act did not prohibit all subsequent regulation of pre-1972 sound recordings.<sup>73</sup> Finally, the court opined that to exclude pre-1972 sound recordings from the reach of the DMCA safe harbor provisions would be contrary to the policy behind the DMCA.

The Appellate Division disagreed with the reasoning put forth by the lower court and the district court in *Capitol Records, Inc.*<sup>74</sup> It stated that Escape's interpretation of the DMCA would clearly violate §301(c).<sup>75</sup> Since the safe harbor would take away UMG's right to immediately commence an action when it discovered infringing content on the Grooveshark website, the only option left to UMG would be to serve a takedown notice on Escape.<sup>76</sup> This is clearly a limitation on the rights of UMG, and therefore violates the limitation set forth in §301(c).<sup>77</sup> The court further reasoned that if the legislature actually had intended for the DMCA to be interpreted as Escape wanted, it must have also then intended to modify §301(c) to allow a limitation of state copyright protections.<sup>78</sup> The court concluded that there was no indication that Congress intended to modify and limit §301(c).<sup>79</sup>

Another New York case has also addressed the issue. In *Capitol Records, LLC v. Vimeo, LLC*,<sup>80</sup> the court cited *UMG Recordings*, and agreed that the DMCA safe har-

bor did not apply to pre-1972 sound recordings. In this case, plaintiff Capitol Records, Inc. (Capitol), was suing the owners of a video sharing website called Vimeo.<sup>81</sup> Although there were many other issues involving the DMCA in the case, Capitol argued that even if it was found that Vimeo qualified for the safe harbor provisions, it could not be extended to the pre-1972 sound recordings that were on the site.<sup>82</sup> On reconsideration, the court reaffirmed its decision, but decided to certify the question of whether the DMCA safe harbor provisions are applicable to pre-1972 sound recordings for appeal in the Second Circuit.<sup>83</sup> Thus, the issue remains unclear.

#### IV. Practical Implications

The decisions in *Flo & Eddie* and *UMG Recordings* could potentially seriously affect the music industry. First, if the concept of an exclusive right of public performance gains traction, there will be serious consequences for digital radio services. If a public performance right is recognized, these radio stations will have to obtain licenses for every pre-1972 sound recording that they wish to air. This will obviously come at a great cost.<sup>84</sup>

A further burden on digital radio stations may occur due to complications in obtaining the necessary licenses. Another layer of complexity is the non-uniformity of state copyright laws, as some state laws support a right of public performance while other states do not. This could create varying legal standards for national broadcasters who play pre-1972 sound recordings. Perhaps some will choose to only broadcast in states whose laws do not support a right of public performance. Some may choose not to broadcast them at all. However, in most states this issue has not even been settled. Until the situation is clarified, broadcasters will be exposing themselves to liability in any state where the issue of a public performance right has not yet been decided.

More generally, what will the effects of an exclusive public performance right in pre-1972 sound recordings mean for analog radio stations, television stations, stadiums or other entities and venues that currently use pre-1972 sound recordings? Will they all need to obtain licenses to use pre-1972 sound recordings as well? Congressional action will most likely be needed to clarify the situation.

Finally, entities that make use of pre-1972 sound recordings will need to be aware that certain limitations on copyright, such as the DMCA safe harbor provisions, may not apply to them. Specifically, if other courts decide to follow the decision in *UMG Recordings*, sites that make use of user-generated content could face expensive changes. As Escape argued, if the safe harbor does not apply, websites like Grooveshark, YouTube, and others would have to begin actively policing their sites to remove infringing content as soon as third parties upload it. This will obviously be very costly and risky.

## Conclusion

A public performance right in pre-1972 sound recordings would upset the status quo, making songs that have essentially been free to broadcast for many years suddenly require licenses. The *Flo & Eddie* line of cases make a strong argument of why, at the very least, it can no longer simply be assumed that there is no exclusive right of public performance in pre-1972 sound recordings. Absent Congressional action, it is likely that a state-by-state analysis of this issue is imminent.

Furthermore, if pre-1972 sound recordings are not covered by the DMCA safe harbor provisions, there will be an additional hassle for websites that allow users to upload content. This would ultimately have the effect of making state protection of pre-1972 sound recordings even broader than federal copyright protections of post-1972 songs, which seems somewhat arbitrary and contrary to the policy behind the DMCA. Absent Congressional intervention to clarify the issue, it seems that more litigation will be imminent.

The long-term consequences of these decisions are hazy at best right now. However, while the situation remains so ambiguous, more controversies and litigation will arise. As many of the cases discussed seem to call for, it will most likely be up to Congress to settle the debate and ultimately decide the fate of pre-1972 sound recordings.

## Endnotes

1. See 17 U.S.C. § 301(c) (2012).
2. See *id.*
3. See Leigh F. Gill, Heather R. Liberman & Gregory S. Stein, *Time to Face the Music: Current State and Federal Copyright Law Issues with Pre-1972 Sound Recordings*, 6 LANDSLIDE 6 (2014), available at [http://www.americanbar.org/publications/landslide/2013-14/july\\_august/time\\_face\\_music\\_current\\_state\\_and\\_federal\\_copyright\\_law\\_issues\\_pre1972\\_sound\\_recordings.html](http://www.americanbar.org/publications/landslide/2013-14/july_august/time_face_music_current_state_and_federal_copyright_law_issues_pre1972_sound_recordings.html).
4. *Id.*
5. *Id.*
6. *Id.*
7. *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 13 CIV. 5784 CM, 2014 WL 6670201, at \*1, \*11 (S.D.N.Y. 2014).
8. *Id.* at \*11.
9. *Id.* at \*10; See also *Flo & Eddie Inc. v. Sirius XM Radio Inc.*, No. CV 13-5693 PSG RZX, 2014 WL 4725382, at \*1 (C.D. Cal. Sept. 22, 2014).
10. 17 U.S.C. § 512.
11. See Gill, Liberman & Stein, *supra* note 3.
12. See generally 17 U.S.C. §512(c).
13. See *Viacom Int'l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 27 (2d Cir. 2012).
14. *Id.*
15. See *UMG Recordings, Inc. v. Escape Media Grp., Inc.*, 107 A.D.3d 51 (App. Div. 2013).
16. See 17 U.S.C. §106.
17. See *id.*
18. 17 U.S.C. §114. However, in 1995 Congress amended section 106 to add a sixth subsection which grants a limited public performance right for sound recordings performed by digital transmission only. 17 U.S.C. §106(6).
19. 17 U.S.C. §301(c) (2012).
20. See *id.*
21. See *id.*
22. *Id.*
23. See *UMG Recordings, Inc.*, 107 A.D.3d at 111.
24. See *Flo & Eddie, Inc.*, WL 6670201, at \*11.
25. See *id.*
26. DIGITAL MILLENNIUM COPYRIGHT ACT, Pub. L. 105-304, 112 Stat. 2860 (1998) (codified at 17 U.S.C. § 512).
27. See *Viacom Int'l, Inc.*, 676 F.3d at 27.
28. See 17 U.S.C. § 512(c).
29. See *Viacom Int'l, Inc.*, 676 F.3d at 27.
30. See *id.*
31. See *id.*
32. See *id.*
33. 17 U.S.C. §512 (k)(1)(b).
34. See *Viacom Int'l, Inc.*, 676 F.3d at 27; see also 17 U.S.C. §512 (i)(1)(A).
35. See *Viacom Int'l, Inc.*, 676 F.3d at 27; see also 17 U.S.C §512 (i)(1)(B).
36. See *Viacom Int'l, Inc.*, 676 F.3d at 27. The safe harbor provision of §512(c) states:
  - (i) In general. —A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—
    - (A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
    - (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
    - (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
  - (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
  - (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity. 17 U.S.C. § 512 (c).
37. 17 U.S.C. § 512 (c)(3).
38. See *Viacom Int'l, Inc.*, 676 F.3d at 27.
39. See 17 U.S.C. §512 (c).
40. *Flo & Eddie Inc.*, WL 4725382, at \*1.
41. See *id.*
42. See *id.* at \*3.
43. See *id.*
44. See 17 U.S.C. § 301.
45. See *Flo & Eddie Inc.*, WL 4725382, at \*4 California Civ.Code § 980(a) (2) provides:

The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an *exclusive ownership* therein until February 15, 2047, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording. (emphasis added). Cal. Civ. Code § 980 (West).

46. See Flo & Eddie Inc., WL 4725382, at \*4 (“the crucial point of statutory interpretation for this case is whether ‘exclusive ownership’ of a sound recording carries with it the exclusive right to publicly perform the recording”).
47. See *id.*
48. See *id.*
49. See *id.* at \*5 (“[T]he Court infers that the legislature did not intend to further limit ownership rights, otherwise it would have indicated that intent explicitly.”).
50. See Flo & Eddie Inc., WL 4725382, at \*5.
51. See *id.*
52. See *id.*
53. Flo & Eddie, Inc., WL 6670201, at \*1 (“I conclude that the New York Court of Appeals would recognize the exclusive right to public performance of a sound recording as one of the rights appurtenant to common law copyright in such a recording.”).
54. See *id.*
55. See *id.* at \*7.
56. See *id.* at \*10. (quoting 2 NIMMER ON COPYRIGHT §8[C][2], emphasis added).
57. See *id.*
58. See Flo & Eddie, Inc., WL 6670201 at \*11.
59. See *id.* (“That they were paid no royalties was a matter of statutory exemption under federal law; that they demanded no royalties under the common law when their product as ineligible for federal copyright protection is, in many ways, inexplicable.”).
60. See *id.* (“But acquiescence by participants in the recording industry in a status quo where recording artists and producers were not paid royalties while songwriters were does not show that they lacked an enforceable right under the common law—only that they failed to act on it.”).
61. UMG Recs., Inc., 107 A.D.3d at 52.
62. *Id.* at 59.
63. *Id.*
64. *Id.* at 53.
65. *Id.* at 54.
66. See UMG Recs., Inc. v. Escape Media Grp., 107 A.D.3d at 52.
67. *Id.* at 54.
68. *Id.*
69. *Id.*
70. UMG Recs., Inc. v. Escape Media Grp., Inc., 37 Misc. 3d 208, 210 (Sup. Ct. 2012), *rev’d*, 107 A.D.3d 51 (App. Div. 2013).
71. 821 F. Supp. 2d 627, 634 (S.D.N.Y. 2011), *on reconsideration in part*, No. 07 CIV. 9931 WHP, 2013 WL 1987225 (S.D.N.Y., 2013).
72. See UMG Recs., Inc., 37 Misc. 3d at 215.
73. *Id.* at 214.
74. See UMG Recs., Inc., 107 A.D.3d at 54.
75. *Id.* at 57.
76. *Id.*
77. *Id.*
78. *Id.* at 58 (“For defendant to prevail, we would have to conclude that Congress intended to modify section 301(c) when it enacted the DMCA. However, applying the rules of construction set forth above, there is no reason to conclude that Congress recognized a limitation on common-law copyrights posed by the DMCA but intended to implicitly dilute section 301(c) nonetheless.”).
79. See UMG Recordings, Inc., 107 A.D.3d at 58.
80. Capitol Records, LLC v. Vimeo, LLC, 972 F. Supp. 2d 537 (S.D.N.Y. 2013).
81. *Id.*
82. *Id.* at 536–537.
83. *Id.* at 972 F. Supp. 2d 537, 556 (S.D.N.Y. 2013).
84. See Flo & Eddie, Inc., WL 6670201, at \*15 (“...raising the specter of administrative difficulties in the imposition and collection of royalties, which would ultimately increase the costs consumers pay to hear broadcasts, and possibly make broadcasts of pre-1972 recordings altogether unavailable”).

**Ryan Jennings is a third year student at St. John’s University School of Law who is passionate about entertainment and contract law. He is a Senior Staff member on the school’s renowned *American Bankruptcy Institute Law Review*, and has also recently been published in the St. John’s Bankruptcy Research Library and on the ABI Bankruptcy Blog. Furthermore, Ryan has co-authored comments on two FINRA rule proposals, one of which was cited by FINRA and the SEC in preparation for debate on the proposed rule.**

# Busy Sporting Competition Program—Are There Any Restrictions of Athletes' Rights?

By Sergey Yurlov

## Introduction

The Olympic Games (OG) and World Championships (WC) are the most important sporting competitions involving thousands of athletes from all over the world. In contrast to other types of sporting competitions, the OG and WC carry the following characteristics:

- Special procedures for filing applications;
- special procedures for athletes' approvals;
- more complicated organizational issues; and
- special procedures for competition dispute resolutions (the CAS Ad Hoc Panel on OG).

It is very important to have in place a program of sporting events in accordance with all rules and regulations (Program). Moreover, athletes, coaches and sports federations' officials should be engaged in the drafting procedure in order to find adequate solutions to all ongoing issues, such as timing issues for preliminary, semi-final, and final events, among others.

For example, the next Summer OG will be held in August 2016. The 2016 Summer OG Program features 28 sports, 41 disciplines, and 306 events. The 2016 Summer OG organizational committee has already started drafting it.<sup>1</sup> According to the Program, the men's marathon swimming is scheduled for the first day on August 6th, and women on August 7th. That would not only preclude any pool swimmers competing on those days from also targeting the 10 kilometers marathon, but would also make open water a far less realistic target for 800 meters and 1,500 meters swimmers, given the recovery time in between events open and pool.<sup>2</sup>

## Busy Sporting Competition Program

It appears that the following legal issues could arise with regard to the Program. For example, a swimmer usually takes part in three strokes: breaststroke, individual medley and long-distance freestyle (1,500 meters in a pool and five kilometers in open water). According to the OG Program, the 400 meters individual medley and five kilometers open water events are conducted on the same day.

Physically, it is very difficult to swim the 400 meters individual medley and five kilometers open water on the same day. Therefore, an athlete should take into consideration the Program, and decide in which event he or she will take part.

Are there any restrictions in such a situation? Which issues should be kept in mind when drafting a sporting competition Program? An organization committee imposes several restrictions on the right to participate in sporting competitions. It is to be noted that at London 2012, the

open water events were held six days after the pool events, allowing pool swimmers to race shorter distance events and still have a reasonable opportunity to succeed in open water. However, the open water events also followed pool events in Beijing 2008, though the gap between the end of the pool racing and the start of the marathon was just four days.<sup>3</sup> That gap led to experts discussing that swimmers needed a slightly wider window of recovery to be able to take on pool and open water events.

## Suggestions

- 1) First, it appears that each Program, especially those of the OG and WC, should be drafted with the involvement of athletes, sports coaches, judges, and sports federations' officials. For example, athletes and coaches should participate in meetings, round tables and discussions relating to a particular competition Program. It is very important to find a balance among the interests of athletes, coaches, journalists and broadcasters. It is to be noted that the main issue is a Program's convenience, i.e., athletes should have "refreshment time" in order to cope with their sports tasks.
- 2) Second, an organization committee should consider previous competition practices when drafting a particular Program. In other words, a competition organizer should analyze Programs of similar competitions.
- 3) Third, athletes should be entitled to propose changes in such a Program, and participate in different discussions and sessions. These amendments / suggestions should be considered by a competition organizer.

## Endnotes

1. A draft of the Program is available at: <http://www.nocnsf.nl/stream/olympic-daily-competition-schedule-v1.3-june-2014.pdf>.
2. See Craig Lord, Have RIO 2016 organisers scheduled Olympic marathon on 1st 2 days of pool racing?, SwimVortex.com (Nov. 17, 2014), available at <http://www.swimvortex.com/have-rio-2016-organisers-scheduled-olympic-marathon-on-1st-2-days-of-pool-racing/>.
3. *Id.*

**Sergey Yurlov lives in Moscow, Russia. He is a graduate from Moscow State University, law faculty, civil procedure department, Master of Sports, sport judge, and member of the International Association of Sports Law (IASL). His email address is tommii125@yandex.ru. His primary interest is sports law, especially swimming legal regulation issues and sport disputes resolution. Mr. Yurlov is an author of more than 30 publications, including two books (monographs) relating to the legal framework of the sport of swimming.**

# The Pre-1972 Gap: How Congress' Omission of Pre-1972 Sound Recordings Is Affecting the Music Industry, Businesses, and Users Alike

By Adam C. B. Lanza

## Introduction

The California federal court holding in *Flo & Eddie v. Sirius XM Radio*<sup>1</sup> threatens decades of copyright law. The court decided that a California statute, Civil code § 980(a) (2), protects sound recordings fixed before February 15, 1972 (pre-1972) against unauthorized public performance.

Copyright law historically tracks changes in innovation and technology. Legislative attempts were made to keep up with changes in how music is heard due to years of technological improvements, but they have lagged. This has occurred with regard to pre-1972 sound recordings. Currently, they are not recognized in the federal copyright law scheme; such songs are protected by certain states individually and through common law interpretation.<sup>2</sup> This has led to much confusion and inconsistency. As Congress initially opted to leave pre-1972 recordings out of the Copyright Act, advancements in technology have forced it to address these changes by implementing new copyright laws. One relevant change is the Digital Millennium Copyright Act (DMCA).<sup>3</sup> The DMCA allows copyright owners to protect their content while simultaneously shielding Internet service providers (ISPs) from nefarious third party conduct. A concomitant addition was the recognition of public performance rights in sound recordings.<sup>4</sup> Although the list of patchwork changes is ever expanding, it cannot completely rectify the problems that arise from technological innovation. Excluding pre-1972 sound recordings from the purview of the Copyright Act simply does not make sense and is leading to an unworkable situation.

## Pre-1972 Sound Recordings and Federal Copyright Law

Since 1972, the music industry has undergone enormous change: from cassettes to CDs, the shift from analog to digital, to now where the Internet rules the music world. These technological improvements have also led to changes in Federal copyright law, notably the DMCA enacted in 1998.<sup>5</sup>

Copyright law exists to “promote the progress of science and useful arts.”<sup>6</sup> In doing so, the law must balance the protection it affords content holders with the freedom of allowing innovators to use such works. Sites such as YouTube allow individuals to upload content for the entire world to see. Not only musicians, but artists and individuals of all kinds can effectively promote their careers. Indeed, there is a good chance no one would have ever heard of Justin Bieber without YouTube.<sup>7</sup>

At the same time, however, such services provide a tool for users to easily infringe upon content of copyright holders. Indeed, the infringing possibilities on the Internet are almost endless. For example, YouTube makeup star Michelle Phan<sup>8</sup> was sued by Ultra Records for the infringing use of songs in her makeup tutorial videos. Some of Phan’s videos that used an Ultra Records’ track had over 50 million hits. In this situation, who is liable? YouTube or Phan? To hold YouTube responsible every time a user infringed upon a copyrighted work would stifle innovation and advancement. This is not what society wants, nor does it serve the Constitutional purpose of “promoting progress.”<sup>9</sup> However, content holders must be protected from tools that facilitate infringing activity. If this balance is not achieved, it will disincentivize content holders from sharing their works, while deterring innovation from ISPs, broadcasters and the like.

These are the tensions the DMCA attempts to relieve. It allows for copyright holders to police and protect their content, while simultaneously providing a shield to service providers from infringing activity that is out of their control. Towards that goal, the DMCA provides certain safe harbors.

The tension between innovation and copyright law is truly illustrated while looking at the intersection of pre-1972 recordings and the DMCA. In 2011, the court in *Capitol Records, Inc. v. MP3tunes, LLC*<sup>10</sup> was faced with this very dilemma. The plaintiff, EMI Records (EMI), sued MP3tunes, a music storage locker service, for copyright infringement upon its content. EMI argued that the DMCA safe harbors did not apply to MP3tunes’ infringing use of pre-1972 songs, asserting, “Section 301(c) [of the Copyright Act] trumps the DMCA and excludes pre-1972 sound recordings from Federal copyright protection.”<sup>11</sup> Section 301(c) states, “Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State.”<sup>12</sup> It was argued that because Congress did not intend to grant federal protection to preempt state and common law rights in pre-1972 works, §301(c) was enacted to implement that policy.<sup>13</sup>

However, the court disagreed with EMI and held that the DMCA applied to pre-1972 sound recordings.<sup>14</sup> While acknowledging the *Goldstein*<sup>15</sup> and *Naxos*<sup>16</sup> decisions, the court reasoned that those cases did not deal with limits of the DMCA, and so saw this as a case of first impression. Reading the statutory language “in its proper context,” in its “plain meaning,” and “as a whole,” while looking at the statute’s intent, the court found that EMI’s interpretation of § 301(c) would “eviscerate the purpose

of the DMCA.” Indeed, the court claimed that nothing in the statute limited the DMCA’s application to pre-1972 recordings, and that EMI’s reading of the statute would lead to “absurd and futile results.”<sup>17</sup>

The Office of the Register of Copyrights addressed this issue in a December 2011 report, recommending that “Congress [should] extend federal copyright protection to [pre-1972 recordings].”<sup>18</sup> While the report took the position that *MP3tunes* was wrongly decided, it only did so with the belief that “congressional action was necessary before pre-1972 recordings were embraced by the DMCA.”<sup>19</sup>

With the law somewhat unsettled, innovation continued. In 2006, three University of Florida undergraduates created Grooveshark, a music streaming service intended as a legal alternative in the struggle against online piracy.<sup>20</sup> Grooveshark’s peer-to-peer music service, named one of *Times Magazine* “50 best websites” of 2010,<sup>21</sup> did not market its services for nefarious (infringing) means; with the slogan “everyone gets paid,”<sup>22</sup> and having a take-down system in place, it is clear that the company saw itself as *the* legal solution. Relying on the DMCA safe harbor provisions, *MP3tunes* holding,<sup>23</sup> and formulating a model that “pays everyone,” Grooveshark strategically attempted to legalize and correct the mistakes of its predecessors.

Despite Grooveshark’s attempts, Universal Music Group (UMG) began its attack against the music streaming service in early 2010.<sup>24</sup> According to UMG, pre-1972 sound recordings were not controlled by federal copyright law, but state common law thereby removing the federal DMCA protective shield relied on by Grooveshark and other ISPs. The motion court, following *MP3tunes*, denied UMG’s motion, finding “there is no indication in the text of the DMCA that Congress intended to limit the reach of the safe harbors [to] just post-1972 recordings.”<sup>25</sup>

However, UMG argued on appeal that §301(c) would effectively be extinguished if the DMCA were to be applied to pre-1972 recordings, and the court agreed. Pointing to the language of § 301(c), the court reasoned that any material limitation on the right to assert a state-law infringement claim would violate § 301(c)’s “reverse preemption.”<sup>26</sup>

In handing down this blow to ISPs everywhere, the court explained its statutory interpretation technique. Giving attention to the legislature’s intent, as reflected by the plain language of the text, while heeding caution to not “repeal” or “modif[y]” statutes by implication,<sup>27</sup> the court determined that any application of the DMCA to pre-1972 recordings would directly violate § 301(c).<sup>28</sup> The court noted, if “the DMCA [applied to pre-1972 recordings]...the right to immediately commence an action would be eliminated...[leaving] the only remedy available to UMG” to serve a takedown notice, thereby “limiting” UMG’s common law rights. The court deemed this “limi-

tation” an “implicit modification of the plain language of section 301(c).”<sup>29</sup>

The court was clearly worried about interpreting §301(c)’s plain meaning in order to fit Congress’ intent behind the DMCA, noting that “for Defendant to prevail, we would have to conclude that Congress intended to modify section 301(c) when it enacted the DMCA...Such an interpretation is disfavored where, as here, the two sections can reasonably co-exist each in its own ‘field of operation.’”<sup>30</sup>

While the court was correct in its application of statutory interpretation tools, it seems that its true concern was not stepping into Congress’ domain.<sup>31</sup> The intent of the DMCA was to “foster advancement” while protecting content holders and service providers. Why Congress would want to “eviscerate” the DMCA with regard to pre-1972 recordings is unclear. While the Copyright Act of 1976 leaves pre-1972 recordings out of federal protection, reports from Congress indicate that it was unclear as to why this happened.<sup>32</sup> While statutory interpretation arguably leans in favor of the *Grooveshark* holding, the intent of the DMCA is clear.

In 2014, *Flo & Eddie Inc. v. Sirius XM Inc.* wrestled with a similar issue raised in *Grooveshark* and *MP3tunes*. Flo & Eddie, Inc. (Flo & Eddie) a corporation founded by two members of the music group The Turtles, sued Sirius XM Inc. (Sirius)<sup>33</sup> for playing its pre-1972 sound recordings over the air. Sirius did not dispute the claim, in what could potentially lead to \$100 million in damages; “rather, it argue[d] that the bundle of rights that attaches to copyright ownership of a pre-1972 sound recording does not include the exclusive right to publicly perform the recording.”<sup>34</sup> The United States District Court in California found that the music service failed to pay royalties for the public performance of pre-1972 sound recordings.<sup>35</sup> While such recordings did not fall under the federal law scheme, the court concluded that there was a public performance right in pre-1972 sound recordings under California state law.<sup>36</sup>

With an abundance of case law on which to rely, *Flo & Eddie* certainly stirred the proverbial pot. As previously discussed, the lack of federal protection afforded to pre-1972 recordings left it to the states to come up with their own protections. For instance, California implements its own safeguard, using Civil Code section 980(a)(2) to protect pre-1972 recordings against unauthorized public performances. The California statute states:

The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an *exclusive ownership* therein until February 15, 2047, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior

sound recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording.<sup>37</sup>

Just as the *Grooveshark* court maintained that the DMCA did not apply to pre-1972 recordings—as per § 301(c)—the *Flo & Eddie* court embraced this idea and reasoned that rights in pre-1972 recordings “depend solely on whatever rights are afforded to sound recording owners under California law.”<sup>38</sup> This meant that the “bundle of rights” that attach to sound recordings was not applicable to pre-1972 songs. In California’s case, the statute that directly addressed pre-1972 recordings gives the copyright holder of such work an “exclusive ownership.” Accepting this as true, the *Flo & Eddie* court’s next question was whether or not this “exclusive ownership” carried within it the exclusive right to publicly perform the recording.

Giving the words “their usual and ordinary meaning and construing them in context,” the court reasoned that “exclusive ownership,” as per California’s own definition of “ownership,” meant “the right of one or more persons to possess and use [a sound recording] to the exclusion of others.”<sup>39</sup> In doing so, the court found no reason, phrase or hint from the California legislature to “exclude any right or use of the sound recording from the concept of ‘exclusive ownership.’”<sup>40</sup> The court justified its finding by pointing out that §980(a)(2) did not include the exclusive right to make covers. “Because the statute lists an exception,” the court applied the “familiar rule of construction...[that] where exceptions to a general rule are specified by statute, other exceptions are not to be implied or presumed.”<sup>41</sup> Thus, in applying § 301(c) (finding that pre-1972 sound recordings fell outside federal copyright law), and interpreting the California legislature’s intent by a plain reading of the statute, the court granted summary judgment in favor of *Flo & Eddie*.<sup>42</sup>

While it is clear from the *Flo & Eddie* decision that federal copyright laws such as the DMCA will not apply in California, the court’s opinion will have additional, far-reaching consequences. Satellite radio services, such as SiriusXM and Pandora Radio, pay royalties under § 114’s statutory royalty scheme. Songs are not “unitary,” and the law acknowledges this by differentiating copyright ownership between musical works and sound recordings.<sup>43</sup> Generally, there are two forms of royalties paid for music, and the payment distribution scheme is consistent with this ownership distinction; copyright holders in musical works get composition royalties, while copyright holders in sound recordings receive their own royalty.

Coming full circle, the Copyright Act did not extend the full range of exclusive rights to sound recordings as it did to musical compositions. However, with the passage of the Digital Performance Right in Sound Recording Act (DPRA) in 1995,<sup>44</sup> along with the DMCA in 1998, which expanded the DPRA, copyright holders of sound record-

ings were finally allowed to collect royalties whenever their content was streamed in *digital* format. Services such as SiriusXM and Pandora fall under this category, and, therefore, are required to pay this statutory fee for digitally transmitting music. While the DPRA marked a significant victory for copyright holders in sound recordings, the above-described situation begs the question: do pre-1972 songs fall within the federal statutory royalty scheme?

To aid the DPRA’s purpose of collecting royalties for sound recordings, SoundExchange was created to negotiate, collect, and distribute royalties to record labels and performing artists.<sup>45</sup> While this has seemingly been working, record labels and performing artists are still not receiving royalties from some of the biggest digital music services, such as SiriusXM, for songs recorded before 1972.<sup>46</sup>

The current mechanism for broadcasters is to pay for the digital public performance of sound recordings through royalties, set by the Copyright Royalty Board, to SoundExchange.<sup>47</sup> However, because pre-1972 sound recordings are not covered by the Copyright Act, the equivalent royalty mechanism for pre-1972 recordings does not exist. In the case of *Flo & Eddie*, there is no set rate for payments under California law, and no way to identify all of the pre-1972 sound recording copyright holders, or to determine what fees would even be applicable.

## Conclusion: The Problem to Be Fixed, and Potential Solutions on the Horizon

While statutory interpretation calls for “reading the statute as a whole,” the evolution of copyright law and music must be looked at in its entirety as well, starting from the beginning with *Apollo*,<sup>48</sup> when Congress excluded sound recordings from the 1909 Act, to date. Copyright law is constantly trying to keep up with innovation. For the DMCA to protect only post-1972 recordings is as arbitrary as Congress leaving pre-1972 recordings out of the 1976 Act. This oddity has left courts in disagreement, ISPs harmed due to mistaken reliance and labels unsure of protection.

As it stands, the problem this gap has created is apparent. The recent trend in case law signals to copyright holders of pre-1972 recordings, such as The Turtles, to go after services employing their songs. However, these content holders are using confusing and inconsistent state law to state their cases. That means nationwide, services such as SiriusXM and YouTube do not have an applicable federal scheme upon which to rely, and must defend themselves in every state that affords protections to pre-1972 recordings. While this is a potential nightmare for such services, users will also be harmed by not being able to listen to their favorite “oldies” station on Pandora and SiriusXM.

This problem has been around for many years, and it is evident from the body of pre-1972 law that there has

been a shift in both the way the music industry perceives the problem, as well as the courts. While labels now see this as a way to reap greater profits, artists are also benefiting from increased royalties. At the same time, with a lack of direction from Congress, courts have done all they can to “cry for help” and ask for a Congressional fix. The ones who are truly being hurt by this are the business and services employing pre-1972 recordings, as well as the users who want to enjoy such recordings.

The above case law indicates a need for legislative fix. While arguments go both ways, the United States Copyright Office recently concluded that pre-1972 recordings should be within the purview of the Copyright Act. In its report, the Copyright Office justified its finding by citing policy reasons, such as promoting “the certainty and consistency of copyright law” while encouraging “preservation and access activities.”<sup>49</sup> The report pointed out one of the Copyright Office’s greatest concerns, which is “while libraries are making preservation efforts, the access to recordings over the Internet cannot become widespread because libraries fear they may be subject to the laws of any of the fifty states.”<sup>50</sup> Services will soon stop providing users access to these older recordings because of this “fear.”<sup>51</sup>

Additionally, as discussed above, the report indicates that the Copyright Office sees no reason why the DMCA safe harbors should not apply to pre-1972 recordings. In agreeing with the *MP3tunes* court’s finding, the report noted, “section 301(c) does not prohibit all subsequent regulation of pre-1972 recordings.”<sup>52</sup>

The call on Congress has come from other avenues as well. In May 2014, a new Act titled “Respecting Senior Performers as Essential Cultural Treasures” (RESPECT), was introduced into the House of Representatives and proposed an amendment to 17 U.S.C. § 114(f)(4) that would create a statutory license for pre-1972 sound recordings.<sup>53</sup> This legislation would require digital radio services to pay royalties every time they play pre-1972 recordings.<sup>54</sup> While this Act would bring pre-1972 recordings under the federal royalty scheme, it would not alter any remedy available under state law.<sup>55</sup>

Although it appears that some legislative fixes may be on the horizon, there are many interested parties, with their own vested interests, as well as many variables that could affect Congress’ decision. Labels, artists, businesses and users are all likely to be affected if an appropriate resolution is not sought. After so many years of not receiving any rights, sound recordings copyright holders of pre-1972 works are now in the position of power. Although their content is not recognized under U.S. copyright law, they are able to go from state to state, attacking “infringing” users.

Artists’ works should be protected, and businesses employing these recordings should be protected as well. Not only should the DMCA be applicable to pre-1972 recordings, but a more cohesive and comprehensive federal

royalty scheme must be implemented. Congress’ lag in correcting this gap has already caused too much confusion and loss. SoundExchange estimates that this gap “deprived legacy artists and record labels of more than \$60 million in digital royalties last year alone.”<sup>56</sup> Attempting to fix this, SoundExchange has started Project72, “a campaign to ensure equal treatment for musicians and rights holders with sound recordings made prior to 1972 from digital radio.”<sup>57</sup> This campaign has shed light on the fact that some of the biggest digital radio services are not paying royalties for pre-1972 recordings.<sup>58</sup> While this is a step in the right direction, a massive overhaul is needed.

All pre-1972 recordings should be brought under the purview of the Copyright Act. As it stands now, some post-1972 songs will have a shorter copyright life than pre-1972 songs. As we see from above, there needs to be a balance. Technology will continue to improve, and likely make infringing activity easier. Entrepreneurs will innovate clever ways around copyright law; labels and artists will always want to be paid for their content; and business, ISPs and digital radio providers will continue to want comprehensive safeguards, as well as cohesive, simple ways of paying royalties. Congress’ job will be to balance the interests of all parties.

## Endnotes

1. No. CV 13-5693 PSG RZX, 2014 WL 4725382, at \*10 (C.D. Cal. Sept. 22, 2014).
2. 17 U.S.C. § 301(c); *Flo & Eddie Inc.*, 2014 WL 4725382, at \*3.
3. Digital Millennium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998). The DMCA was an addition to the Copyright Act enacted by Congress to address copyright issues on the Internet.
4. Digital Performance Right in Sound Recording Act of 1995, Pub. L. No. 104-39, 109 Stat. 335.
5. *Supra* note 3; 17 U.S.C. § 512.
6. U.S. CONST. ART. I, § 8, cl. 8.
7. See <http://www.biography.com/people/justin-bieber-522504> (accessed on Dec. 10, 2014).
8. See <http://recode.net/2014/10/27/michelle-phan-youtube-startup-founder/> (accessed on Dec. 10, 2014).
9. *Infra* note 35.
10. 821 F. Supp. 2d 627, 642 (S.D.N.Y. 2011).
11. *Id.* at 640.
12. 17 U.S.C. § 301(c).
13. *Mp3tunes*, 821 F. Supp. at 641.
14. *Id.* at 643.
15. *Goldstein v. California*, 412 U.S. 546 (1973).
16. *Capital Records, Inc. v. Naxos of America, Inc.*, 830 N.E.2d 250 (N.Y. 2005) (affirming *Goldstein*, making clear that “federal copyright protections do not preempt or limit common law rights in pre-1972 works”) *Goldstein*, 412 U.S. at 522.
17. *Mp3tunes*, 821 F. Supp. at 641.
18. *Infra* note 26, at viii.
19. *UMG Recordings, Inc. v. Escape Media Grp., Inc.*, 964 N.Y.S.2d 106, 109 (App. Div. 2013) (hereafter *Grooveshark*).
20. Julia Jacobo, “UF students’ music site Grooveshark reaches 1 million users,” *The Independent Florida Alligator* (Nov. 26, 2014) available at [http://www.alligator.org/news/local/article\\_f5240ea4-ef9f-59e5-9c27-770b265d8571.html](http://www.alligator.org/news/local/article_f5240ea4-ef9f-59e5-9c27-770b265d8571.html).

21. See [http://content.time.com/time/specials/packages/article/0,28804,2012721\\_2012728\\_2012745,00.html](http://content.time.com/time/specials/packages/article/0,28804,2012721_2012728_2012745,00.html).
22. See <http://www.businesswire.com/news/home/20071011006017/en/Music-Brokerage-Grooveshark-Offer-29-Cent-DRM-Free#VGz-qVff-UA>.
23. *MP3tunes*, 821 F. Supp. at 641.
24. *UMG Recordings, Inc.*, 964 N.Y.S.2d at 106.
25. *UMG Recordings, Inc. v. Escape Media Group, Inc.*, 948 N.Y.S.2d 881 (N.Y. Sup. Ct. 2012).
26. *UMG Recordings, Inc.*, 964 N.Y.S.2d at 109.
27. *Matter of Consolidated Edison Co. of N.Y. v. Dept. of Env'tl. Consrv.*, 71 N.Y.2d 186, 195 (1988).
28. *UMG Recordings, Inc.*, 964 N.Y.S.2d at 111.
29. *Id.*
30. *Id.*
31. *Infra* note 51.
32. *Id.*
33. Sirius XM Radio Inc. is a company that operates both a subscription based nationwide satellite radio service as well as a subscription based Internet radio service. See <http://www.siriusxm.com/whatisiriusxm> (accessed on Dec. 8, 2014).
34. *Flo & Eddie Inc.*, 2014 WL 4725382, at \*4. As noted above, while Congress extended sound recordings the public performance right in 1995, it did so only "by means of digital audio transmission." *Supra* note 4.
35. *Flo & Eddie Inc.*, 2014 WL 4725382, at \*10.
36. *Id.*
37. Cal. Civ. Code § 980(a)(2).
38. *Flo & Eddie Inc.*, 2014 WL 4725382, at \*3.
39. *Id.* at \*5; Cal. Civ. Code § 654.
40. *Flo & Eddie Inc.*, 2014 WL 4725382, at \*6.
41. *Geertz v. Ausonio*, 4 Cal. App. 4th 1363, 1379 (1992) (citing *In re Michael G.*, 44 Cal. 3d 283, 291 (1988); *Flo & Eddie Inc.*, 2014 WL 4725382, at \*6).
42. *Id.*
43. *Supra* note 3.
44. *Supra* note 4. The owner of copyright under this title has the exclusive rights to do and to authorize...in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission. 17 U.S.C. § 106(6).
45. See SoundExchange, <http://www.soundexchange.com/advocacy/federal-copyright-protection/regulations/> (accessed on Nov. 26, 2014).
46. Plaintiffs' Complaint for Common Law Infringement at ¶¶ 39-49, *Capitol Records, LLC v. Pandora Media, Inc.*, No. 651195/2014 (Sup. Ct. N.Y. 2014) (hereinafter, Complaint).
47. See SoundExchange, <http://www.soundexchange.com/artist-copyright-owner/digital-royalties/> (accessed on Dec. 8, 2014).
48. *White-Smith Music Publishing Co. v. Apollo Co.*, 201 U.S. 1 (1908).
49. *Id.*
50. Andrew M. Pinchin, *Casting Common Law and the Music Industry Adrift: Pre-1972 Recordings Enter Federal Safe Harbors*, 91 OR. L. REV. 635, 667-69 (2012).
51. *Id.* at 669.
52. *MP3tunes*, 821 F. Supp. at 641; *supra* note 26 at 131.
53. Respecting Senior Performers as Essential Cultural Treasures Act of 2014, H.R. 4772, 113th Cong. § 114(f) (2014), available at <http://pub.bna.com/ptcj/HR4772introMay29.pdf>.
54. *Id.*
55. *Id.*
56. See SoundExchange, <http://www.soundexchange.com/pr/soundexchange-launches-project72-campaign-in-support-of-the-respect-act/> (accessed on Dec. 8, 2014).
57. *Id.*
58. *Id.*

Adam C. B. Lanza is a third year law student at St. John's University School of Law. He is a member of the *American Bankruptcy Institute Law Review* and serves the journal as an article and notes editor. In addition, he is a member of the Moot Court Honor Society and works as a teaching assistant for the first year legal writing course. He is currently pursuing a joint J.D./M.S. in accounting degree and will graduate from law school this spring. This article was originally prepared for an entertainment law course at St. John's in the fall of 2014.

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# Electronic Dance Music in the Digital Sampling World

By Angie Lin

## I. Introduction

Though digital technology, combined with the Internet, Electronic Dance Music (EDM) has grown in popularity exponentially. While baby boomers had rock and roll, and Gen X'ers had hip-hop and punk to express their longing for personal freedom, millennials have EDM. A \$6.2 billion industry, this genre of music has generated revenues from festivals, worldwide club events, streaming/video services, Soundcloud streams, and Disc Jockey (DJ) software and hardware.<sup>1</sup>

EDM is a unique genre in which its DJs depend on the use of original works created by others, and combine them with digital technology to create masterpiece music. Through the process of digital sampling, popular electronic DJs, such as Avicii, Hardwell, Tiesto, Calvin Harris, and Zedd, create their music by taking digital versions of original pieces of music and altering them by mixing with other lyrics, looping the choruses, speeding up the beats, and adding their own styles to the underlying works to create something new.

Digital sampling is the process of taking a small portion of an existing sound recording and digitally manipulating it as a part of a new recording. It is through the practice of digital sampling that many popular EDM DJs are able to use original creative works by other artists as a base-point for their own music and alter them to some extent. With the growing popularity and public acceptance of EDM, many artists are inspired to enter and establish themselves in the EDM industry. As more DJs appear, the prominence and use of digital sampling will continue to expand. In turn, this raises the issue of whether DJs can, without seeking licenses from copyright holders, digitally sample sound recordings and still be shielded from liability under the fair use doctrine.

Though the Copyright Act may be a starting point, it provides little to no specific legislative criteria governing digital sampling.<sup>2</sup> The current confusion as to what constitutes valid sampling practices and the unsettling law of fair use and its application in the digital sampling context suggests that current copyright law is ripe for a revisit.<sup>3</sup>

Amendments to the Copyright Act to account for the popularity and widespread use of digital sampling will offset the competing issues arising in copyright law. Lifting current restrictive law requiring artists to seek licensing before sampling is one, perhaps simple, way to tackle the issue. Another, more nuanced, way is for Congress to define the contours of permissible transformative use by balancing the effects of extending or limiting the application of transformative use to digital sampling cases.

As the underlying act of sampling a preexisting sound recording is akin to current permissible acts in the visual arts and documentary contexts, extending the protection of fair use to digital sampling is also validly justified. A less restrictive law on digital sampling would allow EDM DJs to freely digitally sample, with certain limitations, original creative works and present to the public a new genre of music.

Lastly, balancing competing interests also justifies extending the application of fair use to digital sampling. It benefits the public, emerging DJs, and promotes the underlying purpose of the Copyright Act—to encourage creativity.

## II. Copyright Protection

The United States Constitution recognizes copyright protection by giving Congress the power “[t]o promote the progress of science and useful arts, by securing for limited time to authors and inventors the exclusive right to their respective writings and discoveries.”<sup>4</sup> The purpose of copyright law is “to secure the general benefits derived by the public from the labors of authors,” and to motivate authors and inventors by giving them a reward.<sup>5</sup>

The Copyright Act of 1976 gives legal protection to the authors of original works that are “fixed in any tangible medium of expression.”<sup>6</sup> Section 106 of the Act codifies the five exclusive rights of a copyright owner: (1) the right of reproduction; (2) the right to prepare a derivative work; (3) the right to distribute the work; (4) the right to perform the work; and (5) the right to publicly display the work.<sup>7</sup>

### A. Copyrights in Music

Section 102 of the Copyright Act recognizes two separate and distinct types of music copyrights: (1) musical works and (2) sound recordings.<sup>8</sup> A musical work is the underlying musical composition itself that includes the lyrics and its written music,<sup>9</sup> while a sound recording is the precise fixation of a series of musical, spoken, or other sounds in the recording of a musical work.<sup>10</sup>

### B. Copyright Infringement

To prove copyright infringement, the copyright owner must show (1) ownership; (2) unauthorized copying; and (3) unlawful appropriation.<sup>11</sup> As a copyright holder, the artist of the sound recording can create a derivative work by recasting preexisting material to form a new work that does not alter the purpose or character of the original work.<sup>12</sup>

In the EDM context, when a DJ, without proper authorization, samples a copyrighted sound recording and incorporates that song as part of a new work, the copyright

holder of that sound recording has a potential copyright claim that his or her exclusive right to prepare derivative works is infringed. Since EDM DJs are recasting works by editing and altering songs to create EDM, the end product is capable of protection as a derivative work.

### C. Defenses to Infringement

If a court finds copyright infringement, then the alleged infringer can assert the protection of the fair use doctrine to avoid liability. Section 107 of the Copyright Act provides that the use of an original work “for purposes such as criticism, comment, news reporting, teaching...scholarship, or research” does not infringe upon a copyright.<sup>13</sup> In determining fair use, courts consider four factors: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>14</sup> These four factors are non-exclusive.

### III. Fair Use Defense and Transformative Use

Of the four, the first factor is the most relevant and goes to the heart of the fair use inquiry because it ties in with the transformative use analysis. In a widely cited *Harvard Law Review* article, Judge Pierre N. Leval argued for the importance of considering “transformative use” in the fair use analysis.<sup>15</sup> He argued that a focus on transformative use ties fair use analysis conceptually to a fundamental purpose of copyright law—“stimulating productive thought and public instruction without excessively diminishing the incentives for creativity.”<sup>16</sup>

#### A. The Transformative Test

The transformative test focuses on whether the new work “merely supersedes the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”<sup>17</sup> If the copyrighted work is used as raw material, in furtherance of a distinct creative or communicative objective, then the use is transformative.<sup>18</sup> Further, there is a strong presumption that the use of a copyrighted work is transformative when the allegedly infringing work falls within one of several categories described in §107.<sup>19</sup>

Under the first factor, if the purpose and character of the use is for commercial or for-profit purposes, then the use tends to weigh against a finding it fair.<sup>20</sup> Nevertheless, the first factor should be applied with caution because Congress, in enacting the rule, could not have intended a rule that commercial uses are presumptively unfair. Instead, under the first factor, the overarching focus is on the transformative use of the work.

#### B. The Seminal Case

Although the transformative use analysis is not explicitly listed as one of the statutory fair use factors, courts have frequently emphasized transformative use within the first. Judge Leval’s ideas were influential in the Supreme Court’s decision in *Campbell v. Acuff-Rose Music, Inc.*<sup>21</sup> In *Campbell*, the band 2 Live Crew created a parody of Roy Orbison’s song “Oh, Pretty Woman” without obtaining proper licensing.<sup>22</sup> Thereafter, Acuff-Rose Music, the copyright holder, brought suit for copyright infringement.

The Court in *Campbell* held that sampling of a particular work to create a parody of that same work could constitute a fair use if the sampling was sufficiently “transformative” to escape liability.<sup>23</sup> The Court defined “transformative” use as one that adds something new to the work from which the borrowing was done, by altering it with new meaning or message.<sup>24</sup> Furthermore, the court noted that, although transformative use is not necessary for a finding of fair use, transformative uses “lie at the heart” of the fair use doctrine; thus, “the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”<sup>25</sup> Even though *Campbell* was a parody case, the broad principles of transformative use were not limited to cases involving parody and were, in fact, extended beyond such cases.<sup>26</sup>

### IV. Digital Sampling

Digital sampling is the process of taking a small portion of a sound recording and digitally manipulating it as a part of a new recording. With current copyright law, artists wishing to profit from musical creations containing digital samples of pre-existing sound recordings should attempt to obtain licenses for each sample used or face the possibility of significant legal repercussions.<sup>27</sup> Obtaining a license is an expensive and difficult process, requiring artists who wish to sample to secure licenses from both the musical composition and the sound recording copyright holders. An artist’s failure to clear a sample may have costly repercussions in the event copyright holders of the sampled song bring suit.

The fair use defense (specifically transformative use) as used in music sampling cases is very limited. In *Grand Upright Music Ltd. v. Warner Bros. Records*,<sup>28</sup> the first leading sampling case, the court created a bright-line rule that sampling without first obtaining clearance or permission is illegal.<sup>29</sup>

However, in *Newton v. Diamond*,<sup>30</sup> the court moved away from the belief that samplers were required to obtain licenses for sound recordings and musical compositions. In *Newton*, the hip-hop group the Beastie Boys did not obtain a license to use a musical composition and was sued as a result.<sup>31</sup> Applying the substantial similarity test, the court found that the group’s use of the old work in its new work was neither qualitatively nor quantitatively

significant in relation to the composition as a whole.<sup>32</sup> Thus, the court found the use of the musical composition to be a *de minimis* permissible use, and the group was released of any liabilities.<sup>33</sup> Nevertheless, in *Bridgeport Music, Inc. v. Dimension Films*, the court rejected the substantial similarity test and decided in favor of a bright-line rule of automatic infringement whereby an artist should either get a license or not sample at all.<sup>34</sup>

With little guidance provided by the Copyright Act and the lack of judicial uniformity in applying fair use to copyright infringement, the question of whether music sampling is permissible is largely unanswered. Due to this uncertainty, artists may forgo the costly and difficult process of obtaining authorization and sample a sound recording. In doing so, many artists rely on the fair use doctrine as a defense to shield them from liability in the event that the copyright holder of the sampled song brings suit.

Without any clarity regarding the application and the scope of the fair use in digital sampling cases, many artists are misled into thinking that they are protected under the fair use doctrine. Under these circumstances, it would be appropriate for Congress to revisit the Copyright Act and make changes accordingly.

Although there is limited case law pertaining to digital sampling, there are cases outside the digital sampling context that have analogously applied the fair use defense. The case law that determines applicable and non-applicable fair use in the visual arts and documentary fields help build the foundation to justify Congress's revisit to the Copyright Act.

## V. Transformative Use as Applied in the Visual Arts

While digital sampling is a recent technological innovation, the practice of quoting previously recorded works of others as references within a new composition has a longstanding tradition in the arts. In the visual arts, "appropriatism" has established a prominent position among modern artists.<sup>35</sup> Appropriation artists incorporate previously copyrighted images, including magazine and newspapers articles, photographs, and advertisements, into their own original works.<sup>36</sup>

In 1991, the courts first encountered fair use in the visual arts.<sup>37</sup> In *Rogers v. Koons*, professional photographer Art Rogers brought an infringement suit against visual artist Jeff Koons.<sup>38</sup> Koons used Rogers's photo entitled "Puppies" as a basis for one of his sculptures.<sup>39</sup> As there was nothing to support the view that Koons produced his sculpture for anything other than a sale as high-priced art, Koons was found liable.<sup>40</sup>

Despite the court's initial difficulty in applying the transformative use to the visual arts, the decision of *Blanch v. Koons*<sup>41</sup> in 2006 marked the growing judicial acceptance of transformative fair use. In *Blanch*, Koons was

again sued for copyright infringement when he incorporated one of Blanch's images "Silk Sandals" into his own painting "Niagara." The court found that when a copyrighted work is used as "raw material" in the furtherance of a distinct creative or communicative objective, then the use is transformative.<sup>42</sup> In adopting the transformative test established in *Campbell*, the court found Koon's use transformative.<sup>43</sup>

In a more recent case, the Second Circuit in *Cariou v. Prince*<sup>44</sup> had to again grapple with the application of transformative use in the visual arts. In *Cariou*, Prince altered and incorporated several of Cariou's photographs into a series of paintings and collages that were publicly displayed and later sold in exhibition catalogs.<sup>45</sup> Cariou brought suit.<sup>46</sup> The court held that Prince's "appropriation art" qualified as fair use.<sup>47</sup>

Conducting a side-by-side comparison, the court found that Prince's images had a new expression that Cariou's photographs did not have, and Prince's images employed new aesthetics with creative and communicative results distinct from Cariou's.<sup>48</sup> While a derivative work that merely presents the same material but in a new form, such as a book of synopses of television shows, is not transformative; a new work that adds "something new" and presents it in a fundamentally different aesthetic is transformative.<sup>49</sup> Although Prince's work was commercial, the court did not place much significance on that fact due to the transformative nature of the work.<sup>50</sup>

## VI. Transformative Use as Applied to Documentaries

In addition, courts have extended the application of the transformative fair use defense to documentaries. Despite possible copyright infringement claims, documentaries and biographies are nevertheless protected by the presumption of fair transformative use if the allegedly infringing work falls within one of the several protected categories described in §107, "criticism, comment, news reporting, teaching...scholarship or research."<sup>51</sup>

In *Hofheinz v. Discovery Communications, Inc.*,<sup>52</sup> the defendant's documentary *Aliens* used three clips, totaling 48 seconds, from the plaintiff's trailer "Invasion of the Saucerman." The court found that the defendant's use of "Invasion of the Saucerman" footage was transformative because it was being used in a documentary-style program.<sup>53</sup> Specifically, the court found that the defendant's use of the clip served various purposes, including: (1) to illustrate the theme of the government cover-up; (2) to demonstrate how, and with what special effects technology, aliens have been represented in film; and (3) to provide contrasts between the early science fiction films like "Saucerman" and more recent films.<sup>54</sup> Further, the court found the defendant's use permissible because the defendant confined using "Saucerman" as an early example of a common theme for alien visitation films without attempting to be a substitute for viewing the entirety of

“Saucerman.”<sup>55</sup> Again, the court emphasized that, despite the defendant’s profit motives in using the plaintiff’s clips, the analysis of the first fair use factor is not altered in light of the work’s transformative nature.<sup>56</sup>

## VII. Extension of Transformative Use to Digital Sampling

Congress developed the Copyright Act to promote the progress of science and arts through extensive public dissemination. The idea behind the Copyright Act was that new authors would create works inspired by pre-existing works and the world will benefit from these new works. This envisioned purpose could also be accomplished through digital sampling.

### A. Applying Transformative Use in the Digital Sampling Context

Case law interpreting transformative use in the visual arts and documentary contexts provides a strong foundation to justify expanding the application of transformative use to digital sampling. Extending transformative use to allow DJs to digitally sample a song, without prior licensing, further promotes the underlying purpose of the Copyright Act, which is to incentivize creative works for the public’s benefit.

Like “appropriatism” in the visual art, when EDM DJs digitally sample a sound recording, they are doing more than finding a new way to exploit the creative virtues of an original work. Instead, EDM DJs are using the copyrighted sound recording as a “raw material” and a base-point for their own music in furtherance of a distinct communicative objective. Further, when EDM DJs digitally sample a sound recording, they are not repackaging the copyright owner’s work; rather, they are employing it in the creation of a new genre of music.

The EDM product of a sampled song recording is analogous to the “collage”-like end product that the court in *Blanch* found permissible, as an EDM version differs from the original genre of the underlying sound recording. As with *Cariou*, a court should undertake a side-by-side comparison when adjudicating digital sampling cases. Such a comparison shows that an EDM DJ’s resulting work has new expression because it employs creative and communicative results distinct from the original. Once a DJ digitally samples the original work, he or she then adds his or her own creativity to create an EDM version.

In addition, the reasoning in the documentary cases justifying the application of fair use is also applicable in the digital sampling context. As with the documentarian’s use in *Hofheinz*, an EDM DJ’s use of a preexisting copyrighted sound recording serves various purposes, one of which is to provide the contrast between the genre of the sampled song with the secondary product created by the DJ. Additionally, the use illustrates the theme and trend of modern day music. Similar to *Hofheinz*, because no two genres of music are the same, no attempts by EDM DJs

have been made to have their secondary works be substitutes for the original works. Unless the EDM DJs digitally sample the songs word-for-word and beat-for-beat, they cannot be said to be substituting the copyrighted work with the secondary work.

As the underpinnings justifying transformative use in the visual arts and documentary context are applicable in the digital sampling context, Congress’s need to revisit the Copyright Act becomes apparent.

### B. Applying the First Factor of Fair Use Analysis

Aside from the guidance provided in the visual arts and documentary contexts, an analysis of the first factor under the fair use defense is another means supporting the applicability of transformative use to digital sampling cases.

When applying the first factor, the purpose and character of the use, to digital sampling by EDM DJs, the focus is whether a DJ’s use of the work was to promote the progress of science and benefit the public or if the use was solely commercially driven.<sup>57</sup> Although every commercial use of copyrighted material is an unfair exploitation of the monopoly privilege that belongs to the copyright owner, there is no bright-line rule against fair use merely through the existence of a commercial use. Further, most justified instances of fair use are commercial.<sup>58</sup> As most works are created for monetary gain, a commercial use may still constitute fair use.

Initially, the first factor may seem to cut against fair use because the purpose of an EDM version of a song is the same as the works copied: to provide entertainment. As EDM DJs generate income from the sales of their songs, this factor may weigh against fair use. However, a commercial use may still constitute fair use if the work is transformative. Not only do EDM DJs’ secondary works not replace the original works, but they also add new meaning by mixing together several diverse genres to provide upbeat dance songs that differ from the original works sampled.<sup>59</sup>

### C. Policy Reasons to Extend Transformative Use to Digital Sampling

Sound policy also justifies extending fair use to digital sampling. The fair use doctrine acts like a First Amendment counterweight to the monopolistic tendencies of copyright, and thus, its protections are designed to be broad.<sup>60</sup> In recent decades, the doctrine has expanded, allowing technological uses like videotaping, photocopying, software, reverse engineering, and search engineering to fall within the fair use protection. Given the flexibility of fair use, it is particularly adaptable to an era of rapid technological advancements.<sup>61</sup>

Fair use remains the best vehicle for balancing incentives for authors against the expression of subsequent authors. While outright piracy, where a secondary user seeks merely to free ride on the copyrighted work of

another, is an appropriate infringement action, an act of transformation is not, because the secondary user brings something new and original to the table.<sup>62</sup> By not extending protection to transformative work resulting from digital sampling, the purpose of the First Amendment would be greatly impaired because many would be discouraged from freely expressing themselves through music.

#### D. Arguments Against Extending Transformative Use to Digital Sampling

By allowing transformative fair use to apply to digital sampling cases, the doctrine comes in tension with another of copyright law's core protections: the right to prepare derivative works.<sup>63</sup> Copyright owners have the exclusive right to prepare derivative works based on their original creations, including translations, arrangements, versions in other media, and "any other forms in which a work may be recast, transformed, or adapted."<sup>64</sup>

An EDM version of a song can be considered an "audio collage," where it combines snippets of songs from various genres.<sup>65</sup> Despite a reasonable argument that EDM DJs are infringing on a copyright holder's exclusive right to prepare derivative works, the argument holds little weight because an EDM song based on a preexisting work will not be deemed a derivative work if its purpose and character are sufficiently transformative. Whether digital sampling qualifies as transformative use is still unanswered, and it is for this reason that Congress should revisit the Copyright Act.

#### E. Balancing the Interests

In balancing the two competing views, there is a stronger argument favoring copyright reformation to align with the current technological advances in the music industry by extending transformative use to digital sampling cases. Although an extension might narrow the rights of existing artists, this harm seems less significant compared to the monumental benefit that is derived in allowing DJs to freely, with some limitations, digitally sample an existing work. Moreover, this is exactly in line with society's emphasis and utmost support for the First Amendment.

The very idea behind freedom of expression is to spark imagination and creative works, and it is for this reason that transformative uses of copyrighted content should be liberally applied. Although current digital sampling law requiring licensing is uncertain, this uncertainty causes many wary artists, in fear of battling copyright liability, to restrict the exercise of their First Amendment right.

### VIII. Conclusion

The current uncertainty behind the application of the fair use doctrine among judges exemplifies the Copyright Act's ripeness for review and reform. In applying the transformative use analysis to digital sampling, EDM

created by DJs should be deemed a fair use because of its highly transformative nature. However, Congress can further crystalize this understanding by revisiting the Copyright Act and making the necessary statutory reforms to address music sampling. While reforming the Copyright Act might limit the exclusive rights of the original copyright owner, a clear guidance for the music industry and uniformity of music copyright law permitting music sampling will better serve the general public, the artists, and the interest of the First Amendment.

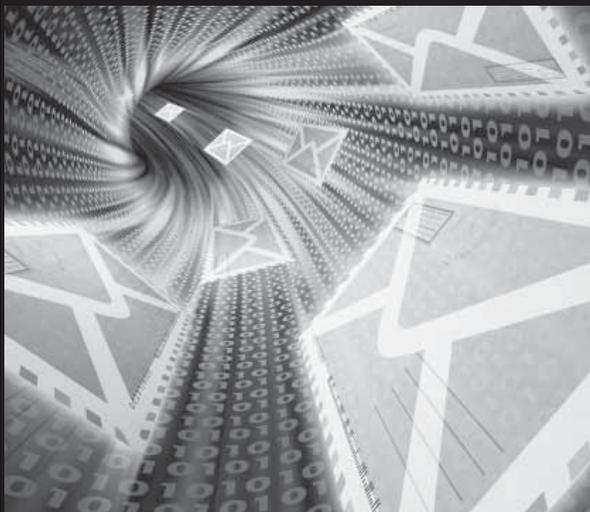
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5. *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 519 (2001) (Stevens, J., dissenting) (quoting 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.03[A] (2000 ed.)); *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984) (noting that copyright protections are intended to motivate creative minds to produce great works); *Kelly v. Arriva Soft Corp.*, 336 F.3d 811, 820 (9th Cir. 2003) (stating that the Copyright Act's purpose is to promote creativity, which will in turn benefit the artist and the public).
6. 17 U.S.C. § 102(a). Congress enacted the first Copyright Act in 1790, which merely granted protection of authors of maps, charts, and books for 14 years. 1 PATRY ON COPYRIGHT, § 1:19 (2008). The next Copyright Act was in 1909. *Id.*
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**Qing (Angie) Lin is a member of St. John's University School of Law Class of 2015. She earned a B.A. in Political Science from SUNY Binghamton University, and currently serves as the Articles Editor of the *Journal of Civil Rights and Economic Development*. Ms. Lin is also a member of St. John's University School of Law Moot Court Honor Society.**

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# Book Review: *Visual Arts and the Law: A Handbook for Professionals* (2013)

Reviewed by Irina Tarsis

“I want to do something splendid...  
I think I shall write books.”

— Louisa May Alcott

Historically, introducing art law to lawyers and artists, not to mention law and non-law students, was once a challenge. The majority of artists and lawyers were perplexed by the idea of “art law,” now an accepted practice area that touches upon private as well as public law, national and international art business and art making. A handful of attorneys have grappled with the task of composing textbooks to serve as suitable introduction to the discipline.<sup>1</sup>

The latest offering from the former chair of the EASL Section, Judith B. Prowda, who is a Senior Lecturer at Sotheby’s Institute of Art, teaching Art Law and Ethics. It is an excellent teaching tool to present information about artists’ rights and art market relationships in a clear and engaging tone. Her 2013 *Visual Arts and the Law: A Handbook for Professionals* (the Handbook) is a comprehensible, if not comprehensive, primer for the uninitiated. It is part of the Handbooks in International Art Business series. Like an art history work, the Handbook is peppered with the familiar names of Calder, Monet, Schiele, and Serra. Like a law textbook, it is devoid of art reproductions. The only visual decoration that the publisher allowed in this text are the three symbolic images on the cover—*Portrait of a Lawyer* (1866) by Paul Cezanne, *Tilted Arc* (1981)<sup>2</sup> by Richard Serra, and Egon Schiele’s *Portrait of Wally* (1912).<sup>3</sup> The lack of illustrations is regrettable because an art law textbook, unlike other legal publications, stands to benefit from having reproductions of the works that have shaped and given rise to the discipline. The images used for the cover merely scratch the surface of the wealth of imagery that imbues the art law discipline. Luckily, the attorney who authored this Handbook succeeded in penning a clear bird’s-eye view of the discipline.

In the Handbook, Prowda synthesizes information about the basics of copyright and focuses on issues affecting visual arts, such as moral rights, commissions, auctions, expert opinions and title disputes. Consequently, this publication is best suited for artists, students in art and business management, appraisers and gallery employees, as well as members of the general public who wish to learn about different aspects of the art market as it is affected by the law. The target audience probably excludes those training for legal practice and the active members of the legal bar who already represent artists and galleries as their clients.

As a self-imposed objective, Prowda wished to “give her reader some “context and insights into the most salient legal issues of the day affecting art.” Therefore she organized the materials in the order of what happens with visual artworks from creation to sale in the primary market and again in secondary market. The structure of each section offers historical foundation and recent manifestations of specific legal issues associated with appraisal, authentication, theft, and auctions.

The Handbook is divided into three sections: 1) Artists’ Rights; 2) Artists’ Relationships; and 3) Commercial Aspects of Art, with 12 chapters unevenly split between these topics. Contemplated as “a *tour d’horizon* of the complex questions raised in the field of art law,” Prowda acknowledges in her preface that she is covering the material through a U.S.-trained lawyer’s lens as well as looking at limited number of topics. She revisits many classic legal examples: what is the definition of art according to *Brancausi v. United States* (U.S. 1928),<sup>4</sup> and what is copyrightable per *Burrow-Giles Lithographic Co. v. Sarony* (U.S. 1884).<sup>5</sup> The narrative is easy to follow and it flows well from one example and concept to another. The Handbook tackles the big picture and glosses over nuances and gray areas that emerge in numerous related transactions and disputes.

The first section explores artists’ rights, namely the freedom of expression, including historical overview of obscenity law, the rights of privacy and publicity, and principles of copyright, including its duration, requirements, exclusive rights, infringements, defenses. She also spends some time discussing the fair use exception, with a brief mention of the recent Second Circuit fair use case *Cariou v. Prince*.<sup>6</sup> In this section, she spends considerable time exploring moral rights in Europe, the U.K. and the U.S., dating back to France in the 19th century and moving forward to the 1990 enactment of the Visual Artists Rights Act (VARA) in the United States, and subsequent case law. Prowda’s formula is to introduce a concept and explain its origins, past applications and the current state of applicability. Thus, readers who are interested in limited moral rights in the United States or the variety of fair use cases decided by courts in different jurisdictions would need to go beyond the distilled information offered in the Handbook to learn more about the VARA cases, such as *Mass MOCA v. Buchel*,<sup>7</sup> or the different circuits’ applications of the fair use exception to copyright infringement claims.

The second section of the Handbook is dedicated to the artists' relationships with dealers, collectors and art commissioners. Here, Prowda focuses on fiduciary duties owed to artists and their heirs, and she explains relevant sections of the New York Arts and Cultural Affairs Law that deals with consignment of art for sale. The rarity of written contracts and pitfalls of oral contracts are featured prominently in discussion of disputes related to Georgia O'Keeffe or the Estate of Jean-Michel Basquiat. The reader certainly would have benefited from being offered guidelines for working with attorneys and advisors, as well as grant-giving agencies, such as the New York Department for Cultural Affairs, which administers public commissions. This section is brief and concludes that, due to fact specific and unique relationships between each artist and his or her dealer or the art commissioner, each negotiation and partnership needs to be carefully reviewed and monitored throughout the relationship.

The third section moves away from the creative process to explore the commercial side of art disposition through the secondary market, collection development, art theft and issues of authenticity. It explores questions surrounding legal title and includes a discussion of good faith purchases of art works. Prowda underscores the importance of clear and corroborated provenance, duties of different parties involved in art transactions, obligations and rights of creditors, an array of warranties that may accompany change of ownership, and technical defenses to combining ownership of art with legal title.

In her treatment of auction houses, Prowda lists various services and duties auctions have to their clients and then she focuses on the seminal 1986 *Cristallina v. Christie's* decision, which "resulted in significant changes in auction laws and redefined auction practice in New York."<sup>8</sup> In that case, the auction house was accused of fraudulent misrepresentation in violation of its fiduciary duty to the consigner by failing to assess market conditions. The third section is also used as a vehicle to discuss the antitrust price-fixing scandal that embroiled both leading auction houses, Sotheby's and Christie's, in the early 1990s. Prowda briefly introduces the main players and the circumstances of the Sherman Antitrust Act violations.

Furthermore, this section explores briefly the subject of expert opinions as they pertain to art appraisal and authentication. In light of the recent legal actions brought against art experts, this exploration is of great importance to those engaged in creating catalogue raisonnés and labeling art as fakes or forgeries. Prowda explains the fiduciary duties owed by experts and risks and legal liabilities that may attach to actions of authenticators and appraisers. This section includes a discussion of the main legal cases involving opinions on art and its value, including but not limited to *Hahn v. Duveen*,<sup>9</sup> as well as *Ravenna v. Christie's*<sup>10</sup> and *Double Denied*.<sup>11</sup>

Finally, the Handbook tackles the temporally, geographically and emotionally-complicated questions re-

garding title problems related to stolen art, with emphasis on war plunder and Nazi-era looted art. Given the vast body of cases and alternative dispute resolution mechanisms dedicated to solving issues related to Nazi-era looted art, the treatment of this subject in the Handbook merely scratches the surface of the questions and outcomes related to art restitution claims. Prowda chooses to focus on three cases as main illustrations of related issues, specifically *U.S. v. Portrait of Wally*,<sup>12</sup> which was ultimately settled in 2010 for \$19 million, *Guggenheim Foundation v. Lubel*<sup>13</sup> and *Bakalar v. Vavra*.<sup>14</sup> However, other important trends affecting the art displaced during the Nazi-period are excluded. For example, the late 1990s and early 2000s case sequence involving American art museums proactively seeking to quiet title through declaratory judgments aimed at keeping possession of once-looted artworks is omitted entirely, as is the discussion of the numerous foreign advisory commissions that review restitution claims brought against public institutions by heirs in France, England, Germany, and Austria, among others.

The Handbook ends with an admission that in the 21st century, there are ongoing and profound changes in the production and consumption of art, and thus the legal system is continuously tested. The author admits that she wants her readers "to situate themselves within [law, art and commerce] discourse." She certainly succeeds in giving a long view on perennial important topics, even as case law and legislation continue offering new examples and challenges.

Art law is a growing and developing practice area, and by definition textbooks and handbooks tend to become outdated as soon as they are submitted to print because of the subsequent developments. This Handbook is no exception. While Prowda talks about Nazi-era looted art, as well as authentication issues such as the threat of litigation that affect authentication boards and commissions, there is understandably no reference to the Gurlitt art trove, which was made public in 2013, nor the infamous demise of the Knoedler Gallery in 2011 (formerly the oldest art gallery in the United States that was found out as selling forgeries). The first of almost a dozen claims for breach of warranty and negligent misrepresentation against the gallery, its owners and staff were filed as early as 2011; however, the reverberating effect of the downfall was not fully felt until much later.<sup>15</sup> Other materials missing from the Handbook include laws governing the antiquities trade, and questions dealing with importing/exporting art containing ivory and other problematic materials.

The Handbook would have been more authoritative and easy to use for the legal community if the references and citations were not relegated to endnotes at the end of the volume, but appeared at the bottom of the page as footnotes or at least following each chapter. Nevertheless, it intends to situate its readers within various art law related discourses, and accomplishes that task very well.

Prowda supplements her writing with a brief bibliography of influential art law practitioners,<sup>16</sup> and includes a basic glossary of legal terms. For non-lawyers, the glossary may need further explanation. It includes Latin phrases (e.g., *caveat emptor* and *lex loci*), substantive terms (e.g., subpoena and contract), relationships (e.g., fiduciary and agency), causes of action and rights. The concept of due diligence is explained here, but good faith purchase is not.

The subtitle “Handbook for Professionals” is a confusing description of the text contained within. Perhaps it is the formula imposed by the publisher; however, unlike the guide for collectors, investors, dealers and artists co-authored by Judith Bresler<sup>17</sup> and Ralph E. Lerner, a two-volume \$200+ opus akin to *Nimmer on Copyright*, or *Law, Ethics and the Visual Arts* volume by John Henry Merryman et al., Prowda’s book is a general introduction primer for newcomers. It is a carefully composed teaching tool that ushers its reader at a comfortable pace through a fascinating and varied legal history. Professionals would need to dig deeper into each subject; however, given the paucity of affordable basic textbooks for students learning about art law, this volume is an excellent option for any art law professor seeking to introduce countless areas for study and further exploration. Perhaps it should have been titled *A Handbook for Future Professionals*. It may be coupled with select case decisions and legislative material for an effective introduction to the genre.

Prowda’s Handbook is a tool designed to further adoption and acceptance of art law, and given its modest price in comparison with other art law publications, it is a worthy addition to any mentor or art law instructor’s reference library.

## Endnotes

1. In her acknowledgments, Prowda names many colleagues—art historians, litigators and transactional attorneys, economists and others—who helped with the editorial process. Their contributions attest not only to the quality of the material included in the volume but also to the generosity of spirit that Prowda exudes as a teacher and a mentor.
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15. *E.g., Lagrange et al v. Knoedler Gallery, LLC et al*, 1:2011cv08757 (S.D.N.Y. Dec. 1, 2011).
16. These include Leonard D. DuBoff, Patty Gerstenblith, John Henry Merryman, David Nimmer, Pierre Leval, Judith Bresler, Michael Bazzyler, Lawrence M. Kaye and Ronald D. Spencer.
17. Judith Bresler is also a former EASL Section Chair.

**Irina Tarsis, Esq., is the founder of Center for Art Law.**



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## Bupkis: Songwriting, Copyright, and *The Dick Van Dyke Show*

By David Krell

Sid Caesar, an undervalued comedy icon who, during television's embryonic stage, helped carve a path for comedians as the star of NBC's variety programs *Your*

*Show of Shows* from 1950-1954 and *Caesar's Hour* from 1954-1958, once said: "Comedy has to be based on truth. You take the truth and you put a little curlicue at the end."<sup>1</sup>

Caesar's writers' room boasted talented scribes who later shaped popular culture in the latter half of 20th century entertainment. Mel Brooks co-created *Get Smart* to capitalize on the James Bond craze of the 1960s, in addition to writing or co-writing, directing, and starring in films, including *High Anxiety*, *Young Frankenstein*, and *The Producers*. Woody Allen showcased neuroticism for laughter with the same writing-directing-starring triumvirate for several films based in New York City, such as *Annie Hall*, *Broadway Danny Rose*, *Stardust Memories*, and *Mighty Aphrodite*.

Mel Tolkin wrote several scripts during *All in the Family's* eight-year run on CBS from 1971 to 1979. Larry Gelbart had the Midas touch in comedy; he developed the television show *M\*A\*S\*H*, authored the often produced Broadway play *A Funny Thing Happened on the Way to the Forum*, and wrote the screenplays for the films *Tootsie* and *Oh, God!*

Neil Simon delivered Broadway hits like an assembly line churns out products, including *The Odd Couple*, *Chapter Two*, *Barefoot in the Park*, and *The Sunshine Boys*; all became films. Following the comedy-truth paradigm, Simon wrote the trilogy *Brighton Beach Memoirs*, *Biloxi Blues*, and *Broadway Bound* about growing up in Brooklyn. He also channeled his television writing experience in the play *Laughter on the 23rd Floor*.

Carl Reiner, too, followed the format of truth as a foundation for comedy. "You always have to write about what you know," Reiner explained. "So I just asked myself the question, On what piece of ground do I stand that no one else occupies?" Reiner's self-imposed question found its answer during a drive from Westchester County to Manhattan. It became the blueprint for *The Dick Van Dyke Show*, though not immediately.

"I can tell you exactly where I was the moment it came to me. I was on the East Side Highway, driving downtown, near Ninety-Sixth Street," Reiner said. "I knew that scene, living in New Rochelle, coming home at seven o'clock, talking about what happened at the office. And then going back to the office the next day and talking about what happened at home. That's what I knew about, so that's what I wrote about."<sup>2</sup>

Thus, the character of Robert Petrie was born. Like Reiner, Petrie had a wife and young son, worked as a writer for a bombastic television star, and lived in New Rochelle. During the summer of 1958 at his family's beachfront home on Fire Island, Reiner scripted 13 episodes for his new series, which he titled *Head of the Family*.<sup>3</sup> On July 19, 1960, CBS aired the pilot as part of the anthology series *The Comedy Spot*.

Reiner's agent, Harry Kalcheim of the William Morris Agency, brought *Head of the Family* to producer Sheldon Leonard, who convinced Reiner that he belonged behind the scenes. Kalcheim also floated the idea of replacing Reiner with Dick Van Dyke, a Broadway star described by legendary theatre critic Brooks Atkinson, in his review of *Bye Bye Birdie*, as "a likable comedian, who has India-rubber joints."<sup>4</sup> Consequently, *Head of the Family* became *The Dick Van Dyke Show*. It premiered on CBS on October 3, 1961.

*The Dick Van Dyke Show* revolved around Rob Petrie's work life and home life with the two worlds often intersecting. As the lead writer for *The Alan Brady Show*, Rob worked with Sally Rogers (Rose Marie) and Buddy Sorrell (Morey Amsterdam); Mel Cooley (Richard Deacon), Alan Brady's brother-in-law and the producer of *The Alan Brady Show*, often clashed with Buddy, who readily had a joke, usually about Mel's baldness. Occasionally, Reiner appeared as Alan Brady.

At home, Rob's life at 148 Bonnie Meadow Road—Reiner added a "1" to his real-life address of 48 Bonnie Meadow Road—consisted of his wife Laura (Mary Tyler Moore, in her first major role), his son Richie (Larry Mathews), and his neighbors, Jerry and Millie Helper (Jerry Paris and Ann Morgan Guilbert).

In the episode *Bupkis*, Rob hears a song on the radio; it's familiar because he wrote it when he was in the Army—it's called *Bupkis*, hence, the episode's title. "Bupkis" is a Yiddish word meaning "nothing," though the literal translation is somewhat vulgar.<sup>5</sup>

Rob calls the radio station, talks to the disc jockey, and discovers that *Bupkis* is credited to Buzzy Potter (Robert Ball), an Army buddy with whom Rob wrote songs when they were in the service together. Rob recalls for Buddy and Sally that Buzzy visited the office a couple of months ago, played some of their old songs, and named the entire Army company, except for the guy who played the drums. Buzzy claims he cannot place the name and neither can Rob, except for the drummer's nickname—Sticks.

After Buzzy fails at convincing Rob to quit *The Alan Brady Show* and resume their songwriting partnership, Rob verbally agrees to give Buzzy the rights to the songs they wrote together. After hearing the song, Rob and Laura deduce that Buzzy may have deceived Rob by hiding plans for *Bupkis* already in place before their meeting. Rob then writes a congratulatory letter to Buzzy with the goal of getting a response that will show Buzzy's character, or lack thereof. Instead, Rob gets a letter from Buzzy's lawyer asking for a written agreement transferring rights concerning *Bupkis* and the other songs to Buzzy.

When Rob goes to Buzzy's office to confront him, he encounters the drummer—Sticks Mandalay. Apparently, Sticks also has a dispute with Buzzy, the same one that Rob has. In their Army days, Sticks wrote the music for a song called *Nothing*. Sticks and Rob conclude that Buzzy claimed he wrote the music, then prompted Rob to write the lyrics. In the episode's "tag" scene, before the credits, Rob joyfully enters the Petrie home bearing a copy of the record with the names Petrie and Mandalay and a royalty check for the grand total of \$9.84.

There is no copyright in government works. Presumably, Rob wrote *Bupkis* as part of his duties in the Special Services, a division assigned to entertain troops; Rob's Army service is mentioned in several episodes. Logically, Sticks also served in the Special Services. As members of the Army, Rob and Sticks were federal government employees creating works as their jobs required.

### Endnotes

1. Lisa Respers France, "The Words and Comedy of Sid Caesar," CNN (Feb. 12, 2014), available at <http://www.cnn.com/2014/02/12/showbiz/celebrity-news-gossip/sid-caesar-comedy/>.
2. Vince Waldron, *The Official Dick Van Dyke Show Book: The Definitive History and Ultimate Viewer's Guide to Television's Most Enduring Comedy*, 21 (Hyperion 1994).
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4. Brooks Atkinson, Theatre: "Bye Bye Birdie," *The New York Times*, April 15, 1960.
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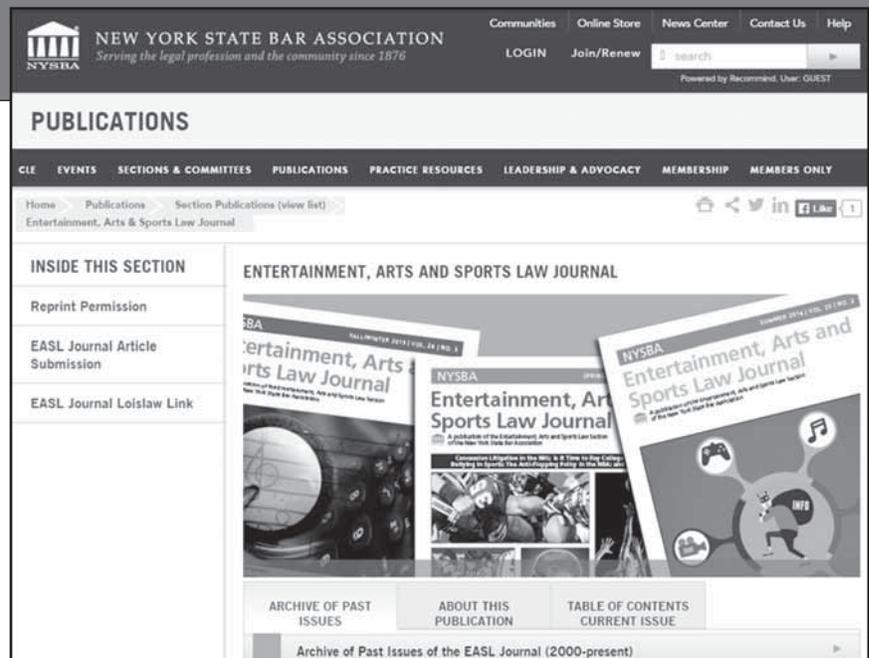
**David Krell is the author of the book *Our Bums: The Brooklyn Dodgers in History, Memory and Popular Culture*. He is also the co-editor of the NYSBA book *In the Arena*. David is a member of the bar in New York, New Jersey, and Pennsylvania.**

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## Alternative Dispute Resolution

Jason Aylesworth  
Sendroff & Baruch, LLP  
1500 Broadway, Ste. 2201  
New York, NY 10036  
jaylesworth@sendroffbaruch.com

Judith B. Prowda  
Sotheby's Institute of Art  
570 Lexington Avenue  
New York, NY 10022  
judith.prowda@gmail.com

## Copyright and Trademark

John Britton Payne  
20 Clinton 6D  
New York, NY 10002  
payne.britton@gmail.com

Jay Kogan  
DC Entertainment  
2900 West Alameda Avenue  
Burbank, CA 91505  
jay.kogan@dcentertainment.com

## Digital Media

Andrew Howard Seiden  
Curtis, Mallet-Prevost, Colt & Mosle LLP  
101 Park Avenue, Ste. 3500  
New York, NY 10178-0061  
aseiden@curtis.com

Jason Aylesworth  
Sendroff & Baruch, LLP  
1500 Broadway, Ste. 2201  
New York, NY 10036  
jaylesworth@sendroffbaruch.com

## Diversity

Richard David Boyd  
84-35 Lander Street  
Briarwood, NY 11435  
rich.boyd@gmail.com

Cheryl L. Davis  
Menaker & Herrmann LLP  
10 East 40th Street, 43rd Fl.  
New York, NY 10016  
cdavis@mhjur.com

Anne S. Atkinson  
Pryor Cashman LLP  
7 Times Square  
New York, NY 10036-6569  
aatkinson@pryorcashman.com

## International

Brian D. Wynn  
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40 King Street, West, Ste. 3100  
Toronto, ON M5H 3Y2  
CANADA  
bwynn@gardiner-roberts.com

Eric Jon Stenshoel  
Curtis, Mallet-Prevost, Colt & Mosle LLP  
101 Park Avenue  
New York, NY 10178-0061  
estenshoel@curtis.com

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Sendroff & Baruch, LLP  
1500 Broadway, Ste. 2201  
New York, NY 10036  
jaylesworth@sendroffbaruch.com

## Membership

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605 E. 38th Street  
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rob@robthonylaw.com

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jdollinger@dgglawoffices.com

## Pro Bono Steering

Kathy Kim  
101 Productions, Ltd.  
260 West 44th St, Ste 600  
New York, NY 10036  
KathyK@productions101.com

Elissa D. Hecker  
Law Office of Elissa D. Hecker  
64 Butterwood Lane East  
Irvington, NY 10533  
eheckeresq@eheckeresq.com

Irina Tarsis  
1115 Prospect Avenue  
Brooklyn, NY 11218-1152  
tarsis@gmail.com

Carol J. Steinberg  
Law Firm of Carol J. Steinberg  
74 E. 7th St., Ste. F3  
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elizabethcjs@gmail.com

## Ethics

Pery D. Krinsky  
Krinsky, PLLC  
160 Broadway, Ste. 603  
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pkrinsky@krinskypllc.com

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Kathryne Elisabeth Badura  
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Lisa Marie Willis  
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Paul V. LiCalsi  
Robins Kaplan LLP  
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New York, NY 10022  
pvlialsi@rkmc.com

Stanley Pierre-Louis  
Viacom Inc.  
Intellectual Property & Content Protect.  
1515 Broadway  
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stanley.pierre-louis@viacom.com

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Ethan Y. Bordman  
Ethan Y. Bordman, PLLC  
244 Godwin Avenue  
Ridgewood, NJ 07450  
ethan@ethanbordman.com

Mary Ann Zimmer  
Law Office of Mary Ann Zimmer  
401 East 74th Street  
New York, NY 10021  
mazimmer74@aol.com

#### **Music and Recording Industry**

Christine A. Pepe  
American Society of Composers,  
Authors and Publishers  
One Lincoln Plaza, 6th Fl.  
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Supreme Ct of the State of New York  
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bjaffe@nycourts.gov

Judith A. Bresler  
Withers Bergman LLP  
430 Park Avenue, 9th Fl.  
New York, NY 10022  
JudithABresler@gmail.com

Richard A. Garza  
Broadcast Music, Inc. (BMI)  
250 Greenwich Street  
7 World Trade Center  
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rgarza@bmi.com

#### **Publications**

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#### **Television and Radio**

Pamela Cathlyn Jones  
Law Offices of Pamela Jones  
P.O. Box 222  
Fairfield, CT 06824  
pamelajonesesq@aol.com

Barry Skidelsky  
185 East 85th Street  
New York, NY 10028  
bskidelsky@mindspring.com

#### **Theatre and Performing Arts**

Jason P. Baruch  
Sendroff & Baruch, LLP  
1500 Broadway, Ste. 2201  
New York, NY 10036-4052  
jbaruch@sendroffbaruch.com

Diane F. Krausz  
D. Krausz & Associates, Attorneys at  
Law  
33 West 19th St., 4th Fl.  
New York, NY 10011  
DKrausz@dianekrausz.com

#### **Young Entertainment Lawyers**

Ezgi Kaya  
110 Horatio Street  
New York, NY 10014  
ezgivkaya@gmail.com

Ethan Y. Bordman  
Ethan Y. Bordman, PLLC  
244 Godwin Avenue  
Ridgewood, NJ 07450  
ethan@ethanbordman.com

Jennifer N. Graham  
114 Troutman Street  
Brooklyn, NY 11206  
jengraham@gmail.com

#### **Sports**

Kathleen J. Wu  
Andrews Kurth LLP  
1717 Main Street, Ste. 3700  
Dallas, TX 75201  
kwu@akllp.com

Jessica D. Thaler  
410 Benedict Ave.  
Tarrytown, NY 10591  
jthaleresq@gmail.com

Karen M. Lent  
Skadden, Arps, Slate, Meagher  
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4 Times Square, Room 34322  
New York, NY 10036-6518  
karen.lent@skadden.com

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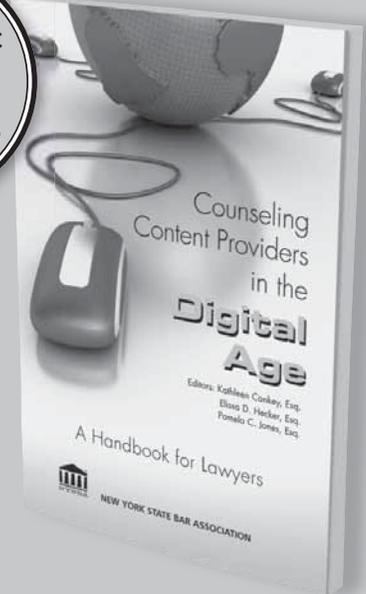
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ISSN 1090-8730 (print) ISSN 1933-8546 (online)

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Elissa D. Hecker  
Law Office of Elissa D. Hecker  
eheckeresq@eheckeresq.com

### Citation Editors

Marissa Crespo (mcrespo924@gmail.com)  
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srodner@pryorcashman.com

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Attorneys At Law  
33 West 19th St., 4th Floor  
New York, NY 10011  
DKrausz@dianekrausz.com

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Sendroff & Baruch, LLP  
1500 Broadway, Suite 2201  
New York, NY 10036-4052  
jbaruch@sendroffbaruch.com

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Pryor Cashman LLP  
7 Times Square  
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aatkinson@pryorcashman.com

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2900 West Alameda Avenue  
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